

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 June 30, 2020

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 August 4, 2020 was 45,579,483.

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Part I. Financial Information

Item 1. Financial Statements (Unaudited)

PRA Group, Inc.
Consolidated Balance Sheets
June 30, 2020 and December 31, 2019
(Amounts in thousands)

	(unaudited)	
	June 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	\$ 115,741	\$ 119,774
Investments	18,746	56,176
Finance receivables, net	3,351,532	3,514,165
Other receivables, net	15,532	10,606
Income taxes receivable	23,166	17,918
Deferred tax asset, net	64,548	63,225
Property and equipment, net	59,285	56,501
Right-of-use assets	58,213	68,972
Goodwill	444,507	480,794
Intangible assets, net	3,666	4,497
Other assets	42,888	31,263
Total assets	\$ 4,197,824	\$ 4,423,891
Liabilities and Equity		
Liabilities:		
Accounts payable	\$ 4,667	\$ 4,258
Accrued expenses	72,871	88,925
Income taxes payable	31,226	4,046
Deferred tax liability, net	59,860	85,390
Lease liabilities	62,706	73,377
Interest-bearing deposits	120,520	106,246
Borrowings	2,580,068	2,808,425
Other liabilities	71,044	26,211
Total liabilities	3,002,962	3,196,878
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, 45,579 shares issued and outstanding at June 30, 2020; 100,000 shares authorized, 45,416 shares issued and outstanding at December 31, 2019	456	454
Additional paid-in capital	70,065	67,321
Retained earnings	1,439,680	1,362,631
Accumulated other comprehensive loss	(347,212)	(261,018)
Total stockholders' equity - PRA Group, Inc.	1,162,989	1,169,388
Noncontrolling interest	31,873	57,625
Total equity	1,194,862	1,227,013
Total liabilities and equity	\$ 4,197,824	\$ 4,423,891

The accompanying notes are an integral part of these consolidated financial statements.

PRA Group, Inc.
Consolidated Income Statements
For the three and six months ended June 30, 2020 and 2019
(unaudited)
(Amounts in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues:				
Portfolio income	\$ 248,284	\$ —	\$ 510,306	\$ —
Changes in expected recoveries	19,801	—	6,985	—
Income recognized on finance receivables	—	249,219	—	488,055
Fee income	2,639	2,707	4,848	9,081
Other revenue	1,186	131	1,555	798
Total revenues	271,910	252,057	523,694	497,934
Net allowance charges	—	(1,196)	—	(7,291)
Operating expenses:				
Compensation and employee services	70,472	79,808	145,643	159,453
Legal collection fees	13,742	14,297	28,314	27,356
Legal collection costs	19,507	33,121	53,954	68,350
Agency fees	10,343	13,013	23,719	27,045
Outside fees and services	18,683	16,293	38,077	31,541
Communication	8,812	10,824	22,323	24,025
Rent and occupancy	4,471	4,491	8,955	8,854
Depreciation and amortization	4,109	4,723	8,193	9,295
Other operating expenses	10,491	10,926	22,696	22,511
Total operating expenses	160,630	187,496	351,874	378,430
Income from operations	111,280	63,365	171,820	112,213
Other income and (expense):				
Interest expense, net	(35,416)	(36,027)	(72,627)	(70,008)
Foreign exchange gain/(loss)	683	(311)	2,966	5,953
Other	(1,582)	248	(1,658)	(104)
Income before income taxes	74,965	27,275	100,501	48,054
Income tax expense	14,137	5,075	17,237	8,942
Net income	60,828	22,200	83,264	39,112
Adjustment for net income attributable to noncontrolling interests	2,914	3,581	6,215	5,266
Net income attributable to PRA Group, Inc.	\$ 57,914	\$ 18,619	\$ 77,049	\$ 33,846
Net income per common share attributable to PRA Group, Inc.:				
Basic	\$ 1.27	\$ 0.41	\$ 1.69	\$ 0.75
Diluted	\$ 1.26	\$ 0.41	\$ 1.68	\$ 0.74
Weighted average number of shares outstanding:				
Basic	45,548	45,387	45,500	45,363
Diluted	45,987	45,495	45,886	45,457

The accompanying notes are an integral part of these consolidated financial statements.

PRA Group, Inc.
Consolidated Statements of Comprehensive Income/(Loss)
For the three and six months ended June 30, 2020 and 2019
(unaudited)
(Amounts in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income	\$ 60,828	\$ 22,200	\$ 83,264	\$ 39,112
Other comprehensive income/(loss), net of tax:				
Currency translation adjustments	28,923	4,740	(79,153)	3,567
Cash flow hedges	(3,753)	(8,002)	(24,321)	(13,717)
Debt securities available-for-sale	51	37	221	82
Other comprehensive income/(loss)	25,221	(3,225)	(103,253)	(10,068)
Total comprehensive income/(loss)	86,049	18,975	(19,989)	29,044
Less comprehensive (loss)/ income attributable to noncontrolling interests	(270)	3,959	(10,844)	5,213
Comprehensive income/(loss) attributable to PRA Group, Inc.	\$ 86,319	\$ 15,016	\$ (9,145)	\$ 23,831

The accompanying notes are an integral part of these consolidated financial statements.

PRA Group, Inc.
Consolidated Statements of Changes in Equity
For the six months ended June 30, 2020
(unaudited)
(Amounts in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Noncontrolling Interest	Total Equity
	Shares	Amount					
Balance at December 31, 2019	45,416	\$ 454	\$ 67,321	\$ 1,362,631	\$ (261,018)	\$ 57,625	\$ 1,227,013
Components of comprehensive income, net of tax:							
Net income	—	—	—	19,135	—	3,301	22,436
Currency translation adjustments	—	—	—	—	(94,201)	(13,875)	(108,076)
Cash flow hedges	—	—	—	—	(20,568)	—	(20,568)
Debt securities available-for-sale	—	—	—	—	170	—	170
Vesting of restricted stock	124	1	—	—	—	—	1
Share-based compensation expense	—	—	2,857	—	—	—	2,857
Employee stock relinquished for payment of taxes	—	—	(3,157)	—	—	—	(3,157)
Balance at March 31, 2020	45,540	\$ 455	\$ 67,021	\$ 1,381,766	\$ (375,617)	\$ 47,051	\$ 1,120,676
Components of comprehensive income, net of tax:							
Net income	—	—	—	57,914	—	2,914	60,828
Currency translation adjustments	—	—	—	—	32,107	(3,184)	28,923
Cash flow hedges	—	—	—	—	(3,753)	—	(3,753)
Debt securities available-for-sale	—	—	—	—	51	—	51
Distributions to noncontrolling interest	—	—	—	—	—	(14,908)	(14,908)
Vesting of restricted stock	39	1	(1)	—	—	—	—
Share-based compensation expense	—	—	3,063	—	—	—	3,063
Employee stock relinquished for payment of taxes	—	—	(18)	—	—	—	(18)
Balance at June 30, 2020	45,579	\$ 456	\$ 70,065	\$ 1,439,680	\$ (347,212)	\$ 31,873	\$ 1,194,862

PRA Group, Inc.
Consolidated Statements of Changes in Equity
For the six months ended June 30, 2019
(unaudited)
(Amounts in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Noncontrolling Interest	Total Equity
	Shares	Amount					
Balance at December 31, 2018	45,304	\$ 453	\$ 60,303	\$ 1,276,473	\$ (242,109)	\$ 28,849	\$ 1,123,969
Components of comprehensive income, net of tax:							
Net income	—	—	—	15,227	—	1,685	16,912
Currency translation adjustments	—	—	—	—	(742)	(431)	(1,173)
Cash flow hedges	—	—	—	—	(5,715)	—	(5,715)
Debt securities available-for-sale	—	—	—	—	45	—	45
Distributions to noncontrolling interest	—	—	—	—	—	(6,877)	(6,877)
Contributions from noncontrolling interest	—	—	—	—	—	89	89
Vesting of restricted stock	80	1	(1)	—	—	—	—
Share-based compensation expense	—	—	2,314	—	—	—	2,314
Employee stock relinquished for payment of taxes	—	—	(1,437)	—	—	—	(1,437)
Other	—	—	(2,088)	—	—	—	(2,088)
Balance at March 31, 2019	45,384	\$ 454	\$ 59,091	\$ 1,291,700	\$ (248,521)	\$ 23,315	\$ 1,126,039
Components of comprehensive income, net of tax:							
Net income	—	—	—	18,619	—	3,581	22,200
Currency translation adjustments	—	—	—	—	4,362	378	4,740
Cash flow hedges	—	—	—	—	(8,002)	—	(8,002)
Debt securities available-for-sale	—	—	—	—	37	—	37
Contributions from noncontrolling interest	—	—	—	—	—	3,229	3,229
Vesting of restricted stock	25	—	—	—	—	—	—
Share-based compensation expense	—	—	2,620	—	—	—	2,620
Employee stock relinquished for payment of taxes	—	—	(6)	—	—	—	(6)
Balance at June 30, 2019	45,409	\$ 454	\$ 61,705	\$ 1,310,319	\$ (252,124)	\$ 30,503	\$ 1,150,857

The accompanying notes are an integral part of these consolidated financial statements.

PRA Group, Inc.
Consolidated Statements of Cash Flows
For the six months ended June 30, 2020 and 2019
(unaudited)
(Amounts in thousands)

	Six Months Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Net income	\$ 83,264	\$ 39,112
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation expense	5,920	4,934
Depreciation and amortization	8,193	9,295
Amortization of debt discount and issuance costs	11,846	11,403
Changes in expected recoveries	(6,985)	—
Deferred income taxes	(21,361)	(25,287)
Net unrealized foreign currency transactions	33,320	(7,437)
Fair value in earnings for equity securities	1,412	(1,448)
Net allowance charges	—	7,291
Other	(256)	—
Changes in operating assets and liabilities:		
Other assets	256	1,863
Other receivables, net	(4,733)	2,978
Accounts payable	507	(2,956)
Income taxes payable, net	22,527	(8,766)
Accrued expenses	(13,336)	(1,979)
Other liabilities	1,821	1,799
Right of use asset/lease liability	105	—
Other, net	—	146
Net cash provided by operating activities	122,500	30,948
Cash flows from investing activities:		
Net, purchases of property and equipment	(10,597)	(5,646)
Purchases of finance receivables	(436,097)	(549,377)
Recoveries applied to negative allowance	501,583	—
Collections applied to principal on finance receivables	—	443,390
Purchase of investments	(8,317)	(82,648)
Proceeds from sales and maturities of investments	41,505	43,011
Business acquisition, net of cash acquired	—	(57,610)
Proceeds from sale of subsidiaries, net	—	31,177
Net cash provided by/(used in) investing activities	88,077	(177,703)
Cash flows from financing activities:		
Proceeds from lines of credit	395,152	769,021
Principal payments on lines of credit	(568,912)	(324,103)
Principal payments on notes payable and long-term debt	(5,000)	(308,165)
Payments of origination cost and fees	(9,781)	—
Tax withholdings related to share-based payments	(3,176)	(1,443)
Distributions paid to noncontrolling interest	(14,908)	(6,877)
Purchase of noncontrolling interest	—	(1,166)
Net increase in interest-bearing deposits	13,675	28,429
Other financing activities	—	1,141
Net cash (used in)/provided by financing activities	(192,950)	156,837
Effect of exchange rate on cash	(16,503)	(3,281)
Net increase in cash and cash equivalents	1,124	6,801
Cash and cash equivalents, beginning of period	123,807	98,695
Cash and cash equivalents, end of period	\$ 124,931	\$ 105,496
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 60,618	\$ 54,973
Cash paid for income taxes	16,796	42,172
Cash, cash equivalents and restricted cash reconciliation:		
Cash and cash equivalents per Consolidated Balance Sheets	\$ 115,741	\$ 105,496
Restricted cash included in Other assets per Consolidated Balance Sheets	9,190	—
Total cash, cash equivalents and restricted cash	\$ 124,931	\$ 105,496

1. Organization and Business:

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.").

On March 11, 2020, due to the global outbreak of the novel coronavirus ("COVID-19"), the World Health Organization declared a global pandemic. Since the initial outbreak was reported, COVID-19 has continued to adversely impact all countries in which the Company operates. As a result, the Company continues to operate in business continuity mode globally. The Company's business continuity plans have allowed the Company to operate its business while minimizing disruption and complying with country-specific, federal, state and local laws, regulations and governmental actions related to the pandemic.

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 June 30, 2020, its Consolidated Income Statements, and its Consolidated Statements of Comprehensive Income/(Loss) for the three and six months ended June 30, 2020 and 2019, and its Consolidated Statements of Changes in Equity and Consolidated Statements of Cash Flows for the six months ended June 30, 2020 and 2019, have been included. The Consolidated Income Statements of the Company for the three and six months ended June 30, 2020 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, 2019 (the "2019 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 whether changes in the facts and circumstances regarding the Company's involvement with an entity cause the Company's consolidation conclusion to change.

Restricted cash: Cash that is subject to legal restrictions or is unavailable for general operating purposes is classified as restricted cash.

Segments: Under the guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") ASC Topic 280 "Segment Reporting" ("ASC 280"), the Company has determined that it has several operating segments that meet the aggregation criteria of 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.

PRA Group, Inc.
Notes to Consolidated Financial Statements

The following table shows the amount of revenue generated for the three and six months ended June 30, 2020 and 2019, and long-lived assets held at June 30, 2020 and 2019, 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		As of and for the	
	Three Months Ended June 30, 2020		Three Months Ended June 30, 2019	
	Revenues	Long-Lived Assets	Revenues	Long-Lived Assets
United States	\$ 192,293	\$ 105,996	\$ 167,923	\$ 110,323
United Kingdom	28,041	2,755	28,292	3,917
Other ⁽¹⁾	51,576	8,747	55,842	10,061
Total	\$ 271,910	\$ 117,498	\$ 252,057	\$ 124,301

	As of and for the		As of and for the	
	Six Months Ended June 30, 2020		Six Months Ended June 30, 2019	
	Revenues	Long-Lived Assets	Revenues	Long-Lived Assets
United States	\$ 345,628	\$ 105,996	\$ 335,499	\$ 110,323
United Kingdom	64,381	2,755	58,048	3,917
Other ⁽¹⁾	113,685	8,747	104,387	10,061
Total	\$ 523,694	\$ 117,498	\$ 497,934	\$ 124,301

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

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 nonperforming loan acquisitions and collection activities, fee-based services and investments. For additional information on the Company's investments, see Note 4. It is impracticable for the Company to report further breakdowns of revenues from external customers by product or service.

Beginning January 1, 2020, the Company implemented Accounting Standards Update ("ASU") ASU 2016-13, "Financial Instruments - Credit Losses" ("Topic 326") ("ASU 2016-13") and ASU 2019-11, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses" ("ASU 2019-11"), collectively referred to as "ASC 326", on a prospective basis. Prior to January 1, 2020, the vast majority of the Company's investment in finance receivables were accounted for under ASC 310-30 "Loans and Debt Securities Acquired with Deteriorated Credit Quality" ("ASC 310-30"). Refer to Note 2.

Finance receivables and income recognition: The Company accounts for its investment in finance receivables at amortized cost under the guidance of ASC Topic 310 "Receivables" ("ASC 310") and ASC Topic 326-20 "Financial Instruments - Credit Losses - Measured at Amortized Cost" ("ASC 326-20"). ASC 326-20 requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected.

Credit quality information: The Company acquires portfolios of accounts that have experienced deterioration of credit quality between origination and the Company's acquisition of the accounts. The amount paid for a portfolio reflects the Company's determination that it is probable the Company will be unable to collect all amounts due according to an account's contractual terms. The Company accounts for the portfolios in accordance with the guidance for purchased credit deteriorated ("PCD") assets. The initial allowance for credit losses is added to the purchase price rather than recorded as a credit loss expense. The Company has established a policy to writeoff the amortized cost of individual assets when it deems probable that it will not collect on an individual asset. Due to the deteriorated credit quality of the individual accounts, the Company may writeoff the unpaid principal balance of all accounts in a portfolio at the time of acquisition. However, when the Company has an expectation of collecting cash flows at the portfolio level, a negative allowance is established for expected recoveries at an amount not to exceed the amount paid for the financial portfolios.

Portfolio segments: The Company develops systematic methodologies to determine its allowance for credit losses at the portfolio segment level. The Company's nonperforming loan portfolio segments consist of two broad categories: Core and Insolvency. The Company's Core portfolios contain loan accounts that are in default, which were purchased at a substantial discount to face value because either the credit grantor and/or other third-party collection agencies have been unsuccessful in collecting the full balance owed. The Company's Insolvency portfolios contain loan accounts that are in default where the customer is involved in a bankruptcy or insolvency proceeding and were purchased at a substantial discount to face value. Each of the two broad portfolio segments of purchased nonperforming loan portfolios consist of large numbers of homogeneous receivables with similar risk characteristics.

Effective interest rate and accounting pools: Within each portfolio segment, the Company pools accounts with similar risk characteristics that are acquired in the same year. Similar risk characteristics generally include portfolio segment and geographic region. The initial effective interest rate of the pool is established based on the purchase price and expected recoveries of each individual purchase at the purchase date. During the year of acquisition, the annual pool is aggregated, and the blended effective interest rate will change to reflect new acquisitions and new cash flow estimates until the end of the year. The effective interest rate for a pool is fixed for the remaining life of the pool once the year has ended.

Methodology: The Company develops its estimates of expected recoveries in the Consolidated Balance Sheets by applying discounted cash flow methodologies to its estimated remaining collections ("ERC") and recognizes income over the estimated life of the pool at the constant effective interest rate of the pool. Subsequent changes (favorable and unfavorable) in expected cash flows are recognized within changes in expected recoveries in the Consolidated Income Statements by adjusting the present value of increases or decreases in ERC at a constant effective interest rate. Amounts included in the estimate of recoveries do not exceed the aggregate amount of the amortized cost basis previously written off or expected to be written off.

The measurement of expected recoveries is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Factors that may contribute to the changes in estimated cash flows include both external and internal factors. External factors that may have an impact on the collectability, and subsequently on the overall profitability of acquired pools of nonperforming loans, would include new laws or regulations relating to collections, new interpretations of existing laws or regulations, and the overall condition of the economy. Internal factors that may have an impact on the collectability, and subsequently the overall profitability of acquired pools of nonperforming loans, would include necessary revisions to initial and post-acquisition scoring and modeling estimates, operational activities, expected impact of operational strategies and changes in productivity related to turnover and tenure of the Company's collection staff.

Portfolio income: The recognition of income on expected recoveries is based on the constant effective interest rate established for a pool.

Changes in expected recoveries: The activity consists of differences between actual recoveries compared to expected recoveries for the reporting period, as well as the net present value of increases or decreases in ERC at the constant effective interest rate.

Agreements to acquire the aforementioned receivables include general representations and warranties from the sellers covering matters such as account holder death or insolvency and accounts settled or disputed prior to sale. The representation and warranty period permitting the return of these accounts from the Company to the seller is typically 90 to 180 days, with certain international agreements extending as long as 24 months. Any funds received from the seller as a return of purchase price are referred to as buybacks. Buyback funds are included in changes in expected recoveries when received.

Fees paid to third parties other than the seller related to the direct acquisition of a portfolio of accounts are expensed when incurred.

Goodwill and intangible assets: Goodwill, in accordance with ASC Topic 350, "Intangibles-Goodwill and Other" ("ASC 350"), is not amortized but rather is reviewed for impairment annually or more frequently if indicators of potential impairment exist. On January 1, 2020, the Company adopted ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). The Company performs its annual assessment of goodwill as of October 1. The Company may first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If management concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, an impairment loss is recognized. The loss will be recorded at the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the respective reporting unit.

2. Change in Accounting Principle:

Financial Instruments - Credit Losses

In June 2016, FASB issued ASU 2016-13, which introduced a new methodology requiring the measurement of expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. ASU 2016-13 utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity debt securities and other receivables measured at amortized cost. The

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new methodology requires an entity to present on the balance sheet the net amount expected to be collected. This methodology replaces the multiple impairment methods under prior GAAP, including for purchased credit impaired ("PCI") assets, and introduces the concept of PCD assets. The Company's PCI assets previously accounted for under ASC 310-30 are now accounted for as PCD assets upon adoption. ASU 2016-13 requires PCD assets to be recognized at their purchase price plus the allowance for credit losses expected at the time of acquisition. ASU 2016-13 also requires that financial assets should be written off when they are deemed uncollectible.

In November 2019, FASB issued ASU 2019-11, which amended the PCD asset guidance in ASU 2016-13 to clarify that expected recoveries of amounts previously written off and expected to be written off should be included in the valuation account. Additionally, they should not exceed the aggregate of amounts previously written off and expected to be written off by an entity. Further, ASU 2019-11 clarifies that a negative allowance is recognized when an entity determines, after a full or partial writeoff of the amortized cost basis, that it will recover all or a portion of the basis.

The Company adopted ASC 326 on January 1, 2020 on a prospective basis. In accordance with the guidance, substantially all the Company's PCI assets were transitioned using the PCD guidance, with immediate writeoff of the amortized cost basis of individual accounts and establishment of a negative allowance for expected recoveries equal to the amortized cost basis written off. Accounts previously accounted for under ASC 310-30, were aggregated into annual pools based on similar risk characteristics and an effective interest rate was established based on the estimated remaining cash flows of the annual pool. The immediate writeoff and subsequent recognition of expected recoveries had no impact on the Company's Consolidated Income Statements or the Consolidated Balance Sheets at the date of adoption. The Company develops its estimate of expected recoveries by applying discounted cash flow methodologies to its ERC and recognizes income over the estimated life of the pool at the constant effective interest rate of the pool. Changes (favorable and unfavorable) in expected cash flows are recognized in current period earnings by adjusting the present value of the changes in expected recoveries.

Following the transition guidance for PCD assets, the Company grossed up the amortized cost of its net finance receivables at January 1, 2020 as shown below (amounts in thousands):

Amortized cost	\$	3,514,165
Allowance for credit losses		125,757,689
Noncredit discount		3,240,131
Face value	\$	132,511,985
<hr/>		
Allowance for credit losses	\$	125,757,689
Writeoffs, net		(125,757,689)
Expected recoveries		3,514,165
Initial negative allowance for expected recoveries	\$	3,514,165

3. Finance Receivables, net:

Finance Receivables, net after the adoption of ASC 326 (refer to Note 2)

Finance receivables, net consists of the following at June 30, 2020 (amounts in thousands):

Amortized cost	\$	—
Negative allowance for expected recoveries ⁽¹⁾		3,351,532
Balance at end of period	\$	3,351,532

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

Three Months Ended June 30, 2020

Changes in the negative allowance for expected recoveries by portfolio segment for the three months ended June 30, 2020 were as follows (amounts in thousands):

	For the three months ended June 30, 2020		
	Core	Insolvency	Total
Balance at beginning of period	\$ 2,949,384	\$ 458,690	\$ 3,408,074
Initial negative allowance for expected recoveries - portfolio acquisitions ⁽¹⁾	144,721	19,778	164,499
Foreign currency translation adjustment	24,215	(130)	24,085
Recoveries applied to negative allowance ⁽²⁾	(231,435)	(33,492)	(264,927)
Changes in expected recoveries ⁽³⁾	21,251	(1,450)	19,801
Balance at end of period	<u>\$ 2,908,136</u>	<u>\$ 443,396</u>	<u>\$ 3,351,532</u>

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

Portfolio acquisitions for the three months ended June 30, 2020 were as follows (amounts in thousands):

	For the three months ended June 30, 2020		
	Core	Insolvency	Total
Face value	\$ 1,288,243	\$ 96,964	\$ 1,385,207
Noncredit discount	(160,409)	(7,979)	(168,388)
Allowance for credit losses at acquisition	(983,113)	(69,207)	(1,052,320)
Purchase price	<u>\$ 144,721</u>	<u>\$ 19,778</u>	<u>\$ 164,499</u>

The initial negative allowance recorded on portfolio acquisitions for the three months ended June 30, 2020 were as follows (amounts in thousands):

	For the three months ended June 30, 2020		
	Core	Insolvency	Total
Allowance for credit losses at acquisition	\$ (983,113)	\$ (69,207)	\$ (1,052,320)
Writeoffs, net	983,113	69,207	1,052,320
Expected recoveries	144,721	19,778	164,499
Initial negative allowance for expected recoveries	<u>\$ 144,721</u>	<u>\$ 19,778</u>	<u>\$ 164,499</u>

(2) Recoveries applied to negative allowance

Recoveries applied to the negative allowance were computed as follows for the three months ended June 30, 2020 (amounts in thousands):

	For the three months ended June 30, 2020		
	Core	Insolvency	Total
Recoveries ^(a)	\$ 461,238	\$ 51,973	\$ 513,211
Less - amounts reclassified to portfolio income ^(b)	229,803	18,481	248,284
Recoveries applied to negative allowance	<u>\$ 231,435</u>	<u>\$ 33,492</u>	<u>\$ 264,927</u>

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

(b) The Company reported income on expected recoveries based on the constant effective interest rate in portfolio income on the Company's Consolidated Income Statements.

(3) Changes in expected recoveries

Changes in expected recoveries consists of the following for the three months ended June 30, 2020 (amounts in thousands):

	For the three months ended June 30, 2020		
	Core	Insolvency	Total
Changes in expected future recoveries	\$ (97,910)	\$ (1,788)	\$ (99,698)
Recoveries received in excess of forecast	119,161	338	119,499
Changes in expected recoveries	<u>\$ 21,251</u>	<u>\$ (1,450)</u>	<u>\$ 19,801</u>

Six Months Ended June 30, 2020

Changes in the negative allowance for expected recoveries by portfolio segment for the six months ended June 30, 2020 were as follows (amounts in thousands):

	For the six months ended June 30, 2020		
	Core	Insolvency	Total
Balance at beginning of period	\$ 3,051,426	\$ 462,739	\$ 3,514,165
Initial negative allowance for expected recoveries - portfolio acquisitions ⁽¹⁾	378,408	59,328	437,736
Foreign currency translation adjustment	(95,999)	(9,772)	(105,771)
Recoveries applied to negative allowance ⁽²⁾	(430,473)	(71,110)	(501,583)
Changes in expected recoveries ⁽³⁾	4,774	2,211	6,985
Balance at end of period	<u>\$ 2,908,136</u>	<u>\$ 443,396</u>	<u>\$ 3,351,532</u>

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

Portfolio acquisitions for the six months ended June 30, 2020 were as follows (amounts in thousands):

	For the six months ended June 30, 2020		
	Core	Insolvency	Total
Face value	\$ 3,179,386	\$ 274,418	\$ 3,453,804
Noncredit discount	(373,699)	(21,011)	(394,710)
Allowance for credit losses at acquisition	(2,427,279)	(194,079)	(2,621,358)
Purchase price	<u>\$ 378,408</u>	<u>\$ 59,328</u>	<u>\$ 437,736</u>

The initial negative allowance recorded on portfolio acquisitions for the six months ended was as follows June 30, 2020 (amounts in thousands):

	For the six months ended June 30, 2020		
	Core	Insolvency	Total
Allowance for credit losses at acquisition	\$ (2,427,279)	\$ (194,079)	\$ (2,621,358)
Writeoffs, net	2,427,279	194,079	2,621,358
Expected recoveries	378,408	59,328	437,736
Initial negative allowance for expected recoveries	<u>\$ 378,408</u>	<u>\$ 59,328</u>	<u>\$ 437,736</u>

(2) Recoveries applied to negative allowance

Recoveries applied to the negative allowance were computed as follows for the six months ended June 30, 2020 (amounts in thousands):

	For the six months ended June 30, 2020		
	Core	Insolvency	Total
Recoveries ^(a)	\$ 901,932	\$ 109,957	\$ 1,011,889
Less - amounts reclassified to portfolio income ^(b)	471,459	38,847	510,306
Recoveries applied to negative allowance	\$ 430,473	\$ 71,110	\$ 501,583

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

(b) The Company reported income on expected recoveries based on the constant effective interest rate in portfolio income on the Company's Consolidated Income Statements.

(3) Changes in expected recoveries

Changes in expected recoveries consists of the following for the six months ended June 30, 2020 (amounts in thousands):

	For the six months ended June 30, 2020		
	Core	Insolvency	Total
Changes in expected future recoveries	\$ (118,434)	\$ (1,890)	\$ (120,324)
Recoveries received in excess of forecast	123,208	4,101	127,309
Changes in expected recoveries	\$ 4,774	\$ 2,211	\$ 6,985

In order to evaluate the impact of the COVID-19 pandemic on expectations of future cash collections, the Company considered historical performance, current economic forecasts regarding the duration of the impact to short-term and long-term growth in the various geographies in which the Company operates, and evolving information regarding its effect on economic activity and consumer habits as reopening initiatives occur. The Company also considered current collection activity in its determination to adjust the estimated timing of near term ERC for certain pools. Based on these considerations, the Company's estimates incorporate changes in the timing of expected cash collections over the next 6 to 18 months.

For the three months ended June 30, 2020, changes in expected recoveries increased \$19.8 million. This reflects \$119.5 million in recoveries received during the quarter in excess of forecast, partially offset by a \$99.7 million decrease to the present value of expected future recoveries. The majority of the decrease reflects the Company's assumption that the overperformance was acceleration in cash collections rather than an increase to total expected collections. Additionally, the Company made forecast adjustments deemed appropriate given the current environment in which the Company operates.

For the six months ended June 30, 2020, changes in expected recoveries increased \$7.0 million. This reflects \$127.3 million in recoveries in excess of forecast, which was largely due to significant cash collections overperformance during the most recent quarter. This was mostly offset by a \$120.3 million decrease in the present value of expected future recoveries. The majority of the decrease reflects the Company's assumption that the current quarter overperformance was primarily due to acceleration in the timing of cash collections rather than an increase to total expected collections. Additionally, the Company made forecast adjustments in both quarters deemed appropriate given the current environment in which the Company operates.

Changes in the Company's assumptions regarding the duration and impact of COVID-19 to cash collections could change significantly as conditions evolve.

Finance Receivables, net prior to adoption of ASC 326

The following information reflects finance receivables, net as previously disclosed in the Company's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2019 which was under previous revenue recognition accounting standard ASC 310-30.

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Notes to Consolidated Financial Statements

Changes in finance receivables, net for the three and six months ended June 30, 2019 were as follows (amounts in thousands):

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Balance at beginning of period	\$ 3,177,229	\$ 3,084,777
Acquisitions of finance receivables ⁽¹⁾	284,448	597,894
Foreign currency translation adjustment	(8,477)	(1,041)
Cash collections	(470,274)	(931,445)
Income recognized on finance receivables	249,219	488,055
Net allowance charges	(1,196)	(7,291)
Balance at end of period	<u>\$ 3,230,949</u>	<u>\$ 3,230,949</u>

(1) Includes portfolio purchases adjusted for buybacks and acquisition related costs, and portfolios from the acquisition of a business in Canada made during the first quarter of 2019.

During the three months ended June 30, 2019, the Company acquired finance receivable portfolios with a face value of \$1.8 billion for \$289.2 million. During the six months ended June 30, 2019, the Company acquired finance receivables portfolios with a face value of \$6.6 billion for \$608.0 million. At June 30, 2019, the ERC on the receivables acquired during the three and six months ended June 30, 2019 were \$513.0 million and \$1.02 billion, respectively.

At the time of acquisition and each quarter thereafter, the life of each quarterly accounting pool was estimated based on projected amounts and timing of future cash collections using the proprietary models of the Company. Based upon projections, cash collections expected to be applied to principal were estimated to be as follows for the twelve-month periods ending June 30, (amounts in thousands):

2020	\$	845,437
2021		694,169
2023		531,004
2024		393,087
2025		281,166
2026		173,283
2027		101,570
2028		77,943
2029		51,868
2030		35,070
Thereafter		46,352
Total ERC expected to be applied to principal	<u>\$</u>	<u>3,230,949</u>

At June 30, 2019, the Company had aggregate net finance receivables balances in pools accounted for under the cost recovery method of \$39.4 million.

Accretable yield represented the amount of income on finance receivables the Company expected to recognize over the remaining life of its existing portfolios based on estimated future cash flows as of the balance sheet date. Additions represented the original expected accretable yield on portfolios acquired during the period. Net reclassifications from nonaccretable difference to accretable yield primarily resulted from the increase in the Company's estimate of future cash flows. When applicable, net reclassifications to nonaccretable difference from accretable yield resulted from the decrease in the Company's estimates of future cash flows and allowance charges that together exceeded the increase in the Company's estimate of future cash flows.

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Notes to Consolidated Financial Statements

Changes in accretable yield for the three and six months ended June 30, 2019 were as follows (amounts in thousands):

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Balance at beginning of period	\$ 3,080,168	\$ 3,058,445
Income recognized on finance receivables	(249,219)	(488,055)
Net allowance charges	1,196	7,291
Additions from portfolio acquisitions	228,796	464,610
Reclassifications from nonaccretable difference	112,901	132,062
Foreign currency translation adjustment	(829)	(1,340)
Balance at end of period	<u>\$ 3,173,013</u>	<u>\$ 3,173,013</u>

The following is a summary of activity within the Company's valuation allowance account, all of which relates to acquired finance receivables, for the three and six months ended June 30, 2019 (amounts in thousands):

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Beginning balance	\$ 263,324	\$ 257,148
Allowance charges	5,532	13,509
Reversal of previously recorded allowance charges	(4,336)	(6,218)
Net allowance charges	1,196	7,291
Foreign currency translation adjustment	71	152
Ending balance	<u>\$ 264,591</u>	<u>\$ 264,591</u>

4. Investments:

Investments consisted of the following at June 30, 2020 and December 31, 2019 (amounts in thousands):

	June 30, 2020	December 31, 2019
Debt securities		
Available-for-sale	\$ 4,767	\$ 5,052
Equity securities		
Private equity funds	5,588	7,218
Mutual funds	743	33,677
Equity method investments	7,648	10,229
Total investments	<u>\$ 18,746</u>	<u>\$ 56,176</u>

Debt Securities

Available-for-sale

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

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The amortized cost and estimated fair value of investments in debt securities at June 30, 2020 and December 31, 2019 were as follows (amounts in thousands):

	June 30, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
Available-for-sale				
Government bonds	\$ 4,589	\$ 178	\$ —	\$ 4,767

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
Available-for-sale				
Government bonds	\$ 5,095	\$ —	\$ 43	\$ 5,052

Equity Securities

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

Mutual funds: The Company invests certain excess 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 this investment 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 contribution made and distributions received.

5. Goodwill and Intangible Assets, net:

In connection with the Company's business acquisitions, the Company acquired certain tangible and intangible assets. Intangible assets resulting from these acquisitions include client and customer relationships, non-compete agreements, trademarks and technology. 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, 2019 and concluded that no goodwill impairment was necessary. The Company performed its quarterly assessment by evaluating whether any triggering events had occurred as of June 30, 2020, which included considering current market conditions resulting from the global COVID-19 pandemic. The Company concluded that no triggering event had occurred at June 30, 2020 and will continue to monitor the market for any adverse conditions resulting from the COVID-19 pandemic.

The following table represents the changes in goodwill for the three and six months ended June 30, 2020 and 2019 (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Goodwill:				
Balance at beginning of period	\$ 418,565	\$ 480,518	\$ 480,794	\$ 464,116
Changes:				
Acquisition ⁽¹⁾	—	4,711	—	18,364
Foreign currency translation adjustment	25,942	4,064	(36,287)	6,813
Net change in goodwill	25,942	8,775	(36,287)	25,177
Balance at end of period	\$ 444,507	\$ 489,293	\$ 444,507	\$ 489,293

(1) The \$4.7 million and \$18.4 million additions to goodwill during the three and six months ended June 30, 2019 respectively, were related to the acquisition of a business in Canada.

6. Leases:

The Company's operating lease portfolio primarily includes corporate offices and call centers. The majority of its leases have remaining lease terms of 1 year to 20 years, some of which include options to extend the leases for 5 years, and others include options to terminate the leases within 1 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 has lease agreements with lease and non-lease components, which are generally accounted for separately. 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 and six months ended June 30, 2020 and 2019, were as follows (amounts in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Operating lease expense	\$ 2,974	\$ 3,067	\$ 6,037	\$ 5,930
Short-term lease expense	676	720	1,369	1,562
Total lease expense	\$ 3,650	\$ 3,787	\$ 7,406	\$ 7,492

Supplemental cash flow information and non-cash activity related to leases for the six months ended June 30, 2020 and 2019 were as follows (amounts in thousands):

	Six months ended June 30,	
	2020	2019
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 6,014	\$ 5,671
ROU assets obtained in exchange for operating lease obligations	(5,999)	80,543

Lease term and discount rate information related to operating leases were as follows as of the dates indicated:

	June 30,	
	2020	2019
Weighted-average remaining lease term (years)	9.5	11.0
Weighted-average discount rate	4.82 %	4.96 %

Maturities of lease liabilities at June 30, 2020 are as follows for the following periods (amounts in thousands):

	Operating Leases
For the six months ending December 31, 2020	\$ 5,860
For the year ending December 31, 2021	11,338
For the year ending December 31, 2022	9,320
For the year ending December 31, 2023	7,141
For the year ending December 31, 2024	6,336
Thereafter	38,919
Total lease payments	\$ 78,914
Less imputed interest	16,208
Total	\$ 62,706

7. Borrowings:

The Company's borrowings consisted of the following as of the dates indicated (amounts in thousands):

	June 30, 2020	December 31, 2019
Americas revolving credit	\$ 558,103	\$ 772,037
Europe revolving credit	999,971	1,017,465
Term loan	420,000	425,000
Convertible senior notes	632,500	632,500
	<u>2,610,574</u>	<u>2,847,002</u>
Less: Debt discount and issuance costs	(30,506)	(38,577)
Total	\$ 2,580,068	\$ 2,808,425

The following principal payments are due on the Company's borrowings as of June 30, 2020 for the 12-month periods ending June 30, (amounts in thousands):

2021	\$ 298,468
2022	966,715
2023	1,345,391
Total	\$ 2,610,574

The Company determined that it was in compliance with the covenants of its financing arrangements as of June 30, 2020.

North American Revolving Credit and Term Loan

On May 5, 2017, the Company amended and restated its existing credit agreement (as amended, and modified from time to time, the "North American 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. On May 6, 2020, the Company entered into the Second Amendment to the North American Credit Agreement.

The total credit facility under the North American Credit Agreement includes an aggregate principal amount of \$1,538.0 million (subject to compliance with a borrowing base and applicable debt covenants), which consists of (i) a fully-funded \$420.0 million term loan, (ii) a \$1,068.0 million domestic revolving credit facility, and (iii) a \$50.0 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 lender) and also provides for up to \$25.0 million of letters of credit and a \$25.0 million swingline loan sublimit 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 or the Eurodollar rate (as defined in the North American Credit Agreement), for the applicable term plus 2.50% per annum in the case of the Eurodollar rate loans and 1.50% in the case of the base rate loans (unless the ERC Advance Rate Increase Period event, as defined in the North American Credit Agreement, triggers an additional 55 basis points that would be added to the margin). The base rate is the highest of (a) the Federal Funds Rate (as defined in the North American Credit Agreement) plus 0.50%, (b) Bank of America's prime rate, or (c) the one-month Eurodollar rate plus 1.00%. Canadian Prime Rate Loans bear interest at a rate per annum equal to the Canadian Prime Rate plus 1.50% (unless the ERC Advance Rate Increase Period event, as defined in the North American Credit Agreement, triggers an additional 55 basis points that would be added to the margin). The revolving loans within the credit facility are subject to a 1% floor. The revolving credit facilities also bear an unused line fee of 0.375% per annum, payable quarterly in arrears. The loans under the North American Credit Agreement mature May 5, 2022. As of June 30, 2020, the unused portion of the North American Credit Agreement was \$562.3 million. Considering borrowing base restrictions, as of June 30, 2020, the amount available to be drawn was \$313.6 million.

The North American Credit Agreement is 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:

- borrowings under each of the domestic revolving loan facility and the Canadian revolving loan facility are subject to borrowing base calculations and may not exceed 35% of the ERC through July 30, 2020 on all domestic or Canadian, as applicable, Core eligible pools. On July 31, 2020, the ERC borrowing base limit will increase to 40% until January 31, 2021. If the ERC advance rate drops back to 35% or below during this period, the ERC borrowing base will return to 35%.

- provided no ERC increase has occurred, after January 31, 2021, borrowings under each of the domestic revolving loan facility and the Canadian revolving loan facility are subject to separate borrowing base calculations and may not exceed 55% of the ERC of all domestic or Canadian, as applicable, insolvency eligible asset pools, plus 75% of domestic or Canadian, as applicable, eligible accounts receivable;
- the consolidated total leverage ratio cannot exceed 2.75 to 1.0 as of the end of June 30, 2020. After June 30, 2020 through December 31, 2020 the limit will increase to 3.25 to 1.0. Ending after December 31, 2020, the limit will decrease to 3.0 until maturity;
- the consolidated senior secured leverage ratio cannot exceed 2.75 to 1.0 as of the end of any fiscal quarter until March 31, 2021. On March 31, 2021, the senior secured leverage ratio will decrease to 2.25 to 1.0 until maturity;
- subject to no default or event of default, cash dividends and distributions during any fiscal year cannot exceed \$20.0 million;
- subject to no default or event of default, stock repurchases during any fiscal year cannot exceed \$100.0 million plus 50% of the prior year's consolidated net income;
- permitted acquisitions during any fiscal year cannot exceed \$250.0 million (with a \$50.0 million per year sublimit for permitted acquisitions by non-loan parties);
- indebtedness in the form of senior, unsecured convertible notes or other unsecured financings cannot exceed \$750.0 million in the aggregate (without respect to the 2020 Notes);
- the Company must maintain positive consolidated income from operations during any fiscal quarter; and
- restrictions on changes in control.

European Revolving Credit Facility and Term Loan

On October 23, 2014, European subsidiaries of the Company ("PRA Europe") entered into a credit agreement with DNB Bank ASA for a Multicurrency Revolving Credit Facility (such agreement as later amended or modified, the "European Credit Agreement"). In the first quarter of 2020, the Company entered into the Sixth Amendment and Restatement Agreement to its European Credit Agreement which, among other things, increased the total commitments by \$200.0 million, extended the majority of the facility by 2 years and includes an accordion feature of no less than \$50.0 million not to exceed \$500.0 million, to allow for future increases.

Under the terms of the European Credit Agreement, the credit facility includes an aggregate amount of \$1,300.0 million (subject to the borrowing base), accrues interest at the Interbank Offered Rate ("IBOR") plus 2.70% - 3.80% (as determined by the estimated remaining collections ratio ("ERC Ratio") as defined in the European Credit Agreement), bears an unused line fee, currently 1.23% 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 June 30, 2020, the unused portion of the European Credit Agreement (including the overdraft facility) was \$340.0 million. Considering borrowing base restrictions and other covenants, as of June 30, 2020, the amount available to be drawn under the European Credit Agreement (including the overdraft facility) was \$97.4 million.

The European Credit Agreement is 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.

Colombian Revolving Credit Facility

PRA Group Colombia Holding SAS, a subsidiary of the Company in Colombia, has a credit agreement that provides for borrowings in an aggregate amount of approximately \$5.4 million. As of June 30, 2020, the outstanding balance under the credit agreement was \$2.4 million, with a weighted average interest rate of 7.13%. The outstanding balance accrues interest at the Indicador Bancario de Referencia rate ("IBR") plus a weighted average spread of 2.74%, is payable quarterly in arrears, amortizes quarterly, and matures on October 17, 2022 (per the credit agreement, maturity represents three years from the last draw). This credit facility is fully collateralized using time deposits with the lender that are subject to certain limitations regarding withdrawal and usage and are included within other assets on the Company's Consolidated Balance Sheets. As of June 30, 2020, the unused portion of the Colombia Credit Agreement was approximately \$3.0 million.

Convertible Senior Notes due 2020

On August 13, 2013, the Company completed the private offering of \$287.5 million in aggregate principal amount of its 3.00% Convertible Senior Notes due August 1, 2020 (the "2020 Notes"). The 2020 Notes were issued pursuant to an Indenture, dated August 13, 2013 (the "2013 Indenture"), between the Company and Regions Bank, as successor trustee. The 2013 Indenture contains customary terms and covenants, including certain events of default after which the 2020 Notes may be due and payable immediately. The 2020 Notes are senior unsecured obligations of the Company. Interest on the 2020 Notes is payable semi-annually, in arrears, on February 1 and August 1 of each year. Prior to February 1, 2020, the 2020 Notes were convertible only upon the occurrence of specified events. As of June 30, 2020 the 2020 Notes are convertible at any time.

The conversion rate for the 2020 Notes is initially 15.2172 shares per \$1,000 principal amount of 2020 Notes, which is equivalent to an initial conversion price of approximately \$65.72 per share of the Company's common stock, and is subject to adjustment in certain circumstances pursuant to the 2013 Indenture. Upon conversion, holders of the 2020 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's intent is to settle conversions through combination settlement (i.e., the 2020 Notes would be converted into cash up to the aggregate principal amount, 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 remainder). As a result and in accordance with authoritative guidance related to derivatives and hedging and earnings per share, only the conversion spread is included in the diluted earnings per share calculation, if dilutive. Under such method, the settlement of the conversion spread has a dilutive effect when the average share price of the Company's common stock during any quarter exceeds \$65.72.

The Company determined that the fair value of the 2020 Notes at the date of issuance was approximately \$255.3 million, and designated the residual value of approximately \$32.2 million as the equity component. Additionally, the Company allocated approximately \$7.3 million of the \$8.2 million 2020 Notes issuance cost as debt issuance cost and the remaining \$0.9 million as equity issuance cost.

The 2020 Notes matured on August 1, 2020. For more information refer to Note 15.

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" and, together with the 2020 Notes, the "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. Prior to March 1, 2023, the 2023 Notes will be convertible only upon the occurrence of specified events. On or after March 1, 2023, the 2023 Notes will be convertible at any time. The Company has the right, at its election, to redeem all or any part of the outstanding 2023 Notes at any time on or after June 1, 2021 for cash, but only if the last reported sale price (as defined in the 2017 Indenture) 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. As of June 30, 2020, the Company does not believe that any of the conditions allowing holders of the 2023 Notes to convert their notes have occurred.

The conversion rate for the 2023 Notes is initially 21.6275 shares per \$1,000 principal amount of 2023 Notes, 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's intent is to settle conversions through combination settlement (i.e., the 2023 Notes would be converted into cash up to the aggregate principal amount, 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 remainder). As a result and in accordance with authoritative guidance related to derivatives and hedging and earnings per share, only the conversion spread is included in the diluted earnings per share calculation, if dilutive. Under such method, the settlement of the conversion spread has a dilutive effect when the average share price of the Company's common stock during any quarter exceeds \$46.24.

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 2023 Notes issuance cost as debt issuance cost and the remaining \$1.3 million as equity issuance cost.

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The balances of the liability and equity components of the Notes outstanding were as follows as of the dates indicated (amounts in thousands):

	June 30, 2020	December 31, 2019
Liability component - principal amount	\$ 632,500	\$ 632,500
Unamortized debt discount	(24,950)	(31,414)
Liability component - net carrying amount	\$ 607,550	\$ 601,086
Equity component	\$ 76,216	\$ 76,216

The debt discount is being amortized into interest expense over the remaining life of the 2020 Notes and the 2023 Notes using the effective interest rate, which is 4.92% and 6.20%, respectively.

Interest expense related to the Notes was as follows for the periods indicated (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Interest expense - stated coupon rate	\$ 5,175	\$ 5,175	\$ 10,350	\$ 10,350
Interest expense - amortization of debt discount	3,247	3,071	6,464	6,113
Total interest expense - convertible senior notes	\$ 8,422	\$ 8,246	\$ 16,814	\$ 16,463

8. 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 Consolidated Balance Sheets, in accordance with the guidance of ASC Topic 815 "Derivatives and Hedging" ("ASC 815").

The following table summarizes the fair value of derivative instruments in the Company's Consolidated Balance Sheets as of the dates indicated (amounts in thousands):

	June 30, 2020		December 31, 2019	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate contracts	Other assets	\$ —	Other assets	\$ 323
Interest rate contracts	Other liabilities	48,279	Other liabilities	17,807
Derivatives not designated as hedging instruments:				
Foreign currency contracts	Other assets	1,804	Other assets	552
Foreign currency contracts	Other liabilities	17,858	Other liabilities	5,856

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 June 30, 2020 and December 31, 2019, the notional amount of interest rate contracts designated as cash flow hedging instruments was \$910.8 million and \$959.0 million, respectively. Derivatives designated as cash flow hedging instruments were evaluated and remain highly effective at June 30, 2020 and have initial terms of one to six years. The Company estimates that approximately \$9.9 million of net derivative loss included in OCI will be reclassified into earnings within the next 12 months.

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The following table summarizes the effects of derivatives designated as cash flow hedging instruments on the consolidated financial statements for the three and six months ended June 30, 2020 and 2019 (amounts in thousands):

Derivatives designated as cash flow hedging instruments	Gain or (loss) recognized in OCI, net of tax			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Interest rate contracts	\$ (5,515)	\$ (8,121)	\$ (26,865)	\$ (13,915)

Location of gain or (loss) reclassified from OCI into income	Gain or (loss) reclassified from OCI into income			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Interest expense, net	\$ (2,301)	\$ (119)	\$ (3,313)	\$ (198)

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 June 30, 2020 and December 31, 2019, the notional amount of foreign currency contracts that are not designated as hedging instruments was \$455.6 million and \$469.9 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 and six months ended June 30, 2020 and 2019 (amounts in thousands):

Derivatives not designated as hedging instruments	Location of gain or (loss) recognized in income	Amount of gain or (loss) recognized in income	
		Three Months Ended June 30,	
		2020	2019
Foreign currency contracts	Foreign exchange gain/(loss)	\$ (1,629)	\$ (2,415)
Foreign currency contracts	Interest expense, net	(812)	(1,487)
Interest rate contracts	Interest expense, net	—	(158)

Derivatives not designated as hedging instruments	Location of gain or (loss) recognized in income	Amount of gain or (loss) recognized in income	
		Six Months Ended June 30,	
		2020	2019
Foreign currency contracts	Foreign exchange gain/(loss)	\$ 25,157	\$ (7,671)
Foreign currency contracts	Interest expense, net	(1,813)	(1,487)
Interest rate contracts	Interest expense, net	—	(507)

9. Fair Value:

As defined by ASC Topic 820, "Fair Value Measurements 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.

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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.

The carrying amounts in the table are recorded in the Consolidated Balance Sheets at June 30, 2020 and December 31, 2019 (amounts in thousands):

	June 30, 2020		December 31, 2019	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	\$ 115,741	\$ 115,741	\$ 119,774	\$ 119,774
Finance receivables, net	3,351,532	3,426,048	3,514,165	3,645,610
Financial liabilities:				
Interest-bearing deposits	120,520	120,520	106,246	106,246
Revolving lines of credit	1,558,074	1,558,074	1,789,502	1,789,502
Term loan	420,000	420,000	425,000	425,000
Convertible senior notes	607,550	642,499	601,086	648,968

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 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.

Convertible senior notes: The fair value estimates for the 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. Furthermore, in the table above, carrying amount represents the portion of the Notes classified as debt, while estimated fair value pertains to the face amount of the Notes.

Financial Instruments Required To Be Carried At Fair Value

The carrying amounts in the following table are measured at fair value on a recurring basis in the accompanying Consolidated Balance Sheets at June 30, 2020 and December 31, 2019 (amounts in thousands):

	Fair Value Measurements as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale investments				
Government bonds	\$ 4,767	\$ —	\$ —	\$ 4,767
Fair value through net income				
Mutual funds	743	—	—	743
Derivative contracts (recorded in other assets)	—	1,804	—	1,804
Liabilities:				
Derivative contracts (recorded in other liabilities)	—	66,137	—	66,137
	Fair Value Measurements as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale investments				
Government bonds	\$ 5,052	\$ —	\$ —	\$ 5,052
Fair value through net income				
Mutual funds	33,677	—	—	33,677
Derivative contracts (recorded in other assets)	—	875	—	875
Liabilities:				
Derivative contracts (recorded in other liabilities)	—	23,663	—	23,663

Available-for-sale investments

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

Fair value through net income investments

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

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 Net Asset Value ("NAV") practical expedient was \$5.6 million and \$7.2 million as of June 30, 2020 and December 31, 2019, respectively.

10. Accumulated Other Comprehensive Loss:

The following table provides details about the reclassifications out of accumulated other comprehensive gain/(loss) for the three and six months ended June 30, 2020 and 2019 (amounts in thousands):

Gains and losses on cash flow hedges	Three Months Ended June 30,		Affected line in the consolidated income statement
	2020	2019	
Interest rate swaps	\$ (2,301)	\$ (119)	Interest expense, net
Income tax effect of item above	539	—	Income tax expense
Total losses on cash flow hedges	\$ (1,762)	\$ (119)	Net of tax

Gains and losses on cash flow hedges	Six Months Ended June 30,		Affected line in the consolidated income statement
	2020	2019	
Interest rate swaps	\$ (3,313)	\$ (198)	Interest expense, net
Income tax effect of item above	769	—	Income tax expense
Total losses on cash flow hedges	\$ (2,544)	\$ (198)	Net of tax

The following table represents the changes in accumulated other comprehensive gain/(loss) by component, after tax, for the three and six months ended June 30, 2020 and 2019 (amounts in thousands):

	Three Months Ended June 30, 2020			
	Debt Securities Available-for-sale	Cash Flow Hedges	Currency Translation Adjustments	Accumulated Other Comprehensive Loss ⁽¹⁾
Ending balance at March 31, 2020	\$ 126	\$ (33,656)	\$ (342,087)	\$ (375,617)
Other comprehensive loss before reclassifications	51	(5,515)	32,107	26,643
Reclassifications, net	—	1,762	—	1,762
Net current period other comprehensive loss	51	(3,753)	32,107	28,405
Ending balance at June 30, 2020	\$ 177	\$ (37,409)	\$ (309,980)	\$ (347,212)

	Three Months Ended June 30, 2019			
	Debt Securities Available-for-sale	Cash Flow Hedges	Currency Translation Adjustments	Accumulated Other Comprehensive Loss ⁽¹⁾
Ending balance at March 31, 2019	\$ (38)	\$ (5,671)	\$ (242,812)	\$ (248,521)
Other comprehensive loss before reclassifications	37	(8,121)	4,362	(3,722)
Reclassifications, net	—	119	—	119
Net current period other comprehensive loss	37	(8,002)	4,362	(3,603)
Ending balance at June 30, 2019	\$ (1)	\$ (13,673)	\$ (238,450)	\$ (252,124)

(1) For the three months ended June 30, 2020 and 2019, net of deferred taxes for unrealized losses from cash flow hedges were \$0.7 million and \$2.8 million, respectively.

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	Six Months Ended June 30, 2020			
	Debt Securities Available-for-sale	Cash Flow Hedges	Currency Translation Adjustments	Accumulated Other Comprehensive Loss ⁽²⁾
Ending balance at December 31, 2019	\$ (44)	\$ (13,088)	\$ (247,886)	\$ (261,018)
Other comprehensive loss before reclassifications	221	(26,865)	(62,094)	(88,738)
Reclassifications, net	—	2,544	—	2,544
Net current period other comprehensive loss	221	(24,321)	(62,094)	(86,194)
Ending balance at June 30, 2020	<u>\$ 177</u>	<u>\$ (37,409)</u>	<u>\$ (309,980)</u>	<u>\$ (347,212)</u>

	Six Months Ended June 30, 2019			
	Debt Securities Available-for-sale	Cash Flow Hedges	Currency Translation Adjustments	Accumulated Other Comprehensive Loss ⁽²⁾
Ending balance December 31, 2018	\$ (83)	\$ 44	\$ (242,070)	\$ (242,109)
Other comprehensive loss before reclassifications	82	(13,915)	3,620	(10,213)
Reclassifications, net	—	198	—	198
Net current period other comprehensive loss	82	(13,717)	3,620	(10,015)
Ending balance June 30, 2019	<u>\$ (1)</u>	<u>\$ (13,673)</u>	<u>\$ (238,450)</u>	<u>\$ (252,124)</u>

(2) For the six months ended June 30, 2020 and 2019, net of deferred taxes for unrealized losses from cash flow hedges were \$10.7 million and \$4.5 million, respectively.

11. Earnings per Share:

Basic earnings per share ("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 Notes and nonvested share awards, if dilutive. There has been no dilutive effect of the convertible senior notes since issuance through June 30, 2020. 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.

The following table provides a reconciliation between the computation of basic EPS and diluted EPS for the three and six months ended June 30, 2020 and 2019 (amounts in thousands, except per share amounts):

	For the Three Months Ended June 30,					
	2020			2019		
	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	\$ 57,914	45,548	\$ 1.27	\$ 18,619	45,387	\$ 0.41
Dilutive effect of nonvested share awards		439	(0.01)		108	—
Diluted EPS	<u>\$ 57,914</u>	<u>45,987</u>	<u>\$ 1.26</u>	<u>\$ 18,619</u>	<u>45,495</u>	<u>\$ 0.41</u>

	For the Six Months Ended June 30,					
	2020			2019		
	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	\$ 77,049	45,500	\$ 1.69	\$ 33,846	45,363	\$ 0.75
Dilutive effect of nonvested share awards		386	(0.01)		94	(0.01)
Diluted EPS	<u>\$ 77,049</u>	<u>45,886</u>	<u>\$ 1.68</u>	<u>\$ 33,846</u>	<u>45,457</u>	<u>\$ 0.74</u>

There were no antidilutive options outstanding for the three and six months ended June 30, 2020 and 2019.

12. Income Taxes:

The Company follows the guidance of 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.

On May 10, 2017, the Company reached a settlement with the Internal Revenue Service ("IRS") regarding the IRS assertion that tax revenue recognition using the cost recovery method did not clearly reflect taxable income. In accordance with the settlement, the Company changed its tax accounting method used to recognize finance receivables revenue effective with tax year 2017. Under the new method, a portion of the annual collections amortizes principal and the remaining portion is taxable income. The deferred tax liability related to the difference in timing between the new method and the cost recovery method has been incorporated evenly into the Company's tax filings over four years effective with tax year 2017 and ending with tax year 2020. The Company was not required to pay any interest or penalties in connection with the settlement.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was enacted into U.S. law in response to COVID-19 with varying legislation enacted in many of the countries in which the Company operates. While the Company is continuing to evaluate impact, the Company has implemented the tax payment and filing deferral provisions as applicable on a global basis and does not believe that any of the other provisions will have a material impact to its financial reporting. As tax legislative updates continue to be released, they will be monitored by the Company.

At June 30, 2020, 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 \$96.7 million and \$109.7 million as of June 30, 2020 and December 31, 2019, respectively.

13. Commitments and Contingencies:

Employment Agreements:

The Company has entered into employment agreements, most of which expire on December 31, 2020, with all of its U.S. executive officers and with several members of its U.S. senior management group. Such agreements provide for base salary payments as well as potential discretionary bonuses that take into consideration the Company's overall performance against its short and long-term financial and strategic objectives. At June 30, 2020, estimated future compensation under these agreements was approximately \$4.0 million. The agreements also contain confidentiality and non-compete provisions. Outside the U.S., employment agreements are in place with employees pursuant to local country regulations. Generally, these agreements do not have expiration dates and therefore 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 \$4.0 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 June 30, 2020, was approximately \$383.7 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 June 30, 2020, 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. At June 30, 2020 and December 31, 2019, the Company had \$1.8 million and \$1.0 million in recoveries receivable under the Company's insurance policies or third-party indemnities, respectively. These amounts are included in other receivables, net in the Consolidated Balance Sheets.

The matter below, in addition to the matters disclosed previously in the 2019 Form 10-K, fall outside of the normal parameters of the Company's routine legal proceedings.

Telephone Consumer Protection Act ("TCPA") Litigation

On January 25, 2017, the Company settled the matter of *In Re Portfolio Recovery Associates, LLC Telephone Consumer Protection Act Litigation*, which consisted of a number of class actions and single plaintiff claims consolidated by order of the Panel for Multi-District Litigation ("MDL"). While the settlement disposed of a large number of claims, several hundred class members opted out ("Opt-Out Plaintiffs") of that settlement. Many of these Opt-Out Plaintiffs have been consolidated before the MDL appointed court, the United States District Court for the Southern District of California, and are pending a determination on cross-motions for summary judgment. On July 9, 2020, the Supreme Court of the United States granted certiorari in the matter of *Facebook v. Duguid* to resolve the split between the Circuit Courts of Appeal on the issue of the definition of an Automatic Telephone Dialing System. A decision in that case is expected to be dispositive of many or all TCPA matters currently pending, most of which are now stayed as a result of the grant of certiorari. The range of loss, if any, cannot be estimated at this time due to the uncertainty surrounding liability.

14. Recently Issued Accounting Standards:

Recently issued accounting standards adopted:

Financial Instruments - Credit Losses

Effective January 1, 2020, the Company adopted ASC 326 on a prospective basis. Prior to January 1, 2020, substantially all of the Company's investment in finance receivables were accounted for under ASC 310-30. Refer to Note 2 for comprehensive details.

Intangibles - Goodwill and Other

In January 2017, FASB issued ASU 2017-04 which eliminates Step 2 of the goodwill impairment test. Instead, an entity performs its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment

test is necessary. The Company adopted ASU 2017-04 on January 1, 2020 which had no impact on its consolidated financial statements.

Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU 2018-13”). ASU 2018-13 eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of its disclosure framework project. The Company adopted ASU 2018-13 on January 1, 2020 which had no impact to the Company's Notes to Consolidated Financial Statements.

Recently issued accounting standards not yet adopted:

Income Taxes

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (“ASU 2019-12”). ASU 2019-12 removes certain exceptions for recognizing deferred taxes for investments and calculating income taxes in interim periods. Additionally, it adds guidance to reduce complexity in certain areas, including recognizing taxes for tax goodwill and allocating taxes to members of a consolidated group. ASU 2019-12 is effective for annual and interim periods beginning after December 15, 2020 on a prospective basis, and early adoption is permitted. The Company is currently evaluating the impact of ASU 2019-12 on its consolidated financial statements and expects to adopt January 1, 2021. The Company does not expect adoption to have a material impact on its consolidated financial statements.

Investments-Equity Securities

In January 2020, the FASB issued ASU 2020-01 “Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)-Clarifying the Interactions between Topic 321, Topic 323, and Topic 815” (“ASU 2020-01”). ASU 2020-01 clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323, Investments-Equity Method and Joint Ventures, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. Additionally, it clarifies that, when determining the accounting for certain forward contracts and purchased options a company should not consider, whether upon settlement or exercise, if the underlying securities would be accounted for under the equity method or fair value option. This standard is effective for public entities for financial statements issued for fiscal years and interim periods beginning after December 15, 2020. The Company is evaluating the impact of ASU 2020-01 but does not expect adoption to have a material effect on its consolidated financial statements.

Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting” (“ASU 2020-04”). ASU 2020-04 provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference London Inter-bank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued. ASU 2020-04 is effective immediately for a limited time through December 31, 2022. The Company is currently evaluating the impact of ASU 2020-04.

The Company does not expect that any other recently issued accounting pronouncements will have a material effect on its consolidated financial statements.

15. Subsequent Events:

Subsequent to June 30, 2020, the Company repaid, in full, the 2020 Notes. On July 7, 2020, the Company repurchased \$21.0 million of the 2020 Notes at a discount plus accrued interest. The remaining \$266.5 million aggregate principal amount was repaid, at par, plus accrued interest at maturity in accordance with the terms of the 2013 Indenture. The Company repaid the 2020 Notes primarily using borrowings under the domestic revolving loan facility in the North American Credit Agreement.

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

Forward-Looking Statements:

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements involve risks, uncertainties and assumptions that could cause our results to differ materially from those expressed or implied by such forward-looking statements. All 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 and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. The risks, uncertainties and assumptions referred to above may include the following:

- a deterioration in the economic or inflationary environment in the Americas or Europe, including the interest rate environment;
- changes or volatility in the credit or capital markets, which affect our ability to borrow money or raise capital, including as a result of the impact of the novel coronavirus ("COVID-19") pandemic;
- our ability to replace our portfolios of nonperforming loans with additional portfolios sufficient to operate efficiently and profitably;
- our ability to continue to purchase nonperforming loans at appropriate prices;
- our ability to collect sufficient amounts on our nonperforming loans to fund our operations;
- the possibility that we could recognize significant decreases in our estimate of future recoveries on nonperforming loans;
- changes in, or interpretations of, federal, state, local, or international laws, including bankruptcy and collection laws, or changes in the administrative practices of various bankruptcy courts, which could negatively affect our business or our ability to collect on nonperforming loans;
- our ability to successfully manage the challenges associated with a disease outbreak, including epidemics, pandemics or similar widespread public health concerns, including the COVID-19 pandemic;
- the impact of the 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;
- changes in accounting standards and their interpretations;
- our ability to manage risks associated with our international operations;
- changes in tax laws and interpretations regarding earnings of our domestic and international operations;
- the impact of the Tax Cuts and Jobs Act ("Tax Act") and/or the Coronavirus Aide, Relief and Economic Security Act including interpretations and determinations by tax authorities;
- the possibility that we could incur goodwill or other intangible asset impairment charges;
- adverse effects from the exit of the United Kingdom ("UK") from the European Union ("EU");
- our loss contingency accruals may not be adequate to cover actual losses;
- adverse outcomes in pending litigation or administrative proceedings;
- the possibility that class action suits and other litigation could divert management's attention and increase our expenses;
- the possibility that we could incur business or technology disruptions or cyber incidents;
- disruptions of business operations caused by the underperformance or failure of information technology infrastructure, networks or telephone systems;
- our ability to collect and enforce our nonperforming loans may be limited under federal, state, and international laws, regulations and policies;
- our ability to comply with existing and new regulations of the collection industry, the failure of which could result in penalties, fines, litigation, damage to our reputation, or the suspension or termination of or required modification to our ability to conduct our business;
- investigations, reviews, or enforcement actions by governmental authorities, including the Consumer Financial Protection Bureau ("CFPB"), which could result in changes to our business practices, negatively impact our portfolio acquisitions volume, make collection of account balances more difficult or expose us to the risk of fines, penalties, restitution payments, and litigation;
- the possibility that compliance with complex and evolving international and United States ("U.S.") laws and regulations that apply to our international operations could increase our cost of doing business in international jurisdictions;
- our ability to comply with data privacy regulations such as the General Data Protection Regulation ("GDPR");
- our ability to retain, expand, renegotiate or replace our credit facilities and our ability to comply with the covenants under our financing arrangements;

- our ability to raise the funds necessary to repurchase our convertible senior notes or to settle conversions in cash;
- our ability to refinance our indebtedness, including our outstanding convertible senior notes;
- changes in interest or exchange rates, which could reduce our net income, and the possibility that future hedging strategies may not be successful;
- the possibility that the adoption of future accounting standards could negatively impact our business;
- default by or failure of one or more of our counterparty financial institutions could cause us to incur significant losses;
- uncertainty about the future of the London Inter-Bank Offer Rate ("LIBOR") may adversely affect our business; and
- the risk factors discussed herein and in our other filings with the Securities and Exchange Commission ("SEC").

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.

You should carefully consider the factors listed above and review the following "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as the "Risk Factors" section and "Business" section of our Annual Report on Form 10-K for the year ended December 31, 2019 ("2019 Form 10-K") and the "Risk Factors" section in Part II, Item 1A of our Quarterly Report on Form 10-Q for the period ended March 31, 2020 ("2020 First Quarter Form 10-Q").

Our forward-looking statements could be wrong in light of these and other risks, uncertainties and assumptions. The future events, developments or results described in, or implied by, this Quarterly Report could turn out to be materially different. 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.

Investors should also be aware that while we do, from time to time, communicate with securities analysts and others, we do not, by policy, selectively disclose to them any material nonpublic information or other confidential commercial information. Accordingly, investors should not assume that we agree with any statement or report issued by any analyst regardless of the content of the statement or report. We do not, by policy, confirm forecasts or projections issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

Frequently Used Terms

We may use the following terminology throughout this document:

- "Amortization rate" refers to cash collections applied to principal on finance receivables as a percentage of total cash collections.
- "Buybacks" refers to purchase price refunded by the seller due to the return of ineligible accounts.
- "Cash collections" refers to collections on our owned finance receivables portfolios.
- "Cash receipts" refers to cash collections on our owned finance receivables 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 ERC.
- "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 owned finance receivables portfolios.
- "Insolvency" accounts or portfolios refer to accounts or portfolios of receivables 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, carried as an asset on the balance sheet.
- "Portfolio acquisitions" refers to all 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 portfolios purchased in the normal course of business and excludes those purchased via 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 portfolios and estimated remaining collections.
- "Principal amortization" refers to cash collections applied to principal on finance receivables.
- "Purchase price" refers to the cash paid to a seller to acquire nonperforming loans. Prior to the adoption of ASC 326 purchase price also included certain capitalized costs and adjustments for buybacks.
- "Purchase price multiple" refers to the total estimated collections (as defined below) on owned finance receivables 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, including cash sales, plus estimated remaining collections on our finance receivables portfolios.

All references in this Quarterly Report to "PRA Group," "our," "we," "us," "the Company" or similar terms are to PRA Group, Inc. and its subsidiaries.

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 June 30, 2020, employed 3,793 full time equivalents. Our shares of common stock are traded on the NASDAQ Global Select Market under the symbol "PRAA".

COVID-19 Update

The COVID-19 pandemic has continued to adversely impact all countries in which we operate. As a result, we continue to operate in business continuity mode globally. Our business continuity plans seek to minimize disruptions to our global operations while complying with country-specific, federal, state and local laws, regulations and governmental actions related to the pandemic. Impacts on our business, results of operations and financial condition have included:

- a reduction in U.S. staffing in mid-March 2020, which returned to almost normal levels by the end of April and remains at these levels;
- an increase in U.S. Core cash collections, which we believe is due to our increased ability to contact customers and customers choosing to use additional discretionary funds to voluntarily resolve their debts;
- a decrease in the volume of U.S. accounts sent through the legal channel, due to our decision to temporarily pause placing accounts into a legal eligible status, along with the closure of courts in many of our European countries, which resulted in decreased legal collection costs;
- decreases in certain expenses such as communications expenses due to mailing decisions made during the COVID-19 pandemic and interruptions in postal mailings and deliveries; and
- decreased portfolio purchases due to deferrals by sellers of nonperforming loan portfolio sales.

Funds generated from operations and from cash collections on finance receivables, together with existing cash, available borrowings under our revolving credit facilities and recent modifications to the terms of those facilities, have been sufficient to finance our operations, planned capital expenditures, forward flow purchase commitments, debt maturities and additional portfolio purchases during the pandemic.

Our analysis of the current and future impact of COVID-19 on our operations is based on management's constant monitoring of key data and information, including (1) changes in laws, regulations and governmental actions, (2) trends in the macroeconomic environment, consumer behavior and key operational metrics such as cash collections and (3) conditions in the nonperforming loan market. However, we cannot predict the full extent to which COVID-19 will impact our business, results of operations and financial condition due to the numerous evolving factors associated with the pandemic. See Part I, Item 2 "Forward-Looking Statements" and Part II, Item 1A "Risk Factors" in this Form 10-Q for additional information.

Results of Operations

The results of operations include the financial results of the Company and all of our subsidiaries. As of January 1, 2020 we adopted ASU 2016-13, "Financial Instruments - Credit Losses" ("Topic 326") ("ASU 2016-13") and ASU 2019-11, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses" ("ASU 2019-11"), collectively referred to as "ASC 326", on a prospective basis. Prior period amounts were accounted for under ASC Topic 310-30 "Loans and Debt Securities Acquired with Deteriorated Credit Quality" ("ASC 310-30"). For further information refer to Note 2 to our Consolidated Financial Statements included in Part 1, Item 1 of this Quarterly Report. The following table sets forth Consolidated Income Statement amounts as a percentage of total revenues for the periods indicated (dollars in thousands):

	For the Three Months Ended June 30,				For the Six Months Ended June 30,				
	2020		2019		2020		2019		
Revenues:									
Portfolio income	\$ 248,284	91.3 %	\$ —	— %	\$ 510,306	97.5 %	\$ —	— %	
Changes in expected recoveries	19,801	7.3	—	—	6,985	1.3	—	—	
Income recognized on finance receivables	—	—	249,219	98.9	—	—	488,055	98.0	
Fee income	2,639	1.0	2,707	1.1	4,848	0.9	9,081	1.8	
Other revenue	1,186	0.4	131	—	1,555	0.3	798	0.2	
Total revenues	271,910	100.0	252,057	100.0	523,694	100.0	497,934	100.0	
Net allowance charges	—	—	(1,196)	(0.5)	—	—	(7,291)	(1.5)	
Operating expenses:									
Compensation and employee services	70,472	25.9	79,808	31.7	145,643	27.8	159,453	32.0	
Legal collection fees	13,742	5.1	14,297	5.7	28,314	5.4	27,356	5.5	
Legal collection costs	19,507	7.2	33,121	13.1	53,954	10.3	68,350	13.7	
Agency fees	10,343	3.8	13,013	5.2	23,719	4.5	27,045	5.4	
Outside fees and services	18,683	6.9	16,293	6.5	38,077	7.3	31,541	6.3	
Communication	8,812	3.2	10,824	4.3	22,323	4.3	24,025	4.8	
Rent and occupancy	4,471	1.6	4,491	1.8	8,955	1.7	8,854	1.8	
Depreciation and amortization	4,109	1.5	4,723	1.9	8,193	1.6	9,295	1.9	
Other operating expenses	10,491	3.9	10,926	4.3	22,696	4.3	22,511	4.4	
Total operating expenses	160,630	59.1	187,496	74.4	351,874	67.2	378,430	76.0	
Income from operations	111,280	40.9	63,365	25.1	171,820	32.8	112,213	22.5	
Other income and (expense):									
Interest expense, net	(35,416)	(13.0)	(36,027)	(14.3)	(72,627)	(13.9)	(70,008)	(14.1)	
Foreign exchange gain/(loss)	683	0.3	(311)	(0.1)	2,966	0.6	5,953	1.2	
Other	(1,582)	(0.6)	248	0.1	(1,658)	(0.3)	(104)	—	
Income before income taxes	74,965	27.6	27,275	10.8	100,501	19.2	48,054	9.7	
Income tax expense	14,137	5.2	5,075	2.0	17,237	3.3	8,942	1.8	
Net income	60,828	22.4	22,200	8.8	83,264	15.9	39,112	7.9	
Adjustment for net income attributable to noncontrolling interests	2,914	1.1	3,581	1.4	6,215	1.2	5,266	1.1	
Net income attributable to PRA Group, Inc.	\$ 57,914	21.3 %	\$ 18,619	7.4 %	\$ 77,049	14.7 %	\$ 33,846	6.8 %	

Three Months Ended June 30, 2020 Compared To Three Months Ended June 30, 2019

Cash Collections

Cash collections were as follows for the periods indicated:

(Amounts in thousands)	For the Three Months Ended June 30,		Changes
	2020	2019	2020 vs. 2019
Americas Core	\$ 343,269	\$ 294,243	\$ 49,026
Americas Insolvency	38,685	49,770	(11,085)
Europe Core	115,145	117,635	(2,490)
Europe Insolvency	12,841	8,626	4,215
Total cash collections	\$ 509,940	\$ 470,274	\$ 39,666
Cash collections adjusted ⁽¹⁾	\$ 509,940	\$ 459,595	\$ 50,345

(1) Cash collections adjusted refers to 2019 cash collections remeasured using 2020 exchange rates.

Cash collections were \$509.9 million for the three months ended June 30, 2020, an increase of \$39.7 million, or 8.4%, compared to \$470.3 million for the three months ended June 30, 2019. The increase was largely due to our U.S. call center and other collections, including increased collections through our digital platform, increasing \$59.4 million, or 37.0%, primarily due to what we believe to be various circumstances that have provided U.S. consumers with additional discretionary funds and a willingness to voluntarily resolve their debts. The increase was partially offset by an \$11.1 million, or 22.3%, decrease in cash collections for Americas Insolvency, mainly as a result of investment levels not offsetting the runoff of older portfolios and a \$6.1 million, or 18.8%, decrease in cash collections for Other Americas Core, due to the strengthening of the U.S. dollar and investment levels not offsetting the runoff of older portfolios. Furthermore, our U.S. legal collections were slightly lower by \$4.3 million, or 4.2%, reflecting a decision we made to temporarily pause placing accounts into a legal eligible status in the U.S. as a result of the COVID-19 pandemic. These legal collection activities largely returned to normal operations in June.

Revenues

A summary of our revenue generation during the three months ended June 30, 2020 and 2019 is as follows (amounts in thousands):

	For the Three Months Ended June 30,	
	2020	2019
Portfolio income	\$ 248,284	\$ —
Changes in expected recoveries	19,801	—
Income recognized on finance receivables	—	249,219
Fee income	2,639	2,707
Other revenue	1,186	131
Total revenues	\$ 271,910	\$ 252,057

Total revenues were \$271.9 million for the three months ended June 30, 2020, an increase of \$19.8 million, or 7.9%, compared to \$252.1 million for the three months ended June 30, 2019. The increase is largely due to significant cash collections overperformance in the quarter, partially offset by adjustments to our estimated remaining collections to reflect our assumption that the majority of the current quarter overperformance was primarily due to acceleration in the timing of cash collections rather than an increase to total expected collections. Additionally, we made forecast adjustments deemed appropriate given the current environment in which we are operating.

Net Allowance Charges

In 2019, under ASC 310-30, net allowance charges were recorded for significant decreases in expected cash flows or a change in timing of cash flows which would otherwise require a reduction in the stated yield on a pool of accounts. Effective January 1, 2020, under ASC 326, changes to expected cash flows are recorded in changes in expected recoveries within revenues.

Operating Expenses

Total operating expenses were \$160.6 million for the three months ended June 30, 2020, a decrease of \$26.9 million, or 14.3%, compared to \$187.5 million for the three months ended June 30, 2019.

Compensation and Employee Services

Compensation and employee services expenses were \$70.5 million for the three months ended June 30, 2020, a decrease of \$9.3 million, or 11.7%, compared to \$79.8 million for the three months ended June 30, 2019. The decrease in compensation expense was primarily attributable to a reduction in the U.S. call center workforce due to efficiencies realized through technology, training and data and analytics. Total full-time equivalents decreased to 3,793 as of June 30, 2020, from 4,863 as of June 30, 2019.

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 \$13.7 million for the three months ended June 30, 2020, a decrease of \$0.6 million, or 4.2%, compared to \$14.3 million for the three months ended June 30, 2019 primarily due to a slight decrease in 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 \$19.5 million for the three months ended June 30, 2020, a decrease of \$13.6 million, or 41.1%, compared to \$33.1 million for the three months ended June 30, 2019. The decrease primarily reflects a decision we made to temporarily pause placing accounts into a legal eligible status in the U.S., along with the closure of courts in many of our European countries, as a result of the COVID-19 pandemic. These legal collection activities largely returned to normal operations in June.

Agency Fees

Agency fees primarily represent third-party collection fees. Agency fees were \$10.3 million for the three months ended June 30, 2020, a decrease of \$2.7 million, or 20.8%, compared to \$13.0 million for the three months ended June 30, 2019. The decrease was due to lower cash collections in areas outside the U.S. where we utilize third party collection agencies.

Outside Fees and Services

Outside fees and services expenses were \$18.7 million for the three months ended June 30, 2020, an increase of \$2.4 million, or 14.7%, compared to \$16.3 million for the three months ended June 30, 2019. The increase was primarily due to higher corporate legal expenses and higher fees associated with processing an increased number of debit card transactions due to the increase in cash collections.

Communication

Communication expense primarily represents postage and telephone related expenses incurred as a result of our collection efforts. Communication expenses were \$8.8 million for the three months ended June 30, 2020, a decrease of \$2.0 million, or 18.5%, compared to \$10.8 million for the three months ended June 30, 2019. The decrease primarily reflects lower postage costs due to mailing decisions made during the COVID-19 pandemic.

Interest Expense, Net

Interest expense, net was \$35.4 million during the three months ended June 30, 2020, a decrease of \$0.6 million, or 1.7%, compared to \$36.0 million for the three months ended June 30, 2019. The decrease was primarily related to lower levels of outstanding borrowings coupled with lower average interest rates.

Interest expense, net consisted of the following for the three months ended June 30, 2020 and 2019 (amounts in thousands):

	For the Three Months Ended June 30,		
	2020	2019	Change
Interest on debt obligations and unused line fees	\$ 24,565	\$ 25,645	\$ (1,080)
Coupon interest on convertible debt	5,175	5,175	—
Amortization of convertible debt discount	3,247	3,071	176
Amortization of loan fees and other loan costs	2,743	2,655	88
Interest income	(314)	(519)	205
Interest expense, net	\$ 35,416	\$ 36,027	\$ (611)

Net Foreign Currency Transaction Gains

Foreign currency transaction gains were \$0.7 million for the three months ended June 30, 2020, compared to foreign currency transaction losses of \$0.3 million for the three months ended June 30, 2019. In any given period, we may incur foreign currency transaction losses from transactions in currencies other than the functional currency.

Income Tax Expense

Income tax expense was \$14.1 million for the three months ended June 30, 2020, an increase of \$9.0 million, or 176.5%, compared to \$5.1 million for the three months ended June 30, 2019. The increase was primarily due to higher income before taxes which increased \$47.7 million, or 174.7%. During the three months ended June 30, 2020, our effective tax rate was 18.9%, compared to 18.6% for the three months ended June 30, 2019.

Six Months Ended June 30, 2020 Compared To Six Months Ended June 30, 2019

Cash Collections

Cash collections were as follows for the periods indicated:

(Amounts in thousands)	For the Six Months Ended June 30,		Change
	2020	2019	2020 vs. 2019
Americas-Core	\$ 649,049	\$ 584,966	\$ 64,083
Americas-Insolvency	81,895	94,383	(12,488)
Europe-Core	246,485	234,493	11,992
Europe-Insolvency	27,084	17,603	9,481
Total cash collections	\$ 1,004,513	\$ 931,445	\$ 73,068
Cash collections adjusted ⁽¹⁾	\$ 1,004,513	\$ 914,201	\$ 90,312

(1) Cash collections adjusted refers to 2019 cash collections remeasured using 2020 exchange rates.

Cash collections were \$1,004.5 million for the six months ended June 30, 2020, an increase of \$73.1 million, or 7.8%, compared to \$931.4 million for the six months ended June 30, 2019. The increase was largely due to our U.S. call center and other collections, including increased collections through our digital platform, increasing \$57.8 million or 17.5%, primarily due to what we believe to be various circumstances that have provided U.S. consumers with additional discretionary funds and a willingness to voluntarily resolve their debts. Additionally, Europe cash collections increased \$21.5 million, or 8.5%, reflecting higher 2019 purchases. Furthermore, our U.S. legal collections increased \$5.6 million, or 2.8%, mainly due to a higher number of accounts placed in the legal channel in 2019 partially offset by, a decision we made to temporarily pause placing accounts into a legal eligible status in the U.S. as a result of the COVID-19 pandemic. These legal collection activities largely returned to normal operations in June. These increases were partially offset by a decline of \$12.5 million, or 13.2%, in Americas Insolvency cash collections mainly reflecting investment levels not offsetting the runoff of older portfolios.

Revenues

A summary of our revenue generation during the six months ended June 30, 2020 and 2019 is as follows (amounts in thousands):

	For the Six Months Ended June 30,	
	2020	2019
Portfolio income	\$ 510,306	\$ —
Changes in expected recoveries	6,985	—
Income recognized on finance receivables	—	488,055
Fee income	4,848	9,081
Other revenue	1,555	798
Total revenues	\$ 523,694	\$ 497,934

Total revenues were \$523.7 million for the six months ended June 30, 2020, an increase of \$25.8 million, or 5.2%, compared to \$497.9 million for the six months ended June 30, 2019. The increase was driven primarily by a record level of portfolio purchases in 2019.

Net Allowance Charges

In 2019, under ASC 310-30, net allowance charges were recorded for significant decreases in expected cash flows or a change in timing of cash flows which would otherwise require a reduction in the stated yield on a pool of accounts. Effective January 1, 2020, under ASC 326, changes to expected cash flows are recorded in changes in expected recoveries within revenues.

Operating Expenses

Operating expenses were \$351.9 million for the six months ended June 30, 2020, a decrease of \$26.5 million, or 7.0%, compared to \$378.4 million for the six months ended June 30, 2019.

Compensation and Employee Services

Compensation and employee services expenses were \$145.6 million for the six months ended June 30, 2020, a decrease of \$13.9 million, or 8.7%, compared to \$159.5 million for the six months ended June 30, 2019. The decrease in compensation expense was primarily attributable to a reduction in U.S. call center workforce due to efficiencies realized through technology, training and data and analytics. Total full-time equivalents decreased to 3,793 as of June 30, 2020, compared to 4,863 as of June 30, 2019.

Legal Collection Fees

Legal collection fees were \$28.3 million for the six months ended June 30, 2020, an increase of \$0.9 million, or 3.3%, compared to \$27.4 million for the six months ended June 30, 2019. The increase was primarily due to an increase in external legal cash collections in the U.S. during the first quarter.

Legal Collection Costs

Legal collection costs were \$54.0 million for the six months ended June 30, 2020, a decrease of \$14.4 million, or 21.1%, compared to \$68.4 million for the six months ended June 30, 2019. The decrease primarily reflects a decision we made to temporarily pause placing accounts into a legal eligible status in the U.S., along with the closure of courts in many of our European countries, as a result of the COVID-19 pandemic. These legal collection activities largely returned to normal operations in June.

Agency Fees

Agency fees were \$23.7 million for the six months ended June 30, 2020, a decrease of \$3.3 million, or 12.2%, compared to \$27.0 million for the six months ended June 30, 2019. The decrease was primarily due to lower cash collections in areas outside the U.S. where we utilize third party collection agencies.

Outside Fees and Services

Outside fees and services expenses were \$38.1 million for the six months ended June 30, 2020, an increase of \$6.6 million, or 21.0%, compared to \$31.5 million for the six months ended June 30, 2019. The increase was primarily the result of higher corporate legal expenses and higher fees associated with processing an increased number of debit card transactions due to the increase in cash collections.

Interest Expense, Net

Interest expense, net was \$72.6 million for the six months ended June 30, 2020, an increase of \$2.6 million, or 3.7%, compared to \$70.0 million for the six months ended June 30, 2019. The increase was primarily due to higher levels of outstanding borrowings partially offset by lower average interest rates.

Interest expense, net consisted of the following for the six months ended June 30, 2020 and 2019 (amounts in thousands):

	For the Six Months Ended June 30,		
	2020	2019	Change
Interest on debt obligations and unused line fees	\$ 51,063	\$ 49,391	\$ 1,672
Coupon interest on convertible debt	10,350	10,350	—
Amortization of convertible debt discount	6,464	6,113	351
Amortization of loan fees and other loan costs	5,382	5,291	91
Interest income	(632)	(1,137)	505
Interest expense, net	<u>\$ 72,627</u>	<u>\$ 70,008</u>	<u>\$ 2,619</u>

Net Foreign Currency Transaction Gains

Foreign currency transaction gains were \$3.0 million for the six months ended June 30, 2020, compared to \$6.0 million for the six months ended June 30, 2019. The decrease was primarily related to lower foreign currency gains in Europe and slightly lower gains on U.S. dollar linked investments held in Brazil during the first quarter.

Income Tax Expense

Income tax expense was \$17.2 million for the six months ended June 30, 2020, an increase of \$8.3 million, or 93.3%, compared to \$8.9 million for the six months ended June 30, 2019. The increase was primarily due to higher income before income taxes which increased \$52.4 million or 108.9%. The increase was partially offset by estimated return to provision adjustments during the first quarter. During the six months ended June 30, 2020, our effective tax rate was 17.2%, compared to 18.6% for the six months ended June 30, 2019. The decrease was due to the mix of international earnings between jurisdictions.

Supplemental Performance Data

Finance Receivables Portfolio Performance

The following tables show certain data related to our finance receivables portfolios. Certain adjustments, as noted in the footnotes to these tables, have been made to reduce the impact of foreign currency fluctuations on ERC and purchase price multiples.

The accounts represented in the Insolvency tables 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 portfolio. 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 receivables 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 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 yields 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 receivables, which impact the cost to collect those accounts. Fresher accounts, for example, typically carry lower associated collection expenses, 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 under ASC 310-10 and ASC 326 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 of 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 receivables.

**Purchase Price Multiples
as of June 30, 2020**

Amounts in thousands

Purchase Period	Purchase Price ⁽¹⁾⁽²⁾	ERC-Historical Period Exchange Rates ⁽³⁾	Total Estimated Collections ⁽⁴⁾	ERC-Current Period Exchange Rates ⁽⁵⁾	Current Estimated Purchase Price Multiple	Original Estimated Purchase Price Multiple ⁽⁶⁾
Americas Core						
1996-2009	\$ 930,026	\$ 25,275	\$ 2,876,410	\$ 25,275	309 %	238 %
2010	148,193	16,361	527,054	16,361	356 %	247 %
2011	209,602	29,000	725,887	29,000	346 %	245 %
2012	254,076	35,475	661,919	35,475	261 %	226 %
2013	390,826	62,664	912,274	62,664	233 %	211 %
2014	404,117	99,011	891,394	96,700	221 %	204 %
2015	443,114	163,023	933,558	162,489	211 %	205 %
2016	455,767	301,974	1,099,686	287,328	241 %	201 %
2017	532,851	453,291	1,207,541	448,520	227 %	193 %
2018	653,975	670,175	1,340,743	657,985	205 %	202 %
2019	581,476	898,263	1,222,926	868,031	210 %	206 %
2020	283,041	543,573	580,673	543,573	205 %	205 %
Subtotal	5,287,064	3,298,085	12,980,065	3,233,401		
Americas Insolvency						
1996-2009	397,453	681	835,919	681	210 %	178 %
2010	208,942	868	546,829	868	262 %	184 %
2011	180,432	743	370,148	743	205 %	155 %
2012	251,395	495	392,466	495	156 %	136 %
2013	227,834	1,380	354,901	1,380	156 %	133 %
2014	148,420	2,088	217,662	2,074	147 %	124 %
2015	63,170	4,344	87,824	4,344	139 %	125 %
2016	91,442	14,160	115,267	14,146	126 %	123 %
2017	275,257	86,263	345,821	86,263	126 %	125 %
2018	97,879	81,259	130,790	81,259	134 %	127 %
2019	123,077	132,192	160,420	132,061	130 %	128 %
2020	35,298	44,941	47,686	44,941	135 %	135 %
Subtotal	2,100,599	369,414	3,605,733	369,255		
Total Americas	7,387,663	3,667,499	16,585,798	3,602,656		
Europe Core						
2012	20,409	292	40,720	221	200 %	187 %
2013	20,334	148	25,132	110	124 %	119 %
2014	773,811	731,226	2,215,272	632,283	286 %	208 %
2015	411,340	308,026	733,076	273,940	178 %	160 %
2016	333,090	298,696	556,757	290,948	167 %	167 %
2017	252,174	218,286	359,556	197,823	143 %	144 %
2018	341,775	374,650	524,165	361,620	153 %	148 %
2019	518,610	668,732	782,184	637,980	151 %	152 %
2020	94,763	165,081	172,597	165,081	182 %	182 %
Subtotal	2,766,306	2,765,137	5,409,459	2,560,006		
Europe Insolvency						
2014	10,876	573	18,136	490	167 %	129 %
2015	18,973	4,220	29,099	3,534	153 %	139 %
2016	39,338	12,951	56,808	13,132	144 %	130 %
2017	39,235	24,680	48,839	22,626	124 %	128 %
2018	44,908	41,089	55,096	39,915	123 %	123 %
2019	77,218	85,331	101,282	79,841	131 %	130 %
2020	23,017	29,757	30,776	29,757	134 %	134 %
Subtotal	253,565	198,601	340,036	189,295		
Total Europe	3,019,871	2,963,738	5,749,495	2,749,301		
Total PRA Group	\$ 10,407,534	\$ 6,631,237	\$ 22,335,293	\$ 6,351,957		

- (1) Includes the acquisition date finance receivables portfolios that were acquired through our business acquisitions.
- (2) For our non-US amounts, purchase price is presented at the exchange rate at the end of the year in which the pool 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.
- (3) For our non-US amounts, ERC-Historical Period Exchange Rates is presented at the year-end exchange rate for the respective year of purchase.
- (4) For our non-US amounts, TEC is presented at the year-end exchange rate for the respective year of purchase.
- (5) For our non-U.S. amounts, ERC-Current Period Exchange Rates is presented at the June 30, 2020 exchange rate.
- (6) The Original Estimated Purchase Price Multiple represents the purchase price multiple at the end of the year of acquisition.

Portfolio Financial Information
Year-to-date as of June 30, 2020
Amounts in thousands

Purchase Period	Cash Collections ⁽¹⁾	Portfolio Income ⁽¹⁾	Changes in Expected Recoveries ⁽¹⁾	Total Portfolio Revenue ⁽²⁾	Net Finance Receivables as of June 30, 2020 ⁽³⁾
Americas Core					
1996-2009	\$ 7,348	\$ 5,560	\$ (1,406)	\$ 4,154	\$ 6,071
2010	3,678	3,536	(857)	2,679	2,486
2011	6,281	5,941	(2,248)	3,693	5,117
2012	6,802	6,093	(4,225)	1,868	11,070
2013	13,149	9,990	(8,009)	1,981	22,418
2014	18,121	14,251	(15,672)	(1,421)	35,200
2015	32,948	19,999	(13,822)	6,177	66,386
2016	57,081	32,839	(755)	32,084	113,660
2017	108,504	50,175	17,559	67,734	200,463
2018	183,021	76,976	6,452	83,428	356,085
2019	175,029	95,119	14,877	109,996	448,861
2020	37,087	21,374	10,312	31,686	277,335
Subtotal	649,049	341,853	2,206	344,059	1,545,152
Americas Insolvency					
1996-2009	197	235	(38)	197	—
2010	269	312	(43)	269	—
2011	275	229	46	275	—
2012	546	458	174	632	—
2013	742	763	(20)	743	—
2014	1,378	1,789	(896)	893	262
2015	5,624	2,819	(219)	2,600	2,755
2016	7,709	2,060	(616)	1,444	11,164
2017	32,245	9,047	(2,692)	6,355	69,529
2018	15,394	4,655	3,010	7,665	66,722
2019	14,770	5,870	2,790	8,660	108,218
2020	2,746	1,098	(264)	834	33,190
Subtotal	81,895	29,335	1,232	30,567	291,840
Total Americas	730,944	371,188	3,438	374,626	1,836,992
Europe Core					
2012	591	454	137	591	—
2013	320	216	104	320	—
2014	72,661	54,323	2,336	56,659	166,870
2015	26,772	15,775	(213)	15,562	142,997
2016	23,270	13,529	(1,336)	12,193	167,532
2017	17,870	6,932	(1,285)	5,647	136,984
2018	35,776	13,293	3,562	16,855	234,775
2019	61,779	22,118	(2,085)	20,033	422,528
2020	7,446	2,966	1,348	4,314	91,298
Subtotal	246,485	129,606	2,568	132,174	1,362,984
Europe Insolvency					
2014	410	320	(17)	303	192
2015	1,603	769	93	862	2,154
2016	4,064	1,700	(241)	1,459	9,262
2017	4,747	1,054	191	1,245	19,580
2018	4,845	1,521	(237)	1,284	33,977
2019	10,386	3,429	992	4,421	63,555
2020	1,029	719	198	917	22,836
Subtotal	27,084	9,512	979	10,491	151,556
Total Europe	273,569	139,118	3,547	142,665	1,514,540
Total PRA Group	\$ 1,004,513	\$ 510,306	\$ 6,985	\$ 517,291	\$ 3,351,532

(1) For our non-U.S. amounts, amounts are presented using the average exchange rates during the current reporting period.

(2) Total Portfolio Revenue refers to portfolio income and changes in expected recoveries combined.

(3) For our non-U.S. amounts, net finance receivables are presented at the June 30, 2020 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 June 30, 2020

Amounts in millions

Purchase Period	Purchase Price ⁽²⁾ ₍₃₎	Cash Collections													Total
		1996-2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
Americas Core															
1996-2009	\$ 930.0	\$ 1,647.7	\$ 295.7	\$ 253.5	\$ 201.6	\$ 146.4	\$ 101.8	\$ 71.2	\$ 45.7	\$ 30.5	\$ 23.3	\$ 19.2	\$ 7.3	\$ 2,843.9	
2010	148.2	—	47.1	113.6	109.9	82.0	55.9	38.1	24.5	15.6	11.1	9.2	3.7	510.7	
2011	209.6	—	—	62.0	174.5	152.9	108.5	73.8	48.7	32.0	21.6	16.6	6.3	696.9	
2012	254.1	—	—	—	56.9	173.6	146.2	97.3	60.0	40.0	27.8	17.9	6.8	626.5	
2013	390.8	—	—	—	—	101.6	247.8	194.0	120.8	78.9	56.4	36.9	13.2	849.6	
2014	404.1	—	—	—	—	—	92.7	253.4	170.3	114.2	82.2	55.3	18.2	786.3	
2015	443.1	—	—	—	—	—	—	117.0	228.4	185.9	126.6	83.6	32.9	774.4	
2016	455.8	—	—	—	—	—	—	—	138.7	256.5	194.6	140.6	57.1	787.5	
2017	532.9	—	—	—	—	—	—	—	—	107.3	278.7	256.5	108.5	751.0	
2018	654.0	—	—	—	—	—	—	—	—	—	122.7	361.9	183.0	667.6	
2019	581.5	—	—	—	—	—	—	—	—	—	—	143.8	175.0	318.8	
2020	283.0	—	—	—	—	—	—	—	—	—	—	—	37.1	37.1	
Subtotal	5,287.1	1,647.7	342.8	429.1	542.9	656.5	752.9	844.8	837.1	860.9	945.0	1,141.5	649.1	9,650.3	
Americas Insolvency															
1996-2009	397.5	204.3	147.1	156.7	145.4	109.3	57.0	7.6	3.6	2.2	1.1	0.7	0.2	835.2	
2010	208.9	—	39.5	104.5	125.0	121.7	101.9	43.6	5.0	2.4	1.4	0.7	0.3	546.0	
2011	180.4	—	—	15.2	66.4	82.8	85.8	76.9	36.0	3.7	1.6	0.7	0.3	369.4	
2012	251.4	—	—	—	17.4	103.6	94.1	80.1	60.7	29.3	4.3	1.9	0.5	391.9	
2013	227.8	—	—	—	—	52.5	82.6	81.7	63.4	47.8	21.9	2.9	0.7	353.5	
2014	148.4	—	—	—	—	—	37.0	50.9	44.3	37.4	28.8	15.8	1.4	215.6	
2015	63.2	—	—	—	—	—	—	3.4	17.9	20.1	19.8	16.7	5.6	83.5	
2016	91.4	—	—	—	—	—	—	—	18.9	30.4	25.0	19.9	7.7	101.9	
2017	275.3	—	—	—	—	—	—	—	—	49.1	97.3	80.9	32.3	259.6	
2018	97.9	—	—	—	—	—	—	—	—	—	6.7	27.4	15.4	49.5	
2019	123.1	—	—	—	—	—	—	—	—	—	—	13.4	14.8	28.2	
2020	35.3	—	—	—	—	—	—	—	—	—	—	—	2.7	2.7	
Subtotal	2,100.6	204.3	186.6	276.4	354.2	469.9	458.4	344.2	249.8	222.4	207.9	181.0	81.9	3,237.0	
Total Americas	7,387.7	1,852.0	529.4	705.5	897.1	1,126.4	1,211.3	1,189.0	1,086.9	1,083.3	1,152.9	1,322.5	731.0	12,887.3	
Europe Core															
2012	20.4	—	—	—	11.6	9.0	5.6	3.2	2.2	2.0	2.0	1.5	0.6	37.7	
2013	20.3	—	—	—	—	7.1	8.5	2.3	1.3	1.2	1.3	0.9	0.3	22.9	
2014	773.8	—	—	—	—	—	153.2	292.0	246.4	220.8	206.3	172.9	72.6	1,364.2	
2015	411.3	—	—	—	—	—	—	45.8	100.3	86.2	80.9	66.1	26.7	406.0	
2016	333.1	—	—	—	—	—	—	—	40.4	78.9	72.6	58.0	23.3	273.2	
2017	252.2	—	—	—	—	—	—	—	—	17.9	56.0	44.1	17.9	135.9	
2018	341.8	—	—	—	—	—	—	—	—	—	24.3	88.7	35.8	148.8	
2019	518.6	—	—	—	—	—	—	—	—	—	—	48.0	61.8	109.8	
2020	94.8	—	—	—	—	—	—	—	—	—	—	—	7.5	7.5	
Subtotal	2,766.3	—	—	—	11.6	16.1	167.3	343.3	390.6	407.0	443.4	480.2	246.5	2,506.0	
Europe Insolvency															
2014	10.9	—	—	—	—	—	—	4.3	3.9	3.2	2.6	1.5	0.4	15.9	
2015	19.0	—	—	—	—	—	—	3.0	4.4	5.0	4.8	3.9	1.6	22.7	
2016	39.3	—	—	—	—	—	—	—	6.2	12.7	12.9	10.7	4.0	46.5	
2017	39.2	—	—	—	—	—	—	—	—	1.2	7.9	9.2	4.8	23.1	
2018	44.9	—	—	—	—	—	—	—	—	—	0.6	8.4	4.9	13.9	
2019	77.2	—	—	—	—	—	—	—	—	—	—	5.0	10.3	15.3	
2020	23.0	—	—	—	—	—	—	—	—	—	—	—	1.0	1.0	
Subtotal	253.5	—	—	—	—	—	—	7.3	14.5	22.1	28.8	38.7	27.0	138.4	
Total Europe	3,019.8	—	—	—	11.6	16.1	167.3	350.6	405.1	429.1	472.2	518.9	273.5	2,644.4	
Total PRA Group	\$ 10,407.5	\$ 1,852.0	\$ 529.4	\$ 705.5	\$ 908.7	\$ 1,142.5	\$ 1,378.6	\$ 1,539.6	\$ 1,492.0	\$ 1,512.4	\$ 1,625.1	\$ 1,841.4	\$ 1,004.5	\$ 15,531.7	

(1) For our non-U.S. amounts, cash collections are presented using the average exchange rates during the cash collection period.

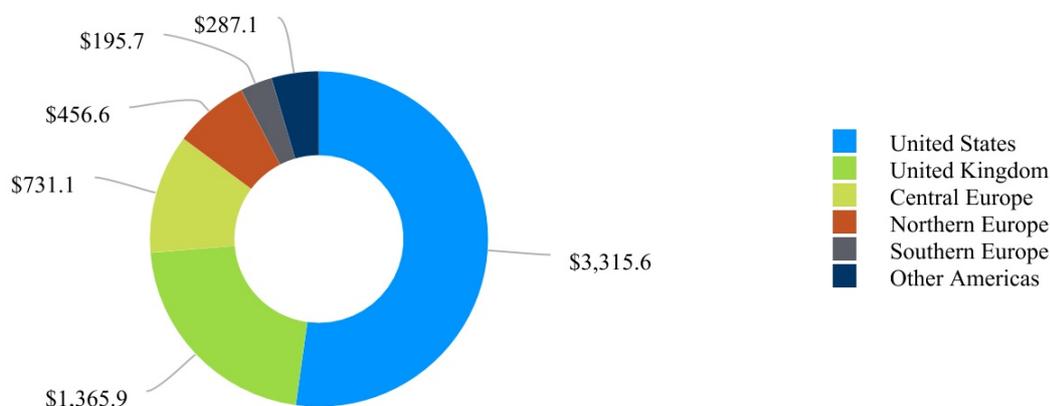
(2) Includes the acquisition date finance receivables portfolios that were acquired through our business acquisitions.

(3) For our non-US amounts, purchase price is presented at the exchange rate at the end of the year in which the pool 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 \$6,352.0 million at June 30, 2020 by geographical region (amounts in millions).

ERC by Geographical Region



Seasonality

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. 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.

Cash Collections by Geography and Type

Amounts in thousands

	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Americas Core	\$ 343,269	\$ 305,780	\$ 276,639	\$ 279,902	\$ 294,243	\$ 290,723	\$ 233,937	\$ 231,253
Americas Insolvency	38,685	43,210	40,801	45,759	49,770	44,613	48,000	48,518
Europe Core	115,145	131,340	126,649	118,917	117,635	116,858	113,154	102,780
Europe Insolvency	12,841	14,243	12,520	8,639	8,626	8,977	7,618	6,731
Total Cash Collections	\$ 509,940	\$ 494,573	\$ 456,609	\$ 453,217	\$ 470,274	\$ 461,171	\$ 402,709	\$ 389,282

The following table provides additional details on the composition of our U.S. Core cash collections for the periods indicated.

	U.S. Core Portfolio Cash Collections by Source							
	<i>Amounts in thousands</i>							
	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Call Center and Other Collections	\$ 219,856	\$ 168,166	\$ 139,399	\$ 149,782	\$ 160,479	\$ 169,753	\$ 134,543	\$ 137,325
External Legal Collections	62,792	66,190	58,831	64,301	63,490	57,419	47,410	41,935
Internal Legal Collections	34,467	38,111	33,944	35,679	38,065	37,018	30,724	32,064
Total U.S. Core Cash Collections	<u>\$ 317,115</u>	<u>\$ 272,467</u>	<u>\$ 232,174</u>	<u>\$ 249,762</u>	<u>\$ 262,034</u>	<u>\$ 264,190</u>	<u>\$ 212,677</u>	<u>\$ 211,324</u>

Collections Productivity (U.S. Portfolio)

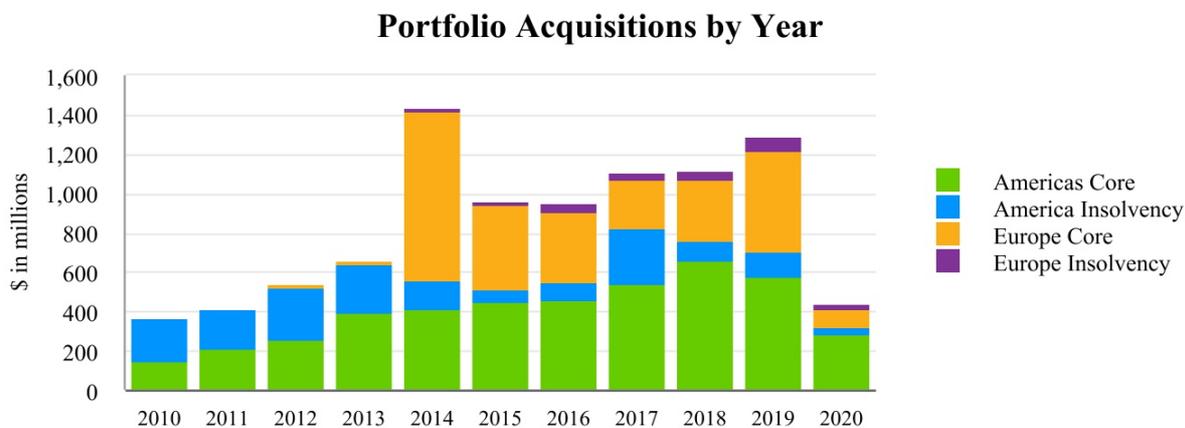
The following tables display certain collections productivity measures:

	Cash Collections per Collector Hour Paid				
	U.S. Portfolio				
	Call center and other cash collections ⁽¹⁾				
	2020	2019	2018	2017	2016
First Quarter	\$ 172	\$ 139	\$ 121	\$ 161	\$ 168
Second Quarter	263	139	101	129	167
Third Quarter	—	124	107	125	177
Fourth Quarter	—	128	104	112	153

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

Portfolio Acquisitions

The following graph shows the purchase price of our portfolios by year since 2010. It includes the acquisition date finance receivable portfolios that were acquired through our business acquisitions. The 2020 totals represent portfolio acquisitions through the six months ended June 30, 2020 while the prior year totals are for the full year.



The following table displays our quarterly portfolio acquisitions for the periods indicated.

Portfolio Acquisitions by Geography and Type
Amounts in thousands

	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Americas Core	\$ 110,474	\$ 172,697	\$ 118,153	\$ 168,185	\$ 121,996	\$ 169,189	\$ 172,511	\$ 170,426
Americas Insolvency	14,527	20,772	22,650	26,311	26,092	48,243	52,871	17,151
Europe Core	34,247	60,990	218,919	64,728	136,344	94,283	231,810	45,754
Europe Insolvency	5,251	18,778	42,613	19,772	4,715	7,134	33,661	4,159
Total Portfolio Acquisitions	\$ 164,499	\$ 273,237	\$ 402,335	\$ 278,996	\$ 289,147	\$ 318,849	\$ 490,853	\$ 237,490

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 56 million customer accounts in the U.S.

U.S. Portfolio Acquisitions by Major Asset Type
Amounts in thousands

	2020				2019					
	Q2	Q1	Q4	Q3	Q2	Q3	Q2	Q1		
Major Credit Cards	\$ 50,270	40.9 %	\$ 71,225	38.3 %	\$ 30,337	24.3 %	\$ 50,500	40.1 %	\$ 39,468	28.2 %
Private Label Credit Cards	69,651	56.7	104,300	56.0	85,351	68.4	72,714	57.7	70,536	50.4
Consumer Finance	2,430	2.0	2,109	1.1	2,046	1.7	2,090	1.7	28,649	20.4
Auto Related	460	0.4	8,510	4.6	6,991	5.6	638	0.5	1,407	1.0
Total	\$ 122,811	100.0 %	\$ 186,144	100.0 %	\$ 124,725	100.0 %	\$ 125,942	100.0 %	\$ 140,060	100.0 %

U.S. Portfolio Acquisitions by Delinquency Category
Amounts in thousands

	2020				2019					
	Q2	Q1	Q4	Q3	Q2	Q3	Q2	Q1		
Fresh ⁽¹⁾	\$ 28,847	26.6 %	\$ 51,126	30.9 %	\$ 35,330	34.6 %	\$ 27,600	27.1 %	\$ 33,288	29.3 %
Primary ⁽²⁾	9,887	9.1	18,152	11.0	5,796	5.7	17,658	17.3	40,027	35.1
Secondary ⁽³⁾	67,609	62.5	92,855	56.1	52,899	51.8	50,082	49.2	34,920	30.6
Tertiary ⁽³⁾	1,941	1.8	3,239	2.0	4,409	4.3	6,483	6.4	5,733	5.0
Other ⁽⁴⁾	—	—	—	—	3,641	3.6	—	—	—	—
Total Core	108,284	100.0 %	165,372	100.0 %	102,075	100.0 %	101,823	100.0 %	113,968	100.0 %
Insolvency	14,527		20,772		22,650		24,119		26,092	
Total	\$ 122,811		\$ 186,144		\$ 124,725		\$ 125,942		\$ 140,060	

- (1) Fresh accounts are typically past due 120 to 270 days, charged-off by the credit originator and are either being sold prior to any post-charge-off collection activity or placement with a third-party for the first time.
- (2) Primary accounts are typically 360 to 450 days past due and charged-off and have been previously placed with one contingent fee servicer.
- (3) Secondary and tertiary accounts are typically more than 660 days past due and charged-off and have been placed with two or three contingent fee servicers.
- (4) Other accounts are typically two to three years or more past due and charged-off and have previously been worked by four or more contingent fee servicers.

Liquidity and Capital Resources

We actively manage our liquidity to help provide access to sufficient funding to meet our business needs and financial obligations. As of June 30, 2020, cash and cash equivalents totaled \$115.7 million. Of the cash and cash equivalent balance as of June 30, 2020, \$96.7 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.

At June 30, 2020, we had approximately \$2.6 billion in borrowings outstanding with \$905.3 million of availability under all of our credit facilities (subject to the borrowing base and applicable debt covenants). Considering borrowing base restrictions, as of June 30, 2020, the amount available to be drawn was \$414.0 million. Of the \$905.3 million of borrowing availability, \$340.0 million was available under our European credit facility, \$562.3 million was available under our North American credit facility and \$3.0 million was available under our Colombian revolving credit facility. Of the \$414.0 million available considering borrowing base restrictions, \$97.4 million was available under our European credit facility, \$313.6 million was available under our North American credit facility and \$3.0 million was available under the Colombian revolving credit facility. For more information, see Note 7 to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report.

An additional funding source for our Europe operations is 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 \$128.5 million as of June 30, 2020). Interest-bearing deposits as of June 30, 2020 were \$120.5 million.

We determined that we were in compliance with the covenants of our financing arrangements as of June 30, 2020.

We have the ability to slow the purchase of finance receivables if necessary, and use the net cash flow generated from our cash collections from our existing finance receivables to temporarily service our debt and fund existing operations.

Contractual obligations over the next year are primarily related to debt maturities and purchase commitments. Our North American credit facility expires in May 2022. Our European credit facility expires in February 2023. Of our \$420.0 million in term loans outstanding at June 30, 2020, \$10.0 million in principal is due within one year.

At June 30, 2020, we had outstanding \$287.5 million aggregate principal amount of 3.00% Convertible Senior Notes due August 1, 2020. Subsequently, we retired the notes in full through repurchase and cash settlement in connection with their maturity. For more information, see Note 15 to our Consolidated Financial Statements included in Part I, Item 1 to this Quarterly Report.

We have in place forward flow commitments for the purchase of nonperforming loans primarily over the next 12 months with a maximum purchase price of \$383.1 million as of June 30, 2020. The \$383.1 million is comprised of \$271.7 million for the Americas and \$111.4 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.

In May 2017, we reached a settlement with the Internal Revenue Service ("IRS") in regard to the IRS assertion that tax revenue recognition using the cost recovery method did not clearly reflect taxable income. In accordance with the settlement, our tax accounting method to recognize finance receivables revenue changed effective with tax year 2017. Under the new method, a portion of the annual collections amortizes principal and the remaining portion is taxable income. The revenue related to the difference in timing between the new method and the cost recovery method has been included evenly into our tax filings over four years effective with tax year 2017 and ending with tax year 2020. We estimate the related tax payments to be approximately \$9.2 million per quarter through the year 2020. No interest or penalties were assessed as part of the settlement.

We continue to monitor the recent outbreak of COVID-19 on our operations and how that may impact our cash flows and our ability to settle debt. As a result of COVID-19, global financial markets have experienced overall volatility and disruptions to capital and credit markets. We believe that funds generated from operations and from cash collections on finance receivables, together with existing cash, available borrowings under our revolving credit facilities, including recent modifications to the terms of those 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. We may, however, seek to access the debt or equity capital markets as market conditions permit. Business acquisitions, adverse outcomes in pending litigation 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 six months ended June 30, 2020 compared to the six months ended June 30, 2019 (amounts in thousands):

	Six Months Ended June 30,	
	2020	2019
Total cash provided by (used in):		
Operating activities	\$ 122,500	\$ 30,948
Investing activities	88,077	(177,703)
Financing activities	(192,950)	156,837
Effect of exchange rate on cash	(16,503)	(3,281)
Net increase in cash and cash equivalents	\$ 1,124	\$ 6,801

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 provided by operating activities increased \$91.6 million during the six months ended June 30, 2020, mainly driven by higher cash collections, lower operating expenses, the impact of unrealized foreign currency transactions and lower levels of income tax payments.

Investing Activities

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

Net cash provided by investing activities increased \$265.8 million during the six months ended June 30, 2020, primarily from a \$113.3 million decrease in purchases of nonperforming loans, a \$58.2 million increase in recoveries applied to negative allowance in the current year versus of collections applied to principal in the prior year, a \$72.8 million decrease in net purchases of investments and \$57.6 million of cash used related to a business acquisition during the first quarter of 2019. These changes were partially offset by \$31.2 million of cash received during the first quarter of 2019 related to the sale of a subsidiary in the fourth quarter of 2018 and a \$5.0 million increase in net purchases of property and equipment.

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 increased \$349.8 million during the six months ended June 30, 2020, primarily from a \$373.9 million decrease in proceeds from our lines of credit, a \$14.8 million decrease in cash provided by interest-bearing deposits and an \$8.0 million increase in distributions paid to noncontrolling interests. These changes were partially offset by a \$48.6 million increase in net payments on our lines of credit, origination costs and long-term debt.

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 \$96.7 million and \$109.7 million as of June 30, 2020 and December 31, 2019, respectively. Refer to Note 12 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.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined by Item 303(a)(4) of Regulation S-K promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Recent Accounting Pronouncements

For a summary of recent accounting pronouncements and the anticipated effects on our Consolidated Financial Statements see Note 14 to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report.

Critical Accounting Policies and Estimates

Our Consolidated Financial Statements have been prepared in accordance with GAAP. Our significant accounting policies are discussed in Note 1 to our Consolidated Financial Statements included in Item 8 of our 2019 Form 10-K. Our significant accounting policies are fundamental to understanding our results of operations and financial condition because they require that we use estimates, assumptions and judgments that affect the reported amounts of revenues, expenses, assets, and liabilities.

Three of these policies are considered to be critical because they are important to the portrayal of our financial condition and results, and because they require management to make judgments and estimates that are difficult, subjective, and complex regarding matters that are inherently uncertain.

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.

Management has reviewed these critical accounting policies with the Audit Committee of our Board of Directors.

Revenue Recognition - Finance Receivables

We account for the majority of our investment in finance receivables under the guidance of ASC Topic 310 "Receivables" ("ASC 310") and ASC Topic 326-20 "Financial Instruments - Credit Losses - Measured at Amortized Cost" ("ASC 326-20"). 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 quantity and timing of future cash flows and economic lives of our pools of finance receivables. 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.

We account for our finance receivables as follows:

We create each annual accounting pool using our projections of estimated cash flows and expected economic life. We then compute a constant effective interest rate based on the net carrying amount of the pool and reasonable projections of estimated cash flows and expectation of its economic life. As actual cash flow results are received we record the time value of the expected cash as portfolio income and over and under performance and changes in expected future cash flows from expected cash as changes in expected recoveries. We review each pool watching 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 discounted cash flow methodologies to our ERC and recognize income over the estimated life of the pool at the constant effective interest rate of the pool.

Significant judgment is used in evaluating expected recoveries using the discounted cash flow approach and the estimated life of the pool.

Valuation of Acquired Intangibles and Goodwill

In accordance with FASB ASC Topic 350, "Intangibles-Goodwill and Other" ("ASC 350"), we amortize intangible assets over their estimated useful lives. Goodwill, pursuant to ASC 350, is not amortized but rather evaluated for impairment annually and more frequently if indicators of potential impairment exist. Goodwill is reviewed for potential impairment at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment.

Goodwill is evaluated for impairment under the qualitative assessment option. If we qualitatively determine it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, an impairment loss is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value.

We determine the fair value of a reporting unit by applying the approaches prescribed under the fair value measurement accounting framework: the income approach and the market approach. Depending on the availability of public data and suitable comparables, we may or may not use the market approach or we may emphasize the results from the approach differently. Under the income approach, we estimate the fair value of a reporting unit based on the present value of estimated future cash flows and a residual terminal value. Cash flow projections are based on management's estimates of revenue growth rates, operating margins, necessary working capital, and capital expenditure requirements, taking into consideration industry and market conditions. The discount rate used is based on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the reporting unit's ability to execute on the projected cash flows. Under the market approach, we estimate fair value based on prices and other relevant market transactions involving comparable publicly-traded companies with operating and investment characteristics similar to the reporting unit.

Income Taxes

We are subject to the income tax laws of the various jurisdictions in which we operate, including U.S. federal, state, local, and 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 international income tax expense, we must make judgments about the application of these inherently complex laws.

We follow the guidance of FASB ASC Topic 740 "Income Taxes" ("ASC 740") as it relates to the provision for income taxes and uncertainty in income taxes. Accordingly, we record a tax provision for the anticipated tax consequences of the reported results of operations. In accordance with ASC 740, the provision for income taxes is computed 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 carry-forwards. 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 and liabilities are expected to be realized or settled. The evaluation of a tax position in accordance with the guidance is a two-step process. The first step is recognition: we determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we should presume that the position will be examined by the appropriate taxing authority that would have full knowledge of all relevant information. The second step is measurement: a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. We record interest and penalties related to unrecognized tax benefits as a component of income tax expense.

In the event that all or part of the deferred tax assets are determined not to be realizable in the future, a valuation allowance would be established and charged to earnings in the period such 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 in the period such determination is made. 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.

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 \$2.0 billion as of June 30, 2020. Based on our debt structure at June 30, 2020, 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 \$3.4 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 June 30, 2020. 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.

Currency Exchange Risk

We operate internationally and enter into transactions denominated in various foreign currencies. During the three months ended June 30, 2020, we generated \$79.6 million of revenues from operations outside the U.S. and used eleven 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 (loss)/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 so 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 June 30, 2020, 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 June 30, 2020 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 June 30, 2020, refer to Note 13 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 2019 Form 10-K and in Part II, Item 1A of our 2020 First Quarter Form 10-Q.

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

None.

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 (File No. 000-50058) filed on June 17, 2020).
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 (File No. 000-50058) filed on June 17, 2020).
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 (Registration No. 333-99225) filed on October 15, 2002).
4.2	Form of Warrant (Incorporated by reference to Exhibit 4.2 of Amendment No. 2 to the Registration Statement on Form S-1 (Registration No. 333-99225) filed on October 30, 2002).
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 (File No. 000-50058) filed on May 26, 2017).
4.4	Description of the Registrant's Securities Registered pursuant to Section 12 of the Securities Exchange Act of 1934 (Incorporated by reference to Exhibit 4.5 of the Current Report on Form 10-K (File No. 000-50058) filed on March 2, 2020).
10.1	Second Amendment to the Credit Agreement dated as of May 6, 2020, 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).
10.2	Form of Restricted Stock Unit Agreement (filed herewith)
10.3	Form of Performance Stock Unit Agreement (filed herewith)
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith).
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith).
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (filed herewith).
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

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)

August 6, 2020

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

August 6, 2020

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

SECOND AMENDMENT TO CREDIT AGREEMENT AND FIRST AMENDMENT TO LOAN DOCUMENTS

This SECOND AMENDMENT TO CREDIT AGREEMENT AND FIRST AMENDMENT TO LOAN DOCUMENTS (this “Agreement”) is entered into as of May 6, 2020, 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 constituting the Super-Majority Lenders, 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, 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.

PRA, the Domestic Subsidiaries that are Guarantors and the Administrative Agent are party to that certain Amended and Restated Security Agreement dated as of May 5, 2017 (as amended, supplemented, modified and in effect from time to time, the “Security Agreement”).

PRA, the Domestic Subsidiaries that are Guarantors and the Administrative Agent are party to that certain Amended and Restated Pledge Agreement dated as of May 5, 2017 (as amended, supplemented, modified and in effect from time to time, the “Pledge Agreement”).

The Canadian Borrower and the Canadian Administrative Agent are party to that certain Amended and Restated General Security Agreement dated as of May 5, 2017 (as amended, supplemented, modified and in effect from time to time, the “Canadian Security Agreement”).

Certain direct and indirect Subsidiaries of the Canadian Borrower, the Canadian Administrative Agent and the Administrative Agent are party to that certain Subsidiary Guaranty Agreement dated as of July 31, 2019 (as amended, supplemented, modified and in effect from time to time, the “Canadian Guaranty Agreement”).

The Borrowers and the Guarantors have requested that the Administrative Agent and the Lenders agree to certain amendments to the Credit Agreement, the Security Agreement, the Pledge Agreement, the Canadian Security Agreement and the Canadian Guaranty 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, the Security Agreement, the Pledge Agreement, the Canadian Security Agreement and the Canadian Guaranty 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**

1. Subject to the satisfaction of the conditions precedent set forth in Article II, the Credit Agreement is hereby amended as follows:

(a) The reference to “MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED” on the cover page of the Credit Agreement is hereby amended to read “BOFA SECURITIES, INC.”.

(b) The preamble to the Credit Agreement is hereby amended to read as follows:

This AMENDED AND RESTATED CREDIT AGREEMENT is entered into as of May 5, 2017 among PRA GROUP, INC. (“PRA”), PRA GROUP CANADA INC., a Canadian corporation amalgamated under the Canada Business Corporations Act (the “Canadian Borrower”), a certain designated Subsidiary of PRA from time to time party hereto pursuant to Section 2.02(f)(iii) (the “Designated Borrower”, and, together with PRA and the Canadian Borrower, the “Borrowers”), the Guarantors (defined herein), the Lenders (defined herein), BANK OF AMERICA, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer and BANK OF AMERICA, NATIONAL ASSOCIATION acting through its Canada branch, as Canadian Administrative Agent.

(c) Each reference to “MLPF&S” in the Credit Agreement is hereby amended to read as “BofA Securities”.

(d) The following definitions are hereby added to 1.01 of the Credit Agreement in the appropriate alphabetical order:

“Adjustment” has the meaning specified in Section 3.02(c).

“Affected Financial Institution” means (a) any EEA Financial Institution or (b) any UK Financial Institution.

“BHC Act Affiliate” of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

“BofA Securities” means BofA Securities, Inc., in its capacity as a joint lead arranger and joint bookrunner.

“Consolidated Domestic Cash-on-Hand” means, as of any day, the sum of the amount of all cash and Cash Equivalents held in the United States of PRA and its Subsidiaries, on a consolidated basis, less the amount of any payments which have been issued by PRA and its Subsidiaries, but which have not yet cleared their respective accounts.

“Covered Party” has the meaning specified in Section 11.25.

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“ERC Advance Rate Increase Period” has the meaning assigned to such term in the definition of “Domestic Borrowing Base”.

“LIBOR Successor Rate Conforming Changes” means, with respect to any proposed LIBOR Successor Rate, any conforming changes to the definition of Base Rate, Interest Period, timing and frequency of determining rates and making payments of interest and other technical, administrative or operational matters as may be appropriate, in the discretion of the Administrative Agent after consultation with the Company, to reflect the adoption and implementation of such LIBOR Successor Rate and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent determines that adoption of any portion of such market practice is not administratively feasible or that no market practice for the administration of such LIBOR Successor Rate exists, in such other manner of administration as the Administrative Agent determines is reasonably necessary in connection with the administration of this Agreement after consultation with the Company).

“QFC” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

“QFC Credit Support” has the meaning specified in Section 11.25.

“Recoveries Applied to Negative Allowance” means the measurement of recoveries minus portfolio income in accordance with ASC 326 and pursuant to GAAP.

“Relevant Governmental Body” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a benchmark rate to replace LIBOR in loan agreements similar to this Agreement.

“Resolution Authority” means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

“Second Amendment Effective Date” means May 6, 2020.

“SOFR” with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark (or a successor administrator) on the Federal Reserve Bank of New York’s website and that has been selected or recommended by the Relevant Governmental Body.

“SOFR-Based Rate” means SOFR or Term SOFR.

“Supported QFC” has the meaning specified in Section 11.25.

“Term SOFR” means the forward-looking term rate for any period that is approximately (as determined by the Administrative Agent”) as long as any of the Interest Period options set forth in the definition of “Interest Period” and that is based on SOFR and that has been selected or recommended by the Relevant Governmental Body, in each case as published on an information service as selected by the Administrative Agent from time to time in its reasonable discretion.

“UK Financial Institution” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person subject to IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

“UK Resolution Authority” means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

“U.S. Special Resolution Regimes” has the meaning specified in Section 11.25.

(e) The following definitions in Section 1.01 of the Credit Agreement are hereby amended in their entirety to read as follows:

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

“Bail-In Legislation” means, (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, rule, regulation or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

“Beneficial Ownership Certification” means a certification regarding beneficial ownership required by the Beneficial Ownership Regulation.

“Consolidated EBITDA” means, for any period, for PRA and its Subsidiaries on a consolidated basis, an amount equal to Consolidated Net Income for such period plus the following, without duplication, to the extent deducted in calculating such Consolidated Net Income: (a) Consolidated Interest Charges for such period, (b) the provision for federal, state, local and foreign income taxes payable by PRA and its Subsidiaries for such period, (c) depreciation and amortization expense (including Recoveries Applied to Negative Allowance), (d) fees, costs and expenses incurred in respect of this Agreement or in connection with any disposition, incurrence of Consolidated Funded Indebtedness, Acquisition, Investment or offering of Equity Interests, in each case as permitted under the Loan Documents, (e) all other non-cash charges for

such period, to the extent such charges do not represent a cash charge in such period or any future period and (f) any costs and expenses incurred by PRA in connection with any disputes relating to the cost recovery method of accounting, all as determined in accordance with GAAP.

“Consolidated Net Income” means, for any period, for PRA and its Subsidiaries on a consolidated basis, the net income of PRA and its Subsidiaries (excluding (i) extraordinary gains or losses, (ii) the effects of discontinued operations and (iii) adjustment for net income attributable to noncontrolling interests) for that period, as determined in accordance with GAAP.

“Domestic Borrowing Base” means an amount equal to the sum of (a) (i) 35% of Estimated Remaining Collections of all Eligible Asset Pools or (ii) if, prior to July 31, 2020 and upon at least five (5) Business Days’ prior written notice from PRA to the Administrative Agent, PRA has elected to increase such advance rate to 40%, then, only during the period beginning July 31, 2020 and ending on the earlier of (A) January 31, 2021 and (B) the date on which PRA delivers a Borrowing Base Certificate to the Administrative Agent pursuant to Section 7.02(b) indicating that the Total Domestic Revolving Outstandings are less than or equal to 35% of Estimated Remaining Collections of all Eligible Asset Pools (such period, the “ERC Advance Rate Increase Period”), 40% of Estimated Remaining Collections of all Eligible Asset Pools plus (b) 55% of Estimated Remaining Collections of all Insolvency Eligible Asset Pools plus (c) 75% of Eligible Accounts, in each case as determined by the Administrative Agent by reference to the most recent Borrowing Base Certificate delivered to the Administrative Agent pursuant to Section 7.02(b). The Administrative Agent and/or Lenders agree that any amendment entered into solely to alter the rate of Estimated Remaining Collections shall not require an amendment fee to be payable by any Loan Party.

“Write-Down and Conversion Powers” means, (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

(f) The “and” immediately preceding clause (c) in the definition of “Applicable Rate” in Section 1.01 of the Credit Agreement is hereby deleted and clause (c) is hereby amended in its entirety to read as follows:

(c) with respect to Domestic Revolving Loans, Multi Currency Revolving Loans and the Term Loans, a percentage per annum equal to (i) during the ERC Advance Rate Increase Period, (x) with respect to Eurodollar Rate Loans and Letter of Credit Fees, 3.05% and (y) with respect to Base Rate Loans, 2.05% and (ii) at all other times (x) with respect to Eurodollar Rate Loans and Letter of Credit Fees, 2.50% and (y) with respect to Base Rate Loans, 1.50%; provided, that, any change in the Applicable Rate with respect to Loans outstanding at the commencement of an ERC Advance Rate Increase Period or the conclusion of the ERC Advance Rate Increase Period shall not take effect until the end of the Interest Period for such Loan and

(g) A new sentence is added to the end of the definition of “Eurodollar Base Rate” in Section 1.01 of the Credit Agreement to read as follows:

Notwithstanding the foregoing, from and after the Second Amendment Effective Date, with respect to Revolving Loans, if the Eurodollar Base Rate shall be less than 1.00%, such rate shall be deemed to be 1.00% for purposes of this Agreement; provided, that any change in the Eurodollar Base Rate with respect to the Eurodollar Rate Loans outstanding on the Second Amendment Effective Date shall not take effect until the end of the Interest Period for such Loan.

(h) The definitions of “MLPF&S” and “Amortization of Finance Receivables” in Section 1.01 of the Credit Agreement are hereby deleted in their entirety.

(i) A new Section 1.02(h) is hereby added immediately following Section 1.02(g) of the Credit Agreement to read as follows:

(h) Any reference herein to a merger, transfer, consolidation, amalgamation, assignment, sale, disposition or transfer, or similar term, shall be deemed to apply to a division of or by a limited liability company, or an allocation of assets to a series of a limited liability company (or the unwinding of such a division or allocation), as if it were a merger, transfer, consolidation, amalgamation, assignment, sale, disposition or transfer, or similar term, as applicable, to, of or with a separate Person. Any division of a limited liability company shall constitute a separate Person hereunder (and each division of any limited liability company that is a Subsidiary, joint venture or any other like term shall also constitute such a Person or entity).

(j) A new Section 1.05(c) is hereby added immediately following Section 1.05(b) of the Credit Agreement to read as follows:

(c) The Administrative Agent and the Canadian Administrative Agent do not warrant, nor accept responsibility, nor shall the Administrative Agent or the Canadian Administrative Agent have any liability with respect to the administration, submission or any other matter related to the rates in the definition of "Eurodollar Base Rate" or with respect to any rate that is an alternative or replacement for or successor to any of such rates (including, without limitation, any LIBOR Successor Rate) or the effect of any of the foregoing, or of any LIBOR Successor Rate Conforming Changes.

(k) A new Section 2.05(b)(i)(E) is hereby added immediately following Section 2.05(b)(i)(D) of the Credit Agreement to read as follows:

(E) If at any time during the ERC Advanced Rate Increase Period Consolidated Domestic Cash-on-Hand exceeds \$100,000,000 for any three (3) consecutive Business Day period, PRA shall on the Business Day immediately following such third Business Day, prepay Domestic Revolving Loans and/or Swing Line Loans and/or Cash Collateralize the L/C Obligations in an amount equal to the amount by which (x) Consolidated Domestic Cash-on-Hand exceeds (y) \$100,000,000 as of the close of business on such third Business Day.

(l) Section 2.05(b)(vi)(A) of the Credit Agreement is hereby amended in its entirety to read as follows:

(A) (i) with respect to all amounts prepaid pursuant to Section 2.05(b)(i)(A) and Section 2.05(b)(i)(E), ratably to Domestic Revolving Loans and Swing Line Loans and (after all Domestic Revolving Loans and Swing Line Loans have been repaid) to Cash Collateralize L/C Obligations; (ii) with respect to all amounts prepaid pursuant to Section 2.05(b)(i)(B), ratably to Multi Currency Revolving Loans; (iii) with respect to all amounts prepaid pursuant to Section 2.05(b)(i)(C), ratably to Canadian Revolving Loans; and (iv) with respect to all amounts prepaid pursuant to Section 2.05(b)(i)(C), ratably to Designated Borrower Revolving Loans; in each case without a corresponding permanent reduction of the respective Commitments;

(m) Section 3.02(c) of the Credit Agreement is hereby amended in its entirety to read as follows:

(c) Notwithstanding anything to the contrary in this Agreement or any other Loan Documents, if the Administrative Agent determines (which determination shall be conclusive absent manifest error), or PRA or the Required Lenders notify the Administrative Agent (with, in the case of the Required Lenders, a copy to PRA) that PRA or the Required Lenders (as applicable) have determined, that:

(i) adequate and reasonable means do not exist for ascertaining LIBOR for any requested Interest Period, including, without limitation, because the LIBOR Screen Rate is not available or published on a current basis and such circumstances are unlikely to be temporary; or

(ii) the administrator of the LIBOR Screen Rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which LIBOR or the LIBOR Screen Rate shall no longer be made available, or used for determining the interest rate of loans provided that, at the time of such statement, there is no successor administrator that is satisfactory to the Administrative Agent, that will continue to provide LIBOR after such specific date (such specific date, the "Scheduled Unavailability Date"), or

(iii) syndicated loans currently being executed, or that include language similar to that contained in this Section, are being executed or amended (as applicable) to incorporate or adopt a new benchmark interest rate to replace LIBOR,

then, reasonably promptly after such determination by the Administrative Agent or receipt by the Administrative Agent of such notice, as applicable, notwithstanding anything to the contrary contained in Section 11.01 of this Agreement, the Administrative Agent and PRA may amend this Agreement to replace LIBOR (x) one or more SOFR-Based Rates or (y) another alternate benchmark rate giving due consideration to any evolving or then existing convention for similar U.S. dollar denominated syndicated credit facilities for such alternative benchmarks and, in each case, including any mathematical or other adjustments to such benchmark giving due consideration to any evolving or then existing convention for similar U.S. dollar denominated syndicated credit facilities for such benchmarks which adjustment or method for calculating such adjustment shall be published on an information service as selected by the Administrative Agent from time to time in its reasonable discretion and may be periodically updated (the “Adjustment,” and any such proposed rate, a “LIBOR Successor Rate”), and any such amendment shall become effective at 5:00 p.m. on the fifth Business Day after the Administrative Agent shall have posted such proposed amendment to all Lenders and PRA unless, prior to such time, Lenders comprising the Required Lenders have delivered to the Administrative Agent written notice that such Required Lenders (A) in the case of an amendment to replace LIBOR with a rate described in clause (x), object to the Adjustment; or (B) in the case of an amendment to replace LIBOR with a rate described in clause (y), object to such amendment; provided that for the avoidance of doubt, in the case of clause (A), the Required Lenders shall not be entitled to object to any SOFR-Based Rate contained in any such amendment. Such LIBOR Successor Rate shall be applied in a manner consistent with market practice; provided that to the extent such market practice is not administratively feasible for the Administrative Agent, such LIBOR Successor Rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent.

If no LIBOR Successor Rate has been determined and the circumstances under clause (i) above exist or the Scheduled Unavailability Date has occurred (as applicable), the Administrative Agent will promptly so notify PRA and each Lender. Thereafter, (x) the obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended, (to the extent of the affected Eurodollar Rate Loans or Interest Periods), and (y) the Eurodollar Rate component shall no longer be utilized in determining the Base Rate. Upon receipt of such notice, PRA may revoke any pending request for a Borrowing of, conversion to or continuation of Eurodollar Rate Loans (to the extent of the affected Eurodollar Rate Loans or Interest Periods) or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans (subject to the foregoing clause (y)) in the amount specified therein.

Notwithstanding anything else herein, any definition of LIBOR Successor Rate shall provide that in no event shall such LIBOR Successor Rate be less than zero for purposes of this Agreement. Notwithstanding the foregoing, from and after the Second Amendment Effective Date, with respect to Revolving Loans, in no event shall the LIBOR Successor Rate be less than 1.00% for purposes of this Agreement.

In connection with the implementation of a LIBOR Successor Rate, the Administrative Agent will have the right to make LIBOR Successor Rate Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such LIBOR Successor Rate Conforming Changes will become effective without any further action or consent of any other party to this Agreement; provided that, with respect to any such amendment effected, the Administrative Agent shall post each such amendment implementing such LIBOR Successor Conforming Changes to the Lenders reasonably promptly after such amendment becomes effective.

(n) A new Section 7.02(i) is hereby added immediately following Section 7.02(h) of the Credit Agreement to read as follows:

(i) To the extent any Loan Party qualifies as a “legal entity customer” under the Beneficial Ownership Regulation, an updated Beneficial Ownership Certification promptly following any change in the information provided in the Beneficial Ownership Certification delivered to any Lender in relation to such Loan Party that would result in a change to the list of beneficial owners identified in such certification.

(o) Section 8.11(a) of the Credit Agreement is hereby amended in its entirety to read as follows:

(a) Consolidated Total Leverage Ratio. Permit the Consolidated Total Leverage Ratio as of the end of any fiscal quarter of PRA (i) ending on or prior to June 30, 2020 to be greater than 2.75 to 1.0, (ii) ending after June 30, 2020 and on or prior to December 31, 2020 to be greater than 3.25 to 1.0 and (iii) ending after December 31, 2020 to be greater than 3.00 to 1.0.

(p) Section 8.11(b) of the Credit Agreement is hereby amended in its entirety to read as follows:

(b) Consolidated Senior Secured Leverage Ratio. Permit the Consolidated Senior Secured Leverage Ratio as of the end of any fiscal quarter of PRA (i) ending on or prior to June 30, 2020 to be greater than 2.25 to 1.0, (ii) ending after June 30, 2020 and on or prior to December 31, 2020 to be greater than 2.75 to 1.0 and (iii) ending after December 31, 2020 to be greater than 2.25 to 1.0.

(q) Section 10.12 of the Credit Agreement is hereby amended in its entirety to read as follows:

10.12 Certain ERISA Matters

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of each Borrower or any other Loan Party, that at least one of the following is and will be true:

(i) such Lender is not using “plan assets” (within the meaning of Section 3(42) of ERISA or otherwise) of one or more Benefit Plans with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments, or this agreement,

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84–14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95–60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90–1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91–38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96–23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement,

(iii) (A) such Lender is an investment fund managed by a “Qualified Professional Asset Manager” (within the meaning of Part VI of PTE 84–14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Letters of Credit, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement satisfies the requirements of subsections (b) through (g) of Part I of PTE 84–14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84–14 are satisfied with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless either (1) clause (i) in the immediately preceding clause (a) is true with respect to a Lender or (2) a Lender has provided another representation, warranty and covenant in accordance with clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of the Borrowers or any other Loan Party, that the Administrative Agent is not a fiduciary with respect to the assets of such Lender involved in such Lender’s entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related hereto or thereto).

(r) Section 11.23 of the Credit Agreement is hereby amended in its entirety to read as follows:

11.23 Acknowledgement and Consent to Bail-In of Affected Financial Institutions.

Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Lender that is an Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any Lender that is an Affected Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of the applicable Resolution Authority; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of the applicable Resolution Authority.

(s) A new Section 11.25 is hereby added immediately following Section 11.24 of the Credit Agreement to read as follows:

11.25 Acknowledgement Regarding Any Supported QFCs.

To the extent that the Loan Documents provide support, through a guarantee or otherwise, for any Swap Contract or any other agreement or instrument that is a QFC (such support, “QFC Credit Support”, and each such QFC, a “Supported QFC”), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the “U.S. Special Resolution Regimes”) in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States): In the event a Covered Entity that is party to a Supported QFC (each, a “Covered Party”) becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

2. Subject to the satisfaction of the conditions precedent set forth in Article II, the other Loan Documents are hereby amended as follows:

(a) A new Section 26 is hereby added immediately following Section 25 of the Security Agreement to read as follows:

26. Acknowledgement Regarding Any Supported QFCs. The provisions and acknowledgements contained in Section 11.25 of the Credit Agreement are hereby incorporated into this Security Agreement, *mutatis mutandis*.

(b) A new Section 26 is hereby added immediately following Section 25 of the Pledge Agreement to read as follows:

26. Acknowledgement Regarding Any Supported QFCs. The provisions and acknowledgements contained in Section 11.25 of the Credit Agreement are hereby incorporated into this Pledge Agreement, *mutatis mutandis*.

(c) A new Section 27 is hereby added immediately following Section 26 of the Canadian Security Agreement to read as follows:

27. Acknowledgement Regarding Any Supported QFCs. The provisions and acknowledgements contained in Section 11.25 of the Credit Agreement are hereby incorporated into this Security Agreement, *mutatis mutandis*.

(d) A new Section 26 is hereby added immediately following Section 25 of the Canadian Guaranty Agreement to read as follows:

26. Acknowledgement Regarding Any Supported QFCs. The provisions and acknowledgements contained in Section 11.25 of the Credit Agreement are hereby incorporated into this Guaranty Agreement, *mutatis mutandis*

ARTICLE II

CONDITIONS TO EFFECTIVENESS

The amendments set forth in Article I shall become effective on the date first written above (the "Effective Date"), when the following conditions have been met:

1. Counterparts. Receipt by the Administrative Agent of counterparts of this Agreement executed on behalf of the Borrowers, the Guarantors, the Administrative Agent, the Canadian Administrative Agent and the Super-Majority Lenders.

2. Fees. Receipt by the Administrative Agent of all 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 Administrative Agent.

ARTICLE III

MISCELLANEOUS

1. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

2. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement.

3. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

4. Full Force and Effect; Limited Waiver. 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 waivers set forth herein shall be limited precisely as provided for herein to the provisions expressly affected hereby 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 Agreement shall constitute a Loan Document.

5. Representations and Warranties. To induce the Administrative Agent and the Lenders to execute and deliver this Agreement, each Borrower hereby represents and warrants to the Administrative Agent and the Lenders on the Effective Date that, in each case with respect to the matters waived hereunder, 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 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 on and as of such earlier date).

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

(Remaining of page intentionally left blank)

PRA GROUP, INC.

RESTRICTED STOCK UNIT AGREEMENT

PRA Group, Inc., a Delaware corporation, (the “Company”) has duly adopted, and its stockholders have approved, the Company’s 2013 Omnibus Incentive Plan (the “Plan”), the terms of which are hereby incorporated by reference. In the case of any conflict between the provisions hereof and those of the Plan, the provisions of the Plan shall be controlling. A copy of the Plan is available upon request from the Secretary of the Company or can be accessed through the Company’s filings with the Securities and Exchange Commission at the following weblink:

http://www.sec.gov/Archives/edgar/data/1185348/000119312513161958/d521369ddef14a.htm#rom521369_45.

This Restricted Stock Unit Agreement, including the country-specific terms set forth in the attached Appendixes (collectively the “Agreement”), describes in detail your rights with respect to the Restricted Stock Units (“RSUs”) granted herein (“LTI Award”) and sets forth the conditions, terms and limitations applicable to this grant, subject to the terms and conditions of the Plan. This Agreement constitutes a legal agreement between you (“Grantee”) and the Company. Capitalized terms used in this Agreement but not otherwise defined herein, shall have the meanings set forth in the Plan.

Grantee Name	
Grantee Id	
Grant/Award Type	
Total Number of Units Granted	
Grant Date	

IN WITNESS WHEREOF, the parties have accepted, witnessed and agreed to be bound by this Agreement as of the Grant Date specified and agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the intent of this Agreement.

PRA GROUP, INC.



By: Executive Vice President, General Counsel



By: President and Chief Executive Officer

1. Time-vested Shares - RSUs

- a. Subject to the terms of this Agreement, one third (1/3) of the RSUs shall vest on each of the first three (3) anniversaries of the Grant Date except as otherwise provided in the Plan or this Agreement and, subject to Section 21 of this Agreement, upon vesting, the applicable number of RSUs shall be delivered in fully paid Shares as promptly as practicable thereafter (within thirty (30) days after the vesting of such RSUs).
- b. For purposes of this Agreement, except as provided in Sections 2, 3 and 4 below, on the date the Grantee ceases continuous service to the Company or any Subsidiary or affiliate of the Company as an Employee or on the Board Directors of the Company (a "Business Relationship"), including: (i) ceases active employment by the Company or any Subsidiary or affiliate of the Company (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service contract, if any) prior to the applicable vesting date, or (ii) gives or receives notice of the termination of the Grantee's employment for any reason and either (a) is placed on garden leave pursuant to the Grantee's contract of employment (if applicable) or, (b) ceases to perform their duties and responsibilities during the Grantee's notice period in accordance with the Grantee's contract of employment prior to the applicable vest date, all rights of the Grantee hereunder shall thereupon terminate, any unvested RSUs shall be immediately and automatically forfeited and neither the Grantee, nor any successors, heirs, assigns or legal representatives of the Grantee, shall thereafter have any further rights or interest in any unvested RSUs. The vesting of the RSUs shall not be affected by any change in the type of Business Relationship the Grantee has with or among the Company or any Subsidiary or affiliate so long as the Grantee continuously maintains a Business Relationship.
- c. The Committee shall have the exclusive discretion to determine whether service has been interrupted in the case of any leave of absence approved by the Company, Subsidiary or affiliate of the Company, including sick leave, military leave or any other personal leave. Nothing contained herein shall be construed to confer on the Grantee any right to be retained in the employ of the Company or any Subsidiary or affiliate of the Company or to derogate from any right of the Company or any Subsidiary or affiliate thereof to terminate the Grantee's employment, free from any liability, or any claim under this Agreement.

2. Death or Disability

- a. In the event of the Grantee's termination of employment due to death or Disability (as defined below) while employed by the Company or any of its Subsidiaries or affiliates, the Grantee shall become immediately and fully vested in any outstanding RSUs granted herein.
- b. For purposes of this Agreement, "Disability" means that the Grantee is unable to render the services or perform the duties of Grantee's employment by reason of illness, injury or incapacity (whether physical, mental, emotional or psychological) for a period of either (i) 90 consecutive days or (ii) a total of 180 days, whether or not consecutive, within the preceding 365-day period.

3. Retirement

- a. In the event of the Grantee's termination of both (i) employment due to Retirement (as defined below) and/or (ii) service on the Board of Directors of the Company, if applicable, the Grantee shall become vested in a prorated number of RSUs (less any previously vested RSUs), based on a fraction, the numerator of which is the number of months since the Grant Date during which the Grantee was employed by the Company or any of its Subsidiaries or affiliates and/or served on the Board (without duplicative counting of any days during which the Grantee was both employed by the Company or any of its Subsidiaries or affiliates and serving on the Board) and the denominator of which is 36.
- b. For purposes of this Agreement, "Retirement" means the Grantee's voluntary termination of employment with the Company and its Subsidiaries or affiliates (without "Cause") on or after his or her 55th birthday with at least ten years of service with the Company and its Subsidiaries or affiliates.

Notwithstanding the above, if the Company receives an opinion of counsel that there has been a legal judgment and/or legal development in the Grantee's jurisdiction that likely would result in the favorable Retirement treatment (as set forth above) that applies to the RSUs being deemed unlawful and/or discriminatory, then the Company will not apply the favorable Retirement treatment at the time of termination and the RSUs will be treated as they would under the rules that apply if the Grantee's employment is terminated for reasons other than Retirement.

- c. For the avoidance of doubt, the Retirement benefit provided under this Section 3 is subject to the Grantee's compliance with the restrictive covenants set forth in Section 10 of this Agreement.

4. Effect of a Change in Control

- a. **Accelerated Vesting if Awards not Assumed:** In the event of a Change in Control (and subject to the Grantee's being in the employ of the Company, its Subsidiaries or any other affiliate as of the date of the Change in Control), if the successor company does not equitably assume, continue or substitute the outstanding RSUs in connection with a Change in Control, such RSUs shall become fully vested (as of the date of the Change in Control and the Grantee shall be eligible to receive (at the same time and in the same form) the equivalent per share consideration offered to common stockholders generally.

- b. **“Double-Trigger” Vesting for Assumed Awards:** To the extent the successor company does equitably assume, continue or substitute the outstanding RSUs, the applicable RSUs shall continue to vest in accordance with Section 1; provided, however, if within twenty-four (24) months after the date of the Change in Control the Grantee’s employment is terminated by the Company or a Subsidiary or affiliate (or the successor company or a subsidiary or affiliate thereof) without Cause¹ or by the Grantee for Good Reason², any then unvested RSUs shall become fully vested as of the date of termination of employment.

5. Non-assignability

No rights hereunder shall be assignable, alienable, transferable or otherwise encumbered by the Grantee other than by will or by the laws of descent and distribution and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company or any Subsidiary or affiliate of the Company. However, the Committee may, in its discretion, provide that rights may be transferable, without consideration, to immediate family members (i.e., children, grandchildren or spouse) to trusts for the benefit of such immediate family members and to partnerships in which such family members are the only parties. In addition, the Grantee may, in the manner established by the Committee, designate a beneficiary to receive any distribution with respect to any Shares upon the death of the Grantee.

6. Responsibility for Taxes

- a. The Grantee acknowledges that, regardless of any action taken by the Company or any of its Subsidiaries or affiliates, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Grantee’s participation in the Plan and legally applicable to the Grantee (“Tax-Related Items”), is and remains the Grantee’s responsibility and may exceed the amount actually withheld by the Company or any Subsidiary or affiliate. The Grantee further acknowledges that the Company and/or any Subsidiary or affiliate: (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the LTI Award, including, but not limited to, the grant of the LTI Award, the vesting or settlement of the RSUs, the issuance of Shares (or payment of the cash equivalent) upon settlement of the RSUs, the subsequent sale of Shares acquired at vesting and the receipt of any dividends and/or Dividend Equivalents; and (ii) do not commit to and are under no obligation to structure the terms of the LTI Award or any aspect of the RSUs to reduce or eliminate the Grantee’s liability for Tax-Related Items or achieve any particular tax result. Further, if the Grantee becomes subject to Tax-Related Items in more than one jurisdiction, the Grantee acknowledges that the Company and/or any Subsidiary or affiliate may be

¹ Solely for the purposes of Section 4(b) of this Agreement, “Cause” shall mean: (A) Grantee’s conviction of, or plea of guilty or nolo contendere to, any felony or other comparable offense under local law; (B) Grantee’s engaging in illegal or willful misconduct, or engaging in conduct that has a material adverse effect on the financial performance, financial condition and/or reputation of the Company or any Subsidiary; or (C) Grantee’s embezzlement of funds or misappropriation of other material property of the Company or any Subsidiary.

² Solely for purposes of Section 4(b) of this Agreement, “Good Reason” shall mean (1) a material and adverse change in the responsibilities of Grantee, or (2) a material reduction in Grantee’s base salary other than a reduction that is also applicable generally to other similarly situated employees; provided, however, that no such change or reduction shall constitute Good Reason (A) unless Grantee gives notice of the existence of such change or reduction that Grantee believes constitutes Good Reason within 30 days after the initial existence of such change or reduction, and the Company fails to cure such change or reduction within 30 days after receipt of such notice or (B) if the Executive consented in writing to such change or reduction.

required to withhold or account for Tax-Related Items in more than one jurisdiction.

- b. Prior to any relevant taxable or tax withholding event, as applicable, the Grantee agrees to make adequate arrangements satisfactory to the Company and/or any Subsidiary or affiliate to satisfy all withholding obligations of the Company and/or any of its Subsidiaries or affiliates with respect to Tax-Related Items. In this regard, the Grantee hereby authorizes the Company, in its sole discretion and without any notice to or further authorization or consent by the Grantee, to withhold from the Shares being distributed under this LTI Award upon vesting, that number of whole Shares the value of which is equal to the aggregate withholding obligation for Tax-Related Items as determined by the Company.

In the event that such withholding in Shares is problematic under applicable tax or securities law or has materially adverse accounting consequences, the Grantee authorizes the Company and/or any Subsidiary or affiliate to satisfy the aggregate withholding obligation for Tax-Related Items as the Company determines to be appropriate by (i) selling, on the Grantee's behalf, a whole number of shares from those Shares issued to the Grantee, (ii) cash payment, (iii) withholding from the Grantee's wages or other cash compensation paid to the Grantee, or (iv) such other means as the Committee deems appropriate.

- c. Depending on the withholding method, the Company or the Subsidiary or affiliate may withhold or account for Tax-Related Items by considering statutory withholding rates or other applicable withholding rates, including minimum or maximum rates applicable in the Grantee's jurisdiction, in which case the Grantee may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Shares. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Grantee is deemed to have been issued the full number of Shares subject to the vested RSUs, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Tax-Related Items.
- d. Finally, the Grantee shall pay to the Company or any Subsidiary or affiliate any amount of Tax-Related Items that the Company or any Subsidiary or affiliate may be required to withhold as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of the Shares, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items as described in this Section 6. The Grantee shall have no further rights with respect to any Shares that are retained by the Company or sold by the Company or its designated broker pursuant to this Section 6, and under no circumstances will the Company be required to issue any fractional Shares.

7. Nature of Grant

In accepting the LTI Award, the Grantee acknowledges, understands and agrees that:

- a. the Plan is established voluntarily by the Company, is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- b. all decisions with respect to future LTI Award grants, if any, will be at the sole discretion of the Company;

- c. the grant of the LTI Award and the Grantee's participation in the Plan shall not create a right to continued employment or service or be interpreted as forming an employment or services contract with the Company or any Subsidiary or affiliate and shall not interfere with the ability of the Company or any Subsidiary or affiliate to terminate the Grantee's employment relationship at any time;
- d. the Grantee's participation in the Plan is voluntary;
- e. the LTI Award and the Shares subject to the LTI Award, and the income and value of the same, are not intended to replace any pension rights or compensation;
- f. the LTI Award and the Shares subject to the LTI Award, and the income and value of the same, are extraordinary items outside the scope of the Grantee's employment or services contract, if any, and are not part of normal or expected compensation or salary of any kind for services of any kind rendered to the Company, any Subsidiary or any affiliate or for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
- g. the future value of the underlying Shares is unknown, indeterminable, and cannot be predicted with certainty;
- h. unless otherwise agreed with the Company, the LTI Award and the Shares subject to the LTI Award, and the income and value of same, are not granted as consideration for, or in connection with, the service the Grantee may provide as a director of the Company or any Subsidiary or affiliate;
- i. no claim or entitlement to compensation or damages shall arise from forfeiture of the LTI Award resulting from termination of the Grantee's termination of employment by the Company or any Subsidiary or affiliate (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or services contract, if any);
- j. the RSUs and the benefits under the Plan, if any, will not necessarily transfer to another company in the case of a merger, takeover or transfer of liability;
- k. the Grantee acknowledges and agrees that neither the Company nor any Subsidiary or affiliate shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of the LTI Award or of any amounts due to the Grantee pursuant to the settlement of the LTI Award or the subsequent sale of any Shares acquired upon settlement.

8. No Advice Regarding Grant

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan, or the Grantee's acquisition or sale of the underlying Shares. The Grantee is hereby advised to consult with the Grantee's own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

9. Data Privacy

Data Collection and Usage. The Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's personal data as described in this Agreement and any other grant materials by and among, as applicable, the Company and any Subsidiary or affiliate for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan.

Data Processing. The Grantee understands that the Company and any Subsidiary or affiliate may hold certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, e-mail address, date of birth, passport number, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company or any Subsidiary or affiliate, details of all RSUs or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in Grantee's favor ("Personal Data"), for the exclusive purpose of implementing, administering and managing the Plan.

Stock Plan Administration, Data Transfer, Retention and Data Subject Rights. The Grantee understands that Personal Data will be transferred to E*TRADE Financial Corporate Services, Inc. and/or its affiliates ("E*Trade") or any other stock plan service provider which is, presently or in the future, assisting the Company with the implementation, administration and management of the Plan. The Grantee understands that these recipients of Personal Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Grantee's country. The Grantee understands that he or she may request a list with the names and addresses of any potential recipients of Personal Data by contacting the Grantee's local human resources representative. The Grantee authorizes the Company, E*Trade and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Personal Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Grantee's participation in the Plan, including any requisite transfer of such Personal Data as may be required to a broker or other third party with whom the Grantee may elect to deposit any Shares received upon vesting of the RSUs. The Grantee understands that Personal Data will be held only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan. The Grantee understands that he or she may, at any time, view Personal Data, request additional information about the storage and processing of Personal Data, require any necessary amendments to Personal Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Grantee's local human resources representative. Further, the Grantee understands that he or she is providing the consents herein on a purely voluntary basis. If the Grantee does not consent, or if the Grantee later seeks to withdraw his or her consent, his or her employment status or service with the Company or any Subsidiary or affiliate will not be affected; the only consequence of refusing or withdrawing the Grantee's consent is that the Company would not be able to grant the Grantee RSUs or other equity awards or to administer or maintain RSUs or other equity awards granted to the Grantee prior or subsequent to such refusal or withdrawal. Therefore, the Grantee understands that refusal or withdrawal of consent may affect the Grantee's ability to participate in the Plan. For more information on the consequences of the Grantee's refusal to consent or withdrawal of consent, the Grantee understands that he or she may contact his or her local human resources representative.

10. Confidentiality; Non-Competition and Non-Solicitation Covenants

- a. **Confidentiality.** Grantee covenants and agrees that Grantee will not at any time use, disclose or make accessible or available to any other person, firm, partnership, corporation or any other entity any Confidential Information (as defined below) pertaining to the business of the Company or any of its Subsidiaries or affiliates, except (i) while employed by the Company or any of its Subsidiaries or affiliates, in the business of and for the benefit of the Company or any of its Subsidiaries or affiliates, or (ii) when required to do so by a subpoena, by any court of competent jurisdiction, by any governmental agency having supervisory authority over the business of the Company or any of its Subsidiaries or affiliates, or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order the Company or any of its Subsidiaries or affiliates to divulge, disclose or make accessible such information. For purposes of this agreement, “**Confidential Information**” shall mean non-public information concerning the Company's or any of its Subsidiaries' or affiliates' financial data, statistical data, strategic business plans, product development (or other proprietary product data), customer and supplier lists, customer and supplier information, information relating to practices, processes, methods, trade secrets, marketing plans and other non-public, proprietary and confidential information of the Company or any of its Subsidiaries or affiliates; provided, however, that Confidential Information shall not include any information which (x) is known generally to the public other than as a result of unauthorized disclosure by Grantee, (y) becomes available to Grantee on a non-confidential basis from a source other than the Company or any of its Subsidiaries or affiliates that lawfully obtained such information or (z) was available to Grantee on a non-confidential basis prior to its disclosure to Grantee by the Company or any of its Subsidiaries or affiliates. In addition to and not in limitation of anything in the foregoing, it is specifically understood and agreed by Grantee that any and all Confidential Information received by Grantee during his/her employment by the Company or any Subsidiary or affiliate is deemed Confidential Information. In the event Grantee's employment is terminated hereunder for any reason, he/she immediately shall return to the Company or any of its Subsidiaries or affiliates all tangible Confidential Information (including any and all copies thereof) in his/her possession.
- b. **Non-Competition Covenant.** Grantee agrees that during the period of Grantee's employment with the Company or any of its Subsidiaries and for a period of twelve (12) months after the effective date of termination of employment (the “Restricted Period”), without the prior written consent of the Company's CEO (or if Grantee is the CEO, without the prior written consent of the Committee), Grantee shall not, except in furtherance of his employment duties, directly or indirectly (whether as a sole proprietor, owner, partner, principal, manager, officer, director, agent, consultant, executive or management employee, or otherwise), engage in, assist or enable any other person to engage in, or directly or indirectly own more than 1% of any class or series of equity securities in, any business activity competitive (directly or indirectly) with the Business (as defined below) (a “Competing Entity”) anywhere in the world (the “Territory”), it being understood and agreed that the Company or any of its Subsidiaries or affiliates conducts and will conduct the Business throughout the Territory and that the Business effectively may be engaged in from any location throughout the Territory. As used in this Agreement, the term “**Business**” means the business of the Company and its Subsidiaries or affiliates, including (i) the purchase, collection, and/or management of portfolios of defaulted consumer receivables, (ii) claims filing, administration, or related services pertaining to securities or antitrust class action or similar litigation, (iii) the acquisition of claims or accounts related to securities or antitrust class action or similar litigation, or (iv) the

administration, management, auditing or collection of state, federal or municipal taxes or other government accounts receivable. Notwithstanding the foregoing, an entity will not be deemed to be a Competing Entity, and Grantee and other persons assisted by Grantee will not be deemed to be engaged in the Business in violation of the terms of this Section 10(b) if (A) Grantee is employed by an entity that is meaningfully engaged in one or more enterprises whose principal business is other than the Business (the "Non-Competing Businesses"), (B) such entity's relationship with Grantee relates solely to the Non-Competing Businesses, and (C) if requested by the Company or any of its Subsidiaries or affiliates, such entity and Grantee provide the Company or any of its Subsidiaries or affiliates with reasonable assurances that Grantee will have no direct or indirect involvement in the Business on behalf of such entity.

- c. **Non-Solicitation Covenant.** Grantee agrees that during the Restricted Period, without the prior written consent of the Company, Grantee shall not, on his own behalf or on behalf of any person or entity (other than on behalf of the Company or any of its Subsidiaries or affiliates), directly or indirectly, (i) solicit any Customer or Prospective Customer (as defined below) of the Company or any of its affiliates or Subsidiaries for the purpose of providing services or products relating to and competitive with the Business or facilitating the provision of such products or services; or (ii) engage, hire or solicit the employment of, whether on a full-time, part-time, consulting, advising, or any other basis, any employee who was employed by the Company or its affiliates or Subsidiaries on the effective date of Grantee's termination or at any time during the six (6) months preceding such termination date. This provision does not prohibit the solicitation of employees by means of a general advertisement. "Customer", as used in this Agreement, means any client or customer of the Company or any of its Subsidiaries or affiliates with respect to whom, at any time during the two (2) year period preceding the termination of Grantee's employment, Grantee: (i) performed services on behalf of the Company or any of its Subsidiaries or affiliates, or (ii) had substantial contact or acquired or had access to Confidential Information or other substantial information as a result of or in connection with Grantee's employment. "Prospective Customer", as used in this Agreement, means any entity other than a Customer with respect to whom, at any time during the one (1) year period preceding the termination of Grantee's employment, Grantee: (i) submitted or assisted in the submission of a presentation or proposal of any kind on behalf of the Company or any of its Subsidiaries or affiliates, or (ii) had substantial contact or acquired or had access to Confidential Information or other substantial information as a result of or in connection with Grantee's employment.
- d. Grantee agrees that the covenants of confidentiality, non-competition and non-solicitation are reasonable covenants under the circumstances and further agrees that if, in the opinion of any court of competent jurisdiction, any such covenants are not reasonable or are unenforceable in any respect, such court shall have the right, power and authority to excise or modify such provision or provisions of these covenants as appear to the court not reasonable or unenforceable and to enforce the remainder of these covenants as so amended, and to that end the provisions of this Section 10 shall be deemed severable. Grantee agrees that any breach of the covenants contained in this Section 10 will result in immediate and irreparable harm to the Company and its Subsidiaries and affiliates for which full damages cannot readily be calculated and for which damages are an inadequate remedy. Accordingly, Grantee agrees that the Company or any of its Subsidiaries or affiliates, in addition to pursuing any other remedies it may have in law or in equity, may obtain an injunction (without posting a bond or other security) against Grantee from any court having jurisdiction over the matter restraining any breach

or threatened breach of this Section 10. If the Grantee breaches this Section 10 all undelivered RSUs (whether vested or unvested) shall be immediately forfeited and cancelled and the Company may clawback (i) any RSUs delivered to Grantee in the preceding year and (ii) any other RSUs delivered in connection with, or following, Grantee's termination of employment.

- e. To the extent that the restrictive covenants at section (b) and (c) above are covered by any restrictive covenants in the Grantee's contract of employment, for the avoidance of any doubt, the restrictive covenants contained in the Grantee's contract of employment shall prevail.
- f. No particular consideration is payable for the covenants contained in this Section 10. However, if mandatory legislation is in effect or is introduced, pursuant to which consideration is a requirement for the validity and/or enforceability of the covenants in this Section 10, the Grantee shall receive the minimum compensation provided by law. The Company may waive the covenants contained in this Section 10 in whole or in parts, and the Grantee will only be entitled to such mandatory consideration for any period the covenants are invoked.
- g. Notwithstanding the foregoing, no subsection of this Section 10 is intended to or shall limit, prevent, impede or interfere with the Grantee's non-waivable right, without prior notice to the Company, to provide information to the government, participate in investigations, testify in proceedings regarding the Company or any Subsidiaries or affiliates past or future conduct, engage in any activities protected under whistleblower statutes, or to receive and fully retain a monetary award from a government-administered whistleblower award program for providing information directly to a government agency. The Grantee does not need prior authorization from the Company to make any such reports or disclosures and is not required to notify the Company that the Grantee has made such reports or disclosures. Further, pursuant to the Defend Trade Secrets Act of 2016 (18 U.S.C. Section 1833(b)), the Grantee shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made in confidence either directly or indirectly to a Federal, State, or local government official, or to an attorney, solely for the purpose of reporting or investigating, a violation of law. The Grantee shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret made in a complaint, or other document filed in a lawsuit or other proceeding, if such filing is made under seal. If the Grantee files a lawsuit alleging retaliation by the Company for reporting a suspected violation of the law, the Grantee may disclose the trade secret to the Grantee's attorney and use the trade secret in the court proceeding, so long as any document containing the trade secret is filed under seal and does not disclose the trade secret, except pursuant to court order.

11. Regulatory Requirements

- a. Anything in this Agreement to the contrary notwithstanding, in no event may any LTI Awards granted pursuant to this Agreement be effective if the Company or any of its Subsidiaries or affiliates shall, at any time and in its sole discretion, determine that the consent or approval of any governmental or regulatory body, is required or desirable in connection with such LTI Award. In such event, the LTI Award shall be held in abeyance and shall not be effective unless and until such consent or approval shall have been affected or obtained free of any conditions not acceptable to the Company or any of its Subsidiaries or affiliates.

- b. The Committee may require as a condition to the right to receive any LTI Awards hereunder that the Company receive from the Grantee representations, warranties and agreements, at the time of any such grant, to the effect that the Shares are being purchased without any present intention to sell or otherwise distribute such Shares in violation of applicable securities laws and that the Shares will not be disposed of in transactions which would violate the Company's policies, including its Insider Trading Policy, or violate registration provisions of the Securities Act of 1933, as then amended, and the rules and regulations promulgated thereunder or other applicable law. If applicable, the certificate issued to evidence such Shares shall bear appropriate legends summarizing such restrictions on the disposition thereof.
- c. All certificates for Shares or other securities of the Company shall be subject to such stop transfer orders and other restrictions as the Company or the Committee may deem advisable under the Company's policies, or the rules, regulations and other restrictions of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any applicable federal or state securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

12. Language

If the Grantee has received this Agreement, or any other document related to the Plan or this LTI Award translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

13. Electronic Delivery and Participation

The Company may, in its sole discretion, decide (a) to deliver any documents related to the LTI Award, the Grantee's participation in the Plan, or future LTI Awards by electronic means, or (b) to request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or any third party designated by the Company.

14. Governing Law / Venue

This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia and applicable United States laws, without giving effect to the conflict of laws principles thereof. Subject to Section 5 hereof, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors or assigns, as the case may be. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by any LTI Award or this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the Commonwealth of Virginia and agree that such litigation shall be conducted only in the courts of Norfolk, Virginia, or the federal courts for the United States for the Eastern District of Virginia, and no other courts, where this LTI Award is made and/or to be performed.

15. Equitable Adjustments; Rights as Shareholder

If any change is made to the outstanding Shares or capital structure of the Company, the outstanding and unvested RSUs shall be adjusted as necessary to prevent dilution or

enlargement of a Grantee's rights hereunder in the manner contemplated by Section 12.2 of the Plan.

The Grantee shall not have any rights of a shareholder with respect to the LTI Award, including, but not limited to, voting rights until vesting and delivery of the applicable Shares underlying the LTI Award.

As of any date that the Company pays an ordinary cash dividend on its Shares, the Company will increase the applicable number of outstanding and unvested RSUs by the number of shares that represent an amount equal to the per share cash dividend paid by the Company on its shares of Common Stock multiplied by the number of outstanding and unvested RSUs as of the related dividend payment date (collectively, "Dividend Equivalent Shares"). Any such Dividend Equivalent Shares shall be subject to the same vesting, forfeiture, payment, termination and other terms, conditions and restrictions as the original RSUs to which they relate.

16. Interpretation

Any dispute regarding the interpretation of this Agreement shall be submitted by the Grantee or the Company to the Committee for review. The resolution of such dispute by the Committee shall be final and binding on the Grantee and the Company.

17. Successors and Assigns.

The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Grantee and the Grantee's beneficiaries, executors, administrators and the person(s) to whom the LTI Award may be transferred by will or the laws of descent or distribution.

18. Severability

The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.

19. Discretionary Nature

The grant of the LTI Award is exceptional, voluntary and occasional and does not create any contractual right or other right to receive any other awards or benefits in lieu of awards in the future, even if awards have been granted in the past. Future awards, if any, will be at the sole discretion of the Committee. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Grantee's employment with the Company or any of its Subsidiaries or affiliates.

20. Amendment

This Agreement may be modified or amended by the Board or the Committee at any time; provided, however, no modification or amendment to this Agreement or the Plan shall be made which would materially and adversely affect the rights of the Grantee under this Agreement, without such Grantee's written consent.

21. Section 409A

To the extent Grantee is or becomes subject to U.S. Federal income taxation, this Agreement is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. For purposes of this Agreement, "Section 409A" means Section 409A of the Code, and any proposed, temporary or final Treasury regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time. In addition, and notwithstanding anything to the contrary in this Agreement, the Company reserves the right to revise this Agreement as it deems necessary or advisable, in its sole discretion and without Grantee's consent, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection with this LTI Award. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Grantee on account of non-compliance with Section 409A.

Notwithstanding anything herein to the contrary, (i) to the extent any LTI Award constitutes nonqualified deferred compensation within the meaning of, and subject to, Section 409A, then, with respect to such LTI Award, all references in the Plan and this Agreement to the Grantee's termination of employment shall mean the Grantee's separation from service within the meaning of Section 409A, and (ii) in the event that Grantee is a "specified employee" within the meaning of Section 409A, and a payment or benefit provided for under this Agreement would be subject to additional tax under Section 409A if such payment or benefit is paid within six (6) months after such Grantee's "separation from service" (as defined under Section 409A), then such payment or benefit shall not be paid (or commence) during the six (6) month period immediately following such Grantee's separation from service except as provided in the immediately following sentence. In such an event, any payments or benefits that would otherwise have been made or provided during such six (6) month period and which would have incurred such additional tax under Section 409A shall instead be paid to the Grantee in a lump-sum cash payment, without interest, on the earlier of (i) the first business day following the six (6) month anniversary of such Grantee's separation from service or (ii) the tenth business day following such Grantee's death.

22. Repayment Obligation

In the event that (i) the Company issues a restatement of financial results to correct a material error, (ii) the Committee determines, in good faith, that Grantee's fraud or willful misconduct was a significant contributing factor to the need to issue such restatement and (iii) some or all of the RSUs that were granted and/or earned during the three year period prior to such restatement would not have been granted and/or earned, as applicable, based upon the restated financial results, the Grantee shall immediately return to the Company the RSUs or the pre-tax income derived from any disposition of the shares previously received in settlement of the RSUs that would not have been granted and/or earned based upon the restated financial results (the "Repayment Obligation"). This Repayment Obligation shall be in addition to any compensation recovery policy that is adopted by the Company or is otherwise required by applicable law.

23. Entire Agreement

The above terms and conditions control this Agreement, notwithstanding any terms or provisions in any prior awards from the Company to the Grantee. In the case of any

conflict between the provisions hereof and those of the Plan, the provisions of the Plan shall be controlling.

24. Appendix

The LTI Award shall be subject to any special terms and conditions set forth in the Appendix for the Grantee's country. Moreover, if the Grantee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Grantee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

25. Imposition of Other Requirements

The Company reserves the right to impose other requirements on the Grantee's participation in the Plan, on the LTI Award and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

26. Insider Trading/Market Abuse Laws

Grantee acknowledges that he or she may be subject to insider trading and/or market abuse laws in Grantee's country of domicile and the United States, which may affect the Grantee's ability to acquire or sell Shares under the Plan during such times as the Grantee is considered to have "inside information" (as defined by the laws in the Grantee's country and the United States). The requirements of these laws may or may not be consistent with the terms of any applicable Company insider trading policy. The Grantee acknowledges that it is the Grantee's responsibility to be informed of and compliant with any such laws and such Company policies, and is hereby advised to speak to the Grantee's personal legal advisor on this matter.

27. Foreign Asset/Account Reporting Notification

The Grantee understands that the Grantee's country may have certain exchange control and/or foreign asset/account reporting requirements which may affect the Grantee's ability to acquire or hold Shares under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside of the Grantee's country. The Grantee may be required to report such accounts, assets or transactions to the tax or other authorities in the Grantee's country. The Grantee acknowledges that it is the Grantee's responsibility to comply with any applicable regulations, and the Grantee should speak to the Grantee's personal advisor on this matter.

28. Waiver

The Grantee acknowledges that a waiver by the Company of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any prior or subsequent breach by the Grantee or any other grantee.

APPENDIX

PRA Group, INC.

2013 Omnibus Incentive Plan Restricted Stock Unit Agreement Country-Specific Provisions

Capitalized terms used but not defined herein shall have the meanings set forth in the Plan and/or the Agreement.

This Appendix includes special terms and conditions applicable to Grantees and the RSUs (the “Stock Units”) granted to such Grantees under the Plan if the Grantee resides and/or works in one of the countries listed below.

This Appendix also includes information regarding exchange control and certain other issues of which the Grantee should be aware with respect to the Grantee’s participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the respective countries as of February 2020. However, such laws are often complex and change frequently. As a result, the Company strongly recommends that the Grantee does not rely on the information noted herein as the only source of information relating to the consequences of participation in the Plan because the information may be out of date at the time the Grantee vests in the Stock Units, acquires Shares (or the cash equivalent) or sells Shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to the Grantee’s particular situation and the Company is not in a position to assure the Grantee of any particular result. Accordingly, the Grantee is advised to seek appropriate professional advice as to how the relevant laws in the Grantee’s country may apply to the Grantee’s situation.

Finally, if the Grantee is a citizen or resident of a country other than the one in which the Grantee is currently residing and/or working, transfers employment and/or residency to another country after the Stock Units are granted or is considered a resident of another country for local law purposes, the notifications contained herein may not be applicable to the Grantee in the same manner. The Company shall, in its sole discretion, determine to what extent the terms and conditions included herein will apply under these circumstances.

The following provisions apply to Grantees who work and / or reside inside the European Union, the European Economic Area, Switzerland or the United Kingdom AND REPLACES SECTION 9 OF THE AGREEMENT

TERMS AND CONDITIONS

By accepting the LTI Award, the Grantee acknowledges that the Grantee has read and understood the information regarding the collection, processing and transfer of the Grantee’s personal data described below. Capitalized terms used in this Appendix shall have the meaning ascribed to such terms in the Plan.

Data Collection and Usage. The Company or, if different, the Grantee’s employer (the “Employer”) will collect, process, transfer and use personal data about the Grantee that is necessary for the purpose of implementing, administering and managing the Grantee’s participation in the Plan. This personal data may include the Grantee’s name, home

address, email address, date of birth, social insurance number, passport or other identification number, nationality and citizenship, any shares of common stock or directorships held in the Company, details of all awards or other entitlements to shares of common stock, granted, canceled, exercised, vested, unvested or outstanding in the Grantee's favor ("Data").

Purposes and Legal Bases of Processing. The Company processes the Data for the purpose of performing its contractual obligations under the Plan, which include implementing, administering and managing the Grantee's participation in the Plan and facilitating compliance with applicable tax, exchange control, securities and labor law. The legal basis for the processing of the Data by the Company and the third party service providers described below is the necessity of the data processing for the Company to perform its contractual obligations under the Plan and relevant award agreement the Grantee and for the Company's legitimate business interests of managing the Plan and generally administering employee LTI Awards.

Stock Plan Administration Service Providers. The Company transfers Data to E*TRADE Financial Corporate Services, Inc. and certain of its affiliates (jointly, "E*Trade"), independent service providers with operations, relevant to the Company, in the United States, which assist the Company with the implementation, administration and management of the Plan. In the future, the Company may select different service providers and share the Grantee's Data with other service providers that serve in a similar manner. The Company's service providers may open accounts for the Grantee to receive and trade shares of common stock. The processing of the Grantee's Data will take place through both electronic and non-electronic means. The Grantee may be asked to agree on separate terms and data processing practices with E*Trade or any other service providers the Company may designate, with such agreement being a condition of the ability to participate in the Plan.

International Data Transfers. The Company and its service providers, including, without limitation, E*Trade, operate, relevant to the Company, in the United States, which means that it will be necessary for Data to be transferred to, and processed in, the United States. The Grantee understands and acknowledges that the United States is not subject to an unlimited adequacy finding by the European Commission and that the Grantee's Personal Data may not have an equivalent level of protection as compared to the Grantee's country of residence. The Company may transfer Data on the basis of a decision of the European Commission stating the appropriate level of protection, standard data protection clauses or, where applicable, on the basis of the Privacy Shield programs between the European Union and the United States and between Switzerland and the United States, as applicable. The Grantee has the right to obtain from us confirmation of the conclusion of appropriate contractual arrangements.

Data Retention. The Company will use Data only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan or as required to comply with legal or regulatory obligations, including under tax, exchange control, securities, and labor laws. The Company may keep some of the Grantee's Data even after the Grantee terminates employment with the Company group to satisfy legal or regulatory obligations and the Company's legal basis for such use would be necessity to comply with legal obligations. When the Company no longer needs the Grantee's Data, the Company will remove it from its systems.

Contractual Requirement. The processing and transfer of Data as described above is a contractual requirement and a condition to the Grantee's ability to participate in the Plan. However, the Grantee's participation in the Plan and acceptance of the relevant agreement are purely voluntary. While the Grantee will not receive LTI Awards if the

Grantee decides against participating in the Plan, the Grantee's career and salary will not be affected in any way.

Data Subject Rights. The Grantee has a number of rights under data privacy laws in the Grantee's country. Depending on where the Grantee is based, the Grantee's rights may include the right to (i) request access or copies of the Grantee's Data the Company processes, (ii) rectify incorrect Data and/or delete the Grantee's Data, (iii) restrict processing of the Grantee's Data, (iv) portability of the Grantee's Data, (v) lodge complaints with the competent data protection authorities in the Grantee's country and/or (vi) obtain a list with the names and addresses of any recipients of the Grantee's Data. To receive clarification regarding the Grantee's rights or to exercise the Grantee's rights please contact the Company at compensation@pragroup.com.

AUSTRALIA

TERMS AND CONDITIONS

Tax Conditions. Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies to the LTI Award granted under the Plan, such that the LTI Award is intended to be subject to deferred taxation.

Australian Offer Document. The Company is pleased to provide the Grantee with this offer to participate in the Plan. This offer document sets out information regarding the LTI Award granted under the Plan for Australian resident employees of the Company and its Australian Subsidiaries. This information is provided by the Company to ensure compliance of the Plan with Australian Securities and Investments Commission ("ASIC") Class Order 14/1000 and relevant provisions of the *Corporations Act 2001*.

Additional Documents. In addition to the information set out in this LTI Award Agreement, the Grantee is also being provided with copies of the following documents:

- a. the Plan;
- b. the Plan prospectus; and
- c. the Australian Employee Information Supplement for the Plan (collectively, the Additional Documents").

The Additional Documents provide further information to help the Grantee make an informed investment decision about participating in the Plan. Neither the Plan nor the Plan prospectus is a prospectus for the purposes of the *Corporations Act 2001*. The Grantee should not rely upon any oral statements made in relation to this offer. The Grantee should rely only upon the statements contained in this Restricted Stock Unit Agreement and Performance Stock Unit Agreement and the Additional Documents when considering his or her participation in the Plan.

General Information Only. The information herein is general information only. It is not advice or information that takes into account the Grantee's objectives, financial situation and needs.

The Grantee should consider obtaining his or her own financial product advice from a person who is licensed by ASIC to give such advice.

Risk Factors for Australian Residents. Investment in Shares involves a degree of risk. The Grantee should monitor his or her participation in the Plan and consider all risk factors relevant to the vesting or issuance of Shares under the Plan as set forth below and in the Additional Documents.

The Grantee should have regard to risk factors relevant to investment in securities generally and, in particular, to holding Shares. For example, the value at which an

individual Share is quoted on the Nasdaq Global Select Market (“Nasdaq”) may increase or decrease due to a number of factors. There is no guarantee that the value of a Share will increase. Factors that may affect the value of an individual Share include fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, the nature of the markets in which the Company operates and general operational and business risks. More information about potential factors that could affect the Company’s business and financial results will be included in the Company’s most recent Annual Report on Form 10-K and the Company’s Quarterly Report on Form 10-Q. Copies of these reports are available at <http://www.sec.gov/>, on the Company’s “Investor Relations” page at <https://ir.pragroup.com/>, and upon request to the Company.

In addition, the Grantee should be aware that the Australian dollar (“AUD”) value of any Shares acquired under the Plan will be affected by the U.S. dollar/AUD exchange rate. Participation in the Plan involves certain risks related to fluctuations in this rate of exchange.

Shares in a U.S. Corporation. Shares of a U.S. corporation are analogous to ordinary shares of an Australian corporation. Each holder of a Share is entitled to one vote. Further, Shares are not liable to any further calls for payment of capital or for other assessment by the Company and have no sinking fund provisions, pre-emptive rights, conversion rights or redemption provisions.

Ascertaining the Market Value of Shares. The Grantee may ascertain the current market value of an individual Share as traded on the Nasdaq under the symbol “PRAA” at: <https://www.nasdaq.com/symbol/praa>. The AUD equivalent of that value can be obtained at: <https://www.rba.gov.au/statistics/frequency/exchange-rates.html>.

Please note this will not be a prediction of the market value of an individual Share when such Shares are vested or issued under the Plan or of the applicable exchange rate on the vesting date or the date the Shares are issued.

Exchange Control Information. If the Grantee is an Australian resident, exchange control reporting is required for cash transactions exceeding AUD10,000 and international fund transfers. If an Australian bank is assisting with the transaction, the bank will file the report on the Grantee’s behalf. If there is no Australian bank involved with the transfer, the Grantee will be required to file the report.

AUSTRIA

TERMS AND CONDITIONS

The following provision supplements Section 10(b) of the Agreement:

The phrase “any business activity competitive (directly or indirectly) with the Business (as defined below) (a “Competing Entity”) anywhere in the world (the “Territory”) shall be replaced with:

“any business activity competitive (directly or indirectly) with the Business (as defined below) (a “Competing Entity”) in Europe (the “Territory”)

NOTIFICATIONS

Exchange Control Information. If the Grantee is an Austrian resident and holds Shares acquired under the Plan outside of Austria, the Grantee must submit a report to the Austrian National Bank. An exemption applies if the value of the Shares as of the last day of any given calendar quarter does not exceed €30,000,000 or as of December 31 does not exceed €5,000,000. If the former threshold is exceeded, quarterly obligations are imposed; whereas, if the latter threshold is exceeded, annual reports must be filed. The deadline for filing the quarterly report is the 15th day of the month following the end of the relevant quarter. The annual reporting date is December 31 and the deadline for filing the annual report is January 31 of the following year.

When the Grantee sells Shares acquired under the plan, there may be exchange control obligations if the cash proceeds are held outside of Austria. If the transaction volume of all accounts abroad exceeds €10,000,000, the movements and balances of all accounts must be reported monthly, as of the last day of the month, on or before the fifteenth day of the following month using the prescribed form.

BRAZIL

TERMS AND CONDITIONS

Intent to Comply with Law. The Grantee agrees to comply with applicable Brazilian laws and to report and pay any and all applicable tax-related items associated with the vesting of the LTI Award, the sale of any Shares acquired upon vesting of the LTI Award and the receipt of any dividends or dividend equivalents.

Nature of Grant. This provision supplements Section 7 of the Agreement:

The Grantee agrees that (i) the Grantee is making an investment decision, (ii) the LTI Award will vest only if the vesting conditions are met and any necessary services are rendered by the Grantee over the vesting period and (iii) the value of the Shares subject to the LTI Award is not fixed and may increase or decrease in value over the vesting period without compensation to the Grantee.

NOTIFICATIONS

Exchange Control Information. The Grantee acknowledges that if the Grantee is a Brazilian resident or domiciled in Brazil, the Grantee is required to submit an annual declaration of assets and rights held outside Brazil to the Central Bank of Brazil if the aggregate value of such assets and rights is US\$100,000 or more. Assets and rights that must be reported include Shares acquired under the Plan. The US\$100,000 threshold may be changed annually.

Tax on Financial Transactions. Payments to foreign countries, repatriation of funds into Brazil, and the conversion between BRL and USD associated with such fund transfers, may be subject to the Tax on Financial Transaction. It is the Grantee's personal responsibility to comply with any applicable Tax on Financial Transaction arising from participation in the Plan. The Grantee should consult with the Grantee's personal tax advisor for additional details.

CANADA

TERMS AND CONDITIONS

Payment. Notwithstanding any discretion contained in the Plan or this Agreement, the LTI Award granted to Grantees in Canada shall be paid in Shares only and does not provide any right for the Grantee to receive a cash payment.

The following provisions apply if the Grantee resides in Quebec:

Language Consent. The parties acknowledge that it is their express wish that this Agreement as well as all documents, notices, and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention (“Agreement”), ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à la présente convention.

The following provision supplements the Data Privacy Provisions in Section 9 of the Agreement:

Data Privacy. The Grantee hereby authorizes the Company, its Subsidiaries, affiliates and their representatives to discuss with and obtain all relevant information from all personnel, professional or otherwise, involved in the administration and operation of the Plan. The Grantee further authorizes the Company and/or any Subsidiary or affiliate of the Company to record such information in his or her employee file.

NOTIFICATIONS

Securities Law Information. The Grantee is permitted to sell Shares acquired under the Plan provided the resale of such Shares takes place outside of Canada through the facilities of a stock exchange on which the Shares are listed. The Shares are currently listed on the Nasdaq Exchange in the United States.

Foreign Asset/Account Reporting Information. Foreign property, including Shares and rights to receive shares (*e.g.*, Stock Units), held by Canadian residents must be reported annually to the tax authorities on Form T1135 (Foreign Income Verification Statement) if the total cost of all of your foreign specified property exceeds C\$100,000 at any time during the year. The form must be filed by April 30th of the following year when such foreign property was held by a Canadian resident. It is the Grantee’s responsibility to comply with applicable reporting obligations and the Grantee should consult with his or her personal tax advisor in this regard.

COLOMBIA

TERMS AND CONDITIONS

Nature of Grant. This provision supplements Section 7 of the Agreement:

The Grantee acknowledges that pursuant to Article 128 of the Colombian Labor Code, the Plan and related benefits do not constitute a component of the Grantee’s “salary” for any legal purpose. The Plan and related benefits will not be included and / or considered for purposes of calculating any and all labor benefits, such as legal / fringe benefits, vacation, indemnities, payroll taxes, social insurance contributions and / or any other labor related amount which may be payable.

NOTIFICATIONS

Securities Law Information. The Shares subject to the LTI Award are not and will not be registered with the Colombian registry of publicly traded securities (Registro Nacional de Valores y Emisores) and therefore the Shares may not be offered to the public in Colombia. Nothing in this document should be construed as the making of a public offer of securities in Colombia.

Exchange Control Information. The Grantee must register the Grantee's investments with the Central Bank of Colombia (Banco de la República). The registration method will vary depending on whether cash is remitted from Colombia (either by the Grantee or the Employer), or no cash consideration is paid at all. Upon liquidation of assets held abroad, the Grantee must (i) cancel the registration with the Central Bank and (ii) repatriate the proceeds from the sale or liquidation to Colombia and file the appropriate Central Bank form (usually through the Grantee's own local bank). The Grantee personally is responsible for complying with applicable exchange control requirements in Colombia.

Foreign Asset/Account Reporting Information. An annual information return may need to be filed with the Colombian Tax Office detailing any assets held abroad (including Shares acquired under the Plan). If the individual value of any of these assets exceeds a certain threshold, each asset must be described (e.g., its nature and its value) and the jurisdiction in which it is located must be disclosed. It is the Grantee's responsibility to comply with this tax reporting requirement.

FINLAND

No country-specific provisions apply.

GERMANY

NOTIFICATIONS

Exchange Control Information. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. No report is required for payments less than €12,500. In case of payments in connection with securities (including proceeds realized upon the sale of Shares), the report must be made by the 5th day of the month following the month in which the payment was received. The report must be filed electronically. The form of report ("*Allgemeine Meldeportal Statistik*") can be accessed via the *Bundesbank's* website (www.bundesbank.de) and is available in both German and English. The Grantee is responsible for satisfying the reporting obligation.

Foreign Asset/Account Reporting Information. If the Grantee's acquisition of Shares under the Plan leads to a so-called qualified participation at any point during the calendar year, the Grantee will need to report the acquisition when the Grantee files his or her tax return for the relevant year. A qualified participation is attained if (i) the value of the Shares acquired exceeds €150,000, or (ii) the Grantee holds Shares exceeding 10% of the total capital of the Company. However, if the Grantee owns less than 1% of the total capital of the Company, this requirement will not apply.

ITALY

TERMS AND CONDITIONS

Grant Terms Acknowledgment. By accepting the LTI Award, the Grantee acknowledges that the Grantee has received a copy of the Plan and the Agreement, including this Appendix, in their entirety and fully understands and accepts all the provisions of the Plan and the Agreement. The Grantee further acknowledges having read and specifically approves the following sections of the Agreement: Time-vested Shares - RSUs, Non-assignability, Responsibility for Taxes, Nature of Grant, Confidentiality; Non-Competition and Non-Solicitation Covenants, Language, Electronic Delivery and Participation, Governing Law / Venue, Successors and Assigns, Repayment Obligation, Appendix, Imposition of Other Requirements, and Waiver.

NOTIFICATIONS

Foreign Asset/Account Reporting Information. Italian residents who, at any time during the tax year, hold foreign financial assets outside of Italy (*e.g.*, cash and Shares) which may generate income taxable in Italy are required to report these assets on their annual tax returns (UNICO Form, RW Schedule) for the year during which the assets are held, or on a special form if no tax return is due. These reporting obligations will also apply to Italian residents who are the beneficial owners of foreign financial assets under Italian money laundering provisions.

Tax on Foreign Financial Assets. A tax on the value of financial assets held outside of Italy by individual residents in Italy may be due to the extent their value exceeds a certain threshold. The taxable amount will be the fair market value of the financial assets (including Shares) assessed at the end of each calendar year or on the last day the financial assets are held (in such case, or when assets are acquired during the course of the year, the tax is levied on proportion to the number of days the assets are held over the calendar year).

NORWAY

No country-specific provisions apply.

POLAND

NOTIFICATIONS

Foreign Asset / Account Reporting Information. Polish residents holding foreign securities (including Shares) and/or maintaining accounts abroad must report information to the National Bank of Poland on transactions and balances of the securities and cash deposited in such accounts if the value of such securities and cash (when combined with all other assets held abroad) exceeds PLN 7,000,000. If required, the reports must be filed on a quarterly basis on special forms available on the website of the National Bank of Poland. Polish residents should consult with their personal tax advisor to determine their personal reporting obligations.

Exchange Control Information. If a Polish resident transfers funds in excess of a specific threshold (currently €15,000, or PLN 15,000 if such transfer of funds is connected with business activity of an entrepreneur), the funds must be effected through a Polish bank account or financial institution. Polish residents are required to maintain evidence of such foreign exchange transactions for five years, from the end of the year in which such transactions occurred, in case of a request for their production by the National Bank of Poland.

SPAIN

TERMS AND CONDITIONS

The following provision supplements Section 10(b) of the Agreement:

Grantee agrees that any RSUs granted under the Plan during his or her employment with the Company or its Subsidiaries constitute adequate compensation for the covenants of confidentiality, non-competition and non-solicitation. If the Grantee breaches this Section 10, all undelivered RSUs (whether vested or unvested) shall be immediately forfeited and cancelled and the Company may clawback (i) any RSUs delivered to Grantee in the preceding year and (ii) any other RSUs delivered in connection with, or following,

Grantee's termination of employment and (iii) when applicable, the cash compensation paid during the Restricted Period. If at the effective date of termination of the employment, the Grantee has not received through LTI Awards at least a 50% of his/her fixed gross salary at termination date for the Restricted Period as compensation for the covenants of noncompetition and non-solicitation, the Company will pay the difference up to the referred 50% in 12 cash monthly installments during the Restricted Period.

Nature of Grant. This provision supplements Section 7 of the Agreement:

By accepting the LTI Award, the Grantee acknowledges that he or she consents to participation in the Plan and has received a copy of the Plan and the Agreement.

The Grantee understands that the Company has unilaterally, gratuitously and discretionally decided to grant the LTI Award under the Plan to individuals who may be employed by the Company or its Subsidiaries or affiliates throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that the grant will not economically or otherwise bind the Company or any of its Subsidiaries or affiliates on an ongoing basis other than as set forth in the applicable award agreement. Consequently, the Grantee understands that the LTI Award is granted on the assumption and condition that the LTI Award and any Shares subject to the vesting of the Stock Units shall not become a part of any employment contract (either with the Company or any of its Subsidiaries or affiliates) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. Furthermore, the Grantee understands and accepts that there is no guarantee that any benefit whatsoever shall arise from the LTI Award, which is gratuitous and discretionary, since the future value of the LTI Award, and the underlying Shares, is unknown and unpredictable.

Additionally, the Grantee understands that the vesting of the Stock Units covered by the LTI Award is expressly conditioned on the Grantee's continued and active rendering of service to the Company or the employer, as applicable, such that if the Grantee's employment terminates for any reason, except death, Disability, Retirement and certain circumstances at a Change in Control, the Stock Units will cease vesting immediately effective as of the date of cessation of active employment by reason of, but not limited to, resignation, retirement, disciplinary dismissal adjudged to be with cause (i.e., subject to a "*despido improcedente*"), disciplinary dismissal without cause, material modification of the terms of employment under Article 41 of the Workers' Statute, relocation under Article 40 of the Workers' Statute, Article 50 of the Workers' Statute, relocation under Article 40 of the Workers' Statute, Article 50 of the Workers' Statute, unilateral withdrawal by the Employer and under Article 10.3 of the Royal Decree 1382/1985.

NOTIFICATIONS

Exchange Control Information. The acquisition, ownership and sale of Shares under the Plan must be declared to the Spanish Dirección General de Comercio e Inversiones (the "DGCI"), which is a department of the Ministry of Economy and Competitiveness. The Grantee must also declare ownership of any Shares by filing a Form D-6 with the Directorate of Foreign Transactions each January while the Shares are owned. In addition, the sale of Shares must also be declared on Form D-6 filed with the DGCI in January, unless the value of the Shares acquired or the sale proceeds exceed the applicable threshold (currently €1,502,530) (or the Grantee holds 10% or more of the share capital of the Company), in which case, the filing is due within one month after the acquisition or sale.

The Grantee is required to declare electronically to the Bank of Spain any securities accounts (including brokerage accounts held abroad), any foreign instruments (including any Shares acquired under the Plan) and any transactions with non-Spanish residents (including any payments of Shares made to the Grantee by the Company) depending on the value of such accounts and instruments and the amount of the transactions during the relevant year as of December 31 of the relevant year. More frequent reporting may be required if the transaction value or account balance exceeds €100,000,000.

Foreign Asset/Account Reporting Information. If the Grantee holds rights or assets (*e.g.*, Shares or cash held in a bank or brokerage account) outside of Spain with a value in excess of €50,000 per type of right or asset (*e.g.*, Shares, cash, etc.) as of December 31 each year, the Grantee is required to report certain information regarding such rights and assets on tax form 720. After such rights and/or assets are initially reported, the reporting obligation will only apply for subsequent years if the value of any previously-reported rights or assets increases by more than €20,000. The reporting must be completed by the following March 31.

Securities Law Information. The LTI Award and the Shares subject to the LTI Award do not qualify as securities under Spanish regulations. No “offer of securities to the public,” as defined under Spanish law, has taken place or will take place in the Spanish territory. Neither the Plan nor the Agreement have been or will be registered with the *Comisión Nacional del Mercado de Valores* (Spanish Securities Exchange Commission), nor do they constitute a public offering prospectus.

SWEDEN

TERMS AND CONDITIONS

Responsibility for Taxes. The following provision supplements Section 6 of the Agreement:

Without limiting the Company’s or any Subsidiary’s or affiliate’s authority to satisfy their withholding obligations for Tax-Related Items as set forth in Section 6 of the Agreement, in accepting the grant of the LTI Award, the Grantee authorizes the Company and/or any Subsidiary or affiliate to withhold Shares or to sell Shares otherwise deliverable to the Grantee upon vesting/settlement to satisfy Tax-Related Items, regardless of whether the Company and/or any Subsidiary or affiliate has an obligation to withhold such Tax-Related Items.

SWITZERLAND

NOTIFICATIONS

Securities Law Information. Neither this document nor any other materials relating to the LTI Award (i) constitutes a prospectus according to articles 35 et seq. of the Swiss Federal Act on Financial Services (“FinSA”) (ii) may be publicly distributed or otherwise made publicly available in Switzerland to any person other than an Employee and other service provider of the Company or any Subsidiary or affiliate or (iii) has been or will be filed with, approved or supervised by any Swiss reviewing body according to article 51 FinSA or any Swiss regulatory authority, including the Swiss Financial Market Supervisory Authority (“FINMA”).

UNITED KINGDOM

TERMS AND CONDITIONS

The following provision supplements Section 10(b) of the Agreement:

The phrase “directly or indirectly own more than 1% of any class or series of equity securities in, any business activity competitive (directly or indirectly) with the Business (as defined below) (a “Competing Entity”) anywhere in the world (the “Territory”) shall be replaced with:

“directly or indirectly own more than 1% of any class or series of equity securities in, any entity or business which at such time has material operations that are engaged, or about to be engaged, in any business activity competitive (directly or indirectly) with the Business (as defined below) in Europe and with which the Grantee was materially involved at any time during the last 12 months of the Grantee’s employment with the Company or any Subsidiary (a “Competing Entity”) anywhere in the world (the “Territory”).

Responsibility for Taxes. The following provision supplements Section 6 of the Agreement:

If payment or withholding of the income tax due is not made within ninety (90) days of the end of the U.K. tax year (April 6 - April 5) in which such event giving rise to the income tax liability occurs, or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the “Due Date”), the amount of any uncollected tax shall constitute a loan owed by the Grantee to the Company or the Employer, as applicable, effective as of the Due Date. The Grantee agrees that the loan will bear interest at the then current Her Majesty’s Revenue and Customs (“HMRC”) official rate, it will be immediately due and repayable, and the Company or the Employer may collect it at any time thereafter by any of the means referred to in Section 6 of the Agreement.

Notwithstanding the foregoing, if the Grantee is an executive officer or director of the Company within the meaning of Section 13(k) of the Exchange Act, the Grantee shall not be eligible for a loan to cover the income tax due as described above. In the event that the Grantee is such an executive officer or director and the income tax due is not collected by the Due Date, the amount of any uncollected income tax may constitute a benefit to the Grantee on which additional income tax and National Insurance Contributions (“NICs”) may be payable. The Grantee acknowledges that the Grantee ultimately will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing the Company or the Employer (as applicable) for the value of any employee NICs due on this additional benefit, which the Company or the Employer may recover from the Grantee by any of the means referred to in Section 6 of the Agreement.

PRA GROUP, INC.

PERFORMANCE STOCK UNIT AGREEMENT

PRA Group, Inc., a Delaware corporation, (the “Company”) has duly adopted, and its stockholders have approved, the Company’s 2013 Omnibus Incentive Plan (the “Plan”), the terms of which are hereby incorporated by reference. In the case of any conflict between the provisions hereof and those of the Plan, the provisions of the Plan shall be controlling. A copy of the Plan is available upon request from the Secretary of the Company or can be accessed through the Company’s filings with the Securities and Exchange Commission at the following weblink:

http://www.sec.gov/Archives/edgar/data/1185348/000119312513161958/d521369ddef14a.htm#rom521369_45.

This Performance Stock Unit Agreement, including the country-specific terms set forth in the attached Appendix (collectively the “Agreement”), describes in detail your rights with respect to the Performance Stock Units (“PSUs”) granted herein (“LTI Award”) and sets forth the conditions, terms and limitations applicable to this grant, subject to the terms and conditions of the Plan. This Agreement constitutes a legal agreement between you (“Grantee”) and the Company. Capitalized terms used in this Agreement, but not otherwise defined herein, shall have the meanings set forth in the Plan.

Grantee Name	
Grantee Id	
Grant/Award Type	
Target Number of Units Granted	
Grant Date	

IN WITNESS WHEREOF, the parties have accepted, witnessed and agreed to be bound by this Agreement as of the Grant Date specified and agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the intent of this Agreement.

PRA GROUP, INC.



By: Executive Vice President, General Counsel



By: President and Chief Executive Officer

1. Performance-based LTI Awards - PSUs

A. Performance Categories

- a. The number and extent to which any PSUs granted herein may be delivered to the Grantee pursuant to this Agreement shall be based upon the extent to which any or all of the performance categories (the "Performance Categories") below are met. The total number of target PSUs granted herein and eligible for vesting shall be divided equally among the following three Performance Categories:
 - i. **Performance Category 1: 2020-2022 Revenue.** 1/3rd of the PSUs will be based on the extent to which the Company achieves a [three-year Revenue target](#), which shall be calculated annually during the period beginning on January 1, 2020 and ending on December 31, 2022 (the "Performance Period").
 - ii. **Performance Category 2: 2020-2022 Adjusted EBITDA.** 1/3rd of the PSUs will be based on the extent to which the Company achieves a three-year Adjusted EBITDA target, which shall be calculated annually during the Performance Period.
 - iii. **Performance Category 3: 2020-2022 Net Income.** 1/3rd of the PSUs will be based on the extent to which the Company achieves a three-year Net Income target, which shall be calculated annually during [the Performance Period](#).
- b. The percentage of PSUs which shall become vested at the end of the Performance Period shall be as set forth in the tables in Section B below.
- c. At the end of the Performance Period, the Committee shall certify the Company's performance and determine the extent to which any PSUs have been earned, if at all.
- d. If, at the end of the Performance Period, stated performance targets have been met, except as otherwise provided herein, including in Section 21, the Grantee shall be entitled to receive fully paid Shares of common stock of the Company equal to the applicable percentage of the PSUs as determined in accordance with Section B below, as soon as administratively feasible after the Committee certifies the actual performance of the Company during the applicable Performance Period and the extent to which the Company's performance objectives have been met (and in all events by December 31st of the year in which such PSUs become vested or within two and one half (2 ½) months after vesting, if later). Such determination shall be final and binding upon the Grantee.
- e. For purposes of this Agreement, except as provided in Sections 2, 3 and 4 below, on the date the Grantee: (i) ceases active employment by the Company or any Subsidiary or affiliate of the Company (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or service contract, if any) prior to the applicable vesting date, or (ii) gives or receives notice of the termination of the Grantee's employment for any reason and either (a) is placed on garden leave pursuant to the Grantee's contract of employment (if applicable) or, (b) ceases to perform their duties and responsibilities during the Grantee's notice period in accordance with the Grantee's contract of employment prior to the applicable vest date, no PSUs granted hereunder shall be determined to have been earned if the Grantee is not an Employee or on the Board of Directors of the Company, if applicable, at the end of the Performance Period and if the Grantee terminates employment or Board Service, if applicable, prior to the end of the Performance Period, and all rights of the Grantee hereunder shall thereupon terminate, any unvested PSUs shall be immediately and automatically forfeited and neither the Grantee, nor any successors, heirs, assigns or legal representatives of the Grantee, shall thereafter have any further rights or interest in any unvested PSUs.

- f. The Committee shall have the exclusive discretion to determine whether service has been interrupted in the case of any leave of absence approved by the Company, Subsidiary or affiliate of the Company, including sick leave, military leave or any other personal leave. Nothing contained herein shall be construed to confer on the Grantee any right to be retained in the employ of the Company or any Subsidiary or affiliate of the Company or to derogate from any right of the Company or any Subsidiary or affiliate thereof to terminate the Grantee's employment, free from any liability, or any claim under this Agreement, unless otherwise expressly provided in this Agreement.

B. Determining the Number of PSUs Earned

A number of PSUs, ranging from zero to 200%, shall be earned and vested in accordance with the tables below, based upon the extent to which the Company achieves the performance targets stated therein.

- a. **Performance Category 1: 2020-2022 Revenue.** One-third of the Grantee's PSUs will be determined as of December 31, 2022, based upon achievement of a three-year Revenue target, calculated as described in Annex A, during the Performance Period in accordance with the table below. To the extent that actual Revenue falls between any two of the values indicated in the table below, the number of PSUs earned and vested will be determined by the Committee based on an interpolation between the applicable ranges in the table below. Any earned PSUs shall be settled in Shares of common stock of the Company at the time set forth in Section 1.A(d) above.

2020-2022 Revenue

<u>Revenue Value (\$ in millions)</u>	<u>Target Shares Earned (%)</u>
*****	Zero
*****	33%
*****	100%
*****	200%

- b. **Performance Category 2: 2020-2022 Adjusted EBITDA.** One-third of the Grantee's PSUs will be determined as of December 31, 2022, based upon achievement of a three-year Adjusted EBITDA target, calculated as described in Annex A, during the Performance Period in accordance with the table below. To the extent that actual Adjusted EBITDA falls between any two of the values indicated in the table below, the number of PSUs earned and vested will be determined by the Committee based on an interpolation between the applicable ranges in the table below. Any earned PSUs shall be settled in Shares of common stock of the Company at the time set forth in Section 1.A(d) above.

2020-2022 Adjusted EBITDA

<u>Adjusted EBITDA Value (\$ in millions)</u>	<u>Target Shares Earned (%)</u>
*****	Zero
*****	33%
*****	100%
*****	200%

- c. **Performance Category 3: 2020-2022 Net Income.** One-third of the Grantee's PSUs will be determined as of December 31, 2022, based upon achievement of a three-year Net Income target, calculated as described in Annex A, during the Performance Period in accordance with the table below. To the extent that actual Net Income falls between any two of the values indicated in the table below, the number of PSUs earned and vested will be determined by the Committee based on an interpolation between the applicable ranges

in the table below. Any earned PSUs shall be settled in Shares of common stock of the Company at the time set forth in Section 1.A(d) above.

2020-2022 Net Income

<u>Net Income Value (\$ in millions)</u>	<u>Target Shares Earned (%)</u>
*****	Zero
*****	33%
*****	100%
*****	200%

2. Death or Disability

- a. In the event of the Grantee’s termination of employment due to death or Disability (as defined below) while employed by the Company or any of its Subsidiaries or affiliates, the target number of PSUs shall become immediately and fully vested.
- b. For purposes of this Agreement, “Disability” means that the Grantee is unable to render the services or perform the duties of Grantee’s employment by reason of illness, injury or incapacity (whether physical, mental, emotional or psychological) for a period of either (i) 90 consecutive days or (ii) a total of 180 days, whether or not consecutive, within the preceding 365-day period.

3. Retirement

- a. In the event of the Grantee’s termination of both (i) employment due to Retirement (as defined below) and/or (ii) service on the Board of Directors of the Company, if applicable, the PSUs shall remain outstanding and capable of vesting in the normal course subject to actual performance, provided that the PSUs shall be prorated based on a fraction, the numerator of which is the number of full months during the Performance Period which the Grantee was employed by the Company or any of its Subsidiaries or affiliates and/or served on the Board (without duplicative counting of any days during which the Grantee was both employed by the Company or any of its Subsidiaries or affiliates and serving on the Board) and the denominator of which is 36.
- b. For purposes of this Agreement, “Retirement” means the Grantee’s voluntary termination of employment with the Company and its Subsidiaries or affiliates (without “Cause”) on or after his or her 55th birthday with at least ten years of service with the Company and its Subsidiaries or affiliates.

Notwithstanding the above, if the Company receives an opinion of counsel that there has been a legal judgment and/or legal development in the Grantee’s jurisdiction that likely would result in the favorable Retirement treatment (as set forth above) that applies to the PSUs being deemed unlawful and/or discriminatory, then the Company will not apply the favorable Retirement treatment at the time of termination and the PSUs will be treated as they would under the rules that apply if the Grantee’s employment is terminated for reasons other than Retirement.

- c. For the avoidance of doubt, the Retirement benefit provided under this Section 3 is subject to the Grantee’s compliance with the restrictive covenants set forth in Section 10 of this Agreement.

4. Effect of a Change in Control

- a. **CIC During First Year of Performance Period:** In the event of a Change in Control (and subject to the Grantee’s being in the employ of the Company, its Subsidiaries or any other affiliate as of the date of the Change in Control) during the first year of the Performance Period, the target number of PSUs will automatically convert into, and represent the right to receive, an equivalent number of time-based Restricted Stock Units

("Assumed PSUs") which will continue to vest in accordance with Section 1 but without regard to achievement of any Performance Categories.

- b. CIC After First Year of Performance Period:** In the event of a Change in Control (and subject to the Grantee's being in the employ of the Company, its Subsidiaries or any other affiliate as of the date of the Change in Control) after the first year of the Performance Period, the number of PSUs deemed earned based on actual performance vs. target as of the most recent year end for Adjusted EBITDA, Revenue and Net Income, will automatically convert into, and represent the right to receive, an equivalent number of time-based Restricted Stock Units ("Assumed PSUs") which will continue to vest in accordance with Section 1 but without regard to achievement of any Performance Categories.
- c. Accelerated Vesting if Awards not Assumed:** In the event of a Change in Control (and subject to the Grantee's being in the employ of the Company, its Subsidiaries or any other affiliate as of the date of the Change in Control), if the successor company does not equitably assume, continue or substitute the outstanding LTI Awards in connection with a Change in Control, such LTI Awards shall become fully vested (for the avoidance of doubt, in the case of PSUs based on clauses (a) or (b) above) as of the date of the Change in Control and the Grantee shall be eligible to receive (at the same time and in the same form) the equivalent per share consideration offered to common shareholders generally.
- d. "Double-Trigger" Vesting for Assumed Awards:** To the extent the successor company does equitably assume, continue or substitute the outstanding PSUs, the assumed PSUs shall continue to vest in accordance with Section 1 but without regard to achievement of any Performance Categories; provided, however, if within twenty-four (24) months after the date of the Change in Control the Grantee's employment is terminated by the Company or a Subsidiary or affiliate (or the successor company or a subsidiary or affiliate thereof) without Cause¹ or by the Grantee for Good Reason², any then Assumed PSUs shall become fully vested as of the date of termination of employment.

5. Non-assignability

No rights hereunder shall be assignable, alienable, transferable or otherwise encumbered by the Grantee other than by will or by the laws of descent and distribution and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company or any Subsidiary or affiliate of the Company. However, the Committee may, in its discretion, provide that rights may be transferable, without consideration, to immediate family members (*i.e.*, children, grandchildren or spouse) to trusts for the benefit of such immediate family members and to partnerships in which such family members are the only parties. In addition, the Grantee may, in the manner established by the Committee, designate a beneficiary to receive any distribution with respect to any Shares upon the death of the Grantee.

6. Responsibility for Taxes

¹ Solely for the purposes of Section 4(d) of this Agreement, "Cause" shall mean: (A) Grantee's conviction of, or plea of guilty or nolo contendere to, any felony or other comparable offense under local law; (B) Grantee's engaging in illegal or willful misconduct, or engaging in conduct that has a material adverse effect on the financial performance, financial condition and/or reputation of the Company or any Subsidiary; or (C) Grantee's embezzlement of funds or misappropriation of other material property of the Company or any Subsidiary.

² Solely for purposes of Section 4(d) of this Agreement, "Good Reason" shall mean (1) a material and adverse change in the responsibilities of Grantee, or (2) a material reduction in Grantee's base salary other than a reduction that is also applicable generally to other similarly situated employees; provided, however, that no such change or reduction shall constitute Good Reason (A) unless Grantee gives notice of the existence of such change or reduction that Grantee believes constitutes Good Reason within 30 days after the initial existence of such change or reduction, and the Company fails to cure such change or reduction within 30 days after receipt of such notice or (B) if the Executive consented in writing to such change or reduction.

- a. The Grantee acknowledges that, regardless of any action taken by the Company or any of its Subsidiaries or affiliates, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Grantee's participation in the Plan and legally applicable to the Grantee ("Tax-Related Items"), is and remains the Grantee's responsibility and may exceed the amount actually withheld by the Company or any Subsidiary or affiliate. The Grantee further acknowledges that the Company and/or any Subsidiary or affiliate: (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the LTI Award, including, but not limited to, the grant of the LTI Award, the vesting or settlement of the PSUs, the issuance of Shares (or payment of the cash equivalent) upon settlement of the PSUs, the subsequent sale of Shares acquired at vesting and the receipt of any dividends and/or Dividend Equivalents; and (ii) do not commit to and are under no obligation to structure the terms of the LTI Award or any aspect of the PSUs to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. Further, if the Grantee becomes subject to Tax-Related Items in more than one jurisdiction, the Grantee acknowledges that the Company and/or any Subsidiary or affiliate may be required to withhold or account for Tax-Related Items in more than one jurisdiction.
- b. Prior to any relevant taxable or tax withholding event, as applicable, the Grantee agrees to make adequate arrangements satisfactory to the Company and/or any Subsidiary or affiliate to satisfy all withholding obligations of the Company and/or any of its Subsidiaries or affiliates with respect to Tax-Related Items. In this regard, the Grantee hereby authorizes the Company, in its sole discretion and without any notice to or further authorization or consent by the Grantee, to withhold from the Shares being distributed under this LTI Award upon vesting, that number of whole Shares the value of which is equal to the aggregate withholding obligation for Tax-Related Items as determined by the Company.

In the event that such withholding in Shares is problematic under applicable tax or securities law or has materially adverse accounting consequences, the Grantee authorizes the Company and/or any Subsidiary or affiliate to satisfy the aggregate withholding obligation for Tax-Related Items as the Company determines to be appropriate by (i) selling, on the Grantee's behalf, a whole number of shares from those Shares issued to the Grantee, (ii) cash payment, (iii) withholding from the Grantee's wages or other cash compensation paid to the Grantee, or (iv) such other means as the Committee deems appropriate.

- c. Depending on the withholding method, the Company or the Subsidiary or affiliate may withhold or account for Tax-Related Items by considering statutory withholding rates or other applicable withholding rates, including minimum or maximum rates applicable in the Grantee's jurisdiction, in which case the Grantee may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Shares. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Grantee is deemed to have been issued the full number of Shares subject to the vested PSUs, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Tax-Related Items.
- d. Finally, the Grantee shall pay to the Company or any Subsidiary or affiliate any amount of Tax-Related Items that the Company or any Subsidiary or affiliate may be required to withhold as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of the Shares, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items as described in this Section 6. The Grantee shall have no further rights with respect to any Shares that are retained by the Company or sold by the Company or its designated broker pursuant to this Section 6, and under no circumstances will the Company be required to issue any fractional Shares.

7. Nature of Grant

In accepting the LTI Award, the Grantee acknowledges, understands and agrees that:

- a. the Plan is established voluntarily by the Company, is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- b. all decisions with respect to future LTI Award grants, if any, will be at the sole discretion of the Company;
- c. the grant of the LTI Award and the Grantee's participation in the Plan shall not create a right to continued employment or service or be interpreted as forming an employment or services contract with the Company or any Subsidiary or affiliate and shall not interfere with the ability of the Company or any Subsidiary or affiliate to terminate the Grantee's employment relationship at any time;
- d. the Grantee's participation in the Plan is voluntary;
- e. the LTI Award and the Shares subject to the LTI Award, and the income and value of the same, are not intended to replace any pension rights or compensation;
- f. the LTI Award and the Shares subject to the LTI Award, and the income and value of the same, are extraordinary items outside the scope of the Grantee's employment or services contract, if any, and are not part of normal or expected compensation or salary of any kind for services of any kind rendered to the Company, any Subsidiary or any affiliate or for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
- g. the future value of the underlying Shares is unknown, indeterminable, and cannot be predicted with certainty;
- h. unless otherwise agreed with the Company, the LTI Award and the Shares subject to the LTI Award, and the income and value of same, are not granted as consideration for, or in connection with, the service the Grantee may provide as a director of the Company or any Subsidiary or affiliate;
- i. no claim or entitlement to compensation or damages shall arise from forfeiture of the LTI Award resulting from termination of the Grantee's termination of employment by the Company or any Subsidiary or affiliate (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or services contract, if any);
- j. the PSUs and the benefits under the Plan, if any, will not necessarily transfer to another company in the case of a merger, takeover or transfer of liability;
- k. the Grantee acknowledges and agrees that neither the Company nor any Subsidiary or affiliate shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of the LTI Award or of any amounts due to the Grantee pursuant to the settlement of the LTI Award or the subsequent sale of any Shares acquired upon settlement.

8. No Advice Regarding Grant

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan, or the Grantee's acquisition or

sale of the underlying Shares. The Grantee is hereby advised to consult with the Grantee's own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

9. Data Privacy

Data Collection and Usage. *The Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's personal data as described in this Agreement and any other grant materials by and among, as applicable, the Company and any Subsidiary or affiliate for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan.*

Data Processing. *The Grantee understands that the Company and any Subsidiary or affiliate may hold certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, e-mail address, date of birth, passport number, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company or any Subsidiary or affiliate, details of all PSUs or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in Grantee's favor ("Personal Data"), for the exclusive purpose of implementing, administering and managing the Plan.*

Stock Plan Administration, Data Transfer, Retention and Data Subject Rights. *The Grantee understands that Personal Data will be transferred to E*TRADE Financial Corporate Services, Inc. and/or its affiliates ("E*Trade") or any other stock plan service provider which is, presently or in the future, assisting the Company with the implementation, administration and management of the Plan. The Grantee understands that these recipients of Personal Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Grantee's country. The Grantee understands that he or she may request a list with the names and addresses of any potential recipients of Personal Data by contacting the Grantee's local human resources representative. The Grantee authorizes the Company, E*Trade and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Personal Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Grantee's participation in the Plan, including any requisite transfer of such Personal Data as may be required to a broker or other third party with whom the Grantee may elect to deposit any Shares received upon vesting of the PSUs. The Grantee understands that Personal Data will be held only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan. The Grantee understands that he or she may, at any time, view Personal Data, request additional information about the storage and processing of Personal Data, require any necessary amendments to Personal Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Grantee's local human resources representative. Further, the Grantee understands that he or she is providing the consents herein on a purely voluntary basis. If the Grantee does not consent, or if the Grantee later seeks to withdraw his or her consent, his or her employment status or service with the Company or any Subsidiary or affiliate will not be affected; the only consequence of refusing or withdrawing the Grantee's consent is that the Company would not be able to grant the Grantee PSUs or other equity awards or to administer or maintain PSUs or other equity awards granted to the Grantee prior or subsequent to such refusal or withdrawal. Therefore, the Grantee understands that refusal or withdrawal of consent may affect the Grantee's ability to participate in the Plan. For more information on the consequences of the Grantee's refusal to consent or withdrawal of consent, the Grantee understands that he or she may contact his or her local human resources representative.*

10. Confidentiality; Non-Competition and Non-Solicitation Covenants

- a. **Confidentiality.** Grantee covenants and agrees that Grantee will not at any time use, disclose or make accessible or available to any other person, firm, partnership, corporation or any other entity any Confidential Information (as defined below) pertaining to the business of the Company or any of its Subsidiaries or affiliates, except (i) while employed by the Company or any of its Subsidiaries or affiliates, in the business of and for the benefit of the Company or any of its Subsidiaries or affiliates, or (ii) when required to do so by a subpoena, by any court of competent jurisdiction, by any governmental agency having supervisory authority over the business of the Company or any of its Subsidiaries or affiliates, or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order the Company or any of its Subsidiaries or affiliates to divulge, disclose or make accessible such information. For purposes of this agreement, “**Confidential Information**” shall mean non-public information concerning the Company’s or any of its Subsidiaries’ or affiliates’ financial data, statistical data, strategic business plans, product development (or other proprietary product data), customer and supplier lists, customer and supplier information, information relating to practices, processes, methods, trade secrets, marketing plans and other non-public, proprietary and confidential information of the Company or any of its Subsidiaries or affiliates; provided, however, that Confidential Information shall not include any information which (x) is known generally to the public other than as a result of unauthorized disclosure by Grantee, (y) becomes available to Grantee on a non-confidential basis from a source other than the Company or any of its Subsidiaries or affiliates that lawfully obtained such information or (z) was available to Grantee on a non-confidential basis prior to its disclosure to Grantee by the Company or any of its Subsidiaries or affiliates. In addition to and not in limitation of anything in the foregoing, it is specifically understood and agreed by Grantee that any and all Confidential Information received by Grantee during his/her employment by the Company or any Subsidiary or affiliate is deemed Confidential Information. In the event Grantee’s employment is terminated hereunder for any reason, he/she immediately shall return to the Company or any of its Subsidiaries or affiliates all tangible Confidential Information (including any and all copies thereof) in his/her possession.
- b. **Non-Competition Covenant.** Grantee agrees that during the period of Grantee’s employment with the Company or any of its Subsidiaries and for a period of twelve (12) months after the effective date of termination of employment (the “Restricted Period”), without the prior written consent of the Company’s CEO (or if Grantee is the CEO, without the prior written consent of the Committee), Grantee shall not, except in furtherance of his employment duties, directly or indirectly (whether as a sole proprietor, owner, partner, principal, manager, officer, director, agent, consultant, executive or management employee, or otherwise), engage in, assist or enable any other person to engage in, or directly or indirectly own more than 1% of any class or series of equity securities in, any business activity competitive (directly or indirectly) with the Business (as defined below) (a “Competing Entity”) anywhere in the world (the “Territory”), it being understood and agreed that the Company or any of its Subsidiaries or affiliates conducts and will conduct the Business throughout the Territory and that the Business effectively may be engaged in from any location throughout the Territory. As used in this Agreement, the term “**Business**” means the business of the Company and its Subsidiaries or affiliates, including (i) the purchase, collection, and/or management of portfolios of defaulted consumer receivables, (ii) claims filing, administration, or related services pertaining to securities or antitrust class action or similar litigation, (iii) the acquisition of claims or accounts related to securities or antitrust class action or similar litigation, or (iv) the administration, management, auditing or collection of state, federal or municipal taxes or other government accounts receivable. Notwithstanding the foregoing, an entity will not be deemed to be a Competing Entity, and Grantee and other persons assisted by Grantee will not be deemed to be engaged in the Business in violation of the terms of this Section 10(b) if (A) Grantee is employed by an entity that is meaningfully engaged in one or more enterprises whose principal business is other than the Business (the “Non-

Competing Businesses”), (B) such entity’s relationship with Grantee relates solely to the Non-Competing Businesses, and (C) if requested by the Company or any of its Subsidiaries or affiliates, such entity and Grantee provide the Company or any of its Subsidiaries or affiliates with reasonable assurances that Grantee will have no direct or indirect involvement in the Business on behalf of such entity.

- c. **Non-Solicitation Covenant.** Grantee agrees that during the Restricted Period, without the prior written consent of the Company, Grantee shall not, on his own behalf or on behalf of any person or entity (other than on behalf of the Company or any of its Subsidiaries or affiliates), directly or indirectly, (i) solicit any Customer or Prospective Customer (as defined below) of the Company or any of its affiliates or Subsidiaries for the purpose of providing services or products relating to and competitive with the Business or facilitating the provision of such products or services; or (ii) engage, hire or solicit the employment of, whether on a full-time, part-time, consulting, advising, or any other basis, any employee who was employed by the Company or its affiliates or Subsidiaries on the effective date of Grantee’s termination or at any time during the six (6) months preceding such termination date. This provision does not prohibit the solicitation of employees by means of a general advertisement. “Customer”, as used in this Agreement, means any client or customer of the Company or any of its Subsidiaries or affiliates with respect to whom, at any time during the two (2) year period preceding the termination of Grantee’s employment, Grantee: (i) performed services on behalf of the Company or any of its Subsidiaries or affiliates, or (ii) had substantial contact or acquired or had access to Confidential Information or other substantial information as a result of or in connection with Grantee’s employment. “Prospective Customer”, as used in this Agreement, means any entity other than a Customer with respect to whom, at any time during the one (1) year period preceding the termination of Grantee’s employment, Grantee: (i) submitted or assisted in the submission of a presentation or proposal of any kind on behalf of the Company or any of its Subsidiaries or affiliates, or (ii) had substantial contact or acquired or had access to Confidential Information or other substantial information as a result of or in connection with Grantee’s employment.
- d. Grantee agrees that the covenants of confidentiality, non-competition and non-solicitation are reasonable covenants under the circumstances and further agrees that if, in the opinion of any court of competent jurisdiction, any such covenants are not reasonable or are unenforceable in any respect, such court shall have the right, power and authority to excise or modify such provision or provisions of these covenants as appear to the court not reasonable or unenforceable and to enforce the remainder of these covenants as so amended, and to that end the provisions of this Section 10 shall be deemed severable. Grantee agrees that any breach of the covenants contained in this Section 10 will result in immediate and irreparable harm to the Company and its Subsidiaries and affiliates for which full damages cannot readily be calculated and for which damages are an inadequate remedy. Accordingly, Grantee agrees that the Company or any of its Subsidiaries or affiliates, in addition to pursuing any other remedies it may have in law or in equity, may obtain an injunction (without posting a bond or other security) against Grantee from any court having jurisdiction over the matter restraining any breach or threatened breach of this Section 10. If the Grantee breaches this Section 10 all undelivered PSUs (whether vested or unvested) shall be immediately forfeited and cancelled and the Company may clawback (i) any PSUs delivered to Grantee in the preceding year and (ii) any other PSUs delivered in connection with, or following, Grantee’s termination of employment.
- e. To the extent that the restrictive covenants at section (b) and (c) above are covered by any restrictive covenants in the Grantee’s contract of employment, for the avoidance of any doubt, the restrictive covenants contained in the Grantee’s contract of employment shall prevail.
- f. No particular consideration is payable for the covenants contained in this Section 10. However, if mandatory legislation is in effect or is introduced, pursuant to which consideration is a requirement for the validity and/or enforceability of the covenants in this Section 10, the Grantee shall receive the minimum compensation provided by law.

The Company may waive the covenants contained in this Section 10 in whole or in parts, and the Grantee will only be entitled to such mandatory consideration for any period the covenants are invoked.

- g. Notwithstanding the foregoing, no subsection of this Section 10 is intended to or shall limit, prevent, impede or interfere with the Grantee's non-waivable right, without prior notice to the Company, to provide information to the government, participate in investigations, testify in proceedings regarding the Company or any Subsidiaries or affiliates past or future conduct, engage in any activities protected under whistleblower statutes, or to receive and fully retain a monetary award from a government-administered whistleblower award program for providing information directly to a government agency. The Grantee does not need prior authorization from the Company to make any such reports or disclosures and is not required to notify the Company that the Grantee has made such reports or disclosures. Further, pursuant to the Defend Trade Secrets Act of 2016 (18 U.S.C. Section 1833(b)), the Grantee shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made in confidence either directly or indirectly to a Federal, State, or local government official, or to an attorney, solely for the purpose of reporting or investigating, a violation of law. The Grantee shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret made in a complaint, or other document filed in a lawsuit or other proceeding, if such filing is made under seal. If the Grantee files a lawsuit alleging retaliation by the Company for reporting a suspected violation of the law, the Grantee may disclose the trade secret to the Grantee's attorney and use the trade secret in the court proceeding, so long as any document containing the trade secret is filed under seal and does not disclose the trade secret, except pursuant to court order.

11. Regulatory Requirements

- a. Anything in this Agreement to the contrary notwithstanding, in no event may any LTI Awards granted pursuant to this Agreement be effective if the Company or any of its Subsidiaries or affiliates shall, at any time and in its sole discretion, determine that the consent or approval of any governmental or regulatory body, is required or desirable in connection with such LTI Award. In such event, the LTI Award shall be held in abeyance and shall not be effective unless and until such consent or approval shall have been affected or obtained free of any conditions not acceptable to the Company or any of its Subsidiaries or affiliates.
- b. The Committee may require as a condition to the right to receive any LTI Awards hereunder that the Company receive from the Grantee representations, warranties and agreements, at the time of any such grant, to the effect that the Shares are being purchased without any present intention to sell or otherwise distribute such Shares in violation of applicable securities laws and that the Shares will not be disposed of in transactions which would violate the Company's policies, including its Insider Trading Policy, or violate registration provisions of the Securities Act of 1933, as then amended, and the rules and regulations promulgated thereunder or other applicable law. If applicable, the certificate issued to evidence such Shares shall bear appropriate legends summarizing such restrictions on the disposition thereof.
- c. All certificates for Shares or other securities of the Company shall be subject to such stop transfer orders and other restrictions as the Company or the Committee may deem advisable under the Company's policies, or the rules, regulations and other restrictions of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any applicable federal or state securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

12. Language

If the Grantee has received this Agreement, or any other document related to the Plan or this LTI Award translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

13. Electronic Delivery and Participation

The Company may, in its sole discretion, decide (a) to deliver any documents related to the LTI Award, the Grantee's participation in the Plan, or future LTI Awards by electronic means, or (b) to request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or any third party designated by the Company.

14. Governing Law / Venue

This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia and applicable United States laws, without giving effect to the conflict of laws principles thereof. Subject to Section 5 hereof, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors or assigns, as the case may be. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by any LTI Award or this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the Commonwealth of Virginia and agree that such litigation shall be conducted only in the courts of Norfolk, Virginia, or the federal courts for the United States for the Eastern District of Virginia, and no other courts, where this LTI Award is made and/or to be performed.

15. Equitable Adjustments; Rights as Shareholder

If any change is made to the outstanding Shares or capital structure of the Company, the outstanding and unvested PSUs shall be adjusted as necessary to prevent dilution or enlargement of a Grantee's rights hereunder in the manner contemplated by Section 12.2 of the Plan.

The Grantee shall not have any rights of a shareholder with respect to the LTI Award, including, but not limited to, voting rights until vesting and delivery of the applicable Shares underlying the LTI Award.

As of any date that the Company pays an ordinary cash dividend on its Shares, the Company will increase the applicable number of outstanding and unvested PSUs by the number of shares that represent an amount equal to the per share cash dividend paid by the Company on its shares of Common Stock multiplied by the number of outstanding and unvested PSUs as of the related dividend payment date (collectively, "Dividend Equivalent Shares"). Any such Dividend Equivalent Shares shall be subject to the same vesting, forfeiture, payment, termination and other terms, conditions and restrictions as the original PSUs to which they relate.

16. Interpretation

Any dispute regarding the interpretation of this Agreement shall be submitted by the Grantee or the Company to the Committee for review. The resolution of such dispute by the Committee shall be final and binding on the Grantee and the Company.

17. Successors and Assigns.

The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Grantee and the Grantee's beneficiaries, executors, administrators and the person(s) to whom the LTI Award may be transferred by will or the laws of descent or distribution.

18. Severability

The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.

19. Discretionary Nature

The grant of the LTI Award is exceptional, voluntary and occasional and does not create any contractual right or other right to receive any other awards or benefits in lieu of awards in the future, even if awards have been granted in the past. Future awards, if any, will be at the sole discretion of the Committee. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Grantee's employment with the Company or any of its Subsidiaries or affiliates.

20. Amendment

This Agreement may be modified or amended by the Board or the Committee at any time; provided, however, no modification or amendment to this Agreement or the Plan shall be made which would materially and adversely affect the rights of the Grantee under this Agreement, without such Grantee's written consent.

21. Section 409A

To the extent Grantee is or becomes subject to U.S. Federal income taxation, this Agreement is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. For purposes of this Agreement, "Section 409A" means Section 409A of the Code, and any proposed, temporary or final Treasury regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time. In addition, and notwithstanding anything to the contrary in this Agreement, the Company reserves the right to revise this Agreement as it deems necessary or advisable, in its sole discretion and without Grantee's consent, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection with this LTI Award. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Grantee on account of non-compliance with Section 409A.

Notwithstanding anything herein to the contrary, (i) to the extent any LTI Award constitutes nonqualified deferred compensation within the meaning of, and subject to, Section 409A, then, with respect to such LTI Award, all references in the Plan and this Agreement to the Grantee's termination of employment shall mean the Grantee's separation from service within the meaning of Section 409A, and (ii) in the event that Grantee is a "specified employee" within the meaning of Section 409A, and a payment or benefit provided for under this Agreement would be subject to additional tax under Section 409A if such payment or benefit is paid within six (6) months after such Grantee's "separation from service" (as defined under Section 409A), then such payment or benefit shall not be paid (or commence) during the six (6) month period immediately following such Grantee's separation from service except as provided in the immediately following sentence. In such an event, any payments or benefits that would otherwise have been made or provided during such six (6) month period and which would have incurred such additional tax under Section 409A shall instead be paid to the Grantee in a lump-sum cash payment, without interest, on the earlier of (i) the first business day following the six (6) month anniversary of such

Grantee's separation from service or (ii) the tenth business day following such Grantee's death.

22. Repayment Obligation.

In the event that (i) the Company issues a restatement of financial results to correct a material error, (ii) the Committee determines, in good faith, that Grantee's fraud or willful misconduct was a significant contributing factor to the need to issue such restatement and (iii) some or all of the PSUs that were granted and/or earned during the three year period prior to such restatement would not have been granted and/or earned, as applicable, based upon the restated financial results, the Grantee shall immediately return to the Company the PSUs or the pre-tax income derived from any disposition of the shares previously received in settlement of the PSUs that would not have been granted and/or earned based upon the restated financial results (the "Repayment Obligation"). This Repayment Obligation shall be in addition to any compensation recovery policy that is adopted by the Company or is otherwise required by applicable law.

23. Entire Agreement

The above terms and conditions control this Agreement, notwithstanding any terms or provisions in any prior awards from the Company to the Grantee. In the case of any conflict between the provisions hereof and those of the Plan, the provisions of the Plan shall be controlling.

24. Appendix

The LTI Award shall be subject to any special terms and conditions set forth in the Appendix for the Grantee's country. Moreover, if the Grantee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Grantee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

25. Imposition of Other Requirements

The Company reserves the right to impose other requirements on the Grantee's participation in the Plan, on the LTI Award and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

26. Insider Trading/Market Abuse Laws

Grantee acknowledges that he or she may be subject to insider trading and/or market abuse laws in Grantee's country of domicile and the United States, which may affect the Grantee's ability to acquire or sell Shares under the Plan during such times as the Grantee is considered to have "inside information" (as defined by the laws in the Grantee's country and the United States). The requirements of these laws may or may not be consistent with the terms of any applicable Company insider trading policy. The Grantee acknowledges that it is the Grantee's responsibility to be informed of and compliant with any such laws and such Company policies, and is hereby advised to speak to the Grantee's personal legal advisor on this matter.

27. Foreign Asset/Account Reporting Notification

The Grantee understands that the Grantee's country may have certain exchange control and/or foreign asset/account reporting requirements which may affect the Grantee's ability to acquire or hold Shares under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside of the Grantee's country. The Grantee may be required to report such accounts, assets or transactions to the tax or other authorities in the Grantee's country. The Grantee

acknowledges that it is the Grantee's responsibility to comply with any applicable regulations, and the Grantee should speak to the Grantee's personal advisor on this matter.

28. Waiver

The Grantee acknowledges that a waiver by the Company of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any prior or subsequent breach by the Grantee or any other grantee.

Annex A

REVENUE Calculation

Revenue is recognized in accordance with US GAAP and will be adjusted for the following items:

- To neutralize foreign exchange fluctuations throughout the Performance Period
- For divestitures, the remainder of the performance period is excluded from results and targets will be modified accordingly. For acquisitions, business results will be included and targets will be adjusted using pro-forma numbers.
- Changes in accounting principles and tax laws

ADJUSTED EBITDA Calculation

Adjusted EBITDA is defined as Net Operating Income, adding back Depreciation, Amortization and Portfolio Amortization and will be adjusted for the following items:

- To neutralize foreign exchange fluctuations throughout the Performance Period
- One-time transaction costs are excluded. Gain or loss on the sale of a business is excluded. For divestitures, the remainder of the performance period is excluded from results and targets will be modified accordingly. For acquisitions, business results will be included and targets will be adjusted using pro-forma numbers.
- Changes in accounting principles and tax laws

NET INCOME CALCULATION

Net Income is defined as reported US GAAP Net Income and will be adjusted for the following items:

- To neutralize foreign exchange fluctuations throughout the Performance Period
- One-time transaction costs are excluded. Gain or loss on the sale of a business is excluded. For divestitures, the remainder of the performance period is excluded from results and targets will be modified accordingly. For acquisitions, business results will be included and targets will be adjusted using pro-forma numbers.
- Changes in accounting principles and tax laws

APPENDIX

PRA Group, INC.

2013 Omnibus Incentive Plan Performance Stock Unit Agreement Country-Specific Provisions

Capitalized terms used but not defined herein shall have the meanings set forth in the Plan and/or the Agreement.

This Appendix includes special terms and conditions applicable to Grantees and the PSUs (the “Stock Units”) granted to such Grantees under the Plan if the Grantee resides and/or works in one of the countries listed below.

This Appendix also includes information regarding exchange control and certain other issues of which the Grantee should be aware with respect to the Grantee’s participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the respective countries as of February 2020. However, such laws are often complex and change frequently. As a result, the Company strongly recommends that the Grantee does not rely on the information noted herein as the only source of information relating to the consequences of participation in the Plan because the information may be out of date at the time the Grantee vests in the Stock Units, acquires Shares (or the cash equivalent) or sells Shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to the Grantee’s particular situation and the Company is not in a position to assure the Grantee of any particular result. Accordingly, the Grantee is advised to seek appropriate professional advice as to how the relevant laws in the Grantee’s country may apply to the Grantee’s situation.

Finally, if the Grantee is a citizen or resident of a country other than the one in which the Grantee is currently residing and/or working, transfers employment and/or residency to another country after the Stock Units are granted or is considered a resident of another country for local law purposes, the notifications contained herein may not be applicable to the Grantee in the same manner. The Company shall, in its sole discretion, determine to what extent the terms and conditions included herein will apply under these circumstances.

THE FOLLOWING PROVISIONS APPLY TO GRANTEE WHO WORK AND / OR RESIDE INSIDE THE EUROPEAN UNION, THE EUROPEAN ECONOMIC AREA, SWITZERLAND OR THE UNITED KINGDOM AND REPLACES SECTION 9 OF THE AGREEMENT

TERMS AND CONDITIONS

By accepting the LTI Award, the Grantee acknowledges that the Grantee has read and understood the information regarding the collection, processing and transfer of the Grantee’s personal data described below. Capitalized terms used in this Appendix shall have the meaning ascribed to such terms in the Plan.

Data Collection and Usage. The Company or, if different, the Grantee’s employer (the “Employer”) will collect, process, transfer and use personal data about the Grantee that is necessary for the purpose of implementing, administering and managing the Grantee’s participation in the Plan. This personal data may include the Grantee’s name, home address, email address, date of birth, social insurance number, passport or other identification number, nationality and citizenship, any shares of common stock or directorships held in the Company,

details of all awards or other entitlements to shares of common stock, granted, canceled, exercised, vested, unvested or outstanding in the Grantee's favor ("Data").

Purposes and Legal Bases of Processing. The Company processes the Data for the purpose of performing its contractual obligations under the Plan, which include implementing, administering and managing the Grantee's participation in the Plan and facilitating compliance with applicable tax, exchange control, securities and labor law. The legal basis for the processing of the Data by the Company and the third party service providers described below is the necessity of the data processing for the Company to perform its contractual obligations under the Plan and relevant award agreement the Grantee and for the Company's legitimate business interests of managing the Plan and generally administering employee LTI Awards.

Stock Plan Administration Service Providers. The Company transfers Data to E*TRADE Financial Corporate Services, Inc. and certain of its affiliates (jointly, "E*Trade"), independent service providers with operations, relevant to the Company, in the United States, which assist the Company with the implementation, administration and management of the Plan. In the future, the Company may select different service providers and share the Grantee's Data with other service providers that serve in a similar manner. The Company's service providers may open accounts for the Grantee to receive and trade shares of common stock. The processing of the Grantee's Data will take place through both electronic and non-electronic means. The Grantee may be asked to agree on separate terms and data processing practices with E*TRADE or any other service providers the Company may designate, with such agreement being a condition of the ability to participate in the Plan.

International Data Transfers. The Company and its service providers, including, without limitation, E*Trade, operate, relevant to the Company, in the United States, which means that it will be necessary for Data to be transferred to, and processed in, the United States. The Grantee understands and acknowledges that the United States is not subject to an unlimited adequacy finding by the European Commission and that the Grantee's Personal Data may not have an equivalent level of protection as compared to the Grantee's country of residence. The Company may transfer Data on the basis of a decision of the European Commission stating the appropriate level of protection, standard data protection clauses or, where applicable, on the basis of the Privacy Shield programs between the European Union and the United States and between Switzerland and the United States, as applicable. The Grantee has the right to obtain from us confirmation of the conclusion of appropriate contractual arrangements.

Data Retention. The Company will use Data only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan or as required to comply with legal or regulatory obligations, including under tax, exchange control, securities, and labor laws. The Company may keep some of the Grantee's Data even after the Grantee terminates employment with the Company group to satisfy legal or regulatory obligations and the Company's legal basis for such use would be necessity to comply with legal obligations. When the Company no longer needs the Grantee's Data, the Company will remove it from its systems.

Contractual Requirement. The processing and transfer of Data as described above is a contractual requirement and a condition to the Grantee's ability to participate in the Plan. However, the Grantee's participation in the Plan and acceptance of the relevant agreement are purely voluntary. While the Grantee will not receive LTI Awards if the Grantee decides against participating in the Plan, the Grantee's career and salary will not be affected in any way.

Data Subject Rights. The Grantee has a number of rights under data privacy laws in the Grantee's country. Depending on where the Grantee is based, the Grantee's rights may include the right to (i) request access or copies of the Grantee's Data the Company processes, (ii) rectify incorrect Data and/or delete the Grantee's Data, (iii) restrict processing of the Grantee's Data, (iv) portability of the Grantee's Data, (v) lodge complaints with the competent data protection

authorities in the Grantee's country and/or (vi) obtain a list with the names and addresses of any recipients of the Grantee's Data. To receive clarification regarding the Grantee's rights or to exercise the Grantee's rights please contact the Company at compensation@pragroup.com.

AUSTRALIA

TERMS AND CONDITIONS

Tax Conditions. Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies to the LTI Award granted under the Plan, such that the LTI Award is intended to be subject to deferred taxation.

Australian Offer Document. The Company is pleased to provide the Grantee with this offer to participate in the Plan. This offer document sets out information regarding the LTI Award granted under the Plan for Australian resident employees of the Company and its Australian Subsidiaries. This information is provided by the Company to ensure compliance of the Plan with Australian Securities and Investments Commission ("ASIC") Class Order 14/1000 and relevant provisions of the *Corporations Act 2001*.

Additional Documents. In addition to the information set out in this LTI Award Agreement, the Grantee is also being provided with copies of the following documents:

- a. the Plan;
- b. the Plan prospectus; and
- c. the Australian Employee Information Supplement for the Plan (collectively, the Additional Documents").

The Additional Documents provide further information to help the Grantee make an informed investment decision about participating in the Plan. Neither the Plan nor the Plan prospectus is a prospectus for the purposes of the *Corporations Act 2001*.

The Grantee should not rely upon any oral statements made in relation to this offer. The Grantee should rely only upon the statements contained in this Restricted Stock Unit Agreement and Performance Stock Unit Agreement and the Additional Documents when considering his or her participation in the Plan.

General Information Only. The information herein is general information only. It is not advice or information that takes into account the Grantee's objectives, financial situation and needs.

The Grantee should consider obtaining his or her own financial product advice from a person who is licensed by ASIC to give such advice.

Risk Factors for Australian Residents. Investment in Shares involves a degree of risk. The Grantee should monitor his or her participation in the Plan and consider all risk factors relevant to the vesting or issuance of Shares under the Plan as set forth below and in the Additional Documents.

The Grantee should have regard to risk factors relevant to investment in securities generally and, in particular, to holding Shares. For example, the value at which an individual Share is quoted on the Nasdaq Global Select Market ("Nasdaq") may increase or decrease due to a number of factors. There is no guarantee that the value of a Share will increase. Factors that may affect the value of an individual Share include fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, the nature of the markets in which the Company operates and general operational and business risks.

More information about potential factors that could affect the Company's business and financial results will be included in the Company's most recent Annual Report on Form 10-K and the Company's Quarterly Report on Form 10-Q. Copies of these reports are available at <http://www.sec.gov/>, on the Company's "Investor Relations" page at <https://ir.pragroup.com/>, and upon request to the Company.

In addition, the Grantee should be aware that the Australian dollar (“AUD”) value of any Shares acquired under the Plan will be affected by the U.S. dollar/AUD exchange rate. Participation in the Plan involves certain risks related to fluctuations in this rate of exchange.

Shares in a U.S. Corporation. Shares of a U.S. corporation are analogous to ordinary shares of an Australian corporation. Each holder of a Share is entitled to one vote. Further, Shares are not liable to any further calls for payment of capital or for other assessment by the Company and have no sinking fund provisions, pre-emptive rights, conversion rights or redemption provisions.

Ascertaining the Market Value of Shares. The Grantee may ascertain the current market value of an individual Share as traded on the Nasdaq under the symbol “PRAA” at: <https://www.nasdaq.com/symbol/praa>. The AUD equivalent of that value can be obtained at: <https://www.rba.gov.au/statistics/frequency/exchange-rates.html>.

Please note this will not be a prediction of the market value of an individual Share when such Shares are vested or issued under the Plan or of the applicable exchange rate on the vesting date or the date the Shares are issued.

Exchange Control Information. If the Grantee is an Australian resident, exchange control reporting is required for cash transactions exceeding AUD10,000 and international fund transfers. If an Australian bank is assisting with the transaction, the bank will file the report on the Grantee’s behalf. If there is no Australian bank involved with the transfer, the Grantee will be required to file the report.

AUSTRIA

TERMS AND CONDITIONS

The following provision supplements Section 10(b) of the Agreement:

The phrase “any business activity competitive (directly or indirectly) with the Business (as defined below) (a “Competing Entity”) anywhere in the world (the “Territory”) shall be replaced with:

“any business activity competitive (directly or indirectly) with the Business (as defined below) (a “Competing Entity”) in Europe (the “Territory”).

NOTIFICATIONS

Exchange Control Information. If the Grantee is an Austrian resident and holds Shares acquired under the Plan outside of Austria, the Grantee must submit a report to the Austrian National Bank. An exemption applies if the value of the Shares as of the last day of any given calendar quarter does not exceed €30,000,000 or as of December 31 does not exceed €5,000,000. If the former threshold is exceeded, quarterly obligations are imposed; whereas, if the latter threshold is exceeded, annual reports must be filed. The deadline for filing the quarterly report is the 15th day of the month following the end of the relevant quarter. The annual reporting date is December 31 and the deadline for filing the annual report is January 31 of the following year.

When the Grantee sells Shares acquired under the plan, there may be exchange control obligations if the cash proceeds are held outside of Austria. If the transaction volume of all accounts abroad exceeds €10,000,000, the movements and balances of all accounts must be reported monthly, as of the last day of the month, on or before the fifteenth day of the following month using the prescribed form.

BRAZIL

TERMS AND CONDITIONS

Intent to Comply with Law. The Grantee agrees to comply with applicable Brazilian laws and to report and pay any and all applicable tax-related items associated with the vesting of the LTI

Award, the sale of any Shares acquired upon vesting of the LTI Award and the receipt of any dividends or dividend equivalents.

Nature of Grant. This provision supplements Section 7 of the Agreement:

The Grantee agrees that (i) the Grantee is making an investment decision, (ii) the LTI Award will vest only if the vesting conditions are met and any necessary services are rendered by the Grantee over the vesting period and (iii) the value of the Shares subject to the LTI Award is not fixed and may increase or decrease in value over the vesting period without compensation to the Grantee.

NOTIFICATIONS

Exchange Control Information. The Grantee acknowledges that if the Grantee is a Brazilian resident or domiciled in Brazil, the Grantee is required to submit an annual declaration of assets and rights held outside Brazil to the Central Bank of Brazil if the aggregate value of such assets and rights is US\$100,000 or more. Assets and rights that must be reported include Shares acquired under the Plan. The US\$100,000 threshold may be changed annually.

Tax on Financial Transactions. Payments to foreign countries, repatriation of funds into Brazil, and the conversion between BRL and USD associated with such fund transfers, may be subject to the Tax on Financial Transaction. It is the Grantee's personal responsibility to comply with any applicable Tax on Financial Transaction arising from participation in the Plan. The Grantee should consult with the Grantee's personal tax advisor for additional details.

CANADA

TERMS AND CONDITIONS

Payment. Notwithstanding any discretion contained in the Plan or this Agreement, the LTI Award granted to Grantees in Canada shall be paid in Shares only and does not provide any right for the Grantee to receive a cash payment.

The following provisions apply if the Grantee resides in Quebec:

Language Consent. The parties acknowledge that it is their express wish that this Agreement as well as all documents, notices, and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention ("Agreement"), ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à la présente convention.

The following provision supplements the Data Privacy Provisions in Section 9 of the Agreement:

Data Privacy. The Grantee hereby authorizes the Company, its Subsidiaries, affiliates and their representatives to discuss with and obtain all relevant information from all personnel, professional or otherwise, involved in the administration and operation of the Plan. The Grantee further authorizes the Company and/or any Subsidiary or affiliate of the Company to record such information in his or her employee file.

NOTIFICATIONS

Securities Law Information. The Grantee is permitted to sell Shares acquired under the Plan provided the resale of such Shares takes place outside of Canada through the facilities of a stock exchange on which the Shares are listed. The Shares are currently listed on the Nasdaq Exchange in the United States.

Foreign Asset/Account Reporting Information. Foreign property, including Shares and rights to receive shares (*e.g.*, Stock Units), held by Canadian residents must be reported annually to the tax authorities on Form T1135 (Foreign Income Verification Statement) if the total cost of all of your foreign specified property exceeds C\$100,000 at any time during the year. The form must be filed by April 30th of the following year when such foreign property was held by a Canadian resident. It is the Grantee's responsibility to comply with applicable reporting obligations and the Grantee should consult with his or her personal tax advisor in this regard.

COLOMBIA

TERMS AND CONDITIONS

Nature of Grant. This provision supplements Section 7 of the Agreement:

The Grantee acknowledges that pursuant to Article 128 of the Colombian Labor Code, the Plan and related benefits do not constitute a component of the Grantee's "salary" for any legal purpose. The Plan and related benefits will not be included and / or considered for purposes of calculating any and all labor benefits, such as legal / fringe benefits, vacation, indemnities, payroll taxes, social insurance contributions and / or any other labor related amount which may be payable.

NOTIFICATIONS

Securities Law Information. The Shares subject to the LTI Award are not and will not be registered with the Colombian registry of publicly traded securities (Registro Nacional de Valores y Emisores) and therefore the Shares may not be offered to the public in Colombia. Nothing in this document should be construed as the making of a public offer of securities in Colombia.

Exchange Control Information. The Grantee must register the Grantee's investments with the Central Bank of Colombia (Banco de la República). The registration method will vary depending on whether cash is remitted from Colombia (either by the Grantee or the Employer), or no cash consideration is paid at all. Upon liquidation of assets held abroad, the Grantee must (i) cancel the registration with the Central Bank and (ii) repatriate the proceeds from the sale or liquidation to Colombia and file the appropriate Central Bank form (usually through the Grantee's own local bank). The Grantee personally is responsible for complying with applicable exchange control requirements in Colombia.

Foreign Asset/Account Reporting Information. An annual information return may need to be filed with the Colombian Tax Office detailing any assets held abroad (including Shares acquired under the Plan). If the individual value of any of these assets exceeds a certain threshold, each asset must be described (*e.g.*, its nature and its value) and the jurisdiction in which it is located must be disclosed. It is the Grantee's responsibility to comply with this tax reporting requirement.

FINLAND

No country-specific provisions apply.

GERMANY

NOTIFICATIONS

Exchange Control Information. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. No report is required for payments less than €12,500. In case of payments in connection with securities (including proceeds realized upon the sale of Shares), the report must be made by the 5th day of the month following the month in which the payment was received. The report must be filed electronically. The form of report ("*Allgemeine Meldeportal Statistik*") can be accessed via the *Bundesbank's* website (www.bundesbank.de)

and is available in both German and English. The Grantee is responsible for satisfying the reporting obligation.

Foreign Asset/Account Reporting Information. If the Grantee's acquisition of Shares under the Plan leads to a so-called qualified participation at any point during the calendar year, the Grantee will need to report the acquisition when the Grantee files his or her tax return for the relevant year. A qualified participation is attained if (i) the value of the Shares acquired exceeds €150,000, or (ii) the Grantee holds Shares exceeding 10% of the total capital of the Company. However, if the Grantee owns less than 1% of the total capital of the Company, this requirement will not apply.

ITALY

TERMS AND CONDITIONS

Grant Terms Acknowledgment. By accepting the LTI Award, the Grantee acknowledges that the Grantee has received a copy of the Plan and the Agreement, including this Appendix, in their entirety and fully understands and accepts all the provisions of the Plan and the Agreement. The Grantee further acknowledges having read and specifically approves the following sections of the Agreement: Performance Categories, Determining the Number of PSUs Earned, Non-assignability, Responsibility for Taxes, Nature of Grant, Confidentiality; Non-Competition and Non-Solicitation Covenants, Language, Electronic Delivery and Participation, Governing Law / Venue, Successors and Assigns, Repayment Obligation, Appendix, Imposition of Other Requirements, and Waiver.

NOTIFICATIONS

Foreign Asset/Account Reporting Information. Italian residents who, at any time during the tax year, hold foreign financial assets outside of Italy (*e.g.*, cash and Shares) which may generate income taxable in Italy are required to report these assets on their annual tax returns (UNICO Form, RW Schedule) for the year during which the assets are held, or on a special form if no tax return is due. These reporting obligations will also apply to Italian residents who are the beneficial owners of foreign financial assets under Italian money laundering provisions.

Tax on Foreign Financial Assets. A tax on the value of financial assets held outside of Italy by individual residents in Italy may be due to the extent their value exceeds a certain threshold. The taxable amount will be the fair market value of the financial assets (including Shares) assessed at the end of each calendar year or on the last day the financial assets are held (in such case, or when assets are acquired during the course of the year, the tax is levied on proportion to the number of days the assets are held over the calendar year).

NORWAY

No country-specific provisions apply.

POLAND

NOTIFICATIONS

Foreign Asset / Account Reporting Information. Polish residents holding foreign securities (including Shares) and/or maintaining accounts abroad must report information to the National Bank of Poland on transactions and balances of the securities and cash deposited in such accounts if the value of such securities and cash (when combined with all other assets held abroad) exceeds PLN 7,000,000. If required, the reports must be filed on a quarterly basis on special forms available on the website of the National Bank of Poland. Polish residents should consult with their personal tax advisor to determine their personal reporting obligations.

Exchange Control Information. If a Polish resident transfers funds in excess of a specific threshold (currently €15,000, or PLN 15,000 if such transfer of funds is connected with business activity of an entrepreneur), the funds must be effected through a Polish bank account or financial institution. Polish residents are required to maintain evidence of such foreign exchange transactions for five years, from the end of the year in which such transactions occurred, in case of a request for their production by the National Bank of Poland.

SPAIN

TERMS AND CONDITIONS

The following provision supplements Section 10(b) of the Agreement:

Grantee agrees that any PSUs granted under the Plan during his or her employment with the Company or its Subsidiaries constitute adequate compensation for the covenants of confidentiality, non-competition and non-solicitation. If the Grantee breaches this Section 10, all undelivered PSUs (whether vested or unvested) shall be immediately forfeited and cancelled and the Company may clawback (i) any PSUs delivered to Grantee in the preceding year and (ii) any other PSUs delivered in connection with, or following, Grantee's termination of employment and (iii) when applicable, the cash compensation paid during the Restricted Period. If at the effective date of termination of the employment, the Grantee has not received through LTI Awards at least a 50% of his/her fixed gross salary at termination date for the Restricted Period as compensation for the covenants of noncompetition and non-solicitation, the Company will pay the difference up to the referred 50% in 12 cash monthly installments during the Restricted Period.

Nature of Grant. This provision supplements Section 7 of the Agreement:

By accepting the LTI Award, the Grantee acknowledges that he or she consents to participation in the Plan and has received a copy of the Plan and the Agreement.

The Grantee understands that the Company has unilaterally, gratuitously and discretely decided to grant the LTI Award under the Plan to individuals who may be employed by the Company or its Subsidiaries or affiliates throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that the grant will not economically or otherwise bind the Company or any of its Subsidiaries or affiliates on an ongoing basis other than as set forth in the applicable award agreement. Consequently, the Grantee understands that the LTI Award is granted on the assumption and condition that the LTI Award and any Shares subject to the vesting of the Stock Units shall not become a part of any employment contract (either with the Company or any of its Subsidiaries or affiliates) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. Furthermore, the Grantee understands and accepts that there is no guarantee that any benefit whatsoever shall arise from the LTI Award, which is gratuitous and discretionary, since the future value of the LTI Award, and the underlying Shares, is unknown and unpredictable.

Additionally, the Grantee understands that the vesting of the Stock Units covered by the LTI Award is expressly conditioned on the Grantee's continued and active rendering of service to the Company or the employer, as applicable, such that if the Grantee's employment terminates for any reason, except death, Disability, Retirement and certain circumstances at a Change in Control, the Stock Units will cease vesting immediately effective as of the date of cessation of active employment by reason of, but not limited to, resignation, retirement, disciplinary dismissal adjudged to be with cause (i.e., subject to a "*despido improcedente*"), disciplinary dismissal without cause, material modification of the terms of employment under Article 41 of the Workers' Statute, relocation under Article 40 of the Workers' Statute, Article 50 of the Workers' Statute, relocation under Article 40 of the Workers' Statute, Article 50 of the Workers' Statute, unilateral withdrawal by the Employer and under Article 10.3 of the Royal Decree 1382/1985.

NOTIFICATIONS

Exchange Control Information. The acquisition, ownership and sale of Shares under the Plan must be declared to the Spanish Dirección General de Comercio e Inversiones (the “DGCI”), which is a department of the Ministry of Economy and Competitiveness. The Grantee must also declare ownership of any Shares by filing a Form D-6 with the Directorate of Foreign Transactions each January while the Shares are owned. In addition, the sale of Shares must also be declared on Form D-6 filed with the DGCI in January, unless the value of the Shares acquired or the sale proceeds exceed the applicable threshold (currently €1,502,530) (or the Grantee holds 10% or more of the share capital of the Company), in which case, the filing is due within one month after the acquisition or sale.

The Grantee is required to declare electronically to the Bank of Spain any securities accounts (including brokerage accounts held abroad), any foreign instruments (including any Shares acquired under the Plan) and any transactions with non-Spanish residents (including any payments of Shares made to the Grantee by the Company) depending on the value of such accounts and instruments and the amount of the transactions during the relevant year as of December 31 of the relevant year. More frequent reporting may be required if the transaction value or account balance exceeds €100,000,000.

Foreign Asset/Account Reporting Information. If the Grantee holds rights or assets (*e.g.*, Shares or cash held in a bank or brokerage account) outside of Spain with a value in excess of €50,000 per type of right or asset (*e.g.*, Shares, cash, etc.) as of December 31 each year, the Grantee is required to report certain information regarding such rights and assets on tax form 720. After such rights and/or assets are initially reported, the reporting obligation will only apply for subsequent years if the value of any previously-reported rights or assets increases by more than €20,000. The reporting must be completed by the following March 31.

Securities Law Information. The LTI Award and the Shares subject to the LTI Award do not qualify as securities under Spanish regulations. No “offer of securities to the public,” as defined under Spanish law, has taken place or will take place in the Spanish territory. Neither the Plan nor the Agreement have been or will be registered with the *Comisión Nacional del Mercado de Valores* (Spanish Securities Exchange Commission), nor do they constitute a public offering prospectus.

SWEDEN

TERMS AND CONDITIONS

Responsibility for Taxes. The following provision supplements Section 6 of the Agreement: Without limiting the Company’s or any Subsidiary’s or affiliate’s authority to satisfy their withholding obligations for Tax-Related Items as set forth in Section 6 of the Agreement, in accepting the grant of the LTI Award, the Grantee authorizes the Company and/or any Subsidiary or affiliate to withhold Shares or to sell Shares otherwise deliverable to the Grantee upon vesting/settlement to satisfy Tax-Related Items, regardless of whether the Company and/or any Subsidiary or affiliate has an obligation to withhold such Tax-Related Items.

SWITZERLAND

NOTIFICATIONS

Securities Law Information. Neither this document nor any other materials relating to the LTI Award (i) constitutes a prospectus according to articles 35 et seq. of the Swiss Federal Act on Financial Services (“FinSA”) (ii) may be publicly distributed or otherwise made publicly available in Switzerland to any person other than an Employee and other service provider of the Company or any Subsidiary or affiliate or (iii) has been or will be filed with, approved or supervised by any Swiss reviewing body according to article 51 FinSA or any Swiss regulatory authority, including the Swiss Financial Market Supervisory Authority (“FINMA”).

UNITED KINGDOM

TERMS AND CONDITIONS

The following provision supplements Section 10(b) of the Agreement:

The phrase “directly or indirectly own more than 1% of any class or series of equity securities in, any business activity competitive (directly or indirectly) with the Business (as defined below) (a “Competing Entity”) anywhere in the world (the “Territory”) shall be replaced with:

“directly or indirectly own more than 1% of any class or series of equity securities in, any entity or business which at such time has material operations that are engaged, or about to be engaged, in any business activity competitive (directly or indirectly) with the Business (as defined below) in Europe and with which the Grantee was materially involved at any time during the last 12 months of the Grantee’s employment with the Company or any Subsidiary (a “Competing Entity”) anywhere in the world (the “Territory”).

Responsibility for Taxes. The following provision supplements Section 6 of the Agreement:

If payment or withholding of the income tax due is not made within ninety (90) days of the end of the U.K. tax year (April 6 - April 5) in which such event giving rise to the income tax liability occurs, or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the “Due Date”), the amount of any uncollected tax shall constitute a loan owed by the Grantee to the Company or the Employer, as applicable, effective as of the Due Date. The Grantee agrees that the loan will bear interest at the then current Her Majesty’s Revenue and Customs (“HMRC”) official rate, it will be immediately due and repayable, and the Company or the Employer may collect it at any time thereafter by any of the means referred to in Section 6 of the Agreement.

Notwithstanding the foregoing, if the Grantee is an executive officer or director of the Company within the meaning of Section 13(k) of the Exchange Act, the Grantee shall not be eligible for a loan to cover the income tax due as described above. In the event that the Grantee is such an executive officer or director and the income tax due is not collected by the Due Date, the amount of any uncollected income tax may constitute a benefit to the Grantee on which additional income tax and National Insurance Contributions (“NICs”) may be payable. The Grantee acknowledges that the Grantee ultimately will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing the Company or the Employer (as applicable) for the value of any employee NICs due on this additional benefit, which the Company or the Employer may recover from the Grantee by any of the means referred to in Section 6 of the Agreement.

Exhibit 31.1

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.

August 6, 2020

By: /s/ Kevin Stevenson

Kevin P. Stevenson
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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.

August 6, 2020

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 June 30, 2020 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.

August 6, 2020

By: /s/ Kevin 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 June 30, 2020 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.

August 6, 2020

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