

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

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

For the quarterly period ended March 31, 2017

☐ 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

(Address of principal executive offices)

23502

(Zip Code)

(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)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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. (Check one):

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

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

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

The number of shares of the registrant's common stock outstanding as of May 4, 2017 was 46,438,952.

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**Part I. Financial Information**

**Item 1. Financial Statements**

**PRA Group, Inc.  
Consolidated Balance Sheets  
March 31, 2017 and December 31, 2016  
(Amounts in thousands)**

	(unaudited) March 31, 2017	December 31, 2016
<b>Assets</b>		
Cash and cash equivalents	\$ 82,110	\$ 94,287
Investments	74,055	68,543
Finance receivables, net	2,366,880	2,307,969
Other receivables, net	17,684	11,650
Income taxes receivable	—	9,427
Net deferred tax asset	29,090	28,482
Property and equipment, net	38,024	38,744
Goodwill	506,240	499,911
Intangible assets, net	27,393	27,935
Other assets	32,373	33,808
Assets held for sale	—	43,243
Total assets	\$ 3,173,849	\$ 3,163,999
<b>Liabilities and Equity</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 3,924	\$ 2,459
Accrued expenses	82,594	82,699
Income taxes payable	37,960	19,631
Net deferred tax liability	259,330	258,344
Interest-bearing deposits	78,792	76,113
Borrowings	1,708,687	1,784,101
Other liabilities	13,344	10,821
Liabilities held for sale	—	4,220
Total liabilities	2,184,631	2,238,388
Redeemable noncontrolling interest	8,515	8,448
<b>Equity:</b>		
Preferred stock, par value \$0.01, authorized shares, 2,000, issued and outstanding shares, 0	—	—
Common stock, par value \$0.01, authorized shares, 100,000, issued and outstanding shares, 46,439 at March 31, 2017; 100,000 authorized shares, 46,356 issued and outstanding shares at December 31, 2016	464	464
Additional paid-in capital	66,293	66,414
Retained earnings	1,097,534	1,049,367
Accumulated other comprehensive loss	(233,476)	(251,944)
Total stockholders' equity - PRA Group, Inc.	930,815	864,301
Noncontrolling interest	49,888	52,862
Total equity	980,703	917,163
Total liabilities and equity	\$ 3,173,849	\$ 3,163,999

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

**PRA Group, Inc.**  
**Consolidated Income Statements**  
**For the three months ended March 31, 2017 and 2016**  
**(unaudited)**  
**(Amounts in thousands, except per share amounts)**

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Revenues:</b>		
Income recognized on finance receivables, net	\$ 194,535	\$ 206,507
Fee income	9,858	16,266
Other revenue	2,165	2,109
Total revenues	<u>206,558</u>	<u>224,882</u>
<b>Operating expenses:</b>		
Compensation and employee services	68,468	66,765
Legal collection expenses	31,728	30,132
Agency fees	10,800	10,884
Outside fees and services	13,285	15,808
Communication	9,137	9,882
Rent and occupancy	3,783	3,796
Depreciation and amortization	5,215	6,070
Other operating expenses	10,885	10,651
Total operating expenses	<u>153,301</u>	<u>153,988</u>
Income from operations	53,257	70,894
<b>Other income and (expense):</b>		
Gain on sale of subsidiaries	46,845	—
Interest expense	(21,257)	(19,959)
Foreign exchange gain/(loss)	2,179	(1,850)
Income before income taxes	<u>81,024</u>	<u>49,085</u>
Provision for income taxes	31,409	16,232
Net income	<u>49,615</u>	<u>32,853</u>
Adjustment for net income attributable to noncontrolling interest	1,448	870
Net income attributable to PRA Group, Inc.	<u>\$ 48,167</u>	<u>\$ 31,983</u>
<b>Net income per common share attributable to PRA Group, Inc.:</b>		
Basic	\$ 1.04	\$ 0.69
Diluted	\$ 1.03	\$ 0.69
<b>Weighted average number of shares outstanding:</b>		
Basic	46,406	46,243
Diluted	46,627	46,372

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

**PRA Group, Inc.**  
**Consolidated Statements of Comprehensive Income/(Loss)**  
**For the three months ended March 31, 2017 and 2016**  
**(unaudited)**  
**(Amounts in thousands)**

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Net income	\$ 49,615	\$ 32,853
Other comprehensive income:		
Change in foreign currency translation	14,823	36,694
Total comprehensive income	64,438	69,547
Comprehensive income attributable to noncontrolling interest:		
Net income attributable to noncontrolling interest	1,448	870
Change in foreign currency translation	(3,645)	3,968
Comprehensive (loss)/income attributable to noncontrolling interest	(2,197)	4,838
Comprehensive income attributable to PRA Group, Inc.	<u>\$ 66,635</u>	<u>\$ 64,709</u>

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

**PRA Group, Inc.**  
**Consolidated Statement of Changes in Equity**  
**For the three months ended March 31, 2017**  
**(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, 2016	46,356	\$ 464	\$ 66,414	\$ 1,049,367	\$ (251,944)	\$ 52,862	\$ 917,163
Components of comprehensive income:							
Net income	—	—	—	48,167	—	1,888	50,055
Foreign currency translation adjustment	—	—	—	—	18,468	(4,152)	14,316
Distributions paid to noncontrolling interest	—	—	—	—	—	(710)	(710)
Vesting of nonvested shares	83	—	—	—	—	—	—
Amortization of share-based compensation	—	—	2,199	—	—	—	2,199
Employee stock relinquished for payment of taxes	—	—	(2,320)	—	—	—	(2,320)
Balance at March 31, 2017	46,439	\$ 464	\$ 66,293	\$ 1,097,534	\$ (233,476)	\$ 49,888	\$ 980,703

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

**PRA Group, Inc.**  
**Consolidated Statements of Cash Flows**  
**For the three months ended March 31, 2017 and 2016**  
**(unaudited)**  
**(Amounts in thousands)**

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Cash flows from operating activities:		
Net income	\$ 49,615	\$ 32,853
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of share-based compensation	2,199	3,437
Depreciation and amortization	5,215	6,070
Gain on sale of subsidiaries	(46,845)	—
Amortization of debt discount and issuance costs	3,083	2,746
Deferred tax expense	25	4,815
Net foreign currency transaction (gain)/loss	(1,723)	305
Other	(1,359)	—
Changes in operating assets and liabilities:		
Other assets	1,837	(42,818)
Other receivables, net	(4,744)	(2,304)
Accounts payable	648	(1,773)
Income taxes payable, net	27,708	5,073
Accrued expenses	(5,526)	(4,374)
Other liabilities	2,518	9,161
Net cash provided by operating activities	32,651	13,191
Cash flows from investing activities:		
Purchases of property and equipment	(2,938)	(6,383)
Acquisition of finance receivables, net of buybacks	(226,092)	(321,594)
Collections applied to principal on finance receivables	185,295	177,826
Business acquisitions, net of cash acquired	—	(25,018)
Proceeds from sale of subsidiaries, net	89,077	—
Purchase of investments	(3,569)	—
Proceeds from sales and maturities of investments	2,907	5,568
Net cash provided by/(used in) investing activities	44,680	(169,601)
Cash flows from financing activities:		
Proceeds from lines of credit	153,353	378,706
Principal payments on lines of credit	(232,108)	(223,117)
Tax withholdings related to share-based payments	(2,320)	(2,432)
Distributions paid to noncontrolling interest	(710)	(218)
Principal payments on long-term debt	(10,012)	(5,000)
Payments of debt issuance costs	—	(8,477)
Net increase in interest-bearing deposits	1,473	6,238
Net cash (used in)/provided by financing activities	(90,324)	145,700
Effect of exchange rate on cash	816	18,780
Net (decrease)/increase in cash and cash equivalents	(12,177)	8,070
Cash and cash equivalents, beginning of period	94,287	71,372
Cash and cash equivalents, end of period	\$ 82,110	\$ 79,442
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 20,257	\$ 16,873
Cash paid for income taxes	4,858	6,196

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

**PRA Group, Inc.**  
**Notes to Consolidated Financial Statements**

**1. Organization and Business:**

Throughout this report, the terms "PRA Group," "the Company," or similar terms refer to PRA Group, Inc. and its subsidiaries.

PRA Group, Inc., a Delaware corporation, and its subsidiaries, is a global financial and business services company with operations in the Americas and Europe. The Company's primary business is the purchase, collection and management of portfolios of nonperforming loans. The Company provides the following fee-based services: vehicle location, skip tracing and collateral recovery for auto lenders, government entities and law enforcement; class action claims recovery services and purchases; servicing of consumer bankruptcy accounts in the U.S.; and, to a lesser extent, contingent collections of nonperforming loans in Europe and South America. As discussed in Note 11, the Company sold its revenue administration, audit and revenue discovery/recovery business in January 2017.

The consolidated financial statements of the Company are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and include the accounts of all of its subsidiaries. All significant intercompany accounts and transactions have been eliminated. Under the guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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, based on similarities among the operating units including economic characteristics, the nature of the products and services, the nature of the production processes, the types or class of customer for their products and services, the methods used to distribute their products and services and the nature of the regulatory environment.

The following table shows the amount of revenue generated for the three months ended March 31, 2017 and 2016, respectively, and long-lived assets held at March 31, 2017 and 2016, respectively, both for the United States, the Company's country of domicile, and outside of the United States (amounts in thousands):

	As Of And For The Three Months Ended March 31, 2017		As Of And For The Three Months Ended March 31, 2016	
	Revenues	Long-Lived Assets	Revenues	Long-Lived Assets
United States	\$ 143,928	\$ 29,166	\$ 170,507	\$ 37,316
Outside the United States	62,630	8,858	54,375	10,469
Total	<u>\$ 206,558</u>	<u>\$ 38,024</u>	<u>\$ 224,882</u>	<u>\$ 47,785</u>

Revenues are attributed to countries based on the location of the related operations. Long-lived assets consist of net property and equipment. The Company reports revenues earned from its debt purchasing and collection activities and its fee-based services. It is impracticable for the Company to report further breakdowns of revenues from external customers by product or service.

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with Rule 10-01 of Regulation S-X promulgated by the Securities and Exchange Commission (the "SEC") and, therefore, do not include all information and disclosures required by GAAP for complete financial statements. In the opinion of the Company, however, the accompanying unaudited consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the Company's consolidated balance sheet as of March 31, 2017, its consolidated income statements and statements of comprehensive income/(loss) for the three months ended March 31, 2017 and 2016, its consolidated statement of changes in equity for the three months ended March 31, 2017, and its consolidated statements of cash flows for the three months ended March 31, 2017 and 2016. The consolidated income statements of the Company for the three months ended March 31, 2017 may not be indicative of future results. Certain prior period amounts have been reclassified for consistency with the current period presentation. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's 2016 Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 28, 2017 (the "2016 Form 10-K").



**PRA Group, Inc.**  
**Notes to Consolidated Financial Statements**

**2. Finance Receivables, net:**

Changes in finance receivables, net for the three months ended March 31, 2017 and 2016 were as follows (amounts in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Balance at beginning of period	\$ 2,307,969	\$ 2,202,113
Acquisitions of finance receivables <sup>(1)</sup>	226,397	336,379
Foreign currency translation adjustment	17,809	16,411
Cash collections applied to principal and net allowance charges	(185,295)	(177,826)
Balance at end of period	<u>\$ 2,366,880</u>	<u>\$ 2,377,077</u>

(1) Acquisitions of finance receivables are net of buybacks and include certain capitalized acquisition related costs. They also include the acquisition date finance receivables portfolios that are acquired in connection with certain business acquisitions.

During the three months ended March 31, 2017, the Company purchased finance receivables portfolios with a face value of \$1.7 billion for \$227.8 million. During the three months ended March 31, 2016, the Company purchased finance receivables portfolios with a face value of \$3.6 billion for \$336.8 million. At March 31, 2017, the estimated remaining collections ("ERC") on the receivables purchased during the three months ended March 31, 2017 and 2016 were \$383.7 million and \$484.3 million, respectively. At March 31, 2017 and 2016, total ERC was \$5.1 billion and \$5.3 billion, respectively.

At the time of acquisition, the life of each pool is estimated based on projected amounts and timing of future cash collections. Based upon current projections, cash collections expected to be applied to principal on finance receivables as of March 31, 2017 are estimated to be as follows for the twelve months in the periods ending March 31, (amounts in thousands):

2018	\$ 657,272
2019	548,346
2020	424,891
2021	333,705
2022	215,134
2023	103,021
2024	38,099
2025	17,412
2026	15,290
2027	13,034
Thereafter	676
Total ERC expected to be applied to principal	<u>\$ 2,366,880</u>

At March 31, 2017, the Company had aggregate net finance receivables balances in pools accounted for under the cost recovery method of \$110.7 million; at December 31, 2016, the amount was \$105.5 million.

Accretable yield represents the amount of income recognized on finance receivables the Company can expect to generate over the remaining life of its existing portfolios based on estimated future cash flows as of the balance sheet date. Additions represent the original expected accretable yield, on portfolios purchased during the period, to be earned by the Company. Net reclassifications from nonaccretable difference to accretable yield primarily result from the increase in the Company's estimate of future cash flows. When applicable, net reclassifications to nonaccretable difference from accretable yield result from the decrease in the Company's estimates of future cash flows and allowance charges that together exceed the increase in the Company's estimate of future cash flows.

**PRA Group, Inc.**  
**Notes to Consolidated Financial Statements**

Changes in accretable yield for the three months ended March 31, 2017 and 2016 were as follows (amounts in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Balance at beginning of period	\$ 2,740,006	\$ 2,727,204
Income recognized on finance receivables, net	(194,535)	(206,507)
Additions	163,395	260,249
Reclassifications from/(to) nonaccretable difference	47,078	(1,035)
Foreign currency translation adjustment	20,502	99,839
Balance at end of period	\$ 2,776,446	\$ 2,879,750

The following is a summary of activity within the Company's valuation allowance account, all of which relates to loans acquired with deteriorated credit quality, for the three months ended March 31, 2017 and 2016 (amounts in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Beginning balance	\$ 211,465	\$ 114,861
Allowance charges	2,708	10,018
Reversal of previously recorded allowance charges	(29)	(120)
Net allowance charges	2,679	9,898
Foreign currency translation adjustment	269	(171)
Ending balance	\$ 214,413	\$ 124,588

**3. Investments:**

Investments consist of the following at March 31, 2017 and December 31, 2016 (amounts in thousands):

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Available-for-sale		
Government bonds and mutual funds	\$ 3,613	\$ 2,138
Held-to-maturity		
Securitized assets	55,978	51,407
Other investments		
Private equity funds	14,464	14,998
Total investments	\$ 74,055	\$ 68,543

Available-for-Sale

**Government bonds and mutual funds:** The Company's investments in government bonds and mutual funds are classified as available-for-sale and are stated at fair value. Fair value is determined using quoted market prices. Unrealized gains and losses are included in comprehensive income and reported in equity.

Held-to-Maturity

**Investments in securitized assets:** The Company holds a majority interest in a closed-end Polish investment fund. The certificates, which provide a preferred return based on the expected net income of the portfolios, are accounted for as a beneficial interest in securitized financial assets and stated at amortized cost. The Company has determined it has the ability and intent to hold these certificates until maturity, which occurs when the fund terminates or liquidates its assets. The preferred return is not a guaranteed return. Income is recognized under FASB ASC Topic 325-40, "Beneficial Interest in Securitized Financial Assets" ("ASC 325-40"). Income is recognized using the effective yield method. The Company adjusts the yield for changes in estimated cash flows prospectively through earnings.

The underlying securities have both known principal repayment terms as well as unknown principal repayments due to potential borrower pre-payments. Accordingly, it is difficult to accurately predict the final maturity date of these investments.

**PRA Group, Inc.**  
**Notes to Consolidated Financial Statements**

Revenues recognized on these investments are recorded in the Other Revenue line item in the income statement. During the three months ended March 31, 2017 and 2016, revenues recognized on these investments were \$1.4 million and \$1.6 million, respectively.

Other Investments

**Investments in private equity funds:** Investments in private equity funds represent limited partnerships in which the Company has less than a 3% interest and are carried at cost. Distributions received from the partnerships are included in other revenue. Distributions received in excess of the Company's proportionate share of accumulated earnings are applied as a reduction of the cost of the investment. Distributions received from investments carried at cost were \$2.9 million and \$0.2 million during the three months ended March 31, 2017 and 2016, respectively.

The amortized cost and estimated fair value of available-for sale and held-to-maturity investments at March 31, 2017 and December 31, 2016 were as follows (amounts in thousands):

	March 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
Available-for-sale				
Government bonds and mutual funds	\$ 3,610	\$ 5	\$ 2	\$ 3,613
Held-to-maturity				
Securitized assets	55,978	4,187	—	60,165
	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
Available-for-sale				
Government bonds and mutual funds	\$ 2,161	\$ —	\$ 23	\$ 2,138
Held-to-maturity				
Securitized assets	51,407	4,147	—	55,554

**4. Borrowings:**

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

	March 31, 2017	December 31, 2016
North American revolving credit	\$ 643,004	\$ 695,088
Term loans	425,199	430,764
European revolving credit	382,359	401,780
Convertible senior notes	287,500	287,500
Less: Debt discount and issuance costs	(29,375)	(31,031)
Total	\$ 1,708,687	\$ 1,784,101

The following principal payments are due on the Company's borrowings as of March 31, 2017 for the twelve month periods ending March 31, (amounts in thousands):

2018	\$ 198,605
2019	10,000
2020	10,000
2021	1,519,457
2022	—
Total	\$ 1,738,062

The Company believes it was in compliance with the covenants of its material financing arrangements as of March 31, 2017 and December 31, 2016.

**PRA Group, Inc.**  
**Notes to Consolidated Financial Statements**

**North American Revolving Credit and Term Loan**

On December 19, 2012, the Company entered into a credit facility with Bank of America, N.A., as administrative agent, and a syndicate of lenders named therein (such agreement as later amended or modified, the "North American Credit Agreement"). The total credit facility under the North American Credit Agreement includes an aggregate principal amount of \$938.0 million (subject to compliance with a borrowing base and applicable debt covenants), which consists of (i) a fully-funded \$140.0 million term loan, (ii) a \$748 million domestic revolving credit facility, and (iii) a \$50 million Canadian revolving credit facility. The facility includes an optional increase in commitments for a \$125.0 million accordion feature (at the option of the lenders) and also provides for up to \$20 million of letters of credit 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. The base rate is the highest of (a) the Federal Funds Rate (as defined in the Credit Agreement) plus 0.50%, (b) Bank of America's prime rate, or (c) the Eurodollar rate plus 1.00%. Of the \$938.0 million total principal amount of the credit facility, \$207.5 million matures on December 19, 2017, and the remainder matures on the earlier of December 21, 2020 or 91 days prior to the maturity of the Company's Convertible Senior Notes due 2020 (the "Notes"). As of March 31, 2017, the unused portion of the North American Credit Agreement was \$155.0 million. Considering borrowing base restrictions, as of March 31, 2017, the amount available to be drawn was \$127.8 million.

The North American Credit Agreement is secured by a first priority lien on substantially all of the Company's assets. The North American Credit Agreement contains restrictive covenants and events of default, including the following as of March 31, 2017:

- borrowings may not exceed 35% of the ERC of all eligible asset pools plus 75% of eligible accounts receivable;
- the consolidated leverage ratio (as defined in the North American Credit Agreement) cannot exceed 2.25 to 1.0 as of the end of any fiscal quarter;
- cash dividends and distributions during any fiscal year cannot exceed \$20 million;
- stock repurchases during any fiscal year cannot exceed \$100 million plus 50% of the prior year's net income;
- permitted acquisitions (as defined in the North American Credit Agreement) during any fiscal year cannot exceed \$250 million;
- indebtedness in the form of senior, unsecured convertible notes or other unsecured financings cannot exceed \$500 million in the aggregate (without respect to the Notes);
- the Company must maintain positive consolidated income from operations (as defined in the North American Credit Agreement) during any fiscal quarter; and
- restrictions on changes in control.

The revolving credit facility also bears an unused line fee of 0.375% per annum, payable quarterly in arrears.

Information on the outstanding balances and weighted average interest rates by type of borrowing under the North American Credit Agreement as of the dates indicated (dollar amounts in thousands):

	March 31, 2017		December 31, 2016	
	Amount Outstanding	Weighted Average Interest Rate	Amount Outstanding	Weighted Average Interest Rate
Term loan	\$ 140,000	3.48%	\$ 150,000	3.27%
Revolving facility	\$ 643,004	3.50%	\$ 695,088	3.28%

**European Revolving Credit Facility and Term Loan**

On October 23, 2014, the Company 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"). Under the terms of the European Credit Agreement, the credit facility includes an aggregate amount of approximately \$1.2 billion (subject to the borrowing base), of which approximately \$300 million is a term loan, accrues interest at the Interbank Offered Rate ("IBOR") plus 2.80%-3.90% under the revolving facility and 4.25%-4.50% under the term loan facility (as determined by the loan-to-value ratio ("LTV Ratio") as defined in the European Credit Agreement), bears an unused line fee, currently 1.26% per annum, of 35% of the margin, payable monthly in arrears, and matures on February 19, 2021. The European Credit Agreement also includes an Overdraft Facility in the aggregate amount of \$40 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 annum, payable quarterly in arrears, and also matures February 19, 2021. As of March 31, 2017, the unused portion of the European Credit Agreement (including the Overdraft Facility) was \$557.6

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million. Considering borrowing base restrictions and other covenants, as of March 31, 2017, the amount available to be drawn under the European Credit Agreement (including the Overdraft Facility) was \$157.9 million.

The European Credit Agreement is secured by the shares of most of the Company's European subsidiaries and all intercompany loan receivables in Europe. The European Credit Agreement also contains restrictive covenants and events of default including the following:

- the LTV Ratio (as defined in the European Credit Agreement) cannot exceed 75%;
- the GIBD Ratio (as defined in the European Credit Agreement) in Europe cannot exceed 3.5 to 1.0 as of the end of any fiscal quarter until March 31, 2017 and 3.25:1.0 thereafter;
- interest bearing deposits in AK Nordic AB cannot exceed SEK 1,500,000,000;
- PRA Europe's cash collections must exceed 95% of Europe's ERC for the same set of portfolios, measured on a quarterly basis.

Information on the outstanding balances and weighted average interest rates by type of borrowing under the European Credit Agreement as the dates indicated (dollar amounts in thousands):

	March 31, 2017		December 31, 2016	
	Amount Outstanding	Weighted Average Interest Rate	Amount Outstanding	Weighted Average Interest Rate
Term loan	\$ 285,199	4.25%	\$ 280,764	4.25%
Revolving facility	\$ 382,359	3.99%	\$ 401,780	4.06%

***Convertible Senior Notes due 2020***

On August 13, 2013, the Company completed the private offering of \$287.5 million in aggregate principal amount of the Company's 3.00% Notes. The Notes were issued pursuant to an Indenture, dated August 13, 2013 (the "Indenture") between the Company and Wells Fargo Bank, National Association, as trustee. The Indenture contains customary terms and covenants, including certain events of default after which the Notes may be due and payable immediately. The Notes are senior unsecured obligations of the Company. Interest on the Notes is payable semi-annually, in arrears, on February 1 and August 1 of each year, beginning on February 1, 2014. Prior to February 1, 2020, the Notes will be convertible only upon the occurrence of specified events. On or after February 1, 2020, the Notes will be convertible at any time. The Company does not have the right to redeem the Notes prior to maturity. As of March 31, 2017 and December 31, 2016, none of the conditions allowing holders of the Notes to convert their Notes had occurred.

The conversion rate for the Notes is initially 15.2172 shares per \$1,000 principal amount of 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 Indenture. Upon conversion, holders of the 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 current intent is to settle conversions through combination settlement (i.e., the 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 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 original Notes issuance cost as debt issuance cost and the remaining \$0.9 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):

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Liability component - principal amount	\$ 287,500	\$ 287,500
Unamortized debt discount	(16,775)	(17,930)
Liability component - net carrying amount	\$ 270,725	\$ 269,570
Equity component	\$ 31,306	\$ 31,306

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

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

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Interest expense - stated coupon rate	\$ 2,156	\$ 2,156
Interest expense - amortization of debt discount	1,155	1,100
Total interest expense - convertible senior notes	\$ 3,311	\$ 3,256

**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 on October 1 of each year or more frequently if indicators of impairment exist.

The following table represents the changes in goodwill for the three months ended March 31, 2017 and 2016 (amounts in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Balance at beginning of period:		
Goodwill	\$ 506,308	\$ 501,553
Accumulated impairment loss	(6,397)	(6,397)
	499,911	495,156
Changes:		
Acquisitions	—	4,742
Foreign currency translation adjustment	6,329	24,972
Net change in goodwill	6,329	29,714
Goodwill	512,637	531,267
Accumulated impairment loss	(6,397)	(6,397)
Balance at end of period:	\$ 506,240	\$ 524,870

The \$4.7 million addition to goodwill during the three months ended March 31, 2016, was mainly attributable to the acquisition of Recovery Management Systems Corporation ("RMSC") in addition to a purchase price adjustment from a previous acquisition. The goodwill recognized from the RMSC acquisition is expected to be deductible for U.S. income tax purposes.

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**6. 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.

For tax purposes, the Company utilizes the cost recovery method of accounting. Under the cost recovery method, collections on finance receivables are applied first to principal to reduce the finance receivables to zero before taxable income is recognized. The Internal Revenue Service ("IRS") examined the Company's 2005 through 2012 tax returns and has asserted that tax revenue recognition using the cost recovery method does not clearly reflect taxable income. The Company believes it has sufficient support for the technical merits of its position, and believes cost recovery to be an acceptable tax revenue recognition method for the Company's industry. The Company has received Notices of Deficiency for tax years ended December 31, 2005 through 2012. The proposed deficiencies relate to the cost recovery method of tax accounting. In response to the notices, the Company filed petitions in the U.S. Tax Court (the "Tax Court") challenging the deficiencies. On July 10, 2015 and July 21, 2015, the IRS filed Motions for Summary Judgment for tax years 2008 through 2012 and 2005 through 2007, respectively. On November 12, 2015 the Tax Court denied the IRS's Motions for Summary Judgment and set this matter for trial to begin on September 19, 2016. On July 5, 2016, the Tax Court granted the IRS's Motion for Continuance filed on June 28, 2016. On July 14, 2016, the Tax Court set the trial to begin on May 15, 2017.

If the Company is unsuccessful in the Tax Court and any potential appeals, it may be required to pay the related deferred taxes, and possibly interest and penalties. At March 31, 2017 and December 31, 2016, deferred tax liabilities related to this matter were \$241.9 million and \$239.3 million, respectively. Any adverse determination on this matter could result in the Company amending state tax returns for prior years, increasing its taxable income in those states. The Company files tax returns in multiple state jurisdictions; therefore, any underpayment of state tax will accrue interest in accordance with the respective state statute. At March 31, 2017 and December 31, 2016, the Company's estimate of the potential federal and state interest was \$117.6 million and \$112.0 million, respectively.

ASC 740 requires the recognition of interest if the tax law would require interest to be paid on the underpayment of taxes, and recognition of penalties if a tax position does not meet the minimum statutory threshold to avoid payment of penalties. The Company believes it has sufficient support for the technical merits of its position and that it is more likely than not this position will be sustained. Accordingly, the Company has not accrued for interest or penalties on any of its tax positions, including the cost recovery matter.

At March 31, 2017, the tax years subject to examination by the major federal, state and international taxing jurisdictions are 2003, 2005 and subsequent years. The 2003 tax year remains open to examination because of a net operating loss that originated in that year but was not fully utilized until the 2005 tax year. The examination periods for the 2005 through 2012 tax years are suspended until a decision of the Tax Court becomes final.

The Company intends to permanently reinvest predominantly all foreign earnings in its foreign operations. If foreign earnings were repatriated, the Company would 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 foreign operations with permanently reinvested earnings was \$69.6 million and \$73.6 million as of March 31, 2017 and December 31, 2016, respectively.

**7. 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. For the Notes, 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, which did not occur during the period from which the Notes were issued on August 13, 2013 through March 31, 2017. 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 assumed proceeds include the tax benefit that would be realized upon assumed exercise.

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The following table provides a reconciliation between the computation of basic EPS and diluted EPS for the three months ended March 31, 2017 and 2016 (amounts in thousands, except per share amounts):

	For the Three Months Ended March 31,					
	2017			2016		
	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	\$ 48,167	46,406	\$ 1.04	\$ 31,983	46,243	\$ 0.69
Dilutive effect of nonvested share awards		221	(0.01)		129	—
Diluted EPS	\$ 48,167	46,627	\$ 1.03	\$ 31,983	46,372	\$ 0.69

There were no antidilutive options outstanding for the three months ended March 31, 2017 and 2016.

**8. Commitments and Contingencies:**

*Employment Agreements:*

The Company has entered into employment agreements, most of which expire on December 31, 2017, 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 bonuses that are based on the attainment of specific management goals. At March 31, 2017, estimated future compensation under these agreements is approximately \$8.0 million. The agreements also contain confidentiality and non-compete provisions. Outside the United States, 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 \$8.0 million total above.

*Leases:*

The Company is party to various operating leases with respect to its facilities and equipment. The future minimum lease payments at March 31, 2017 total approximately \$44.3 million.

*Forward Flow Agreements:*

The Company is party to several forward flow agreements that allow for the purchase of nonperforming loans at pre-established prices. The maximum remaining amount to be purchased under forward flow agreements at March 31, 2017 is approximately \$437.7 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 is from time to time subject to routine legal claims, 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),



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and the related uncertainty of the potential outcomes of these proceedings. In making determinations of the likely outcome of pending litigation, the Company considers many factors, including, but not limited to, the nature of the claims, the Company's experience with similar types of claims, the jurisdiction in which the matter is filed, input from outside legal counsel, the likelihood of resolving the matter through alternative mechanisms, the matter's current status and the damages sought or demands made. Accordingly, the Company's estimate will change from time to time, and actual losses could be more than the current estimate.

The Company believes that the estimate of the aggregate range of reasonably possible losses in excess of the amount accrued for its legal proceedings outstanding at March 31, 2017, excluding the potential interest associated with the IRS matter described below, is 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. The Company has not recorded any potential recoveries under the Company's insurance policies or third-party indemnities as of March 31, 2017.

The matters described below fall outside of the normal parameters of the Company's routine legal proceedings.

Telephone Consumer Protection Act Litigation

As previously reported in the 2016 Form 10-K, the Company was named as defendant in a number of putative class action cases, each alleging that the Company violated the Telephone Consumer Protection Act ("TCPA") by calling consumers' cellular telephones without their prior express consent. In January 2016, the parties reached a settlement agreement in principle ("the Settlement Agreement") under which the parties agreed to seek court approval of class certification and the proposed settlement. As required by the Settlement Agreement, which received final court approval in December 2016, the Company paid \$18 million in the second quarter of 2016 to resolve the matter.

Internal Revenue Service Audit

The IRS examined the Company's 2005 through 2012 tax returns and has asserted that tax revenue recognition using the cost recovery method does not clearly reflect taxable income. The Company believes it has sufficient support for the technical merits of its position, and believes cost recovery to be an acceptable tax revenue recognition method for the Company's industry. The Company has received Notices of Deficiency for tax years ended December 31, 2005 through 2012. The proposed deficiencies relate to the cost recovery method of tax accounting for finance receivables. In response to the notices, the Company filed petitions in the Tax Court challenging the deficiencies. On July 10, 2015 and July 21, 2015, the IRS filed Motions for Summary Judgment for tax years 2008 through 2012 and 2005 through 2007, respectively. On November 12, 2015, the Tax Court denied the IRS's Motions for Summary Judgment and set this matter for trial to begin on September 19, 2016. On July 5, 2016, the Tax Court granted the IRS's Motion for Continuance filed on June 28, 2016. On July 14, 2016, the Tax Court set the trial to begin on May 15, 2017. If the Company is unsuccessful in the Tax Court and any potential appeals, it may ultimately be required to pay the related deferred taxes, and possibly interest and penalties. Deferred tax liabilities related to this matter were \$241.9 million at March 31, 2017. Any adverse determination on this matter could result in the Company amending state tax returns for prior years, increasing its taxable income in those states. The Company files tax returns in multiple state jurisdictions; therefore, any underpayment of state tax will accrue interest in accordance with the respective state statute. The Company's estimate of the potential federal and state interest is \$117.6 million as of March 31, 2017, which has not been accrued.

Portfolio Recovery Associates, LLC v. Guadalupe Mejia

As previously reported in the Company's 2016 Form 10-K, the Company reached a settlement in principle in February 2017 to resolve this matter. As of December 31, 2016, the Company had fully accrued for the settlement amount, which it paid in April 2017.

**9. Fair Value:**

As defined by FASB 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 also requires the consideration of differing levels of inputs in the determination of fair values.

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Those levels of input are summarized as follows:

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

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

*Financial Instruments Not Required To Be Carried at Fair Value*

In accordance with the disclosure requirements of FASB ASC Topic 825, "Financial Instruments" ("ASC 825"), the table below summarizes fair value estimates for the Company's financial instruments 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 of the financial instruments in the following table are recorded in the consolidated balance sheets at March 31, 2017 and December 31, 2016 (amounts in thousands):

	March 31, 2017		December 31, 2016	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>Financial assets:</b>				
Cash and cash equivalents	\$ 82,110	\$ 82,110	\$ 94,287	\$ 94,287
Held-to-maturity investments	55,978	60,165	51,407	55,554
Other investments	14,464	11,557	14,998	12,573
Finance receivables, net	2,366,880	2,764,081	2,307,969	2,708,582
<b>Financial liabilities:</b>				
Interest-bearing deposits	78,792	78,792	76,113	76,113
Revolving lines of credit	1,025,363	1,025,363	1,096,868	1,096,868
Term loans	425,199	425,199	430,764	430,764
Convertible senior notes	270,725	261,421	269,570	270,825

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 the financial instruments in the above table:

**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.

**Held-to-maturity investments:** Fair value of the Company's investment in Series B certificates of a closed-end Polish investment fund is estimated using proprietary pricing models that the Company utilizes to make portfolio purchase decisions. Accordingly, the Company estimates the fair value of its held-to-maturity investments using Level 3 inputs as there is little observable market data available and management is required to use significant judgment in its estimates.

**Other investments:** 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 can never 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 fair value of the Company's interest is valued by the fund managers; accordingly, the Company estimates the fair value of these investments using Level 3 inputs. The

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investments are expected to be returned through distributions as a result of liquidations of the funds' underlying assets over 1 to 4 years.

**Finance receivables, net:** The Company records purchased receivables at cost, which represents a significant discount from the contractual receivable balances due. The Company computed the estimated fair value of these receivables using proprietary pricing models that the Company utilizes to make portfolio purchase 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 loans:** 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.

**Convertible notes:** The Notes are carried at historical cost, adjusted for the debt discount. The fair value estimates for these Notes incorporates quoted market prices which were obtained from secondary market broker quotes which were derived from a variety of inputs including client orders, information from their pricing vendors, modeling software, and actual trading prices when they occur. Accordingly, the Company uses Level 2 inputs for its fair value estimates.

*Financial Instruments Required To Be Carried At Fair Value*

The carrying amounts in the following table are measured at fair value on a recurring basis in the accompanying consolidated balance sheets at March 31, 2017 and December 31, 2016 (amounts in thousands):

	Fair Value Measurements as of March 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale investments	\$ 3,613	\$ —	\$ —	\$ 3,613
Liabilities:				
Interest rate swap contracts (recorded in accrued expenses)	—	3,021	—	3,021
	Fair Value Measurements as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale investments	\$ 2,138	\$ —	\$ —	\$ 2,138
Liabilities:				
Interest rate swap contracts (recorded in accrued expenses)	—	2,825	—	2,825

**Available-for-sale investments:** Fair value of the Company's investment in government bonds and mutual funds is estimated using quoted market prices. Accordingly, the Company uses Level 1 inputs.

**Interest rate swap contracts:** The interest rate swap contracts are carried at fair value which is determined by 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.

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**10. Recent Accounting Pronouncements:**

In May 2014, FASB issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09") that updates the principles for recognizing revenue. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also amends the required disclosures of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption, with early application not permitted. The Company believes that the revenue it classifies as Fee Income is within the scope of this standard. The Company's fee income consists of revenue generated by its Claims Compensation Bureau, LLC ("CCB"), PRA Location Services, LLC ("PLS"), and PRA Government Services, LLC ("PGS") subsidiaries. Based on the Company's evaluation, the Company does not believe the new standard will impact the accounting for its CCB and PLS revenue. The Company sold its PGS business in January 2017.

In January 2016, FASB issued ASU 2016-01, "Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"), which provides new guidance on the recognition, measurement, presentation, and disclosure of financial assets and liabilities. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted only for certain provisions. The Company is currently in the process of evaluating the impact of adoption of the ASU on its Consolidated Financial Statements.

In February 2016, FASB issued ASU 2016-02, "Leases (Topic 842) Section A - Leases: Amendments to the FASB Account Standards Codification" ("ASU 2016-02"). ASU 2016-02 requires that a lessee should recognize a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term on the balance sheet. It is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, using a modified retrospective approach and early adoption is permitted. The Company is currently in the process of evaluating the impact of adoption of the ASU on its Consolidated Financial Statements. The Company currently discloses approximately \$44.3 million in operating lease obligations in its contractual obligations table in Part I, Item 2 of this Quarterly Report and will evaluate those contracts as well as other existing arrangements to determine if they qualify for lease accounting under the new standard. The Company does not plan to adopt the standard early.

In March 2016, FASB issued ASU 2016-06, "Derivatives and Hedging (Topic 815), Contingent Put and Call Options in Debt Instruments" ("ASU 2016-06"). Topic 815 requires that embedded derivatives be separated from the host contract and accounted for separately as derivatives if certain criteria are met, including the "clearly and closely related" criterion. ASU 2016-06 clarifies the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the amendments is required to assess the embedded call (put) options solely in accordance with the four-step decision sequence. The amendments in ASU 2016-06 apply to all entities that are issuers of or investors in debt instruments (or hybrid financial instruments that are determined to have a debt host) with embedded call (put) options. For public entities, this update is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company adopted ASU 2016-06 in the first quarter of 2017 which had no material impact on its Consolidated Financial Statements.

In March 2016, FASB issued ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). The guidance eliminates additional paid in capital ("APIC") pools and requires companies to recognize all excess tax benefits and tax deficiencies in the income statement when the awards vest or are settled. It also addresses the presentation of excess tax benefits and employee taxes paid on the statement of cash flows. Further, the new guidance eliminates the requirement to estimate forfeitures during the vesting period. Instead, companies can elect to account for actual forfeitures as they occur and record any previously unrecognized compensation expense for estimated forfeitures up to the period of adoption as a retrospective adjustment to beginning retained earnings. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years and early adoption is permitted. The Company prospectively adopted ASU 2016-09 in the first quarter of 2017, which increased its provision for income taxes by \$1.0 million as a result of the recognition of all excess tax benefits and tax deficiencies in its income statement. The ASU requires that excess tax benefits be presented as an operating activity in the statement of cash flows, so with its prospective adoption, prior periods have not been restated. The Company also elected to use an estimated forfeiture rate, based on historical data, to record its share-based compensation expense, which is consistent with its previous accounting treatment with respect to forfeitures. None of the other provisions of the ASU had a material impact on its Consolidated Financial Statements.

In June 2016, FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326)" ("ASU 2016-13"). ASU 2016-13 requires the measurement of expected credit losses for financial instruments held at the reporting date based on historical

**PRA Group, Inc.**  
**Notes to Consolidated Financial Statements**

experience, current conditions and reasonable forecasts. The main objective of this ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years and allows for early adoption as of the beginning of an interim or annual reporting period beginning after December 15, 2018. This ASU supersedes ASC Topic 310-30, which the Company currently follows to account for revenue on its finance receivables. This ASU could have a significant impact on how the Company measures and records revenue on its finance receivables. The Company is currently in the process of evaluating the impact of adoption of the ASU on its Consolidated Financial Statements.

In August 2016, FASB issued ASU 2016-15, "Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments (Topic 230)" ("ASU 2016-15"). ASU 2016-15 reduces diversity in practice of how certain transactions are classified in the statement of cash flows. The new guidance clarifies the classification of cash activity related to debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate and bank-owned life insurance policies, distributions received from equity-method investments, and beneficial interests in securitization transactions. The guidance also describes a predominance principle in which cash flows with aspects of more than one class that cannot be separated should be classified based on the activity that is likely to be the predominant source or use of cash flow. ASU 2016-15 is effective for the Company for fiscal years beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period, but requires all elements of the amendments to be adopted at once rather than individually. The new standard must be adopted using a retrospective transition method. The Company is currently in the process of evaluating the impact of adoption of the ASU on its Consolidated Financial Statements.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory" ("ASU 2016-16"), which requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted as of the beginning of a fiscal year. The new standard must be adopted using a modified retrospective transition method which is a cumulative-effect adjustment to retained earnings as of the beginning of the first effective reporting period. The Company is currently in the process of evaluating the impact of adoption of the ASU on its Consolidated Financial Statements.

In January 2017, FASB issued ASU-2017-01, "Business Combinations - Clarifying the Definition of a Business (Topic 805)" ("ASU 2017-01"). ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist companies with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The new guidance is expected to reduce the number of transactions that need to be further evaluated as businesses. The guidance is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted for certain types of transactions.

In January 2017, FASB issued ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). ASU 2017-04 eliminates Step 2 of the goodwill impairment test. Instead, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize 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. ASU 2017-04 is effective for annual and interim periods beginning after December 15, 2019 and early adoption is permitted for interim or annual goodwill impairment tests performed after January 1, 2017. The Company is currently in the process of evaluating the impact of adoption of the ASU on its Consolidated Financial Statements.

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

#### **11. Sale of Subsidiaries:**

As part of the Company's strategy to focus on businesses with greater global growth potential, the Company decided in the fourth quarter of 2016 to sell its government services businesses: PRA Government Services, LLC; MuniServices, LLC; and PRA Professional Services, LLC. On January 24, 2017, the Company completed the sale of its government services businesses for \$91.5 million in cash plus additional consideration for certain balance sheet items. The impact of the transaction was reported in the first quarter of 2017. The gain on sale before income taxes was \$46.8 million.

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**Notes to Consolidated Financial Statements**

The assets and liabilities of the businesses that were sold consisted of the following at January 24, 2017 (amounts in thousands):

	<b>January 24, 2017</b>
Other receivables, net	\$ 7,399
Property and equipment, net	3,168
Goodwill	29,683
Intangible assets, net	1,711
Other assets	525
Total assets	\$ 42,486
Accrued expenses	\$ 2,927
Total liabilities	\$ 2,927

**12. Subsequent Event:**

On May 5, 2017, the Company amended and restated the North American Credit Agreement (the “Amended and Restated North American Credit Facility”). The Amended and Restated North American Credit Facility increased the total facility size to \$1.2 billion, consisting of a \$450 million term loan and a \$755 million revolving credit facility, and matures on May 5, 2022. The \$207.5 million that was to mature on December 19, 2017 was repaid at closing and the non-extended lenders were removed from the new facility. The interest rates and unused line fee under the new facility remained unchanged.

## 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, if they never materialize or prove incorrect, 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, gross margin 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 prolonged economic recovery or a deterioration in the economic or inflationary environment in the Americas or Europe, including the interest rate environment;
- changes in the credit or capital markets, which affect our ability to borrow money or raise capital;
- our ability to replace our nonperforming loans with additional portfolios;
- our ability to purchase nonperforming loans at appropriate prices;
- changes in, or interpretations of, federal, state, local, or foreign laws or the administrative practices of various bankruptcy courts, which may impact our ability to collect on our nonperforming loans;
- our ability to collect sufficient amounts on our nonperforming loans;
- the possibility that we could incur significant allowance charges on our finance receivables;
- changes in, or interpretations of, bankruptcy or collection laws that could negatively affect our business, including by causing an increase in certain types of bankruptcy filings involving liquidations, which may cause our collections to decrease;
- our ability to manage risks associated with our international operations;
- changes in tax laws regarding earnings of our subsidiaries located outside of the United States ("U.S.");
- the imposition of additional taxes on us;
- the possibility that we could incur goodwill or other intangible asset impairment charges;
- adverse effects from the vote by the United Kingdom ("UK") to leave the European Union ("EU");
- adverse outcomes in pending litigations or administrative proceedings;
- our loss contingency accruals may not be adequate to cover actual losses;
- the possibility that class action suits and other litigation could divert our management's attention and increase our expenses;
- the possibility that we could incur business or technology disruptions or cyber incidents;
- our ability to collect and enforce our finance receivables may be limited under federal, state, local and foreign laws;
- 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 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 purchasing 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 foreign and U.S. laws and regulations that apply to our international operations could increase our cost of doing business in international jurisdictions;
- our ability to raise the funds necessary to repurchase the convertible senior notes or to settle conversions in cash;
- our ability to maintain, renegotiate or replace our credit facilities;
- changes in interest or exchange rates, which could reduce our net income, and the possibility that future hedging strategies may not be successful, which could adversely affect our results of operations and financial condition, as could our failure to comply with hedge accounting principles and interpretations; and
- the risk factors discussed in our filings with the Securities and Exchange Commission (the "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, 2016, filed with the SEC on February 28, 2017 ("2016 Form 10-K").

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, stockholders 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 use the following terminology throughout this document:

- "Allowance charges" refers to a reduction in income recognized on finance receivables on pools of finance receivables due to a decrease in cash collection estimates or a delay in the expected timing of the cash collections.
- "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 collections on our owned finance receivables portfolios plus fee income.
- "Core" accounts or portfolios refer to accounts or portfolios that are nonperforming loans and are not in an insolvent status upon purchase. 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.
- "Fee income" refers to revenues generated from our fee-for-service businesses.
- "Income recognized on finance receivables" refers to income derived from our owned finance receivables portfolios.
- "Income recognized on finance receivables, net" refers to income derived from our owned finance receivables portfolios and is shown net of allowance charges/reversals.
- "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 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.
- "Net finance receivable balance" is recorded on our balance sheet and refers to the purchase price less principal amortization and net allowance charges/reversals.
- "Nonperforming loans" refers to the loans that we purchase, which consist generally of defaulted, unpaid obligations of individuals that have been charged-off by the credit grantor.
- "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, plus certain capitalized costs, less buybacks.
- "Purchase price multiple" refers to the total estimated collections (as defined below) on owned finance receivables portfolios divided by purchase price.
- "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 and Europe. Our primary business is the purchase, collection and management of portfolios of nonperforming loans. We also provide the following fee-based services: vehicle location, skip tracing and collateral recovery for auto lenders, government entities and law enforcement; class action claims recovery services and purchases; servicing of consumer bankruptcy accounts in the U.S.; and, to a lesser extent, contingent collections of nonperforming loans in Europe and South America. As discussed in Note 11, we sold our revenue administration, audit and revenue discovery/recovery business in January 2017.

We are headquartered in Norfolk, Virginia, and as of March 31, 2017 employ 4,205 full time equivalents. Our shares of common stock are traded on the NASDAQ Global Select Market under the symbol "PRAA."

### Earnings Summary

During the three months ended March 31, 2017, net income attributable to PRA Group, Inc. was \$48.2 million, or \$1.03 per diluted share, compared with \$32.0 million, or \$0.69 per diluted share, in the three months ended March 31, 2016. Total revenues decreased 8.1% to \$206.6 million in the three months ended March 31, 2017, compared to the three months ended March 31, 2016. Revenues in the three months ended March 31, 2017 consisted of \$194.5 million in income recognized on finance receivables, net; \$9.9 million in fee income; and \$2.2 million in other revenue. Income recognized on finance receivables, net, in the three months ended March 31, 2017 decreased \$12.0 million, or 5.8%, over the three months ended March 31, 2016, primarily as a result of a \$4.5 million decrease in cash collections and a \$14.7 million increase in principal amortization. This was partially offset by a \$7.2 million decrease in net allowance charges. During the three months ended March 31, 2017, we incurred \$2.7 million in net allowance charges, compared with \$9.9 million in the three months ended March 31, 2016. Our finance receivables amortization rate, including net allowance charges/reversals, was 48.8% for the three months ended March 31, 2017 compared to 46.3% for the three months ended March 31, 2016. Our finance receivables amortization rate, excluding net allowance charges/reversals, was 48.1% for the three months ended March 31, 2017 compared to 43.7% for the three months ended March 31, 2016. Cash collections, which drive our finance receivables income, were \$379.8 million in the three months ended March 31, 2017, down 1.2%, or \$4.5 million, as compared to the three months ended March 31, 2016.

A summary of the sources of our revenue during the three months ended March 31, 2017 and 2016 is presented below (amounts in thousands):

	For the Three Months Ended March 31,	
	2017	2016
Cash collections	\$ 379,830	\$ 384,333
Principal amortization	(182,616)	(167,928)
Net allowance charges	(2,679)	(9,898)
Income recognized on finance receivables, net	194,535	206,507
Fee income	9,858	16,266
Other revenue	2,165	2,109
Total revenues	\$ 206,558	\$ 224,882

Operating expenses were \$153.3 million for the three months ended March 31, 2017, a decrease of \$0.7 million or 0.5%, as compared to the three months ended March 31, 2016.

During the three months ended March 31, 2017 and 2016, we acquired finance receivables portfolios at a cost of \$227.8 million and \$336.8 million, respectively. In any period, we acquire nonperforming loans that can vary dramatically in their age, type and ultimate collectability. We may pay significantly different purchase prices relative to face value for purchased receivables within any period as a result of this quality fluctuation. In addition, market forces can increase or decrease pricing, irrespective of other quality fluctuations. As a result, the average purchase price paid relative to face value for any given period can fluctuate dramatically. However, regardless of the average purchase price, we intend to target a similar internal rate of return, after direct expenses, in pricing our portfolio acquisitions during any given period. Therefore, the price paid relative to face value is not necessarily indicative of profitability.

## Results of Operations

The results of operations include the financial results of the Company and all of its subsidiaries. The following table sets forth certain operating data as a percentage of total revenues for the periods indicated:

	For the Three Months Ended March 31,	
	2017	2016
<b>Revenues:</b>		
Income recognized on finance receivables, net	94.2 %	91.8 %
Fee income	4.8 %	7.2 %
Other revenue	1.0 %	1.0 %
Total revenues	100.0 %	100.0 %
<b>Operating expenses:</b>		
Compensation and employee services	33.1 %	29.7 %
Legal collection expenses	15.4 %	13.4 %
Agency fees	5.2 %	4.8 %
Outside fees and services	6.5 %	7.0 %
Communication	4.4 %	4.4 %
Rent and occupancy	1.8 %	1.7 %
Depreciation and amortization	2.5 %	2.7 %
Other operating expenses	5.3 %	4.7 %
Total operating expenses	74.2 %	68.4 %
Income from operations	25.8 %	31.6 %
<b>Other income and (expense):</b>		
Gain on sale of subsidiaries	22.7 %	— %
Interest expense	(10.3)%	(8.9)%
Foreign exchange gain/(loss)	1.1 %	(0.8)%
Income before income taxes	39.3 %	21.9 %
Provision for income taxes	15.2 %	7.2 %
Net income	24.1 %	14.7 %
Adjustment for net income attributable to noncontrolling interest	0.7 %	0.4 %
Net income attributable to PRA Group, Inc.	23.4 %	14.3 %

### Three Months Ended March 31, 2017 Compared To Three Months Ended March 31, 2016

#### Revenues

Total revenues were \$206.6 million for the three months ended March 31, 2017, a decrease of \$18.3 million, or 8.1%, compared to total revenues of \$224.9 million for the three months ended March 31, 2016.

#### Income Recognized on Finance Receivables, net

Income recognized on finance receivables, net was \$194.5 million for the three months ended March 31, 2017, a decrease of \$12.0 million, or 5.8%, compared to income recognized on finance receivables, net, of \$206.5 million for the three months ended March 31, 2016. The decrease was primarily a result of a \$4.5 million decrease in cash collections and a \$14.7 million increase in principal amortization. This was partially offset by a \$7.2 million decrease in net allowance charges. Cash collections, which drive our finance receivable income, were \$379.8 million in the three months ended March 31, 2017, down \$4.5 million, or 1.2%, as compared to the three months ended March 31, 2016. During the three months ended March 31, 2017, we incurred \$2.7 million in net allowance charges, compared with \$9.9 million in the three months ended March 31, 2016. Our finance receivables amortization rate, including net allowance charges, was 48.8% for the three months ended March 31, 2017 compared to 46.3% for the three months ended March 31, 2016. Our finance receivables amortization rate, excluding net allowance charges, was 48.1% for the three months ended March 31, 2017 compared to 43.7% for the three months ended March 31, 2016.

Accretable yield represents the amount of income recognized on finance receivables we can expect to generate over the remaining life of our existing portfolios based on estimated future cash flows as of the balance sheet date. Additions from portfolio purchases represent the original expected accretable yield, on portfolios purchased during the period, to be earned by us. Net reclassifications from nonaccretable difference to accretable yield primarily result from an increase in our estimate of future cash flows. Increases in future cash flows may occur as portfolios age and actual cash collections exceed those originally expected. If those cash flows are determined to be incremental to the portfolio's original forecast, future projections of cash flows are generally increased resulting in higher expected revenue and hence increases in accretable yield. When applicable, net reclassifications to nonaccretable difference from accretable yield result from a decrease in our estimates of future cash flows and allowance charges that together exceed the increase in our estimate of future cash flows. During the three months ended March 31, 2017, we reclassified \$47.1 million from nonaccretable difference to accretable yield primarily due to increased cash collection forecasts relating to pools acquired from 2013-2016. During the three months ended March 31, 2016, we reclassified \$1.0 million to nonaccretable difference from accretable yield primarily due to a decrease in cash collection forecasts. When applicable, net reclassifications to nonaccretable difference from accretable yield result from the decrease in our estimates of future cash flows and allowance charges that together exceed the increase in our estimate of future cash flows.

Income recognized on finance receivables, net, is shown net of changes in valuation allowances which are 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. For the three months ended March 31, 2017, we recorded net allowance charges of \$2.7 million. On our domestic Core and Insolvency portfolios, we recorded net allowance charges of \$0.5 million and \$0.1 million, respectively. We also recorded allowance charges of \$1.5 million on our European portfolios, \$0.3 million on our Canadian portfolios and \$0.2 million on our Brazilian portfolios.

For the three months ended March 31, 2016, we recorded net allowance charges of \$9.9 million. On our domestic Core portfolios, we recorded net allowance charges of \$7.1 million on portfolios purchased mainly in 2012 and 2013. On our Insolvency portfolios, we recorded allowance charges of \$0.3 million on our domestic portfolios. We also recorded allowance charges of \$2.2 million on our European portfolios, and \$0.3 million on our Canadian portfolios.

#### *Fee Income*

Fee income was \$9.9 million in the three months ended March 31, 2017, a decrease of \$6.4 million or 39.3%, compared to \$16.3 million in the three months ended March 31, 2016. This was primarily due to a decrease in fee income generated by our government services business, which we sold in January 2017.

#### *Other Revenue*

Other revenue increased to \$2.2 million in the three months ended March 31, 2017 from \$2.1 million in the three months ended March 31, 2016.

#### **Operating Expenses**

Total operating expenses were \$153.3 million for the three months ended March 31, 2017, a decrease of \$0.7 million or 0.5%, compared to operating expenses of \$154.0 million for the three months ended March 31, 2016. Operating expenses were 39.3% of cash receipts for the three months ended March 31, 2017 compared to 38.4% for the three months ended March 31, 2016.

#### *Compensation and Employee Services*

Compensation and employee services expenses were \$68.5 million for the three months ended March 31, 2017, an increase of \$1.7 million, or 2.5%, compared to compensation and employee services expenses of \$66.8 million for the three months ended March 31, 2016. Compensation expense increased primarily as a result of larger average staff sizes and increased bonus expense, partially offset by decreases in normal incentive compensation and share-based compensation. Additionally, compensation and employee services expense was impacted by the sale of the government services business, which occurred in January 2017. Regular compensation and employee services expense declined by \$3.0 million due to the sale of the business; this was partially offset by \$2.1 million in one-time compensation expense incurred during the three months ended March 31, 2017 directly related to the sale. Total full-time equivalents increased to 4,205 as of March 31, 2017, compared to 3,748 as of March 31, 2016.

#### *Legal Collection Expenses*

Legal collection expenses represent costs paid to courts where a lawsuit is filed, contingent fees incurred for the cash collections generated by our independent third-party attorney network, and the cost of documents paid to sellers of nonperforming loans. Legal collection expenses were \$31.7 million for the three months ended March 31, 2017, compared to legal collection expenses of \$30.1 million for the three months ended March 31, 2016. The increase was primarily due to additional court costs

related to the expansion of the number of accounts brought into the legal channel in Europe during the three months ended March 31, 2017. Our costs paid to courts were \$20.0 million for the three months ended March 31, 2017, an increase of \$4.5 million or 29.0% compared to \$15.5 million for the three months ended March 31, 2016. This was partially offset by a decrease in legal collection expenses paid to third-party attorneys, primarily as a result of a decrease in domestic external legal collections. Our costs paid to third-party attorneys were \$11.3 million for the three months ended March 31, 2017, a decrease of \$1.7 million or 13.1% compared to \$13.0 million for the three months ended March 31, 2016. Our costs paid to sellers of nonperforming loans for documents were \$0.4 million for the three months ended March 31, 2017, a decrease of \$1.3 million or 76.5% compared to \$1.7 million for the three months ended March 31, 2016.

#### *Agency Fees*

Agency fees primarily represent third-party collection fees and costs paid to repossession agents to repossess vehicles. Agency fees were \$10.8 million for the three months ended March 31, 2017, compared to \$10.9 million for the three months ended March 31, 2016.

#### *Outside Fees and Services*

Outside fees and services expenses were \$13.3 million for the three months ended March 31, 2017, a decrease of \$2.5 million, or 15.8%, compared to outside fees and services expenses of \$15.8 million for the three months ended March 31, 2016. This decrease was primarily due to a \$1.8 million decrease in corporate legal expenses and a \$0.7 million decrease in professional fees.

#### *Communication*

Communication expenses were \$9.1 million for the three months ended March 31, 2017, a decrease of \$0.8 million or 8.1%, compared to communication expenses of \$9.9 million for the three months ended March 31, 2016. This decrease was primarily due to a \$0.7 million decrease in bulk postage expenses.

#### *Rent and Occupancy*

Rent and occupancy expenses were \$3.8 million for the both the three months ended March 31, 2017 and 2016.

#### *Depreciation and Amortization*

Depreciation and amortization expenses were \$5.2 million for the three months ended March 31, 2017, a decrease of \$0.9 million, or 14.8%, compared to depreciation and amortization expenses of \$6.1 million for the three months ended March 31, 2016. The decrease was primarily due to the impact of the sale of our government services business in January 2017.

#### *Other Operating Expenses*

Other operating expenses were \$10.9 million for the three months ended March 31, 2017, a decrease of \$0.2 million, or 1.9%, compared to other operating expenses of \$10.7 million for the three months ended March 31, 2016.

#### **Gain on Sale of Subsidiaries**

Gain on sale of subsidiaries was \$46.8 million for the three months ended March 31, 2017 compared to \$0 for the three months ended March 31, 2016. As part of our strategy to focus on businesses with greater global growth potential, we decided in the fourth quarter of 2016 to sell our government services businesses. On January 24, 2017, we completed the sale which resulted in a gain of \$46.8 million. We also incurred approximately \$2.1 million of additional compensation expense related to the sale that is not reflected in this gain.

#### **Interest Expense**

Interest expense was \$21.3 million during the three months ended March 31, 2017, an increase of \$1.3 million or 6.5%, compared to \$20.0 million for the three months ended March 31, 2016. The increase was primarily due to increases in interest rates and unused line fees during the three months ended March 31, 2017 compared to the three months ended March 31, 2016. This was partially offset by a decrease in interest expenses incurred on our interest rate swaps and a decrease in the average borrowings outstanding during the three months ended March 31, 2017 compared to the three months ended March 31, 2016.

#### **Net Foreign Currency Transaction Gains/(Losses)**

Net foreign currency transaction gains were \$2.2 million for the three months ended March 31, 2017 compared to net foreign currency transaction losses of \$1.9 million for the three months ended March 31, 2016. In any given period, our foreign entities

conduct operations in currencies different from their functional currency which generate foreign currency transaction gains and losses.

**Provision for Income Taxes**

Provision for income taxes was \$31.4 million for the three months ended March 31, 2017, an increase of \$15.2 million, or 93.8%, compared to provision for income taxes of \$16.2 million for the three months ended March 31, 2016. The increase was primarily due to a \$31.9 million increase in income before taxes for the three months ended March 31, 2017 being predominantly taxed in higher tax jurisdictions, compared to the three months ended March 31, 2016. During the three months ended March 31, 2017, our effective tax rate was 38.8%, compared to 33.1% for the three months ended March 31, 2016. The increase was due primarily to changes in the mix of earnings, which was impacted by the sale of our government services businesses, and the adoption of ASU 2016-09 in the first quarter of 2017 which increased our provision for income taxes by \$1.0 million.

## Supplemental Performance Data

### *Finance Receivables Portfolio Performance*

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

Further, these tables disclose our Americas and European Core and Insolvency portfolios. 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 accordingly to comply with bankruptcy/insolvency rules and procedures; however, for accounting purposes, these accounts remain in the related Core portfolio. Conversely, Insolvency accounts may be dismissed voluntarily or involuntarily subsequent to our purchase of the related 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 related Insolvency pool.

Purchase price multiples can vary over time due to a variety of factors, including pricing competition, supply levels, age of the receivables purchased, 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, pricing disruptions 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 internal rates of return, net of expenses, 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 yields, this will generally lead to higher amortization rates and 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 accounts.

Revenue recognition under Financial Accounting Standards Board ("FASB") Accounting Standards Codification 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality" ("ASC 310-30") is driven by estimates of total collections as well as the timing of those collections. We record new portfolio purchases based on our best estimate of the cash flows expected at acquisition, which reflects the uncertainties inherent in the purchase of nonperforming loans and the results of our underwriting process. Subsequent to the initial booking, as we gain collection experience and confidence with a pool of accounts, we regularly update ERC. These processes have tended to cause the ratio of ERC to purchase price for any given year of buying to gradually increase over time. As a result, our estimate of total collections has often increased as pools have aged. 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 purchase than a pool that was just two years from purchase.

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.

We hold a majority interest in a closed-end Polish investment fund that purchases and services finance receivables. Our investment in this fund is classified in our Consolidated Balance Sheets as "Investments" and as such is not included in the following tables. The equivalent of the estimated remaining collections of the portfolios, expected to be received by us, is \$62.7 million at March 31, 2017.

**Purchase Price Multiples**  
**as of March 31, 2017**  
*Amounts in thousands*

Purchase Period	Purchase Price <sup>(3)</sup>	Net Finance Receivables <sup>(4)</sup>	ERC-Historical Period Exchange Rates <sup>(5)</sup>	Total Estimated Collections <sup>(6)</sup>	ERC-Current Period Exchange Rates <sup>(7)</sup>	Current Estimated Purchase Price Multiple	Original Estimated Purchase Price Multiple <sup>(2)</sup>
<b>Americas-Core</b>							
1996-2006	\$ 458,636	\$ 3,927	\$ 21,008	\$ 1,605,823	\$ 21,008	350%	246%
2007	179,832	6,124	26,386	445,595	26,386	248%	227%
2008	166,479	6,519	20,112	375,162	20,112	225%	220%
2009	125,169	2,040	41,330	462,071	41,330	369%	252%
2010	148,217	7,158	63,049	538,967	63,049	364%	247%
2011	209,725	17,719	92,826	723,228	92,826	345%	245%
2012	254,591	35,799	131,761	677,723	131,761	266%	226%
2013	391,520	95,067	282,842	970,750	282,842	248%	211%
2014 <sup>(1)</sup>	406,181	151,074	416,988	973,591	411,629	240%	204%
2015	446,754	256,606	543,201	943,421	546,368	211%	205%
2016	458,288	369,988	730,522	937,082	737,666	204%	201%
2017 YTD	116,389	115,773	229,062	233,726	229,062	201%	201%
Subtotal	3,361,781	1,067,794	2,599,087	8,887,139	2,604,039		
<b>Americas-Insolvency</b>							
1996-2006	54,396	—	504	91,172	504	168%	145%
2007	78,524	125	385	106,044	385	135%	150%
2008	108,578	567	1,211	169,039	1,211	156%	163%
2009	155,998	—	4,756	472,272	4,756	303%	214%
2010	208,971	—	6,760	548,761	6,760	263%	184%
2011	180,586	—	1,479	366,064	1,479	203%	155%
2012	251,733	5,198	15,306	382,250	15,306	152%	136%
2013	228,036	31,420	49,512	343,008	49,512	150%	133%
2014 <sup>(1)</sup>	148,934	47,808	66,907	209,143	66,815	140%	124%
2015	64,000	45,465	55,398	81,372	55,398	127%	125%
2016	94,121	72,644	88,054	115,025	87,671	122%	123%
2017 YTD	66,451	66,450	83,932	84,143	83,932	127%	127%
Subtotal	1,640,328	269,677	374,204	2,968,293	373,729		
Total Americas	5,002,109	1,337,471	2,973,291	11,855,432	2,977,768		
<b>Europe-Core</b>							
2012	20,457	—	67	33,548	52	164%	187%
2013	20,370	809	1,561	22,123	1,176	109%	119%
2014 <sup>(1)</sup>	797,876	368,473	1,244,100	2,077,970	1,030,923	260%	208%
2015	423,670	261,171	550,910	727,222	481,992	172%	160%
2016	351,499	306,747	524,318	584,620	512,551	166%	167%
2017 YTD	39,537	38,942	62,965	64,050	62,965	162%	162%
Subtotal	1,653,409	976,142	2,383,921	3,509,533	2,089,659		
<b>Europe-Insolvency</b>							
2014	10,876	3,185	8,582	18,501	7,366	170%	129%
2015	19,420	10,279	19,658	28,913	16,464	149%	139%
2016	43,093	33,749	46,663	56,099	44,375	130%	130%
2017 YTD	6,069	6,054	7,737	7,763	7,737	128%	128%
Subtotal	79,458	53,267	82,640	111,276	75,942		
Total Europe	1,732,867	1,029,409	2,466,561	3,620,809	2,165,601		
Total PRA Group	\$ 6,734,976	\$ 2,366,880	\$ 5,439,852	\$ 15,476,241	\$ 5,143,369		

(1) The amount reflected in the Purchase Price also includes the acquisition date finance receivables portfolios that were acquired through our various business acquisitions.

(2) The Original Purchase Price Multiple represents the purchase price multiple at the end of the year of acquisition.

(3) For our international amounts, Purchase Price is presented at the exchange rate at the end of the quarter in which the pool was purchased. In addition, any purchase price adjustments that occur throughout the life of the pool are presented at the period-end exchange rate for the respective quarter of purchase.

(4) For our international amounts, Net Finance Receivables are presented at the March 31, 2017 exchange rate.

(5) For our international amounts, ERC-Historical Period Exchange Rates is presented at the period-end exchange rate for the respective quarter of purchase.

(6) For our international amounts, TEC is presented at the period-end exchange rate for the respective quarter of purchase.

(7) For our international amounts, ERC-Current Period Exchange Rates is presented at the March 31, 2017 exchange rate.

**Portfolio Financial Information**  
**Year-to-date as of March 31, 2017**  
*Amounts in thousands*

Purchase Period	Purchase Price <sup>(3)</sup>	Cash Collections <sup>(2)</sup>	Gross Revenue <sup>(2)</sup>	Amortization <sup>(2)</sup>	Allowance <sup>(2)</sup>	Net Revenue <sup>(2)</sup>	Net Finance Receivables as of March 31, 2017 <sup>(4)</sup>
<b>Americas-Core</b>							
1996-2006	\$ 458,636	\$ 2,370	\$ 1,840	\$ 530	\$ —	\$ 1,840	\$ 3,927
2007	179,832	1,688	1,077	611	—	1,077	6,124
2008	166,479	1,741	992	749	75	917	6,519
2009	125,169	3,115	2,328	787	200	2,128	2,040
2010	148,217	4,831	3,505	1,326	—	3,505	7,158
2011	209,725	10,045	7,675	2,370	—	7,675	17,719
2012	254,591	12,025	7,626	4,399	—	7,626	35,799
2013	391,520	23,631	15,904	7,727	235	15,669	95,067
2014 <sup>(1)</sup>	406,181	34,542	22,262	12,280	217	22,045	151,074
2015	446,754	56,350	26,085	30,265	297	25,788	256,606
2016	458,288	71,889	37,859	34,030	—	37,859	369,988
2017 YTD	116,389	4,679	4,069	610	—	4,069	115,773
Subtotal	3,361,781	226,906	131,222	95,684	1,024	130,198	1,067,794
<b>Americas-Insolvency</b>							
1996-2006	54,396	39	39	—	—	39	—
2007	78,524	45	21	24	—	21	125
2008	108,578	86	41	45	100	(59)	567
2009	155,998	451	451	—	—	451	—
2010	208,971	750	689	61	20	669	—
2011	180,586	1,508	1,508	—	—	1,508	—
2012	251,733	11,012	6,609	4,403	—	6,609	5,198
2013	228,036	13,308	3,435	9,873	—	3,435	31,420
2014 <sup>(1)</sup>	148,934	9,799	2,990	6,809	—	2,990	47,808
2015	64,000	4,687	1,044	3,643	—	1,044	45,465
2016	94,121	7,918	1,743	6,175	—	1,743	72,644
2017 YTD	66,451	210	210	—	—	210	66,450
Subtotal	1,640,328	49,813	18,780	31,033	120	18,660	269,677
Total Americas	5,002,109	276,719	150,002	126,717	1,144	148,858	1,337,471
<b>Europe-Core</b>							
2012	20,457	500	500	—	—	500	—
2013	20,370	305	206	99	62	144	809
2014 <sup>(1)</sup>	797,876	55,787	30,617	25,170	238	30,379	368,473
2015	423,670	21,424	7,673	13,751	681	6,992	261,171
2016	351,499	18,985	6,647	12,338	554	6,093	306,747
2017 YTD	39,537	1,080	486	594	—	486	38,942
Subtotal	1,653,409	98,081	46,129	51,952	1,535	44,594	976,142
<b>Europe-Insolvency</b>							
2014	10,876	767	346	421	—	346	3,185
2015	19,420	1,290	261	1,029	—	261	10,279
2016	43,093	2,947	466	2,481	—	466	33,749
2017 YTD	6,069	26	10	16	—	10	6,054
Subtotal	79,458	5,030	1,083	3,947	—	1,083	53,267
Total Europe	1,732,867	103,111	47,212	55,899	1,535	45,677	1,029,409
Total PRA Group	\$ 6,734,976	\$ 379,830	\$ 197,214	\$ 182,616	\$ 2,679	\$ 194,535	\$ 2,366,880

(1) The amount reflected in the Purchase Price also includes the acquisition date finance receivables portfolios that were acquired through our various business acquisitions.

(2) For our international amounts, amounts are presented using the average exchange rates during the current reporting period.

(3) For our international amounts, Purchase Price is presented at the exchange rate at the end of the quarter in which the pool was purchased. In addition, any purchase price adjustments that occur throughout the life of the pool are presented at the period-end exchange rate for the respective quarter of purchase.

(4) For our international amounts, net finance receivables are presented at the March 31, 2017 exchange rate.



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

**Cash Collections by Year, By Year of Purchase <sup>(2)</sup>**  
**as of March 31, 2017**  
*Amounts in thousands*

		Cash Collections														
Purchase Period	Purchase Price (3)	1996- 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 YTD	Total		
Americas-Core																
1996-2006	\$ 458,636	\$ 861,003	\$ 195,738	\$ 135,589	\$ 99,674	\$ 77,459	\$ 64,555	\$ 49,820	\$ 35,711	\$ 25,488	\$ 18,293	\$ 11,862	\$ 2,370	\$ 1,577,562		
2007	179,832	—	39,412	87,039	69,175	60,230	50,996	39,585	28,244	19,759	14,198	8,883	1,688	419,209		
2008	166,479	—	—	47,253	72,080	62,363	53,654	42,850	31,307	21,027	13,786	8,989	1,741	355,050		
2009	125,169	—	—	—	40,703	95,627	84,339	69,385	51,121	35,555	24,896	16,000	3,115	420,741		
2010	148,217	—	—	—	—	47,076	113,554	109,873	82,014	55,946	38,110	24,515	4,831	475,919		
2011	209,725	—	—	—	—	61,971	174,461	152,908	108,513	73,793	48,711	10,045	630,402			
2012	254,591	—	—	—	—	—	—	56,901	173,589	146,198	97,267	59,981	12,025	545,961		
2013	391,520	—	—	—	—	—	—	—	101,614	247,849	194,026	120,789	23,631	687,909		
2014 <sup>(1)</sup>	406,181	—	—	—	—	—	—	—	—	92,660	253,448	170,311	34,542	550,961		
2015	446,754	—	—	—	—	—	—	—	—	—	116,951	228,432	56,350	401,733		
2016	458,288	—	—	—	—	—	—	—	—	—	—	138,723	71,889	210,612		
2017 YTD	116,389	—	—	—	—	—	—	—	—	—	—	—	4,679	4,679		
Subtotal	3,361,781	861,003	235,150	269,881	281,632	342,755	429,069	542,875	656,508	752,995	844,768	837,196	226,906	6,280,738		
Americas-Insolvency																
1996-2006	54,396	34,138	24,166	14,822	8,212	4,518	2,141	1,023	678	437	302	193	39	90,669		
2007	78,524	—	2,850	27,972	25,630	22,829	16,093	7,551	1,206	714	500	270	45	105,660		
2008	108,578	—	—	14,024	35,894	37,974	35,690	28,956	11,650	1,884	1,034	635	86	167,827		
2009	155,998	—	—	—	16,635	81,780	102,780	107,888	95,725	53,945	5,781	2,531	451	467,516		
2010	208,971	—	—	—	—	39,486	104,499	125,020	121,717	101,873	43,649	5,008	750	542,002		
2011	180,586	—	—	—	—	—	15,218	66,379	82,752	85,816	76,915	35,996	1,508	364,584		
2012	251,733	—	—	—	—	—	—	17,388	103,610	94,141	80,079	60,715	11,012	366,945		
2013	228,036	—	—	—	—	—	—	—	52,528	82,596	81,679	63,386	13,308	293,497		
2014 <sup>(1)</sup>	148,934	—	—	—	—	—	—	—	—	37,045	50,880	44,313	9,799	142,037		
2015	64,000	—	—	—	—	—	—	—	—	—	3,395	17,892	4,687	25,974		
2016	94,121	—	—	—	—	—	—	—	—	—	—	18,869	7,918	26,787		
2017 YTD	66,451	—	—	—	—	—	—	—	—	—	—	—	210	210		
Subtotal	1,640,328	34,138	27,016	56,818	86,371	186,587	276,421	354,205	469,866	458,451	344,214	249,808	49,813	2,593,708		
Total Americas	5,002,109	895,141	262,166	326,699	368,003	529,342	705,490	897,080	1,126,374	1,211,446	1,188,982	1,087,004	276,719	8,874,446		
Europe-Core																
2012	20,457	—	—	—	—	—	—	11,604	8,995	5,641	3,175	2,198	500	32,113		
2013	20,370	—	—	—	—	—	—	—	7,068	8,540	2,347	1,326	305	19,586		
2014 <sup>(1)</sup>	797,876	—	—	—	—	—	—	—	—	153,180	291,980	246,365	55,787	747,312		
2015	423,670	—	—	—	—	—	—	—	—	—	45,760	100,263	21,424	167,447		
2016	351,499	—	—	—	—	—	—	—	—	—	—	40,368	18,985	59,353		
2017 YTD	39,537	—	—	—	—	—	—	—	—	—	—	—	1,080	1,080		
Subtotal	1,653,409	—	—	—	—	—	—	11,604	16,063	167,361	343,262	390,520	98,081	1,026,891		
Europe-Insolvency																
2014	10,876	—	—	—	—	—	—	—	—	5	4,297	3,921	767	8,990		
2015	19,420	—	—	—	—	—	—	—	—	—	2,954	4,366	1,290	8,610		
2016	43,093	—	—	—	—	—	—	—	—	—	—	6,175	2,947	9,122		
2017 YTD	6,069	—	—	—	—	—	—	—	—	—	—	—	26	26		
Subtotal	79,458	—	—	—	—	—	—	—	—	5	7,251	14,462	5,030	26,748		
Total Europe	1,732,867	—	—	—	—	—	—	11,604	16,063	167,366	350,513	404,982	103,111	1,053,639		
Total PRA Group	\$ 6,734,976	\$ 895,141	\$ 262,166	\$ 326,699	\$ 368,003	\$ 529,342	\$ 705,490	\$ 908,684	\$ 1,142,437	\$ 1,378,812	\$ 1,539,495	\$ 1,491,986	\$ 379,830	\$ 9,928,085		

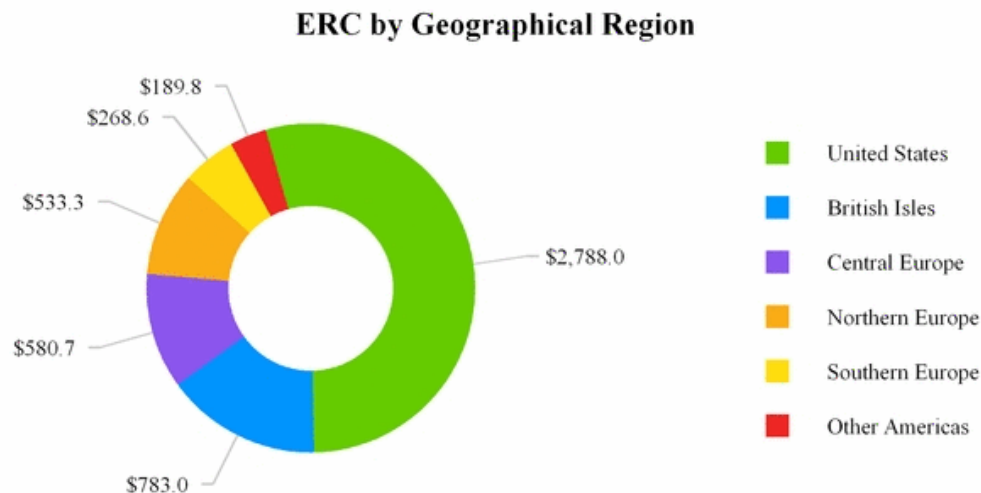
(1) The amount reflected in the Purchase Price also includes the acquisition date finance receivables portfolios that were acquired through our various business acquisitions.

(2) For our international amounts, cash collections are presented using the average exchange rates during the cash collection period.

(3) For our international amounts, purchase price is presented at the exchange rate at the end of the quarter in which the portfolio was purchased. In addition, any purchase price adjustments that occur throughout the life of the pool are presented at the period end exchange rate for the respective quarter of purchase.

### Estimated Remaining Collections

The following chart shows our ERC by geographical region at March 31, 2017 (amounts in millions).



### Seasonality

Cash collections in the Americas tend to be higher in the first and second quarters of the year and lower in the third and fourth quarters of the year; cash collections in Europe tend to be higher in the third and fourth quarters of the year. Customer payment patterns are affected by seasonal employment trends, income tax refunds and holiday spending habits geographically.

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*

	2017	2016				2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Americas-Core	\$ 226,906	\$ 193,360	\$ 210,524	\$ 213,741	\$ 219,571	\$ 195,835	\$ 210,725	\$ 218,838
Americas-Insolvency	49,813	52,988	60,429	67,745	68,646	73,842	81,865	92,974
Europe-Core	98,081	97,429	96,028	102,972	94,091	97,149	85,635	76,602
Europe-Insolvency	5,030	4,974	4,719	2,744	2,025	2,545	2,528	1,210
Total Cash Collections	\$ 379,830	\$ 348,751	\$ 371,700	\$ 387,202	\$ 384,333	\$ 369,371	\$ 380,753	\$ 389,624

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

#### Domestic Portfolio Core Cash Collections by Source

*Amounts in thousands*

	2017	2016				2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Call Center and Other Collections	\$ 127,368	\$ 103,595	\$ 115,454	\$ 119,568	\$ 127,851	\$ 108,979	\$ 117,560	\$ 121,148
External Legal Collections	40,267	35,231	36,415	40,369	43,203	42,432	47,318	49,995
Internal Legal Collections	34,937	31,458	33,206	34,505	39,080	38,998	41,338	42,482
Total Domestic Core Cash Collections	\$ 202,572	\$ 170,284	\$ 185,075	\$ 194,442	\$ 210,134	\$ 190,409	\$ 206,216	\$ 213,625

### Collections Productivity (Domestic Portfolio)

The following tables display collections productivity measures that we track.

#### Cash Collections per Collector Hour Paid Domestic Portfolio

	Total domestic core cash collections <sup>(1)</sup>				
	2017	2016	2015	2014	2013
First Quarter	\$ 254	\$ 274	\$ 247	\$ 223	\$ 193
Second Quarter	—	269	245	220	190
Third Quarter	—	281	250	217	191
Fourth Quarter	—	248	239	203	190

	Call center and other cash collections <sup>(2)</sup>				
	2017	2016	2015	2014	2013
First Quarter	\$ 161	\$ 168	\$ 143	\$ 119	\$ 107
Second Quarter	—	167	141	107	104
Third Quarter	—	177	145	112	104
Fourth Quarter	—	153	139	110	100

(1) Represents total cash collections less Insolvency cash collections from trustee-administered accounts. This metric includes cash collections from Insolvency accounts administered by the Core call centers as well as cash collections generated by our internal staff of legal collectors. This calculation does not include hours paid to our internal staff of legal collectors or to employees processing the required notifications to trustees on Insolvency accounts.

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

### Portfolio Purchasing

The following graph shows the purchase price of our portfolios by year since 2007. It also includes the acquisition date finance receivable portfolios that were acquired through our various business acquisitions.



Our ability to profitably purchase and liquidate pools of Insolvency accounts provides diversity to our nonperforming loan purchasing business. Although we generally purchase Insolvency portfolios from many of the same consumer lenders from whom we acquire Core customer portfolios, the volumes and pricing characteristics as well as the competitors are different. Based upon market dynamics, the profitability of portfolios purchased in the Insolvency and Core markets may differ over time. We have found periods when Insolvency accounts were more profitable and other times when Core accounts were more profitable. When pricing becomes more competitive due to reduced portfolios available for purchase or increased demand from competitors entering or increasing their presence in the market, prices tend to go up, driving down the purchase price multiples and lowering the overall expected returns. When pricing relaxes due to market dynamics, purchase price multiples tend to increase, thereby increasing the expected returns.

In order to collect our Core portfolios, we generally need to employ relatively higher amounts of labor and incur additional collection costs to generate each dollar of cash collections as compared with Insolvency portfolios. In order to achieve acceptable levels of net return on investment (after direct expenses), we are generally targeting a higher Total Estimated Collections to purchase price multiple for Core portfolios. On the other hand, Insolvency accounts generate the majority of their cash collections through the efforts of insolvency courts and trustees. In this process, cash is remitted to our Company with no corresponding cost other than the cost of filing claims at the time of purchase, court fees associated with the filing of ownership claim transfers and general administrative costs for monitoring the progress of each account through the insolvency process. As a result, collection costs are much lower for us when liquidating a pool of Insolvency accounts as compared to a pool of Core accounts, but conversely the price we pay for Insolvency accounts is generally higher than Core accounts. We generally target similar net returns on investment (measured after direct expenses) for Insolvency and Core portfolios at any given point in the market cycles. However, because of the lower related collection costs, we can pay more for Insolvency portfolios, which causes the estimated total cash collections to purchase price multiples of Insolvency pools generally to be lower. In summary, compared to a similar investment in a pool of Core accounts, to the extent both pools had identical targeted net returns on investment (measured after direct expenses), the Insolvency pool would be expected to generate less revenue, less direct expenses, similar operating income, and a higher operating margin. From time to time, especially in Europe, we purchase Core portfolios which consist of a majority of previously charged-off accounts which are now paying based on established payment plans. These portfolios have some of the same financial dynamics as Insolvency accounts, with lower collection costs and lower purchase price multiples.

As a result of these purchase price and collection cost dynamics, the mix of our portfolios impacts the relative profitability we realize in a given year. We minimize the impact of higher pricing, to the degree possible, with increased analytics used to score Core accounts and determine on which of those accounts to focus our collection efforts.

We utilize a long-term approach to collecting our receivables. This approach has historically caused us to realize significant cash collections and revenues from purchased portfolios of finance receivables years after they are originally acquired. As a result, we have in the past been able to temporarily reduce our level of current period acquisitions without a material negative current period impact on cash collections and revenue.

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

**Portfolio Purchases by Geography and Type**

*Amounts in thousands*

	2017	2016				2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Americas-Core	\$ 115,166	\$ 91,800	\$ 95,452	\$ 130,529	\$ 136,057	\$ 120,554	\$ 90,912	\$ 98,317
Americas-Insolvency	67,123	20,929	16,760	33,723	22,952	20,589	9,300	19,111
Europe-Core	39,505	80,129	34,240	68,835	171,038	79,735	240,385	88,499
Europe-Insolvency	6,020	6,943	14,803	16,410	6,731	4,976	3,959	2,450
Total Portfolio Purchases	<u>\$ 227,814</u>	<u>\$ 199,801</u>	<u>\$ 161,255</u>	<u>\$ 249,497</u>	<u>\$ 336,778</u>	<u>\$ 225,854</u>	<u>\$ 344,556</u>	<u>\$ 208,377</u>

*Portfolio Purchases by Stratifications (Domestic Only)*

The following table categorizes our quarterly domestic portfolio purchases for the periods indicated into major asset type and delinquency category. Over the past 20 years, we have acquired more than 44 million customer accounts in the U.S. alone.

**Domestic Portfolio Purchases by Stratification (Major Asset Type)**

*Amounts in thousand*

	2017	2016				2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Major Credit Cards	\$ 57,615	\$ 35,306	\$ 38,858	\$ 48,471	\$ 68,072	\$ 32,734	\$ 25,104	\$ 23,978
Consumer Finance	7,987	5,678	1,309	1,616	2,533	2,616	2,513	2,947
Private Label Credit Cards	73,473	56,681	54,969	86,331	62,104	93,660	65,456	89,066
Auto Deficiency	30,191	6,104	—	831	411	7,032	557	—
Total	<u>\$ 169,266</u>	<u>\$ 103,769</u>	<u>\$ 95,136</u>	<u>\$ 137,249</u>	<u>\$ 133,120</u>	<u>\$ 136,042</u>	<u>\$ 93,630</u>	<u>\$ 115,991</u>

### Domestic Portfolio Purchases by Stratification (Delinquency Category)

*Amounts in thousand*

	2017	2016				2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Fresh <sup>(1)</sup>	\$ 43,786	\$ 30,919	\$ 30,114	\$ 42,048	\$ 37,036	\$ 37,450	\$ 27,899	\$ 39,555
Primary <sup>(2)</sup>	726	2,672	1,568	29,990	26,240	37,994	25,517	12,462
Secondary <sup>(3)</sup>	49,794	48,005	51,630	51,019	43,841	36,804	28,667	40,029
Tertiary <sup>(3)</sup>	1,111	557	—	—	1,843	2,298	—	2,260
Insolvency	67,123	20,930	11,145	13,702	22,952	20,589	9,299	19,111
Other <sup>(4)</sup>	6,726	686	679	490	1,208	907	2,248	2,574
Total	<u>\$ 169,266</u>	<u>\$ 103,769</u>	<u>\$ 95,136</u>	<u>\$ 137,249</u>	<u>\$ 133,120</u>	<u>\$ 136,042</u>	<u>\$ 93,630</u>	<u>\$ 115,991</u>

(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 manage our liquidity to help provide access to sufficient funding to meet our business needs and financial obligations. As of March 31, 2017, cash and cash equivalents totaled \$82.1 million. Of the cash and cash equivalent balance as of March 31, 2017, \$69.6 million consisted of cash on hand related to foreign operations with indefinitely reinvested earnings. See the "Undistributed Earnings of Foreign Subsidiaries" section below for more information.

At March 31, 2017, we had approximately \$1.7 billion in borrowings outstanding with \$712.6 million of availability under all of our credit facilities (subject to the borrowing base and applicable debt covenants). Considering borrowing base restrictions, as of March 31, 2017, the amount available to be drawn was \$285.7 million. Of the \$712.6 million of borrowing availability, \$557.6 million was available under our European credit facility and \$155.0 million was available under our North American credit facility. Of the \$285.7 million available considering borrowing base restrictions, \$157.9 million was available under our European credit facility and \$127.8 million was available under our North American credit facility. The primary borrowing base under both credit facilities is ERC of the respective finance receivables portfolios. For more information, see Note 4.

An additional funding source is interest-bearing deposits generated in Europe. Per the terms of our European credit facility, we are permitted to obtain interest-bearing deposit funding of up to SEK 1.5 billion (approximately \$167.8 million as of March 31, 2017). Interest-bearing deposits as of March 31, 2017 were \$78.8 million.

We believe we were in compliance with the covenants of our financing arrangements as of March 31, 2017.

As discussed in Note 11, we sold our government services business in January 2017 for \$91.5 million in cash plus additional consideration for certain balance sheet items.

We have the ability to slow the purchasing of finance receivables if necessary, with low impact to current year cash collections. For example, acquisitions of finance receivables, net of buybacks, totaled \$890.8 million in 2016. The portfolios purchased in 2016 generated \$204.1 million of cash collections, representing only 13.7% of 2016 cash collections.

Contractual obligations over the next year are primarily related to debt maturities and purchase commitments. A portion of our North American credit facility expires in December 2017, and the remaining portion expires in December 2020. Of the \$643.0 million outstanding under our North American revolving credit facility at March 31, 2017, \$141.1 million is due within one year. Our European credit facility expires in February 2021. Of our \$712.7 million in long-term debt outstanding at March 31, 2017, \$57.5 million is due within one year.

We have in place forward flow commitments for the purchase of nonperforming loans over the next twelve months with a maximum purchase price of \$437.7 million as of March 31, 2017. We may also enter into new or renewed flow commitments and close on spot transactions in addition to the aforementioned flow agreements.

For domestic income tax purposes, we recognize revenue from the collections of finance receivables using the cost recovery method. The Internal Revenue Service has audited and issued Notices of Deficiency for the tax years ended December 31, 2005 through 2012. It has asserted that tax revenue recognition using the cost recovery method does not clearly reflect taxable income. We have filed petitions in the U.S. Tax Court (the "Tax Court") challenging the deficiencies and believe we have sufficient support for the technical merits of our positions. On July 14, 2016, the Tax Court set the trial to begin on May 15, 2017. If we are unsuccessful in the Tax Court and any potential appeals, we may ultimately be required to pay the related deferred taxes, and possibly interest and penalties, which may require additional financing from other sources. Deferred tax liabilities related to this item were \$241.9 million at March 31, 2017. Any adverse determination on this matter could result in our amending state tax returns for prior years, increasing our taxable income in those states. Our estimate of the potential federal and state interest is \$117.6 million as of March 31, 2017. Accordingly, an adverse determination on this matter could have a material adverse effect on our liquidity. While the trial is set to begin on May 15, 2017, due to the administrative process involved, the final outcome is anticipated to occur between late 2018 and early 2021, depending on any appeals. Accordingly, an adverse outcome, if it was to occur, is not expected to impact the Company in the short term.

On October 22, 2015, our board of directors authorized a share repurchase program to purchase up to \$125.0 million of our outstanding shares of common stock. Repurchases depend on prevailing market conditions and other factors. The repurchase program may be suspended or discontinued at any time. We made no repurchases during 2016 or the first quarter of 2017. At March 31, 2017, the maximum remaining purchase price for share repurchases under the program was approximately \$45.0 million.

We believe that funds generated from operations and from cash collections on finance receivables, together with existing cash and available borrowings under our revolving credit facilities will be sufficient to finance our operations, planned capital expenditures, forward flow purchase commitments, and additional portfolio purchasing during the next twelve months. 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***

Our operating activities provided cash of \$32.7 million and \$13.2 million for the three months ended March 31, 2017 and 2016, respectively. In these periods, cash from operations was generated primarily from net income earned through cash collections recognized as revenue and fee income received. In addition, changes in other accounts related to our operating activities impacted our cash from operations. We also had a gain on the sale of subsidiaries of \$46.8 million during the three months ended March 31, 2017 which impacted our operating cash flows.

Our investing activities provided cash of \$44.7 million and used cash of \$169.6 million for the three months ended March 31, 2017 and 2016, respectively. Cash provided by investing activities is primarily driven by cash collections applied to principal on finance receivables and proceeds from business divestitures. Cash used in investing activities is primarily driven by acquisitions of nonperforming loans and business acquisitions. The increase in cash provided by investing activities is primarily due to the sale of subsidiaries during the three months ended March 31, 2017, which provided us with net proceeds of approximately \$89.1 million. The decrease in cash used in investing activities is primarily due to a decrease in the amounts of acquisitions of finance receivables, which totaled \$226.1 million for the three months ended March 31, 2017, compared to \$321.6 million three months ended March 31, 2016. We also used cash of \$25.0 million for business acquisitions during the three months ended March 31, 2016, compared to \$0 during the three months ended March 31, 2017.

Our financing activities used cash of \$90.3 million and provided cash of \$145.7 million for the three months ended March 31, 2017 and 2016, respectively. Cash used in financing activities is primarily driven by principal payments on our lines of credit and long-term debt. Cash for financing activities is normally provided by draws on our lines of credit and proceeds from long-term debt. The change in cash (used in)/provided by financing activities for the three months ended March 31, 2017 compared to the three months ended March 31, 2016 was primarily due to a decrease in our net borrowings on our lines of credit. During the three months ended March 31, 2017, we had net repayments on our lines of credit of \$78.8 million compared to net draws of \$155.6 million during the three months ended March 31, 2016.

Cash paid for interest was \$20.3 million and \$16.9 million for the three months ended March 31, 2017 and 2016, respectively. Interest was paid on our revolving credit facilities, long-term debt, 3.00% Convertible Senior Notes ("the Notes"), interest-bearing deposits and interest rate swap agreements. The increase during the three months ended March 31, 2017 as compared to three months ended March 31, 2016, was mainly the result of increases in the interest rates charged on our variable rate borrowings. Cash paid for income taxes was \$4.9 million and \$6.2 million for the three months ended March 31, 2017 and 2016, respectively.

### Undistributed Earnings of Foreign Subsidiaries

We intend to use predominantly all of our accumulated and future undistributed earnings of foreign subsidiaries to expand operations outside the U.S.; therefore, such undistributed earnings of foreign subsidiaries are considered to be indefinitely reinvested outside the U.S. Accordingly, no provision for federal and state income tax has been provided thereon. If management's intentions change and eligible undistributed earnings of foreign subsidiaries are repatriated, we would be subject to additional U.S. income taxes and withholding taxes payable to various foreign jurisdictions, where applicable. 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 foreign earnings. The amount of cash on hand related to foreign operations with indefinitely reinvested earnings was \$69.6 million and \$73.6 million as of March 31, 2017 and December 31, 2016, respectively. Refer to the Note 6 for further information related to our income taxes and undistributed foreign earnings.

### Contractual Obligations

Our contractual obligations as of March 31, 2017 were as follows (amounts in thousands):

Contractual Obligations	Payments due by period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Operating leases	\$ 44,339	\$ 10,379	\$ 14,412	\$ 9,233	\$ 10,315
Revolving credit <sup>(1)</sup>	1,182,394	187,785	84,597	908,398	1,614
Long-term debt <sup>(2)</sup>	882,614	83,051	67,968	731,595	—
Purchase commitments <sup>(3)</sup>	439,137	439,137	—	—	—
Employment agreements	8,021	8,021	—	—	—
Total	<u>\$ 2,556,505</u>	<u>\$ 728,373</u>	<u>\$ 166,977</u>	<u>\$ 1,649,226</u>	<u>\$ 11,929</u>

(1) This amount includes estimated interest and unused line fees due on our revolving credit and assumes that the outstanding balances on the revolving credit remain constant from the March 31, 2017 balances to maturity.

(2) This amount includes scheduled interest and principal payments on our term loans and the Notes.

(3) This amount includes the maximum remaining amount to be purchased under forward flow and other contracts for the purchase of defaulted finance receivables in the amount of approximately \$437.7 million.

### 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 10.

### Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles. Our significant accounting policies are discussed in Note 1 to our Consolidated Financial Statements included in Part II, Item 8 of our 2016 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 on 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 our investment in finance receivables under the guidance of ASC 310-30. Revenue recognition for finance receivables accounted for under ASC 310-30 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 revenue or decreased revenue through the incurrence of allowance charges.

We implement the accounting for income recognized on finance receivables under ASC 310-30 as follows:

We create each accounting pool using our projections of estimated cash flows and expected economic life. We then compute the effective yield that fully amortizes the pool over a reasonable expectation of its economic life based on the current projections of estimated cash flows. As actual cash flow results are recorded, we balance those results to the data contained in our proprietary models to ensure accuracy, then review each pool watching for trends, actual performance versus projections and curve shape (a graphical depiction of the timing of cash flows), regularly re-forecasting future cash flows utilizing our statistical models. The review process is primarily performed by our finance staff; however, our operational and statistical staff are also involved, providing updated statistical input and cash projections to the finance staff. Significant judgment is used in evaluating whether overperformance is due to an increase in projected cash flows or an acceleration of cash flows (a timing difference). If determined to be a significant increase in expected cash flows, we will recognize the effect of the increase prospectively first through an adjustment to any previously recognized valuation allowance for that pool and then through an increase in yield. If the overperformance is determined to be due to a timing difference, we will: a) adjust estimated future cash flows downward which effectively extends the amortization period to fall within a reasonable expectation of the pool's economic life; b) adjust future cash flow projections as noted previously coupled with an increase in yield in order for the amortization period to fall within a reasonable expectation of the pool's economic life; or c) take no action at all if the amortization period falls within a reasonable expectation of the pool's expected economic life. To the extent there is underperformance, we will record an allowance if the underperformance is significant and causes us to significantly decrease estimated future cash flows or delay the expected timing of the cash flows, or take no action if the pool's amortization period is reasonable and falls within the currently projected economic life.

## *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 either under the qualitative assessment option or the two-step test approach depending on facts and circumstances of a reporting unit, including the excess of fair value over carrying amount in the last valuation or changes in business environment. If we qualitatively determine it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, the two-step impairment test is unnecessary. Otherwise, goodwill is evaluated for impairment using the two-step test, where the carrying amount of a reporting unit is compared to its fair value in Step 1; if the fair value exceeds the carrying amount, Step 2 is unnecessary. If the carrying amount exceeds the reporting unit's fair value, this could indicate potential impairment and Step 2 of the goodwill evaluation process is required to determine if goodwill is impaired and to measure the amount of impairment loss to recognize, if any. When Step 2 is necessary, the fair value of individual assets and liabilities is determined using valuations (which in some cases may be based in part on third-party valuation reports), or other observable sources of fair value, as appropriate. If the carrying amount of goodwill exceeds its implied fair value, the excess is recognized as an impairment loss.

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 foreign 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 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: the enterprise determines 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, the enterprise 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 carry-forwards or other deferred tax assets in future periods. The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws. Resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our results of operations and financial position.

For domestic income tax purposes, we recognize revenue using the cost recovery method with respect to our nonperforming loan purchasing business. We believe cost recovery to be an acceptable method for companies in the nonperforming loan purchasing industry. Under the cost recovery method, collections on finance receivables are applied first to principal to reduce the finance receivables to zero before any income is recognized.

Our international operations requires the use of material estimates and interpretations of complex tax laws in multiple jurisdictions, and increases the complexity of our accounting for income taxes.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

#### **Interest Rate Risk**

We are subject to interest rate risk from outstanding borrowings on our variable rate credit facilities. As such, our consolidated financial results are subject to fluctuations due to changes in the market rate of interest. We assess this interest rate risk by estimating the increase or decrease in interest expense that would occur due to a change in short-term interest rates. The borrowings on our variable rate credit facilities were approximately \$1.5 billion as of March 31, 2017. Assuming a 50 basis point decrease in interest rates, for example, interest expense over the following twelve months would decrease by an estimated \$5.0 million. Assuming a 50 basis point increase in interest rates, interest expense over the following twelve months would increase by an estimated \$5.3 million.

To reduce the exposure to changes in the market rate of interest, we have entered into interest rate swap agreements for a portion of our floating rate financing arrangements. The terms of the interest rate swap agreements require us to receive a variable interest rate and pay a fixed interest rate. For the majority of our floating rate financing arrangements, we have no interest rate swap agreements in place. The sensitivity calculations above consider the impact of our interest rate swap agreements.

The fair value of our interest rate swap agreements was a net liability of \$3.0 million at March 31, 2017. A hypothetical 50 basis point decrease in interest rates would cause a decrease in the estimated fair value of our interest rate swap agreements and the resulting estimated fair value would be a liability of \$9.8 million at March 31, 2017. Conversely, a hypothetical 50 basis point increase in interest rates would cause an increase in the estimated fair value of our interest rate swap agreements and the resulting estimated fair value would be an asset of \$3.3 million at March 31, 2017.

#### **Currency Exchange Risk**

We operate internationally and enter into transactions denominated in foreign currencies, including the euro, the Great British pound, the Canadian dollar, Norwegian kroner, Swiss franc, Danish kroner, Swedish kroner, Polish zloty, and Brazilian real. In the three months ended March 31, 2017, we generated \$62.6 million of revenues from operations outside the U.S. and used eight functional currencies. 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 exchange gains and losses are primarily the result of the re-measurement of account balances in certain 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.

When an entity's functional currency is different than the reporting currency of its parent, foreign currency translation adjustments may occur. Foreign currency translation adjustments are included as a component of other comprehensive income/(loss) 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 restructured 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 investments by currency. We strive to maintain the distribution of our European borrowings within defined thresholds based on the currency composition of our finance receivables portfolios. When those thresholds are exceeded, we engage in foreign exchange spot transactions to mitigate our risk.

#### **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 report. Based on this evaluation, the principal executive officer and principal financial officer have concluded that, as of March 31, 2017, our disclosure controls and procedures were effective.

*Changes in Internal Control over Financial Reporting.* There was no change in our internal control over financial reporting that occurred during the quarter ended March 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## Part II. Other Information

### Item 1. Legal Proceedings

For information regarding legal proceedings as of March 31, 2017, refer to Note 8.

### Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in our 2016 Form 10-K.

### 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	Fourth 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 October 29, 2014).
3.2	Amended and Restated By-Laws 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 May 22, 2015).
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 August 13, 2013 between Portfolio Recovery Associates, Inc. and Wells Fargo Bank, National Association, as trustee (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K (File No. 000-50058) filed on August 14, 2013).
10.1	Form of Performance Stock Unit Agreement *
10.2	Form of Restricted Stock Unit Agreement *
10.3	Employment Agreement, dated February 23, 2017, by and between Kevin P. Stevenson and PRA Group, Inc. *
10.4	Executive Chairman Agreement, dated February 23, 2017, by and between Steven D. Fredrickson and PRA Group, Inc. *
31.1	Section 302 Certifications of Chief Executive Officer.
31.2	Section 302 Certifications of Chief Financial Officer.
32.1	Section 906 Certifications of Chief Executive Officer and Chief Financial Officer.
101.INS	XBRL Instance 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

\* Denotes management contract or compensatory plan or arrangement in which directors or executive officers are eligible to participate.

## SIGNATURES

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

PRA Group, Inc.  
(Registrant)

May 9, 2017

By: /s/ Steven D. Fredrickson  
Steven D. Fredrickson  
Chairman of the Board of Directors, and Chief Executive Officer  
(Principal Executive Officer)

May 9, 2017

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

**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](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	
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: Senior Vice President, General Counsel and  
Assistant Secretary

By: Executive Vice President, President and Chief Administrative  
Officer

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## 1. Performance-based LTI Awards - PSUs

### I. 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 either 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 two Performance Categories:
- (i) **Performance Category 1: 2017-2019 ROE.** 50% of the PSUs will be based on the extent to which the Company achieves a three-year annualized Return on Shareholders' Equity ("ROE") target, which shall be calculated quarterly during the period beginning on January 1, 2017 and ending on December 31, 2019 (the "Performance Period").
  - (ii) **Performance Category 2: 2017-2019 Relative TSR.** 50% of the PSUs will be based on the Company's Total Shareholders Return ("TSR") relative to its peers during the Performance Period, using as a comparison (i) with respect to 25% of the PSUs, the TSR of the companies comprising the NASDAQ Global Exchange as of the beginning of the Performance Period and (ii) with respect to the remaining 25% of the PSUs, the TSR of the companies comprising the Compensation Peer Group listed in Annex A hereto.
- (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 II 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 II 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 31<sup>st</sup> 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. 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 affect any right of the Company
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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.

## II. 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: 2017-2019 ROE.** 50% of the Grantee's PSUs will be determined as of December 31, 2019, based upon achievement of a three-year annualized ROE goal, calculated quarterly during the Performance Period in accordance with the table below. To the extent that actual ROE 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.I(d) above.

**2017-2019 ROE**

<u>ROE Value</u>	<u>Target Shares Earned (%)</u>
Less than 13.0%	Zero
14.0%	50
15.0%	100
16.0%	150
17.0% or more	200

(b) **Performance Category 2: 2017-2019 Relative TSR.** (i) 25% of the Grantee's PSUs will be determined as of December 31, 2019 based upon the Company's achievement of relative shareholder value, using as a comparison the TSR of the companies comprising the NASDAQ Global Exchange as of the first day of the Performance Period and (ii) 25% of the Grantee's PSUs will be determined as of December 31, 2019 based upon the Company's achievement of relative shareholder value, using as a comparison the TSR of the companies comprising the Compensation Peer Group listed in Annex A hereto, in each case in accordance with the table below. To the extent that the relative TSR falls between any of the rankings indicated in the table below, the applicable 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.I(d) above.

<u>TSR Ranking</u>	<u>Target Shares Earned (%)</u>
Below 35 <sup>th</sup> percentile	Zero
35 <sup>th</sup> percentile	50
50 <sup>th</sup> percentile	100
65 <sup>th</sup> percentile	150
80 <sup>th</sup> percentile or more	200

The share price for purposes of the TSR calculation will be based on a 90-calendar day averaging period to mitigate the effect of stock price volatility; accordingly, the beginning share price will be the average closing price for 90 calendar days immediately preceding the first day of the Performance Period and the ending share price will be the average closing price for the last 90 calendar days of the Performance Period. The TSR calculation will assume reinvestment of dividends. Companies comprising the NASDAQ Global Exchange and/or the Compensation Peer Group (i) that file for bankruptcy or delist at any time during the Performance Period will remain for calculation purposes in the relevant comparator group with a deemed TSR of negative 100% in the final percentile rankings and (ii) that are acquired (including by merger) during the Performance Period will be removed from the relevant comparator group.

## 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 PSUs granted herein.
- (b) For purposes of this Agreement, "Disability" means that the Grantee is unable to render the services or perform the duties of the Grantee 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 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 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 7 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 as of the Change in Control date 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.
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- (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 Cause<sup>1</sup> or by the Grantee for Good Reason<sup>2</sup>, 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

- (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 of the PSUs, the issuance of Shares (or payment of the cash equivalent) in 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

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<sup>1</sup> 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.

<sup>2</sup> 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.

has become 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 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 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 applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case the Grantee will receive a refund of any over-withheld amount and will have no entitlement to the Share equivalent. 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 are 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;
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- (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 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**

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.

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.

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

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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.
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- (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, (iv) the administration, management, auditing or collection of state, federal or municipal taxes or other government accounts receivable, or (v) skip tracing or collateral, property and/or asset location. 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 7(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
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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.

## **11. Regulatory Requirements**

- (a) Anything in this Agreement to the contrary notwithstanding, in no event may any PSUs 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 PSUs 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
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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

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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.

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## **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 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.

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## **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**

#### **Compensation Peer Group**

Credit Acceptance  
Green Dot  
Ocwen Financial  
CSG Systems  
HMS Holdings  
SEI Investments  
Encore Capital Group  
KCG Holdings  
Total Systems Services  
Fair Isaac  
MGIC  
WEX, Inc.  
First Cash Financial Services  
MSCI, Inc.  
World Acceptance Corp.

### **APPENDIX**

#### **PRA GROUP, INC.**

##### **2013 Omnibus Incentive Plan**

##### **Restricted Stock Unit Agreement and 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 RSUs and PSUs (collectively, 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 December 2016. 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

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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. The Company shall, in its sole discretion, determine to what extent the terms and conditions included herein will apply under these circumstances.

## **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.

## **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.

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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 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.

#### **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](http://www.bundesbank.de)) and is available in both German and English. The Grantee is responsible for satisfying the reporting obligation.

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## ITALY

### *TERMS AND CONDITIONS*

**The following provision replaces Section 9 of the Agreement:**

#### **Data Privacy**

The Grantee understands that his / her employer (the "Employer"), 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, email address and telephone number, date of birth, social insurance number, passport number or other identification number, salary, nationality, job title, any shares or directorships held in the Company or any Subsidiary, details of the LTI Award, or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor and will process such data for the exclusive purpose of implementing, managing and administering the Plan ("Data") and in compliance with applicable laws and regulations.

The Grantee also understands that providing the Company with Data is mandatory for compliance with local law and necessary for the performance of the Plan and that the Grantee's refusal to provide such Data would make it impossible for the Company to perform its contractual obligations and may affect the Grantee's ability to participate in the Plan. The Controller of personal data processing is PRA Group, Inc. with its address at 140 Corporate Blvd., Norfolk, VA 23502 USA and, pursuant to Legislative Decree no. 196/2003, its representative in Italy for privacy purposes is PRA Iberia SLU with its registered address at C/Albasanz, n° 16, 3ª planta, 28037, Madrid, Spain.

The Grantee understands that Data will not be publicized, but it may be accessible by the Employer and its internal and external personnel in charge of processing of such Data and by the data processor (the "Processor"), if any. An updated list of Processors and other transferees of Data is available upon request from the Employer. Furthermore, Data may be transferred to banks, other financial institutions, or brokers involved in the management and administration of the Plan. The Grantee understands that Data may also be transferred to the independent registered public accounting firm engaged by the Company. The Grantee further understands that the Company and/or any Subsidiary or affiliate will transfer Data among themselves as necessary for the purpose of implementing, administering and managing the Grantee's participation in the Plan, and that the Company and/or any Subsidiary or affiliate may each further transfer Data to third parties assisting the Company in the implementation, administration, and management of the Plan, including any requisite transfer of Data to a broker or other third party with whom the Grantee may elect to deposit any Shares acquired pursuant to the Stock Units. Such recipients may receive, possess, use, retain, and transfer Data in electronic or other form, for the purposes of implementing, administering, and managing the Grantee's participation in the Plan. The Grantee understands that these recipients may be acting as Controllers, Processors or persons in charge of processing, as the case may be, in accordance with local law and may be located in or outside the European Economic Area in countries such as in the United States that might not provide the same level of protection as intended under Italian data privacy laws. Should the Company exercise its discretion in suspending all necessary legal obligations connected with the management and administration of the Plan, it will delete Data as soon as it has completed all the necessary legal obligations connected with the management and administration of the Plan.

The Grantee understands that Data processing related to the purposes specified above shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data is collected and with confidentiality and security provisions as set forth by applicable laws and regulations, with specific reference to Legislative Decree no. 196/2003.

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The processing activity, including communication, the transfer of Data abroad, including outside of the European Economic Area, as herein specified and pursuant to applicable laws and regulations, does not require the Grantee's consent thereto as the processing is necessary to performance of contractual obligations related to the implementation, administration and management of the Plan. The Grantee understands that, pursuant to Section 7 of the Legislative Decree no. 196/2003, the Grantee has the right to, including but not limited to, access, delete, update, correct, or terminate, for legitimate reason, the Data processing. The Grantee should contact the Employer in this regard.

Furthermore, the Grantee is aware that Data will not be used for direct marketing purposes. In addition, Data provided can be reviewed and questions or complaints can be addressed by contacting the Grantee's human resources department.

**Plan Document Acknowledgment.** The Grantee further acknowledges that he or she has read and specifically and expressly approves the Data Privacy section above as well as the following sections of the Agreement Section 1 ("Time-vested Shares - RSUs" or "Performance-based LTI Awards - PSUs "); Section 4 ("Effect of a Change in Control"); Section 5 ("Non-assignability"), Section 6 ("Responsibility for Taxes"); Section 7 ("Nature of Grant"); Section 12 ("Language"), Section 14 ("Governing Law / Venue"); Section 26 ("Imposition of Other Requirements") and the "Data Privacy" provision included immediately above.

#### *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 will be due. The taxable amount will be the fair market value of the financial assets (including Shares) assessed at the end of each 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.

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**Exchange Control Information.** If a Polish resident transfers funds in excess of a specific threshold (currently €15,000), 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, 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.

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*

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**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 sale proceeds exceed the applicable threshold (currently €1,502,530), in which case, the filing is due within one month after the 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.

**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

No country-specific provisions apply.

## SWITZERLAND

### NOTIFICATIONS

**Securities Law Information.** The Stock Units offered by the Company are considered a private offering in Switzerland; therefore, such offer is not subject to registration in Switzerland. Neither this document nor any other materials relating to the Stock Units constitutes a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations, and neither this document nor any other materials relating to the Stock Units may be publicly distributed or otherwise made publicly available in Switzerland.

## UNITED KINGDOM

### **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

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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 recover 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 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.**

**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/d521369ddefl4a.htm#rom521369\\_45](http://www.sec.gov/Archives/edgar/data/1185348/000119312513161958/d521369ddefl4a.htm#rom521369_45).

This Restricted 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 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: Senior Vice President, General Counsel and  
Assistant Secretary

By: Executive Vice President, President and Chief  
Administrative Officer

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## **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: (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 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 the Grantee 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.
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- (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 Cause<sup>1</sup> or by the Grantee for Good Reason<sup>2</sup>, 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

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<sup>1</sup> 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.

<sup>2</sup> 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.

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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 of the RSUs, the issuance of Shares (or payment of the cash equivalent) in 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 has become 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 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 applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case the Grantee will receive a refund of any over-withheld amount and will have no entitlement
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to the Share equivalent. 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 are 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 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
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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**

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.

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.

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

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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
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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, (iv) the administration, management, auditing or collection of state, federal or municipal taxes or other government accounts receivable, or (v) skip tracing or collateral, property and/or asset location. 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 7(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
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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.

## **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
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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.

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## **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

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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.

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### **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.

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## APPENDIX

### PRA GROUP, INC.

#### **2013 Omnibus Incentive Plan Restricted Stock Unit Agreement and 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 RSUs and PSUs (collectively, 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 December 2016. 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. The Company shall, in its sole discretion, determine to what extent the terms and conditions included herein will apply under these circumstances.

#### **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")"

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## 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.

## 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 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

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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.

## **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](http://www.bundesbank.de)) and is available in both German and English. The Grantee is responsible for satisfying the reporting obligation.

## **ITALY**

### *TERMS AND CONDITIONS*

**The following provision replaces Section 9 of the Agreement:**

#### **Data Privacy**

The Grantee understands that his / her employer (the "Employer"), 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, email address and telephone number, date of birth, social insurance number, passport number or other identification number, salary, nationality, job title, any shares or directorships held in the Company or any Subsidiary, details of the LTI Award, or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor and will process such data for the exclusive purpose of implementing, managing and administering the Plan ("Data") and in compliance with applicable laws and regulations.

The Grantee also understands that providing the Company with Data is mandatory for compliance with local law and necessary for the performance of the Plan and that the Grantee's refusal to provide such Data would make it impossible for the Company to perform its contractual obligations and may affect the Grantee's ability to participate in the Plan. The Controller of personal data processing is PRA Group, Inc. with its address at 140 Corporate Blvd., Norfolk, VA 23502 USA and, pursuant to Legislative Decree no. 196/2003, its representative in Italy for privacy purposes is PRA Iberia SLU with its registered address at C/Albasanz, nº 16, 3ª planta, 28037, Madrid, Spain.

The Grantee understands that Data will not be publicized, but it may be accessible by the Employer and its internal and external personnel in charge of processing of such Data and by the data processor (the "Processor"), if any. An updated list of Processors and other transferees of Data is available upon request from the Employer. Furthermore, Data may be transferred to banks, other financial institutions, or brokers involved in the management and administration of the Plan. The Grantee understands that Data may also be transferred to the independent registered public accounting firm engaged by the Company. The Grantee further understands that the Company and/or any Subsidiary or affiliate will transfer Data among themselves

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as necessary for the purpose of implementing, administering and managing the Grantee's participation in the Plan, and that the Company and/or any Subsidiary or affiliate may each further transfer Data to third parties assisting the Company in the implementation, administration, and management of the Plan, including any requisite transfer of Data to a broker or other third party with whom the Grantee may elect to deposit any Shares acquired pursuant to the Stock Units. Such recipients may receive, possess, use, retain, and transfer Data in electronic or other form, for the purposes of implementing, administering, and managing the Grantee's participation in the Plan. The Grantee understands that these recipients may be acting as Controllers, Processors or persons in charge of processing, as the case may be, in accordance with local law and may be located in or outside the European Economic Area in countries such as in the United States that might not provide the same level of protection as intended under Italian data privacy laws. Should the Company exercise its discretion in suspending all necessary legal obligations connected with the management and administration of the Plan, it will delete Data as soon as it has completed all the necessary legal obligations connected with the management and administration of the Plan.

The Grantee understands that Data processing related to the purposes specified above shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data is collected and with confidentiality and security provisions as set forth by applicable laws and regulations, with specific reference to Legislative Decree no. 196/2003.

The processing activity, including communication, the transfer of Data abroad, including outside of the European Economic Area, as herein specified and pursuant to applicable laws and regulations, does not require the Grantee's consent thereto as the processing is necessary to performance of contractual obligations related to the implementation, administration and management of the Plan. The Grantee understands that, pursuant to Section 7 of the Legislative Decree no. 196/2003, the Grantee has the right to, including but not limited to, access, delete, update, correct, or terminate, for legitimate reason, the Data processing. The Grantee should contact the Employer in this regard.

Furthermore, the Grantee is aware that Data will not be used for direct marketing purposes. In addition, Data provided can be reviewed and questions or complaints can be addressed by contacting the Grantee's human resources department.

**Plan Document Acknowledgment.** The Grantee further acknowledges that he or she has read and specifically and expressly approves the Data Privacy section above as well as the following sections of the Agreement Section 1 ("Time-vested Shares - RSUs" or "Performance-based LTI Awards - PSUs "); Section 4 ("Effect of a Change in Control"); Section 5 ("Non-assignability"), Section 6 ("Responsibility for Taxes"); Section 7 ("Nature of Grant"); Section 12 ("Language"), Section 14 ("Governing Law / Venue"); Section 26 ("Imposition of Other Requirements") and the "Data Privacy" provision included immediately above.

#### *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.

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## Tax on Foreign Financial Assets

A tax on the value of financial assets held outside of Italy by individual residents in Italy will be due. The taxable amount will be the fair market value of the financial assets (including Shares) assessed at the end of each 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), 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, 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.

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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.

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 sale proceeds exceed the applicable threshold (currently €1,502,530), in which case, the filing is due within one month after the 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.

**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

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be registered with the *Comisión Nacional del Mercado de Valores* (Spanish Securities Exchange Commission), nor do they constitute a public offering prospectus.

## SWEDEN

No country-specific provisions apply.

## SWITZERLAND

### NOTIFICATIONS

**Securities Law Information.** The Stock Units offered by the Company are considered a private offering in Switzerland; therefore, such offer is not subject to registration in Switzerland. Neither this document nor any other materials relating to the Stock Units constitutes a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations, and neither this document nor any other materials relating to the Stock Units may be publicly distributed or otherwise made publicly available in Switzerland.

## UNITED KINGDOM

### **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 recover 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 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

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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.

## **EMPLOYMENT AGREEMENT**

This Employment Agreement (the "Agreement") is dated as of February 23, 2017, by and between PRA Group, Inc. (the "Company") and Kevin P. Stevenson (the "Employee").

### **WITNESSETH:**

WHEREAS, the Employee is currently employed by the Company as its President; and

WHEREAS, the Company now desires that the Employee serve as its Chief Executive Officer; and

WHEREAS, Employee desires to continue his employment with the Company, as its Chief Executive Officer, effective June 1, 2017 upon the terms set forth in this Agreement.

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the parties agree as follows:

#### **1. EMPLOYMENT.**

(a) The Company hereby extends the employment (the "Employment") of the Employee on the terms set forth herein. Employee shall perform such duties and exercise such powers as directed by the Board of Directors of the Company (the "Board"). Employee hereby accepts the Employment and agrees to (i) continue to render such executive services, (ii) perform such executive duties and (iii) exercise such executive supervision and powers to, for and with respect to the Company, as may be established, for the period and upon the terms set forth in this Agreement.

(b) Employee shall devote substantially all of his/her business time and attention to the business and affairs of the Company, except as permitted for Paid Time Off, pursuant to Section 4 herein, and for Disability (as defined in Section 8(b)). Subject to Board approval, the Employee may serve on the Boards of Directors of other companies, engage in charitable and community affairs, or give attention to his passive investments, provided that such activities do not interfere with the regular performance of his duties and responsibilities under this Agreement or violate any other provision of this Agreement.

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2. PLACE OF PERFORMANCE.

The principal place of employment of Employee shall be at the Company's principal executive offices in Norfolk, Virginia or, if such offices are relocated, within a 75 mile radius of Norfolk, Virginia (the "Metropolitan Area"). Notwithstanding the foregoing, Employee may be required to travel beyond the Metropolitan Area as reasonably required to perform his/her duties hereunder.

3. TERM.

Except as otherwise specifically provided in Section 8 below, this Agreement shall commence on June 1, 2017 (the "Commencement Date"), and shall continue until December 31, 2020 (the "Term"), subject to the terms and conditions of this Agreement. If a Change in Control (defined below) occurs prior to the expiration of the Term, the Term shall be automatically extended until the later of December 31, 2020 or two (2) years following the Change in Control.

4. COMPENSATION.

(a) Base Salary. Employee shall be paid a base salary (the "Base Salary") at a minimum annual rate of \$900,000, effective June 1, 2017, payable at such intervals as the other executive officers of the Company are paid, but in any event at least on a monthly basis. The Compensation Committee may increase the base salary throughout the term of this Agreement; however, the Committee shall not decrease the base salary below the stated amount in this Agreement.

(b) Bonus Compensation. Employee shall be eligible to receive an annual bonus as set forth in the Company's Annual Bonus Plan ("Annual Bonus"), which is incorporated herein by reference. Pursuant to the Annual Bonus Plan, the Compensation Committee of the Company's Board of Directors will review the plan annually to determine target participation levels and establish goals and subsequent payout levels against those goals. Subject to the Compensation Committee's discretion to adjust Employee's target participation level (e.g., to reflect changes in roles or modifications to pay mix), Employee's pro-rated target opportunity during the Term shall be \$900,000.

(c) Equity Awards.

(i) Employee shall be eligible to receive equity awards ("Equity Awards") as set forth in the Company's Omnibus Incentive Plan (as amended from time to time, the "Plan"), which is incorporated herein by reference.

(ii) Subject to Sections 8 and 9 of this Agreement, any and all Equity Awards shall be subject to the terms of the Plan, agreed upon restrictions incorporated in the Company's Insider Trading Policy, as well as any Equity Award agreements between the Employee and the Company.

(d) Clawbacks. Any compensation paid to the Employee pursuant to this Agreement is subject to any current or future claw-back policy instituted by the Company to comply with any rules promulgated in the future, if any, pursuant to any law, government regulation or stock exchange listing requirement.

(e) Employee Benefits. In addition to the compensation discussed above, and subject to the limitations imposed herein, Employee shall be eligible to (i) receive any employee benefits provided by the Company to its employees, including, but not limited to, life insurance, hospitalization, surgical, major medical and disability insurance and sick leave, (ii) such employee benefit programs as may be offered by the Company to other executives and (iii) be a full participant in all of the Company's

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other benefit plans, retirement plans and profit-sharing plans which may be in effect from time to time or may hereafter be adopted by the Company.

(f) Paid Time Off During the Term. Employee shall be entitled to such paid time off ("PTO") during each calendar year of the Employment consistent with the Company's PTO policies then in effect and his/her position as an executive of the Company, but in no event shall Employee be entitled to fewer than twenty-five (25) PTO days in any such calendar year. Such time off shall be used for both vacation and sick leave, and may be used for such purposes, in Employee's discretion, at any time or times as are not inconsistent with the reasonable business needs of the Company. At the end of each calendar year, Employee shall be entitled to carry over up to ten (10) days of unused PTO into the next calendar year, but, subject to Section 8 with respect to payment of accrued PTO in certain termination situations, Employee shall not be entitled to any additional compensation in the event that Employee, for whatever reason, fails to use the entire amount of any such PTO to which he is entitled during any calendar year of his Employment hereunder. Employee shall also be entitled to all paid holidays given by the Company to its employees.

## 5. INDEMNIFICATION.

Employee shall be entitled at all times to the benefit of the maximum indemnification and advancement of expenses available from time to time under the laws of the State of Delaware, and such benefit shall not be less than that available to any other officer or director entitled to indemnification by the Company. Without limiting the foregoing, Employee shall also be entitled to the benefit of the following provisions:

(a) D&O Insurance. Employee shall be covered under any directors' and officers' ("D&O") liability insurance policy then in effect for the directors and/or officers of the Company and/or any of its subsidiaries or affiliates; provided, the failure to have a D&O insurance policy in effect at all times shall not, alone, allow Employee to assert a claim for breach of this Agreement by the Company. The Company shall provide Employee a copy of any D&O liability insurance policy then in effect upon request.

(b) Scope of Indemnification. In addition to any D&O insurance coverage provided for in Section 5(a) above, the Company and any of the Company's affiliates as to which Employee has at any time served as a director, officer, employee, agent or fiduciary (collectively, the "Indemnitors") shall jointly and severally hold harmless and indemnify Employee (and his heirs, executors and administrators) to the fullest extent permitted under applicable law against all reasonable expenses and liabilities incurred by him/her in connection with or arising out of any action, suit or proceeding (each, a "Claim") in which he may be involved by reason of him having served as a director, officer, employee, agent or fiduciary of any Indemnitor (whether or not he continues to serve as a director, officer, employee, agent or fiduciary thereof at the time such expenses or liabilities are uncured), or by reason of any such action or inaction on Employee's part while serving in any such capacity, such expenses and liabilities to include, but not necessarily be limited to, losses, damages, judgments, investigation costs, court costs, costs related to acting as a witness and attorneys' fees and the cost of settlements approved in advance by the Company.

(c) Selection of Counsel. In the event the Indemnitors shall be obligated hereunder to provide Employee with any legal defense with respect to a Claim, the Indemnitors shall be entitled to assume the defense of such Claim with counsel of the Indemnitors' choosing, upon the delivery to the Employee of written notice of their election to do so. After delivery of such notice and the retention of such counsel by the Indemnitors, the Indemnitors shall not be liable to Employee under this Agreement for any fees of counsel (or related costs and expenses) subsequently incurred by Employee with respect to

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the same Claim; provided that (i) Employee shall have the right to employ counsel in any such Claim at his sole expense; and (ii) if (A) the employment of counsel by Employee has been previously authorized in writing by the Indemnitors, (B) counsel for Employee shall have provided the Indemnitors with a written opinion that there is a conflict of interest between the Indemnitors and Employee in the conduct of any such defense or (C) the Indemnitors shall fail to retain (or discontinue the retention of) such counsel to defend such Claim, then the fees and expenses of Employee's counsel shall be at the expense of the Indemnitors.

(d) Nonexclusivity. The indemnity rights set forth in this Section 5 shall be in addition to and not in limitation of any rights to which Employee may be entitled under any of the Indemnitors' charter documents, bylaws or agreements, any vote of stockholders or disinterested directors, and/or the laws of the various Indemnitors' jurisdictions of formation or incorporation.

(e) Survival. The indemnification rights provided for in this Section 5 shall (i) remain in full force and effect after any termination of Employee's Employment and without regard to any investigation made by or on behalf of Employee or any agent or representative of Employee, and (ii) continue as to Employee for any action or inaction of Employee while serving as a director, officer, employee agent or fiduciary of any Indemnitor even though Employee may have ceased to serve in such capacity.

## 6. EXPENSES.

During the Term, the Company shall reimburse Employee, upon presentation of appropriate vouchers or receipts in accordance with the Company's expense reimbursement policies, for all reasonable out-of-pocket business travel and entertainment expenses incurred or expended by Employee in connection with the performance of his duties under this Agreement in accordance with the Company's expense reimbursement policies, in each case subject to the applicable terms, conditions, covenants and stipulations set forth in Section 23 below with respect to Section 409A of the Internal Revenue Code.

## 7. TERMINATION PROCEDURES.

Any termination of Employee's Employment by the Company or by Employee during the Term (other than termination in the event of Employee's death pursuant to Section 8(a) of this Agreement) shall be communicated by written notice ("Notice of Termination") to the other party hereto in accordance with Section 14 herein. For purposes of this Agreement, a Notice of Termination shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in detail the facts and circumstances claimed to provide a basis for termination of Employee's Employment. Upon the effective date of any termination of Employee's employment hereunder, Employee shall be deemed to have resigned from any and all offices and other positions held by Employee in the Company and/or any of its subsidiaries and affiliates.

## 8. TERMINATION OF EMPLOYMENT.

(a) Death. In the event of the death of Employee during the Term, Employee's Employment hereunder shall be terminated as of the date of death and Employee's designated beneficiary or, in the absence of such designation, the estate or other legal representative of Employee (collectively, the "Estate") shall be entitled to receive (i) Employee's base Salary through the end of the month in which the death occurs and accrued PTO through the date of death, paid in a single lump sum within 30 days following the date of death, and (ii) a pro-rata Annual Bonus (based upon target bonus and the days of

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employment in the calendar year of Termination), to be paid in a single lump sum within 30 days following the termination date. The Estate shall be entitled to all other applicable death benefits in accordance with the terms of the Company's benefit programs and plans. In addition, any unvested shares of the Company's common stock awarded pursuant to Section 4(c) shall vest immediately (at target) upon Employee's death.

(b) Disability. In the event Employee shall be unable to render the services or perform the duties of Employment hereunder by reason of illness, injury or incapacity (whether physical, mental, emotional or psychological) (any of the foregoing, as determined in accordance with the following sentence, shall be referred to herein as a "Disability") 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, the Company shall have the right (but not the obligation) to terminate Employee's Employment hereunder by providing Employee with 30 days' prior written notice. Any determination of Disability shall be made by the Board of the Company and the Committee in their reasonable good faith discretion. If Employee's Employment hereunder is so terminated by reason of Disability, Employee shall be entitled to receive (i) Employee's base Salary through the end of the month in which the Disability termination occurs and accrued PTO through the date of Disability termination, paid in a single lump sum within 30 days following the date of termination, and (ii) a pro-rata Annual Bonus (based upon target bonus and the days of employment in the calendar year of Termination), to be paid in a single lump sum within 30 days following the termination date, less (iii) the aggregate amount of any amounts payable under any disability insurance policy provided by the Company that is then in effect. Employee shall be entitled to receive all applicable disability benefits in accordance with the terms of this Agreement and of the Company's benefit programs and plans. Any unvested shares of the Company's common stock awarded pursuant to Section 4(c) shall vest immediately (at target) upon Employee's Disability termination. Notwithstanding any other provision contained herein, all leaves, accommodations and payments made in connection with the Executive's Disability shall be provided in a manner which is consistent with federal and state law.

(c) Termination of Employment by the Company for Cause. Nothing herein shall prevent the Company from terminating the Employee's Employment, and the Company has and shall have the right (exercisable immediately on notice to Employee, subject to any right of Employee as may be specified herein, if any, to cure any action, inaction, event or other circumstance that otherwise constitutes Cause) to terminate Employee's Employment, for Cause (as hereinafter defined). From and after the effective date of termination for Cause, Employee shall not receive any further benefits, any unearned Base Pay, and shall not be entitled to receive any further Annual Bonuses or Equity Awards, regardless of the performance of the Company. Any rights and benefits which Employee may have in respect of any other compensation or any employee benefit plans or programs of the Company shall be determined in accordance with the terms of such compensation arrangements or plans or programs or otherwise pursuant to applicable law.

The term "Cause," as used herein, shall mean any of the following: (A) Employee's conviction of, or plea of guilty or nolo contendere to, any felony, including a felony traffic related offense that, in the Company's sound discretion, would materially affect Employee's ability to perform or the reputation of the Company; (B) Employee's engaging in illegal or willful misconduct that has a material adverse effect on the financial performance, financial condition and/or reputation of the Company or any subsidiaries or affiliates thereof, including, but not limited to, a willful violation of Sections 10, 11 or 12 of this Agreement; (C) Employee's embezzlement of funds or misappropriation of other material property of the Company or any subsidiary or affiliate thereof; (D) Employee breaching this Agreement in a material manner, (E) Employee engaging in a material (critical or continuous) violation of the Company's written policies and procedures as outlined in the Company's Employee Handbook (or a successor Company's

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handbook) and applicable broadly to all employees provided that Employee shall have been given at least fifteen (15) days' notice and opportunity to cure such breach or violation; (F) Employee's fraudulent conduct as regards the Company, which results either in personal enrichment to Employee or injury to the Company or its subsidiaries or affiliates.

Any unvested shares of the Company's common stock awarded pursuant to Section 4(c) shall be forfeited upon Employee's termination for Cause.

(d) Termination for Reasons Other than Death, Disability or Cause. In addition to termination pursuant to Sections 8(a), (b), or (c) above, Employee's Employment hereunder may be terminated by either Employee or the Company at any time and for any reason by providing the other party with a Notice of Termination at least fourteen (14) days prior to the effective day of termination. Any unvested shares of the Company's common stock awarded pursuant to Section 4(c) shall be forfeited upon Employee's termination (other than in the case of death or disability or as described in 8f and 8g).

(e) Constructive Termination. "Constructive Termination" shall be deemed to have occurred upon (a) the removal of Employee from, or failure of Employee to continue in the position specified in the Agreement, unless offered another executive officer position which is no less favorable than Executive's current position in terms of compensation as outlined in Section 4, (b) Employee is not nominated to serve as a director, or is removed from Board other than for cause or due to change in law preventing Employee from serving as a director (c) the relocation of the Company's principal executive offices to a location more than 75 miles from Norfolk, Virginia, (without the Employee's consent) or (d) the material breach by the Company of this Agreement (without the Employee's consent).

Notwithstanding the foregoing, in order to be eligible for any Constructive Termination payment or benefit described under Section 9 of this Agreement: (i) the Company shall have 30 days to cure any action perceived to be a Constructive Termination, upon notice in writing from the Employee, which notice must be provided within 90 days after Employee knew or should have known of such action and (ii) Employee must terminate employment within 60 days after the cure period has ended. In the event of a Constructive Termination with payments due under section 9, any unvested shares of PRA common stock awarded pursuant to Section 4(c) shall be forfeited.

(f) Change in Control "Double Trigger" Termination. "Change of Control" shall mean the occurrence and actual consummation of either subparagraph (i), (ii), or (iii) below or any combination of said event(s) as more fully defined and described in Section 409A and related Treasury Regulations:

(i) Change of Ownership of the Company. A change of ownership of the Company occurs on the date that any one person or persons acting as a group acquires ownership of the stock of the Company, that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company or of any corporation that owns at least fifty percent (50%) of the total fair market value and total voting power of Company.

(ii) Effective Change of Control. If the Company does not qualify under Subparagraph (i), above, then it may still meet the definition of Change of Control, on the date that either: (1) Any one person, or more than one person, acting as a group acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of Company possessing thirty percent (30%) or more of the total voting power of the stock of Company; or (2) A majority of the numbers of the Company's board of directors are replaced

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during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's board of directors prior to the date of the appointment or election.

(iii) **Change in Ownership of Company's Assets.** A change in the ownership of a substantial portion of Company's assets occurs on the date that any person, or more than one person acting as a group, acquires or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total fair market value equal to more than sixty-five percent (65%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions.

Pursuant to this Agreement, a "Change in Control Protection Period" shall be in effect for the following periods: (A) the six months prior to any Change in Control if Employee is terminated (I) at the request of any third party who had taken steps reasonably calculated or intended to effectuate a Change in Control or (II) in connection with or in anticipation of a Change in Control or (B) the twenty-four (24) months beginning on the date of any Change in Control.

If a Change in Control as defined herein occurs, then the executive is entitled to the associated severance payments described in Section 9(b) only if, during the Change in Control Protection Period, the Company (or its successor) terminates the executive involuntarily or the Employee terminates due to a Constructive Termination.

In the event of a Change in Control termination pursuant to Section 9(b), any unvested shares of the Company's common stock awarded pursuant to Section 4(c) prior to the date of the Change in Control shall immediately vest upon Employee's termination.

(g) **Nonrenewal Termination.** If the Employee's employment continues until the expiration of the Term, upon the expiration of the Term if not otherwise renewed by the mutual agreement of the parties and the Employee's employment terminates within 30 days following the expiration of the Term, the termination shall be considered a "Nonrenewal Termination". If the Company offers the Employee a renewed agreement that is substantially similar to the agreements of similarly situated Executives and provides Employee compensation equal to or greater than his then current compensation and the Employee declines to accept such new employment agreement, then the Employee will not be eligible for any payment for Nonrenewal under Section 9(c).

In the event of a Nonrenewal Termination with payments due under section 9(c), any unvested shares of PRA common stock awarded pursuant to Section 4 shall continue to vest through March 31, 2021 or 90 days after the termination date of this Agreement whichever is later (based on actual company performance).

## 9. SEVERANCE AND NON-COMPETITION PAYMENTS.

(a) **Involuntary Termination without Cause/Constructive Termination, not during Change in Control Protection Period.** If Employee's Employment is terminated outside of the Change in Control Period other than: (1) as a termination by Employee (other than a Constructive Termination), (2) as a result of death, (3) as a result of termination due to Disability of Employee (4) for Cause or (5) as a termination due to Nonrenewal, the following shall apply. The Company shall pay to Employee (i) Employee's base Salary and accrued PTO through the date of Termination, paid within 30 days following the termination date and (ii) a pro-rata Annual Bonus (based upon actual company performance and the days of employment in the calendar year of Termination), to be paid in a single lump sum no later than March 15 of the year following the year of termination.

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Employee shall also be entitled to a severance payment equal to (iii) the greater of two times Employee's current Base Salary or the minimum Base Salary due under the remaining Term, (iv) two times Employee's average Annual Bonus paid to Employee in the prior three years (this bonus amount referred to as the "Severance Bonus") and (v) the COBRA Reimbursement (defined below). If an Employee's first year bonus is to be included in the calculation of the Severance Bonus, and such bonus is pro-rated for the portion of the year the Employee was employed with the Company, then an annualized amount shall be used for the calculation. If an Employee has not participated in three bonus cycles, then the Severance Bonus will reflect the shorter period (or target if the Employee has not participated in any bonus cycles). Items (iii) and (iv) above shall be paid in a single lump sum within 30 days following the Date of Termination and the COBRA Reimbursement (item (v)) shall be paid as described below, but items (iii), (iv) and (v) are payable only if and to the extent an irrevocable and valid Release (as hereinafter defined), has been signed by the Employee on or before the 30th day following the Date of Termination.

(b) Involuntary Termination without Cause/Constructive Termination during a Change in Control Protection Period. If the Employee's employment termination qualifies under Section 9(a), but occurs during a Change in Control Protection Period, the Company shall pay to Employee (i) Employee's base Salary and accrued PTO through the date of Termination, paid within 30 days following the termination date and (ii) a pro-rata Annual Bonus (based upon target bonus and the days of employment in the calendar year of Termination), to be within 30 days following the termination date.

Employee shall also be entitled to a severance payment equal to (iii) two times Employee's current Base Salary, (iv) two times Employee's average Annual Bonus paid to Employee in the prior three years (this bonus amount referred to as the "Severance Bonus") and (v) the COBRA Reimbursement (defined below). If an Employee's first year bonus is to be included in the calculation of the Severance Bonus, and such bonus is pro-rated for the portion of the year the Employee was employed with the Company, then an annualized amount shall be used for the calculation. If an Employee has not participated in three bonus cycles, then the Severance Bonus will reflect the shorter period (or target if the Employee has not participated in any bonus cycles). Items (iii) and (iv) above shall be paid in a single lump sum within 30 days following the Date of Termination and the COBRA Reimbursement (item (v)) shall be paid as described below, but items (iii), (iv) and (v) are payable only if and to the extent an irrevocable and valid Release (as hereinafter defined), has been signed by the Employee on or before the 30th day following the Date of Termination.

(c) Nonrenewal Termination. Subject to Section 8(g), in the case of a Nonrenewal Termination, the Company shall pay to Employee (i) Employee's base Salary and accrued PTO through the date of Termination, paid within 30 days following the Termination Date. Employee shall also be entitled to a severance payment equal to (ii) the greater of two times Employee's current Base Salary or the minimum Base Salary due under the remaining Term, paid in a single lump sum within 30 days following the Date of Termination, and (iii) the COBRA Reimbursement (defined below), paid as on or before the 30th day following the Date of Termination and, (iv) a pro-rata Annual Bonus (based upon actual company performance and the days of employment in the calendar year of Termination), to be paid in a single lump sum no later than March 15 of the year following the year of termination described below. Items (ii), (iii) and (iv) are payable only if and to the extent an irrevocable and valid Release (as hereinafter defined), has been signed by the Employee. If the Company has offered the Employee a new employment agreement that is substantially similar to the agreements of similarly situated Executives and provides Employee compensation equal to or greater than his then current compensation, and Employee declines to accept such new employment agreement, such declination will be considered a voluntary quit and no payments under this Section 9(c) shall be payable to Employee.

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(d) In the case of a Termination meeting the requirements to receive payment under Section 9(a), (b) or (c), the Company shall reimburse Employee for the actual cost of COBRA coverage for 18 months (if the Employee timely elects COBRA coverage), to the extent the actual cost of COBRA coverage exceeds the amount that similarly situated active employees pay for the same levels of coverage as elected by the Employee during the first 18 months of COBRA coverage ("COBRA Reimbursements"). The COBRA Reimbursements will be made to Employee on a taxable basis (less applicable taxes and withholdings), no later than December 31 of each calendar year during the COBRA Reimbursement period. The COBRA Reimbursements will not be grossed up for any taxes. Notwithstanding the foregoing, in the event Employee obtains employment with another Company and becomes eligible to receive comparable benefits from such Company, the COBRA Reimbursements described in this clause (d) shall cease; and

(e) Employee shall be entitled to any other rights, compensation and/or benefits as may be due to Employee in accordance with the terms and provisions of any agreements, plans or programs of the Company.

(f) No Mitigation. Employee shall not be required to mitigate the amount of any severance and non-competition payment provided for under this Agreement by seeking other employment or otherwise.

(g) Excise Tax. In the event that Employee becomes entitled to any payments or benefits under this Agreement and any portion of such payments or benefits, when combined with any other payments or benefits provided to Employee (including, without limiting the generality of the foregoing, by reason of the exercise or vesting of any stock options or the receipt or vesting of any shares of stock of the Company), which in the absence of this Section 9(g) would be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), then the amount payable to Employee under this Agreement shall, either (i) be reduced to the largest amount or greatest right such that none of the amounts payable to Employee under this Agreement and any other payments or benefits received or to be received by Employee as a result of, or in connection with, an event constituting a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company (within the meaning of Section 280G(b)(2)(A) of the Code) or the termination of Employment (including a Constructive Termination) shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code or (ii) be made in full, with the Employee bearing full responsibility for any Excise Tax liability, whichever of (i) or (ii) provides Employee with a larger net after-tax amount. The Company shall cooperate in good faith with Employee in making such determination. Any reduction pursuant to the immediately-preceding sentence shall be made in a manner compliant with Section 409A of the Internal Revenue Code.

(h) Special 409A Acknowledgement. Notwithstanding anything to the contrary in the foregoing provisions of this Section 9, the payment of any and all amounts that are or may be payable under this Section 9 is and shall be expressly subject to the applicable terms, conditions, covenants and stipulations set forth in Section 23 below with respect to Section 409A of the Internal Revenue Code.

#### 10. RELEASE; CONTINUING OBLIGATIONS.

Employee acknowledges and agrees that the applicable payments set forth in Section 9 of this Agreement constitute liquidated damages for any claim by Employee of breach of contract or any other matters related to the non-renewal of this Agreement or termination of Employee's employment by the Company hereunder. Furthermore, in order to receive any of the applicable payments set forth in Section 9 above upon the termination of his/her employment (other than Employee's base Salary and

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accrued PTO through the date of Termination), and as an express condition to the Company's obligation to make such payments, (a) within 30 days following the Employee's termination date, (i) Employee shall execute and agree to be bound by an agreement providing for the waiver and general release of any and all claims arising out of or relating to Employee's employment and termination of employment (the "Release"), which Release shall be in such form as the Company's Office of General Counsel may require, and (ii) to the extent the Release includes a statutory revocation/rescission period, such period shall have expired without Employee having revoked the Release; and (b) Employee shall agree to continue to be bound by, and shall continue to comply with, all surviving obligations of Employee hereunder, including, without limitation, Employee's obligations under Sections 10, 11 and 12 hereof. If the consideration and revocation period for the Release crosses calendar years, any amounts payable pursuant to Section 9 that are subject to Section 409A of the Internal Revenue Code shall be paid in the second calendar year.

## 11. CONFIDENTIAL INFORMATION.

(a) Employee covenants and agrees that he will not at any time, either during the Term or thereafter, 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, in the business of and for the benefit of the Company, 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 by any administrative body or legislative body (including a committee thereof) with jurisdiction to order the Company 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 Employee, (y) becomes available to Employee 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 Employee on a non-confidential basis prior to its disclosure to Employee 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 Employee that any and all Confidential Information received by Employee during his/her Employment by the Company is deemed Confidential Information for purposes of this Agreement. In the event Employee's Employment is terminated hereunder for any reason, he immediately shall return to the Company all tangible Confidential Information (including any and all copies thereof) in his/her possession. Notwithstanding anything in this Section 11, Section 23 or in any other agreement to the contrary, Employee shall not be held liable under this Agreement or any other agreement or any federal or state trade secret law for making any confidential disclosure of a Company trade secret or other confidential information to a government official or an attorney for purposes of reporting a suspected violation of law or regulation, or in a court filing under seal.

(b) Employee and the Company agree that the covenants in this Section 11 regarding Confidential Information are reasonable covenants under the circumstances and further agree that if, in the opinion of any court of competent jurisdiction, any such covenant is not reasonable or is unenforceable in any respect, such court shall have the right, power and authority to excise or modify such provision or provisions of such covenants as appear to the court not reasonable or unenforceable and to enforce the remainder of the covenant as so amended, and to that end the provisions of this Section 11 shall be

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deemed severable. Employee agrees that any breach of any covenant contained in this Section 11 would irreparably injure the Company. Accordingly, Employee agrees that the Company, in addition to pursuing any other remedies it may have in law or in equity, may obtain an injunction against Employee from any court having jurisdiction over the matter restraining any breach or threatened breach of this Section 11. The Company may clawback any severance payments paid or payable to Employee under Section 9 in the event that Employee breaches this Section 11.

## 12. NON-COMPETITION; NON-SOLICITATION.

(a) As additional consideration for Employee's employment with the Company, the compensation paid and payable to Employee hereunder and to induce the Company to execute and deliver to Employee this Agreement, Employee agrees that during the Restricted Period (as defined in Section 12(d) below), without the prior written consent of the Board of the Company, Employee shall not be, nor shall he assist or enable any person or entity to become, a principal, manager, officer, director, agent, consultant or executive or management employee of, or 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 in any business activity competitive (directly or indirectly) with the Business of buying distressed consumer debt (the "Business"). Notwithstanding the foregoing, an entity will not be deemed to be competitive with the Business, and Employee will not be deemed to be engaged in the Business in violation of the terms of this Section 12(a), if (A) Employee 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 Employee relates solely to the Non-Competing Businesses, and (C) if requested by the Company, such entity and Employee provide the Company with reasonable assurances that Employee will have no direct or indirect involvement in the Business on behalf of such entity.

(b) As additional consideration for Employee's employment with the Company, the compensation paid and payable to Employee hereunder and to induce the Company to execute and deliver to Employee this Agreement, Employee agrees that during the Restricted Period, without the prior written consent of the Company, Employee shall not, on his own behalf or on behalf of any person or entity (other than on behalf of the Company), directly or indirectly, (i) solicit the clients, employees, customers or suppliers of the Company or any of its affiliates or subsidiaries to terminate their relationship or modify such relationship in a manner that is adverse to the interests of the Company and its affiliates and subsidiaries 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 Employee'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.

(c) Employee agrees that the covenants of non-competition and non-solicitation in this Section 12 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 12 shall be deemed severable. Employee agrees that any breach of the covenants contained in this Section 12 would irreparably injure the Company and its subsidiaries and affiliates. Accordingly, Employee agrees that the Company, in addition to pursuing any other remedies it may have in law or in equity, may obtain an injunction against Employee from any court having jurisdiction over the matter restraining any breach or

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threatened breach of this Section 12. The Company may clawback any severance payments paid or payable to Employee under Section 9 in the event that Employee breaches this Section 12.

(d) The provisions of this Section 12 shall be in effect for the duration of Employee's employment and shall survive the termination for any reason of Employee's Employment with the Company for a period of two years after the effective date of such termination (the "Restricted Period"). The Company may elect to extend the Restricted Period for an additional twelve (12) months by increasing any required severance payment to the Employee by one times the sum of Employee's then Base Salary and one times the average of the last three years Bonus payment.

13. LIMITATIONS OF LIABILITY AND INDEMNITY.

The limitation of liability and indemnity provisions of Section 8.1 of that certain Amended and Restated By-Laws of the Company and Article 9 of that certain Amended and Restated Certificate of Incorporation of the Company are a contractual benefit to Employee and are a material consideration for Employee's employment.

14. NOTICES.

All notices and other communications hereunder shall be in writing and shall be deemed to have been given if delivered personally or sent by facsimile transmission, overnight courier, or certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally or sent by facsimile transmission (provided that a confirmation copy is sent by overnight courier), one day after deposit with an overnight courier or, if mailed, five days after the date of deposit in the United States mails, as follows (or to another address specified in writing by the recipient prior to the sending of such notice or communication):

If to the Company, to:

PRA Group, Inc.  
150 Corporate Boulevard  
Norfolk, Virginia 23502  
Attn: General Counsel  
Fax: (757) 321-2518

If to Employee, to:

Kevin P. Stevenson

15. ENTIRE AGREEMENT.

This Agreement contains the entire agreement between the parties hereto with respect to the matters contemplated herein and supersedes all prior agreements or understandings among the parties related to such matters. In case of any conflict between the provisions hereof and the provisions of any other agreement or understanding between the parties with respect to such matters (including, without limitation, the Company's Employee Handbook), the provisions of this Agreement shall be controlling.

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16. SUCCESSORS; BINDING EFFECT.

Except as otherwise provided herein, this Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns and Employee. "Successors and assigns" shall mean, in the case of the Company, any parent, subsidiary or affiliate of the Company or any successor to the Company pursuant to a merger, consolidation, sale or other transfer of all or substantially all of the assets or equity of the Company, provided that, should the Company assign or transfer this Agreement, the Company will require any successor to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such assignment or transfer had taken place.

17. NO ASSIGNMENT.

Except as contemplated by Section 15 above, this agreement shall not be assignable or otherwise transferable by either party.

18. WITHHOLDING.

All payments hereunder shall be subject to any required withholding of federal, state and local taxes pursuant to any applicable law or regulation.

19. AMENDMENT OR MODIFICATION; WAIVER.

No provision of this Agreement may be amended or waived unless such amendment or waiver is authorized by the Board of Directors of the Company and is agreed to in writing, signed by Employee and by a duly authorized officer of the Company (other than Employee). Except as otherwise specifically provided in this Agreement, no waiver by either party hereto of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar provision or condition at the same or at any prior or subsequent time.

20. FEES AND EXPENSES.

If either party institutes an action or proceeding to enforce the rights the party may have under this Agreement, to obtain a declaration of a party's rights or obligations hereunder, to set aside any provision hereof, for damages by reason of any alleged breach of any provision of this Agreement, or for any other remedy, the court or Arbitrator as the case may be, shall require the losing party in any such action or proceeding to reimburse the prevailing party for of all of its reasonable costs and expenses incurred in connection therewith, including, but not limited to, reasonable attorneys' fees and disbursements.

21. GOVERNING LAW.

The validity, interpretation, construction, performance and enforcement of this Agreement shall be governed by the laws of the Commonwealth of Virginia, without regard to its conflicts of law rules.

22. ARBITRATION.

The Employee and the Company agree that any and all disputes, claims or controversies arising out of or related to this Agreement, including any claims under any statute or regulation

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("Disputes"), shall be submitted for binding arbitration; provided that any action by the Company to enforce Section 12 may be brought in a court of appropriate jurisdiction. Unless the parties agree otherwise, any mediation and/or arbitration shall take place in Norfolk, Virginia, and shall be administered by, and pursuant to the rules of, the American Arbitration Association. Company agrees to pay any costs of the arbitration including the fees of the arbitrator (but not, for the avoidance of doubt, any other expenses except as provided in the last sentence of Section 20).

23. NONDISPARAGEMENT.

The Employee agrees that the Employee shall not "Disparage" ("Disparage" means to make remarks, comments, or statements, whether written or oral, that impugn the character, integrity, reputation or abilities of the person being disparaged) the Company (or any affiliate) or any director or officer of the Company in any way that materially and adversely affects the goodwill, reputation or business relationships of the Company or the affiliate or the director or officer with the public generally, or with any of the Company's or any of its affiliates' customers, vendors or employees. The Company shall instruct the members of the Board and its executive officers not to disparage the Employee in any way that materially and adversely affects him or his reputation or business relationships. Nothing in this section 23 shall preclude any party from making truthful statements that are reasonably necessary to comply with applicable law, regulation or legal process, or to defend, or enforce a party's rights under this Agreement or any other agreement between the parties.

24. SECTION 409A OF THE INTERNAL REVENUE CODE.

Any benefit, payment or other right provided for under this Agreement shall be provided or made in such manner, at such time, in such form and subject to such election procedures (if any) as complies with the applicable requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations and other authority promulgated pursuant to Section 409A of the Code to avoid a failure described in Code Section 409A(a)(1), including, without limitation, deferring payment until the occurrence of a specified payment event described in Code Section 409A(a)(2). Accordingly, notwithstanding any other provision hereof or document pertaining hereto, (x) this Agreement shall be so construed and interpreted to meet all applicable requirements of Code Section 409A, and (y) without limiting the generality of the foregoing, but more specifically:

(a) All references to a termination of employment and separation from service shall mean and be administered to comply with the definition of "separation from service" in Code Section 409A.

(b) If Employee is a "specified employee" (as defined under Code Section 409A) at the time of separation from service, then to the extent that any amount payable under this Agreement constitutes "deferred compensation" under Code Section 409A (and is not otherwise excepted from Code Section 409A coverage, whether by virtue of being considered "separation pay" or a "short term deferral" or otherwise) and is payable to Employee based upon a separation from service (other than death or "disability" as defined under Code Section 409A), such amount shall not be paid until the first to occur of (i) the first day following the six-month anniversary of Employee's separation from service, or (ii) Employee's death.

(c) All expense reimbursements provided for under this Agreement shall comply with Code Section 409A and shall be subject to the following requirements: (i) the amount of expenses eligible for reimbursement during Employee's taxable year may not affect the expenses eligible for reimbursement to be provided in another taxable year; (ii) the reimbursement of any eligible expense must be effected by

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December 31 following the taxable year in which the expense was incurred; and (iii) the right to reimbursement is not subject to liquidation or exchange for another benefit.

(d) Any right to a series of installment payments shall be treated as a right to a series of separate payments for purposes of Code Section 409A.

25. TITLES.

Titles to the Sections in this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the title of any Section.

26. COUNTERPARTS.

This Agreement may be executed in one or more counterparts, which together shall constitute one agreement. It shall not be necessary for each party to sign each counterpart so long as each party has signed at least one counterpart.

27. SEVERABILITY.

Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms and provisions of this Agreement in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above.

PRA GROUP, INC.

By: /s/ Christopher D. Lagow

Title: SVP, General Counsel and Assistant Secretary

EMPLOYEE

/s/ Kevin P. Stevenson

## EXECUTIVE CHAIRMAN AGREEMENT

This Executive Chairman Agreement EXECUTIVE CHAIRMAN AGREEMENT (the “**Agreement**”) is dated as of February 23, 2017, by and between PRA Group, Inc. (the “**Company**”), and Steven D. Fredrickson (the “**Executive**”).

### WITNESSETH:

WHEREAS, Executive has been employed by the Company as its Chief Executive Officer (“**CEO**”) pursuant to that certain Employment Agreement dated as of December 19, 2014 (the “**Employment Agreement**”);

WHEREAS, Executive is also currently serving as a member of the Board of Directors of the Company (the “**Board**”);

WHEREAS, Executive wishes to retire from the role of CEO of the Company effective as of June 1, 2017 (the “**Chairman Date**”) and to become Executive Chairman of the Board as of such date; and

WHEREAS, from and after the Chairman Date, Executive shall no longer serve as the CEO of the Company, but shall serve as a member of the Board and Executive Chairman of the Board pursuant to the terms and conditions set forth herein; and

NOW THEREFORE, in consideration of the promises and mutual covenants herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Executive and the Company agree as follows:

1. **Resignation as CEO.** Effective as of the Chairman Date, Executive hereby resigns from his role as CEO of the Company. From the date hereof through the Chairman Date, the terms and conditions of Executive’s employment shall continue to be governed by the Employment Agreement. Executive acknowledges and agrees that as of the Chairman Date, he shall not be entitled to any payments or benefits pursuant to Section 9 of the Employment Agreement or to any other severance-type benefits in connection with such resignation (however, Executive’s entitlements pursuant to Section 9 of the Employment Agreement remain in effect until the Chairman Date).

2. **Term.** From the Chairman Date through the day of the Company’s 2018 annual meeting of shareholders (the “**Chairman Term**”), in addition to serving as a member of the Board, Executive shall serve as Executive Chairman of the Company and shall remain an employee of the Company. The Chairman Term may not be extended other than pursuant to a written agreement between the Company and Executive, entered into not less than thirty (30) days prior to the expiration of the Chairman Term. For the avoidance of doubt, nothing in this Agreement requires the Company to continue to employ Executive as Executive Chairman or restricts the Board from removing Executive from the Board to the extent permitted by the Company’s governing documents and applicable law and subject to the terms of this Agreement.

3. **Duties.** During the Chairman Term, Executive shall serve as Executive Chairman of the Company, and shall, in a manner consistent with applicable legal and corporate governance standards perform such duties requested of him by the CEO and/or the Board, as appropriate.

4. **Commitment.** During and throughout the Chairman Term, Executive shall devote substantially all of his business time and attention to the business and affairs of the Company, except as permitted for PTO (as defined in Section 5.6). Subject to Board approval, Executive may serve on the boards of directors of other companies, engage in charitable and community affairs, or give attention to his passive

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investments, provided that such activities do not interfere with the regular performance of his duties and responsibilities under this Agreement or violate any other provision of this Agreement.

## **5. COMPENSATION AND BENEFITS.**

**5.1 Base Salary.** During the Chairman Term, Executive shall be paid a base salary (together with any increases, the “**Base Salary**”) at the annual rate of \$600,000, payable at such intervals as the other executive officers of the Company are paid, but in any event at least on a monthly basis. The Compensation Committee of the Board (the “**Committee**”) may increase the Base Salary throughout the Chairman Term; provided, the Base Salary shall not be decreased below the stated amount in this Agreement.

**5.2 Bonus Compensation.** Executive shall be eligible to receive an annual bonus as set forth in the Company’s Annual Bonus Plan (“**Annual Bonus**”). The Annual Bonus for 2017 shall be determined pursuant to the terms of the Annual Bonus Plan as approved by the Committee. For 2017, the Annual Bonus shall include a target opportunity of \$800,000 (this is adjusted to reflect 5 months in the CEO role and 7 months in the Executive Chairman of the Board of Directors role). For 2018, the annual target opportunity will be \$650,000. In the event that the Chairman’s Term is extended by mutual agreement, pursuant to the Annual Bonus Plan for subsequent years, the Committee will review the plan to determine target participation levels and establish goals and subsequent payout levels against those goals. Executive shall be treated on the same basis as other senior executives of the Company for the purposes of bonus calculation relative to target levels and administration of the Annual Bonus Plan.

**5.3 Equity Awards.** Executive shall continue to be eligible to receive equity awards (“**Equity Awards**”) as permitted by the Company’s Omnibus Incentive Plan (as amended from time to time, the “**Plan**”), which is incorporated herein by reference. Subject to this Section 5.3, any and all Equity Awards shall be subject to the terms of the Plan, restrictions incorporated in the Company’s Insider Trading Policy, as well as any Equity Award agreements between Executive and the Company. All Equity Awards shall vest as provided in the Plan and the Equity Award agreements between Executive and the Company and, for the avoidance of doubt, continued service on the Board shall count as continued service for purposes of vesting in such Equity Awards, Executive is eligible for “retirement” treatment (which includes pro rata vesting upon termination of service), and Executive is entitled to “double-trigger” vesting protection in connection with a “change in control” of the Company as provided in the Plan and his Equity Award agreements; provided, however, that if the Board does not nominate Executive for reelection to the Board at the Company’s 2018 annual meeting of shareholders and Executive’s employment hereunder is not terminated for Cause, Executive shall continue to be credited through December 31, 2018 with service credit for purposes of vesting in the Equity Awards.

**5.4 Clawbacks.** Any compensation paid to Executive pursuant to this Agreement is subject to any current or future claw-back policy instituted by the Company to comply with any rules promulgated in the future, if any, pursuant to any law, government regulation or stock exchange listing requirement. Any such clawback policy shall be applied uniformly to all of the Company’s senior executives.

**5.5 Executive Benefits.** In addition to the compensation discussed above, and subject to the limitations imposed herein, during the Chairman Term Executive shall continue to be eligible to (i) receive any employee benefits provided by the Company to its employees generally from time-to-time, including, but not limited to, life insurance, hospitalization, surgical, major medical and disability insurance and sick leave, (ii) receive such employee benefit programs as may be offered by the Company to other executives and (iii) be a full participant in all of the Company’s other benefit plans, retirement plans and profit-sharing plans which may be in effect from time to time or may hereafter be adopted by the Company.

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**5.6 Paid Time Off During the Chairman Term.** Executive shall be entitled to such paid time off (“PTO”) during each calendar year of employment during the Chairman Term consistent with the Company’s PTO policies then in effect and his position as an executive of the Company, but in no event shall Executive be entitled to fewer than twenty-five (25) PTO days (prorated for 2018) in any such calendar year. Such time off shall be used for both vacation and sick leave, and may be used for such purposes, in Executive’s discretion, upon prior notice to the Board, at any time or times as are not inconsistent with the reasonable business needs of the Company. At the end of 2017, Executive shall be entitled to carry over up to ten (10) days of unused PTO into 2018, but, subject to Section 6 with respect to payment of accrued PTO in certain termination situations, Executive shall not be entitled to any additional compensation in the event that Executive, for whatever reason, fails to use the entire amount of any such PTO to which he is entitled during any calendar year of his employment hereunder. Executive shall also be entitled to all paid holidays given by the Company to its employees

**5.7 Business and Entertainment Expenses.** During the Chairman Term, the Company shall reimburse Executive, upon presentation of appropriate vouchers or receipts in accordance with the Company’s expense reimbursement policies, for all reasonable out-of-pocket business travel and entertainment expenses incurred or expended by Executive in connection with the performance of his duties under this Agreement in accordance with the Company’s expense reimbursement policies, in each case subject to the applicable terms, conditions, covenants and stipulations set forth in Section 9.16 below with respect to Section 409A of the Internal Revenue Code.

**5.8 Legal Fees.** Within fifteen (15) days following delivery of an invoice to the Company, the Company shall pay to Outten & Golden LLP the reasonable legal fees actually incurred by Executive in connection with the review and negotiation of this Agreement, subject to a maximum payment of \$15,000.

**5.9 Office Location/Support.** During the Chairman Term, the Company shall provide Executive with an office and administrative support as determined by the Chief Executive Officer in consultation with Executive.

## **6. TERMINATION OF EXECUTIVE.**

**6.1 General.** The Company or Executive may terminate Executive’s employment hereunder at any time and for any reason by written notice to other party (other than termination in the event of Executive’s death). In connection with any such termination, the Company shall pay to Executive his Base Salary, accrued PTO through the date of termination and any earned but unpaid Annual Bonus within 30 days following the termination date. In addition, if Executive’s employment is terminated by the Company without Cause (and not due to death or Disability) or due to a Constructive Termination, the Company shall continue to treat Executive as if he remained employed by the Company through the end of the Chairman Term for purposes of Sections 5.1, 5.2 and 5.5, and he shall continue to receive the payments and benefits specified therein through the end of the Chairman Term, (it being understood that any Annual Bonus payments, shall be based upon actual Company performance and prorated for the days of employment in the calendar year of termination and shall be paid in a single lump sum no later than March 15 of the year following the year of termination). Except as provided in the Plan or the applicable award agreement with respect to Equity Awards, Executive shall have no further rights following his termination of employment with respect to his service as Executive Chairman hereunder. The payments in the third sentence of this Section 6.1 constitute liquidated damages for any claim by Executive of breach of contract or any other matters related to the termination of Executive’s employment by the Company hereunder. In order to receive any of the applicable payments set forth in the third sentence of this Section 6.1 upon the termination of his employment, and as an express condition to the Company’s obligation to make such payments, (a) within 30 days following Executive’s termination date, (i) Executive shall execute and agree to be bound by an agreement providing for the waiver

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and general release of any and all claims arising out of or relating to Executive's employment and termination of employment (the "**Release**"), in the form as the Company's Office of General Counsel may require, and (ii) to the extent the Release includes a statutory revocation/rescission period, such period shall have expired without Executive having revoked the Release; provided, in the event such period spans two calendar years, any such payments will be made in the second calendar year; and (b) Executive shall agree to continue to be bound by, and shall continue to comply with, all surviving obligations of Executive hereunder, including, without limitation, Executive's obligations under Section 7 hereof.

**Definition of Constructive Termination.** The term "**Constructive Termination**" as used herein shall mean any material breach by the Company of this Agreement (without Executive's consent), including but not limited to Executive being removed from the Board, any change or reduction in Executive's compensation and benefits described in Section 5 of this Agreement or Executive being required to provide the services hereunder at a location more than 75 miles from Norfolk, Virginia. Notwithstanding the foregoing, in order to be eligible for any Constructive Termination payment or benefit described in this Agreement: (i) the Company shall have 30 days to cure any action perceived to be a Constructive Termination, upon notice in writing from the Executive, which notice must be provided within 90 days after Executive knew or should have known of such action and (ii) Executive must terminate employment within 60 days after the cure period has ended.

**6.2 Death.** In the event of the death of Executive during the Chairman Term, Executive's employment hereunder shall automatically terminate as of the date of death, and Executive's designated beneficiary or, in the absence of such designation, the estate or other legal representative of Executive (collectively, the "Estate"), shall be entitled to receive (i) the Base Salary through the end of the month in which the death occurs, accrued PTO as of the date of death, and any earned but unpaid Annual Bonus paid in a single lump sum within 30 days following the date of death, and (ii) a pro-rata Annual Bonus (based upon target bonus, and prorated by the days of employment in the calendar year of termination), to be paid in a single lump sum within 30 days following the date of death. The Estate shall be entitled to any other applicable death benefits in accordance with the terms of the Company's benefit programs and plans. In addition, any unvested Equity Awards shall vest immediately (at target in the case of performance-based awards) upon Executive's death during the Chairman Term.

**6.3 Disability.** In the event Executive is unable to render the services or perform the duties of his employment hereunder during the Chairman Term 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 (any of the foregoing, as determined in accordance with the following sentence, shall be referred to herein as a "Disability"), the Company shall have the right (but not the obligation) to terminate Executive's employment hereunder by providing Executive with 30 days' prior written notice. Any determination of Disability shall be made in good faith by a physician, specializing in the disability in question, selected jointly by Executive and the Company (or if Executive and the Company cannot agree, by two physicians, one selected by the Company and one selected by Executive). If Executive's employment hereunder is so terminated by reason of Disability, Executive shall be entitled to receive (i) the Base Salary through the end of the month in which the Disability termination occurs, accrued PTO through the date of Disability termination and any earned but unpaid Annual Bonus, paid in a single lump sum within 30 days following the date of termination, and (ii) a pro-rata Annual Bonus (based upon target bonus and the days of employment in the calendar year of termination), to be paid in a single lump sum within 30 days following the termination date, less (iii) the aggregate amounts (if any) payable under any disability insurance policy provided by the Company that is then in effect. Executive shall be entitled to receive all applicable disability benefits in accordance with the terms of this Section 6.3 and of the Company's benefit programs and plans. Any unvested Equity Awards shall vest immediately (at target

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in the case of performance-based awards) upon Executive's Disability termination during the Chairman Term. Notwithstanding any other provision contained herein, all leaves, accommodations and payments made in connection with Executive's Disability shall be provided in a manner consistent with applicable federal and state law.

**6.4 Termination of Employment by the Company for Cause.** Nothing herein shall prevent the Company from terminating the Executive's employment, and the Company has and shall have the right (exercisable immediately on notice to Executive, subject to any right of Executive as may be specified herein, if any, to cure any action, inaction, event or other circumstance that otherwise constitutes Cause) to terminate Executive's employment, for Cause (as hereinafter defined). From and after the effective date of termination for Cause, Executive shall not receive any further benefits, any unearned Base Pay, and shall not be entitled to receive any further Annual Bonuses or Equity Awards, regardless of the performance of the Company. Any rights and benefits which Executive may have in respect of any other compensation or any employee benefit plans or programs of the Company shall be determined in accordance with the terms of such compensation arrangements or plans or programs or otherwise pursuant to applicable law. Any unvested Equity Awards shall be forfeited upon Executive's termination for Cause.

**Definition of Cause.** The term "Cause," as used herein, shall mean any of the following: (A) Executive's conviction of, or plea of guilty or nolo contendere to, any felony, including a felony traffic related offense or other offense that would materially affect Executive's ability to perform or the reputation of the Company; (B) Executive's engaging in illegal or willful misconduct, or engaging in misconduct that is having or may have an adverse effect on the financial performance, financial condition and/or reputation of the Company or any subsidiaries or affiliates thereof, including, but not limited to, a willful violation of Section 7 of this Agreement; (C) Executive's embezzlement of funds or misappropriation of other material property of the Company or any subsidiary or affiliate thereof; (D) Executive breaching this Agreement in a material manner, (E) Executive engaging in a material (critical or continuous) violation of the Company's written policies and procedures as outlined in the Company's Executive Handbook (or a successor Company's handbook) and applicable broadly to all employees; or (F) Executive's fraudulent conduct as regards the Company, which results either in personal enrichment to Executive or injury to the Company or its subsidiaries or affiliates. No Cause shall exist unless the Company has given Executive written notice describing the particular action(s) or inaction(s) giving rise to the termination for Cause. No action(s) or inaction(s) will constitute Cause unless (i) a resolution finding that Cause exists has been approved by a majority of all of the members of the Board at a meeting at which Executive is allowed to appear with his legal counsel and (ii) where remedial action is feasible if the grounds for "Cause" are (D) or (E) hereof, Executive fails to remedy the action(s) or inaction(s) within fifteen (15) days after receiving the notice. If Executive so effects a cure with respect to (D) or (E) to the satisfaction of the Board, the notice of Cause shall be deemed rescinded and of no force or effect.

## **7. CONFIDENTIAL INFORMATION; NONCOMPETITION AND NONSOLICITATION.**

### **7.1 Confidential Information.**

(i) Executive covenants and agrees that he will not at any time, either during the Chairman Term or thereafter, 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, in the business of and for the benefit of the Company, 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 by any administrative body or legislative body (including a committee thereof) with

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jurisdiction to order the Company 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 Executive, (y) becomes available to Executive 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 Executive on a non-confidential basis prior to its disclosure to Executive 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 Executive that any and all Confidential Information received by Executive during his Employment by the Company is deemed Confidential Information for purposes of this Agreement. Notwithstanding anything in this Section 7.1, Section 7.6 or in any other agreement to the contrary, Executive shall not be held liable under this Agreement or any other agreement or any federal or state trade secret law for making any confidential disclosure of a Company trade secret or other confidential information to a government official or an attorney for purposes of reporting a suspected violation of law or regulation, or in a court filing under seal.

(ii) In the event Executive's Employment is terminated hereunder for any reason, he immediately shall return to the Company all tangible Confidential Information (including any and all copies thereof) in his possession. Executive and the Company agree that the covenants in this Section 7.1 regarding Confidential Information are reasonable covenants under the circumstances and further agree that if, in the opinion of any court of competent jurisdiction, any such covenant is not reasonable or is unenforceable in any respect, such court shall have the right, power and authority to excise or modify such provision or provisions of such covenants as appear to the court not reasonable or unenforceable and to enforce the remainder of the covenant as so amended, and to that end the provisions of this Section 7.1 shall be deemed severable. Executive agrees that any breach of any covenant contained in this Section 7.1 would irreparably injure the Company. Accordingly, Executive agrees that the Company, in addition to pursuing any other remedies it may have in law or in equity, may obtain an injunction against Executive from any court having jurisdiction over the matter restraining any breach or threatened breach of this Section 7.1. The Company may claw back any post-employment payments paid or payable to Executive under the second sentence of Section 6.1 in the event that Executive breaches this Section 7.1.

**7.2 Noncompete.** As additional consideration for Executive's employment with the Company, the compensation paid and payable to Executive hereunder and to induce the Company to execute and deliver to Executive this Agreement, Executive agrees that during the Restricted Period (as defined in Section 7.5 below), without the prior written consent of the Board, Executive shall not be, nor shall he assist or enable any person or entity to become, a principal, manager, officer, director, agent, consultant or executive or management employee of, or 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 in any business activity competitive (directly or indirectly) with the Business of buying or servicing distressed consumer debt (the "**Business**"). Notwithstanding the foregoing, an entity will not be deemed to be competitive with the Business, and Executive will not be deemed to be engaged in the Business in violation of the terms of this Section 7.2, if (A) Executive 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 Executive relates solely to the Non-Competing Businesses, and (C) if requested by the Company, such entity and Executive provide the Company with reasonable assurances that Executive will have no direct or indirect involvement in the Business on behalf of such entity.

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**7.3      Nonsolicitation.** As additional consideration for Executive's employment with the Company, the compensation paid and payable to Executive hereunder and to induce the Company to execute and deliver to Executive this Agreement, Executive agrees that during the Restricted Period, without the prior written consent of the Company, Executive shall not, on his own behalf or on behalf of any person or entity (other than on behalf of the Company), directly or indirectly, (i) solicit the clients, employees, customers or suppliers of the Company or any of its affiliates or subsidiaries to terminate their relationship or modify such relationship in a manner that is adverse to the interests of the Company and its affiliates and subsidiaries 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 Executive'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.

**7.4      Treatment of Covenants.** Executive agrees that the covenants of non-competition and non-solicitation in Sections 7.2 and 7.3 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 Sections 7.2 and 7.3 shall be deemed severable. Executive agrees that any breach of the covenants contained in Sections 7.2 and 7.3 would irreparably injure the Company and its subsidiaries and affiliates. Accordingly, Executive agrees that the Company, in addition to pursuing any other remedies it may have in law or in equity, may obtain an injunction against Executive from any court having jurisdiction over the matter restraining any breach or threatened breach of Section 7.2 or 7.3. The Company may claw back any post-employment payments paid or payable to Executive under the second sentence of Section 6.1 in the event that Executive breaches Section 7.2 or Section 7.3.

**7.5      Restricted Period.** The provisions of Sections 7.2 through 7.4 shall be in effect for the duration of Executive's employment and shall survive the termination for any reason of Executive's Employment with the Company for a period of two years after the effective date of such termination (the "**Restricted Period**").

**7.6      Nondisparagement.** Executive agrees that he shall not disparage the Company (or any affiliate) or any director or officer of the Company in any way that materially and adversely affects the goodwill, reputation or business relationships of the Company or the affiliate or the director or officer with the public generally, or with any of the Company's or any of its affiliates' customers, vendors or employees. The Company shall instruct the members of the Board and its executive officers not to disparage Executive in any way that materially and adversely affects him or his reputation or business relationships

## **8.            INDEMNIFICATION .**

Executive shall be entitled at all times to the benefit of the maximum indemnification and advancement of expenses available from time to time under the laws of the State of Delaware, and such benefit shall not be less than that available to any other officer or director entitled to indemnification by the Company. Without limiting the foregoing, Executive shall also be entitled to the benefit of the following provisions:

**8.1      D&O Insurance.** Executive shall be covered under any directors' and officers' ("**D&O**") liability insurance policy then in effect for the directors and/or officers of the Company and/or any of its subsidiaries or affiliates; provided, the failure to have a D&O insurance policy in effect at all times shall not, alone, allow Executive to assert a claim for breach of this Agreement by the Company. The Company shall provide Executive a copy of any D&O liability insurance policy then in effect upon request

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**8.2**      **Scope of Indemnification.** In addition to any D&O insurance coverage provided for in Section 8.1 above, the Company and any of the Company's affiliates as to which Executive has at any time served as a director, officer, employee, agent or fiduciary (collectively, the "**Indemnitors**") shall jointly and severally hold harmless and indemnify Executive (and his heirs, executors and administrators) to the fullest extent permitted under applicable law against all reasonable expenses and liabilities incurred by him in connection with or arising out of any action, suit or proceeding (each, a "**Claim**") in which he may be involved by reason of him having served as a director, officer, employee, agent or fiduciary of any Indemnitor (whether or not he continues to serve as a director, officer, employee, agent or fiduciary thereof at the time such expenses or liabilities are uncured), or by reason of any such action or inaction on Executive's part while serving in any such capacity, such expenses and liabilities to include, but not necessarily be limited to, losses, damages, judgments, investigation costs, court costs, costs related to acting as a witness and attorneys' fees and the cost of settlements approved in advance by the Company.

**8.3**      **Selection of Counsel.** In the event the Indemnitors shall be obligated hereunder to provide Executive with any legal defense with respect to a Claim, the Indemnitors shall be entitled to assume the defense of such Claim with counsel of the Indemnitors' choosing, upon the delivery to Executive of written notice of their election to do so. After delivery of such notice and the retention of such counsel by the Indemnitors, the Indemnitors shall not be liable to Executive under this Agreement for any fees of counsel (or related costs and expenses) subsequently incurred by Executive with respect to the same Claim; provided that (i) Executive shall have the right to employ counsel in any such Claim at his sole expense; and (ii) if (A) the employment of counsel by Executive has been previously authorized in writing by the Indemnitors, (B) counsel for Executive shall have provided the Indemnitors with a written opinion that there is a conflict of interest between the Indemnitors and Executive in the conduct of any such defense or (C) the Indemnitors shall fail to retain (or discontinue the retention of) such counsel to defend such Claim, then the fees and expenses of Executive's counsel shall be at the expense of the Indemnitors.

**8.4**      **Nonexclusivity.** The indemnity rights set forth in this Section 8 shall be in addition to and not in limitation of any rights to which Executive may be entitled under any of the Indemnitors' charter documents, bylaws or agreements, any vote of stockholders or disinterested directors, and/or the laws of the various Indemnitors' jurisdictions of formation or incorporation.

**8.5**      **Survival.** The indemnification rights provided for in this Section 8 shall (i) remain in full force and effect after any termination of Executive's Employment and without regard to any investigation made by or on behalf of Executive or any agent or representative of Executive, and (ii) continue as to Executive for any action or inaction of Executive while serving as a director, officer, employee agent or fiduciary of any Indemnitor even though Executive may have ceased to serve in such capacity.

## **9. MISCELLANEOUS.**

**9.1**      **Limitation of Liability and Indemnity.** The limitation of liability and indemnity provisions of Section 8 of that certain Amended and Restated By-Laws of the Company and Article 9 of that certain Amended and Restated Certificate of Incorporation of the Company are a contractual benefit to Executive and are a material consideration for Executive's employment.

**9.2**      **Excise Tax.** In the event that Executive becomes entitled to any payments or benefits under this Agreement and any portion of such payments or benefits, when combined with any other payments or benefits provided to Executive (including, without limiting the generality of the foregoing, by reason of the exercise or vesting of any stock options or the receipt or vesting of any shares of stock of the Company), which in the absence of this Section 9(g) would be subject to the tax (the "**Excise Tax**") imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "**Code**"), then the amount payable to Executive

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under this Agreement shall, either (i) be reduced to the largest amount or greatest right such that none of the amounts payable to Executive under this Agreement and any other payments or benefits received or to be received by Executive as a result of, or in connection with, an event constituting a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company (within the meaning of Section 280G(b)(2)(A) of the Code) or the termination of employment shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code or (ii) be made in full, with Executive bearing full responsibility for any Excise Tax liability, whichever of (i) or (ii) provides Executive with a larger net after-tax amount. The Company shall cooperate in good faith with Executive in making such determination, including but not limited to providing Executive with an estimate of any parachute payments as soon as reasonably practicable prior to an event constituting a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company (within the meaning of Section 280G(b)(2)(A) of the Code). Any reduction pursuant to the immediately-preceding sentence shall be made in a manner compliant with Section 409A of the Internal Revenue Code

**9.3 Entire Agreement.** This Agreement contains the entire agreement between the parties hereto with respect to the matters contemplated herein and supersedes all prior agreements or understandings among the parties related to such matters. In case of any conflict between the provisions hereof and the provisions of any other agreement or understanding between the parties with respect to such matters (including, without limitation, the Company's Executive Handbook), the provisions of this Agreement shall be controlling.

**9.4 Notices.** All notices and other communications hereunder shall be in writing and shall be deemed to have been given if delivered personally or sent by facsimile transmission, overnight courier, or certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally or sent by facsimile transmission (provided that a confirmation copy is sent by overnight courier), one day after deposit with an overnight courier or, if mailed, five days after the date of deposit in the United States mails, as follows (or to another address specified in writing by the recipient prior to the sending of such notice or communication

To the Company:

PRA Group, Inc.  
150 Corporate Boulevard  
Norfolk, VA 23502  
Attn: General Counsel  
Fax: (757) 321-2518

To Executive:

Steven D. Fredrickson

with copy to:

Katherine Blostein  
Outten & Golden LLP  
685 Third Avenue  
New York, NY 10017

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**9.5      Successors; Binding Effect.** Except as otherwise provided herein, this Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns and Executive. "Successors and assigns" shall mean, in the case of the Company, any parent, subsidiary or affiliate of the Company or any successor to the Company pursuant to a merger, consolidation, sale or other transfer of all or substantially all of the assets or equity of the Company, provided that, should the Company assign or transfer this Agreement, the Company will require any successor to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such assignment or transfer had taken place.

**9.6      No Assignment.** Except as contemplated by Section 9.5 above, this agreement shall not be assignable or otherwise transferable by either party

**9.7      Withholding.** All payments hereunder shall be subject to any required withholding of federal, state and local taxes pursuant to any applicable law or regulation.

**9.8      Amendment or Modification; Waiver.** No provision of this Agreement may be amended or waived unless such amendment or waiver is authorized by the Board of Directors of the Company and is agreed to in writing, signed by Executive and by a duly authorized officer of the Company (other than Executive). Except as otherwise specifically provided in this Agreement, no waiver by either party hereto of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar provision or condition at the same or at any prior or subsequent time.

**9.9      Fees and Expenses.** Either party may institute an action or proceeding to enforce the rights the party may have under this Agreement, to obtain a declaration of a party's rights or obligations hereunder, to set aside any provision hereof, for damages by reason of any alleged breach of any provision of this Agreement, or for any other judicial remedy. The court or arbitrator (if applicable) shall have the authority to require the losing party in any such action or proceeding to reimburse the prevailing party for of all of its reasonable costs and expenses incurred in connection therewith, including, but not limited to, reasonable attorneys' fees and disbursements.

**9.10      Arbitration.** In the event of any dispute arising out of or relating to this Agreement or Executive's employment with the Company, the parties agree first to engage in prompt and serious good faith discussions to resolve the dispute. If such discussions fail to resolve the dispute within 30 days, the parties shall try to resolve the dispute through mediation. If such mediation fails to resolve the dispute, Executive and the Company agree that any and all disputes, claims or controversies arising out of or related to this Agreement, including any claims under any statute or regulation ("**Disputes**"), shall be submitted for binding arbitration; provided that any action by the Company to enforce Section 7 may be brought in a court of appropriate jurisdiction. Unless the parties agree otherwise, any mediation and/or arbitration shall take place in Norfolk, Virginia, and shall be administered by, and pursuant to the rules of, the American Arbitration Association. The Company agrees to pay any costs of the mediation and arbitration including the fees of the mediator and arbitrator(s) (but not, for the avoidance of doubt, any other expenses except as provided in the last sentence of Section 9.9).

**9.11      Governing Law.** The validity, interpretation, construction, performance and enforcement of this Agreement shall be governed by the laws of the Commonwealth of Virginia, without regard to its conflicts of law rules.

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**9.12 Employment Agreements.** As of the Chairman Date, the Employment Agreement shall be null and void and neither Executive nor the Company shall have any rights or obligations thereunder other than pursuant to sections 5 and 13 thereof with respect to events occurring prior to the Chairman Date.

**9.13 Titles.** Titles to the Sections in this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the title of any Section.

**9.14 Counterparts.** This Agreement may be executed in one or more counterparts, which together shall constitute one agreement. It shall not be necessary for each party to sign each counterpart so long as each party has signed at least one counterpart.

**9.15 Severability.** Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms and provisions of this Agreement in any other jurisdiction.

**9.16 Section 409A.** Any benefit, payment or other right provided for under this Agreement shall be provided or made in such manner, at such time, in such form and subject to such election procedures (if any) as complies with the applicable requirements of Section 409A of the Code and the regulations and other authority promulgated pursuant to Section 409A of the Code to avoid a failure described in Code Section 409A(a)(1), including, without limitation, deferring payment until the occurrence of a specified payment event described in Code Section 409A(a)(2). Accordingly, notwithstanding any other provision hereof or document pertaining hereto, (x) this Agreement shall be so construed and interpreted to meet all applicable requirements of Code Section 409A, and (y) without limiting the generality of the foregoing, but more specifically:

(i) All references to a termination of employment and separation from service shall mean and be administered to comply with the definition of “separation from service” in Code Section 409A.

(ii) If Executive is a “specified employee” (as defined under Code Section 409A) at the time of separation from service, then to the extent that any amount payable under this Agreement constitutes “deferred compensation” under Code Section 409A (and is not otherwise excepted from Code Section 409A coverage, whether by virtue of being considered “separation pay” or a “short term deferral” or otherwise) and is payable to Executive based upon a separation from service (other than death or “disability” as defined under Code Section 409A), such amount shall not be paid until the first to occur of (i) the first day following the six-month anniversary of Executive’s separation from service, or (ii) Executive’s death; except (A) to the extent of amounts that do not constitute a deferral of compensation within the meaning of Treasury regulation Section 1.409A-1(b) (including without limitation by reason of the safe harbor set forth in Treasury regulation Section 1.409A-1(b)(9)(iii), as determined by the Company in its reasonable good faith discretion); (B) benefits which qualify as excepted welfare benefits pursuant to Treasury regulation Section 1.409A-1(a)(5); or (C) other amounts or benefits that are not subject to the requirements of Code Section 409A.

(iii) All expense reimbursements provided for under this Agreement shall comply with Code Section 409A and shall be subject to the following requirements: (i) the amount of expenses eligible for reimbursement during Executive’s taxable year may not affect the expenses eligible for reimbursement to be provided in another taxable year; (ii) the reimbursement of any eligible expense must be effected by December 31 following the taxable year in which the expense was incurred; and (iii) the right to reimbursement is not subject to liquidation or exchange for another benefit.

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(iv) Any right to a series of installment payments shall be treated as a right to a series of separate payments for purposes of Code Section 409A.

*[Signature page follows.]*

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above.

PRA GROUP, INC.

/s/ Christopher D. Lagow

Name: Christopher D. Lagow

Title: SVP, General Counsel and Assistant Secretary

/s/ Steven D. Fredrickson

Steven D. Fredrickson

Exhibit 31.1

I, Steven D. Fredrickson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PRA Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 9, 2017

By: /s/ Steven D. Fredrickson

Steven D. Fredrickson

Chairman of the Board of Directors, 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.

May 9, 2017

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

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of PRA Group, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven D. Fredrickson, Chairman of the Board of Directors, and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

May 9, 2017

By: /s/ Steven D. Fredrickson  
Steven D. Fredrickson  
Chairman of the Board of Directors, and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of PRA Group, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter M. Graham, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

May 9, 2017

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

