



October 30, 2012

## Portfolio Recovery Associates Reports Third Quarter 2012 Results

NORFOLK, Va., Oct. 30, 2012 (GLOBE NEWSWIRE) -- Portfolio Recovery Associates, Inc. (Nasdaq:PRAA), a specialized financial and business services company, today reported its third quarter 2012 results.

### *Third Quarter Highlights*

- Cash collections of \$229 million, up 26% from the third quarter of 2011.
- Revenue of \$151 million, up 32% from the year-earlier quarter.
- Net income of \$33 million, an increase of 31% over the third quarter of 2011.
- Diluted EPS of \$1.96, compared with \$1.48 in the third quarter of 2011.
- Annualized return on average equity of 20.3%.

"As the US economy slowly recovers, more and more consumers are paying down their debt, resulting in strong, year-over-year growth in cash collections, as well as record revenue and net income for PRA," said Steve Fredrickson, chairman, president and chief executive officer. "Our business model of diversified purchases and cash collections from both bankrupt and non-bankrupt portfolios of debt, combined with domestic-led call centers and fees earned from our business services, continued to drive our record results."

### FINANCIAL AND OPERATING REVIEW — THIRD QUARTER 2012

#### Revenues

- Revenues were \$150.5 million for the quarter, up 32% from a year ago. This was driven by cash receipts of \$243.8 million, up 26% from \$193.6 million in Q3 2011. PRA defines cash receipts as the total of cash collections and fee income.

#### *Finance Receivables Income and Cash Collections*

- Finance receivables income, driven by cash collections from finance receivables, increased 32% to \$135.8 million in Q3 2012 from \$102.9 million in the year-ago period. Cash collections from finance receivables advanced 26% over Q3 2011, led by increases in Core portfolio legal collections as well as collections on bankruptcy portfolios. Core portfolio legal collections increased 50% in Q3 2012 from a year ago, due in part to the company's expanded focus on collections from those who can, but won't, pay back their debt. Bankruptcy portfolio collections increased 22%.

| <u>Cash Collection Source (\$ in thousands)</u> | <u>Q32012</u>     | <u>Q22012</u>     | <u>Q12012</u>     | <u>Q42011</u>     | <u>Q32011</u>     |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Call Center & Other Collections                 | \$ 72,394         | \$ 73,582         | \$ 79,805         | \$ 61,227         | \$ 63,967         |
| External Legal Collections                      | 39,913            | 41,464            | 34,852            | 26,316            | 27,245            |
| Internal Legal Collections                      | 25,650            | 25,361            | 23,345            | 17,615            | 16,444            |
| Purchased Bankruptcy Collections                | 91,095            | 92,018            | 79,994            | 75,166            | 74,512            |
| Total Cash Collections                          | <u>\$ 229,052</u> | <u>\$ 232,425</u> | <u>\$ 217,996</u> | <u>\$ 180,324</u> | <u>\$ 182,168</u> |

- In Q3 2012, principal amortization of finance receivables as a percentage of cash collections was 40.7%, compared with 43.5% in the year-earlier quarter. Principal amortization includes net allowance charges of \$1.6 million against certain pools of finance receivables accounts recorded in the quarter, compared with \$0.7 million recorded in Q3 2011.

#### *Fee Income*

- PRA's businesses services companies generated Q3 2012 fee income of \$14.8 million, compared with \$11.4 million in the same period a year ago. This increase was due primarily to income generated from our UK business acquired in

January 2012. Together, the fee-based businesses accounted for 10% of PRA's total revenues this quarter and in Q3 2011.

### **Operating Expenses and Income**

- Q3 2012 operating expenses were \$93.5 million, up \$23.0 million or 33% from the year-earlier quarter. The increase was due in large part to costs associated with business growth, including an \$8.8 million increase in legal costs and fees related to PRA's expanded focus on legal collections, and the inclusion of the operating expenses of PRA's U.K. business acquired in January 2012.
- Q3 2012 operating income was \$57.1 million, compared with \$43.8 million in Q3 2011, an increase of 30%. The operating margin decreased slightly from 38.4% in the year-earlier quarter to 37.9% in the recently completed quarter.

### **Balance Sheet**

- PRA purchased \$1.0 billion of domestic portfolio face-value finance receivables in Q3 2012 for \$94.0 million. These receivables were acquired in 95 defaulted portfolios from 12 different sellers.
- Cash balances were \$31.5 million as of September 30, 2012.
- As of September 30, 2012, the balance on PRA's line of credit was \$250 million, with remaining borrowing availability, subject to normal borrowing and collateral provisions, under the line of \$214.5 million.

### **Conference Call Information**

The company will hold a conference call today with investors at 5:30 p.m. ET to discuss its Q3 2012 results. Investors may access the call by dialing 888-695-7639 in the U.S. or 970-315-0482 outside the U.S. The conference ID is 38849567. A replay will be available approximately one hour after the call ends and will remain available until November 6, 2012. Investors may access the replay of the call by dialing 855-859-2056 in the U.S. or 404-537-3406 outside the U.S. To access the replay, use the conference ID 38849567. Investors also may listen to the conference call via webcast, both live and archived at <http://ir.PortfolioRecovery.com/events.cfm>.

### **About Portfolio Recovery Associates**

Portfolio Recovery Associates, Inc. (PRA) is a specialized financial and business services company. A market leader in the consumer debt purchase and collection industry, PRA has a longstanding culture of compliance, engaging collaboratively with its customers to create realistic, affordable repayment plans. The company provides a broad range of business services to local government, auto lenders, law enforcement, institutional investors, manufacturers and retailers, and U.K. banks and creditors. PRA was recognized as one of *Fortune's* 100 Fastest Growing Companies in 2012. The company also was named one of *Forbes' Top 25 Best Small Companies in America* in 2012, and has been annually ranked as one of *Forbes' 100 Best Small Companies* since 2007. For more information, please visit [www.PortfolioRecovery.com](http://www.PortfolioRecovery.com).

The Portfolio Recovery Associates logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=13727>

### **About Forward-Looking Statements**

Statements herein which are not historical, including Portfolio Recovery Associates' or management's intentions, hopes, beliefs, expectations, representations, projections, plans or predictions of the future, including future revenue and earnings growth, statements with respect to future contributions of its subsidiaries to earnings and future portfolio-purchase opportunities, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include references to Portfolio Recovery Associates' presentations and web casts. The forward-looking statements in this press release are based upon management's beliefs, assumptions and expectations of the Company's future operations and economic performance, taking into account currently available information. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties, some of which are not currently known to us. Actual events or results may differ from those expressed or implied in any such forward-looking statements as a result of various factors, including the risk factors and other risks that are described from time to time in the Company's filings with the Securities and Exchange Commission including but not limited to its annual reports on Form 10-K, its quarterly reports on Form 10-Q and its current reports on Form 8-K, filed with the Securities and Exchange Commission and available through the Company's website, which contain a more detailed discussion of the Company's business, including risks and uncertainties that may affect future results. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. Information in this press release may be superseded by more recent information or statements, which may be disclosed in later press releases, subsequent filings with the Securities and Exchange Commission or otherwise. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or to reflect any change in events, conditions or circumstances on which any such forward-looking statements are based, in whole or in part.

**Portfolio Recovery Associates, Inc.**  
**Unaudited Consolidated Income Statements**  
(in thousands, except per share amounts)

|   | <b>Three Months<br/>Ended<br/>September<br/>30,<br/>2012</b> | <b>Three Months<br/>Ended<br/>September<br/>30,<br/>2011</b> | <b>Nine Months<br/>Ended<br/>September<br/>30,<br/>2012</b> | <b>Nine Months<br/>Ended<br/>September<br/>30,<br/>2011</b> |
|---|--|--|---|---|
| Revenues:   |  |  |   |   |
| Income recognized on finance receivables, net                                       | \$ 135,754   | \$ 102,875   | \$ 392,566  | \$ 299,152  |
| Fee income  | <u>14,765</u>  | <u>11,401</u>  | <u>45,983</u>   | <u>41,696</u>   |
| <br>Total revenues  | <br>150,519  | <br>114,276  | <br>438,549   | <br>340,848   |
| Operating expenses:   |  |  |   |   |
| Compensation and employee services  | 41,334   | 33,475   | 123,508   | 102,443   |
| Legal collection fees   | 8,635  | 5,962  | 25,241  | 17,681  |
| Legal collection costs  | 15,810   | 9,731  | 57,705  | 28,949  |
| Agent fees  | 1,545  | 1,643  | 4,495   | 6,005   |
| Outside fees and services   | 10,131   | 6,222  | 21,575  | 13,702  |
| Communications  | 6,777  | 5,865  | 22,037  | 17,884  |
| Rent and occupancy  | 1,786  | 1,517  | 5,053   | 4,353   |
| Depreciation and amortization   | 3,623  | 3,223  | 10,833  | 9,755   |
| Other operating expenses  | <u>3,820</u>   | <u>2,808</u>   | <u>12,027</u>   | <u>9,161</u>  |
| <br>Total operating expenses  | <br>93,461   | <br>70,446   | <br>282,474   | <br>209,933   |
| <br>Gain on sale of property  | <br><u>--</u>  | <br><u>--</u>  | <br><u>--</u>   | <br><u>1,157</u>  |
| <br>Income from operations  | <br>57,058   | <br>43,830   | <br>156,075   | <br>132,072   |
| Other income and (expense):   |  |  |   |   |
| Interest income   | --   | 7  | 8   | 7   |
| Interest expense  | <u>(2,189)</u>   | <u>(2,555)</u>   | <u>(7,223)</u>  | <u>(8,057)</u>  |
| <br>Income before income taxes  | <br>54,869   | <br>41,282   | <br>148,860   | <br>124,022   |
| <br>Provision for income taxes  | <br><u>21,742</u>  | <br><u>16,089</u>  | <br><u>58,493</u>   | <br><u>49,544</u>   |
| <br>Net income  | <br>\$ 33,127  | <br>\$ 25,193  | <br>\$ 90,367   | <br>\$ 74,478   |
| <br>Adjustment for (loss)/income attributable to redeemable noncontrolling interest | <br><u>(187)</u>   | <br><u>(313)</u>   | <br><u>(424)</u>  | <br><u>277</u>  |
| <br>Net income attributable to Portfolio Recovery Associates, Inc.                  | <br><u>\$ 33,314</u>   | <br><u>\$ 25,506</u>   | <br><u>\$ 90,791</u>  | <br><u>\$ 74,201</u>  |

Net income per common share attributable to Portfolio Recovery Associates, Inc.:

|         |         |         |         |         |
|---------|---------|---------|---------|---------|
| Basic   | \$ 1.97 | \$ 1.49 | \$ 5.33 | \$ 4.34 |
| Diluted | \$ 1.96 | \$ 1.48 | \$ 5.30 | \$ 4.31 |

Weighted average number of shares outstanding:

|         |        |        |        |        |
|---------|--------|--------|--------|--------|
| Basic   | 16,881 | 17,117 | 17,034 | 17,106 |
| Diluted | 17,022 | 17,228 | 17,140 | 17,218 |

**Portfolio Recovery Associates, Inc.**  
**Unaudited Condensed Consolidated Balance Sheets**  
(in thousands, except per share amounts)

|   | <b>September<br/>30,<br/>2012</b> | <b>December<br/>31,<br/>2011</b> |
|---|-----------------------------------|----------------------------------|
| <b>ASSETS</b>   |                                   |                                  |
| Cash and cash equivalents   | \$ 31,488                         | \$ 26,697                        |
| Finance receivables, net  | 973,594                           | 926,734                          |
| Accounts receivable, net  | 8,417                             | 7,862                            |
| Property and equipment, net   | 25,506                            | 25,727                           |
| Goodwill  | 100,456                           | 61,678                           |
| Intangible assets, net  | 21,167                            | 14,596                           |
| Other assets  | 9,070                             | 7,829                            |
|   | <u>\$ 1,169,698</u>               | <u>\$ 1,071,123</u>              |
| <b>LIABILITIES AND EQUITY</b>   |                                   |                                  |
| Liabilities:  |                                   |                                  |
| Accounts payable and accrued liabilities  | \$ 42,031                         | \$ 42,660                        |
| Net deferred tax liability  | 186,506                           | 193,898                          |
| Line of credit  | 250,000                           | 220,000                          |
| Long-term debt  | 674                               | 1,246                            |
|   | <u>479,211</u>                    | <u>457,804</u>                   |
| Redeemable noncontrolling Interest  | 19,998                            | 17,831                           |
| Stockholders' equity:   |                                   |                                  |
| Preferred stock, par value \$0.01, authorized shares, 2,000, issued and outstanding shares - 0  | --                                | --                               |
| Common stock, par value \$0.01, 60,000 authorized shares, 16,881 issued and outstanding shares at September 30, 2012, and 17,134 issued and outstanding shares at December 31, 2011 | 169                               | 171                              |
| Additional paid-in capital  | 149,818                           | 167,719                          |
| Retained earnings   | 518,389                           | 427,598                          |
| Accumulated other comprehensive income  | 2,113                             | --                               |
| Total stockholders' equity  | <u>670,489</u>                    | <u>595,488</u>                   |
|   | <u>\$ 1,169,698</u>               | <u>\$ 1,071,123</u>              |

**Unaudited Condensed Consolidated Statements of Cash Flows**  
(in thousands)

|   | Nine Months<br>Ended<br>September 30,<br>2012 | Nine Months<br>Ended<br>September 30,<br>2011 |
|---|---|---|
| Cash flows from operating activities:   |   |   |
| Net income  | \$ 90,367                                     | \$ 74,478                                     |
| Adjustments to reconcile net income to net cash provided by operating activities: |   |   |
| Amortization of share-based compensation  | 8,361   | 6,110   |
| Depreciation and amortization   | 10,833  | 9,755   |
| Deferred tax (benefit)/expense  | (7,377)                                       | 27,327  |
| Gain on sale of property  | --  | (1,157)                                       |
| Changes in operating assets and liabilities:                                      |   |   |
| Other assets  | (353)   | (953)   |
| Accounts receivable   | 1,579   | 2,470   |
| Accounts payable and accrued liabilities  | <u>(9,748)</u>                                | <u>5,141</u>                                  |
| Net cash provided by operating activities   | <u>93,662</u>                                 | <u>123,171</u>                                |
| Cash flows from investing activities:   |   |   |
| Purchases of property and equipment   | (5,362)                                       | (4,851)                                       |
| Proceeds from sale of property  | --  | 1,267   |
| Acquisition of finance receivables, net of buybacks                               | (329,444)                                     | (314,162)                                     |
| Collections applied to principal on finance receivables                           | 286,907                                       | 226,014                                       |
| Business acquisitions, net of cash acquired                                       | <u>(48,653)</u>                               | <u>--</u>                                     |
| Net cash used in investing activities   | <u>(96,552)</u>                               | <u>(91,732)</u>                               |
| Cash flows from financing activities:   |   |   |
| Proceeds from exercise of options   | --  | 150   |
| Income tax benefit from share-based compensation                                  | 1,484   | 503   |
| Proceeds from line of credit  | 160,000                                       | 27,000  |
| Principal payments on line of credit  | (130,000)                                     | (67,000)                                      |
| Repurchases of common stock   | (22,726)                                      | --  |
| Distributions paid to noncontrolling interest                                     | --  | (2,308)                                       |
| Principal payments on long-term debt  | <u>(572)</u>                                  | <u>(843)</u>                                  |
| Net cash provided by/(used in) financing activities                               | <u>8,186</u>                                  | <u>(42,498)</u>                               |
| Effect of exchange rate on cash   | (505)   | --  |
| Net increase/(decrease) in cash and cash equivalents                              | 4,791   | (11,059)                                      |
| Cash and cash equivalents, beginning of year                                      | <u>26,697</u>                                 | <u>41,094</u>                                 |
| Cash and cash equivalents, end of period  | <u>\$ 31,488</u>                              | <u>\$ 30,035</u>                              |

Supplemental disclosure of cash flow information:

|                            |          |          |
|----------------------------|----------|----------|
| Cash paid for interest     | \$ 7,577 | \$ 7,771 |
| Cash paid for income taxes | 71,521   | 19,058   |

Noncash investing and financing activities:

|  |            |            |
|--|------------|------------|
| Adjustment of the noncontrolling interest measurement amount | \$ (2,852) | \$ (3,175) |
| Distributions payable relating to noncontrolling interest    | 261        | --         |
| Employee stock relinquished for payment of taxes             | (2,170)    | --         |

**FINANCIAL HIGHLIGHTS**

|  | Three Months Ended |            |        | Nine Months Ended |            |        |
|--|--------------------|------------|--------|-------------------|------------|--------|
|  | September 30,      |            | %      | September 30,     |            | %      |
|  | 2012               | 2011       | Change | 2012              | 2011       | Change |
| <b><u>EARNINGS (in thousands)</u></b>                          |                    |            |        |                   |            |        |
| Income recognized on finance receivables, net                  | \$ 135,754         | \$ 102,875 | 32%    | \$ 392,566        | \$ 299,152 | 31%    |
| Fee income   | 14,765             | 11,401     | 30%    | 45,983            | 41,696     | 10%    |
| Total revenues   | 150,519            | 114,276    | 32%    | 438,549           | 340,848    | 29%    |
| Operating expenses   | 93,461             | 70,446     | 33%    | 282,474           | 209,933    | 35%    |
| Income from operations   | 57,058             | 43,830     | 30%    | 156,075           | 132,072    | 18%    |
| Net interest expense   | 2,189              | 2,548      | -14%   | 7,215             | 8,050      | -10%   |
| Net income   | 33,127             | 25,193     | 31%    | 90,367            | 74,478     | 21%    |
| Net income attributable to Portfolio Recovery Associates, Inc. | 33,314             | 25,506     | 31%    | 90,791            | 74,201     | 22%    |

**PERIOD-END BALANCES (in thousands)**

|                                     |           |           |     |           |           |     |
|-------------------------------------|-----------|-----------|-----|-----------|-----------|-----|
| Cash and cash equivalents           | \$ 31,488 | \$ 30,035 | 5%  | \$ 31,488 | \$ 30,035 | 5%  |
| Finance receivables, net            | 973,594   | 919,478   | 6%  | 973,594   | 919,478   | 6%  |
| Goodwill and intangible assets, net | 121,623   | 76,426    | 59% | 121,623   | 76,426    | 59% |
| Total assets                        | 1,169,698 | 1,064,104 | 10% | 1,169,698 | 1,064,104 | 10% |
| Line of credit                      | 250,000   | 260,000   | -4% | 250,000   | 260,000   | -4% |
| Total liabilities                   | 479,211   | 478,915   | 0%  | 479,211   | 478,915   | 0%  |
| Total equity                        | 670,489   | 568,305   | 18% | 670,489   | 568,305   | 18% |

**FINANCE RECEIVABLE COLLECTIONS (dollars in thousands)**

|   |            |            |     |            |            |     |
|---|------------|------------|-----|------------|------------|-----|
| Cash collections  | \$ 229,053 | \$ 182,168 | 26% | \$ 679,473 | \$ 525,166 | 29% |
| Principal amortization without allowance charges                      | 91,736     | 78,552     | 17% | 282,646    | 218,950    | 29% |
| Principal amortization with allowance charges                         | 93,299     | 79,293     | 18% | 286,907    | 226,014    | 27% |
| Principal amortization w/ allowance charges as % of cash collections: |            |            |     |            |            |     |
| Including fully amortized pools                                       | 40.7%      | 43.5%      | -6% | 42.2%      | 43.0%      | -2% |
| Excluding fully amortized pools                                       | 42.0%      | 45.7%      | -8% | 43.7%      | 45.6%      | -4% |

**ALLOWANCE FOR FINANCE RECEIVABLES (dollars in thousands)**

|  |           |           |      |           |           |      |
|--|-----------|-----------|------|-----------|-----------|------|
| Balance at period-end                                  | \$ 90,832 | \$ 83,471 | 9%   | \$ 90,832 | \$ 83,471 | 9%   |
| Allowance charge                                       | 1,563     | 741       | 111% | 4,261     | 7,064     | -40% |
| Allowance charge to period-end net finance receivables | 0.16%     | 0.08%     | 99%  | 0.44%     | 0.77%     | -43% |
| Allowance charge to net finance receivable income      | 1.15%     | 0.72%     | 60%  | 1.09%     | 2.36%     | -54% |
| Allowance charge to cash collections                   | 0.68%     | 0.41%     | 68%  | 0.63%     | 1.35%     | -53% |

**PURCHASES OF FINANCE RECEIVABLES (1) (dollars in thousands)**

|                       |           |           |      |            |            |      |
|-----------------------|-----------|-----------|------|------------|------------|------|
| Purchase price - core | \$ 52,703 | \$ 57,240 | -8%  | \$ 174,319 | \$ 170,857 | 2%   |
| Face value - core     | 674,135   | 5,027,874 | -87% | 2,679,734  | 7,071,530  | -62% |

|                              |           |           |      |           |           |      |
|------------------------------|-----------|-----------|------|-----------|-----------|------|
| Purchase price - bankruptcy  | 41,277    | 64,848    | -36% | 151,629   | 148,659   | 2%   |
| Face value - bankruptcy      | 341,359   | 654,508   | -48% | 1,158,050 | 1,515,501 | -24% |
| Purchase price - total       | 93,980    | 122,088   | -23% | 325,948   | 319,516   | 2%   |
| Face value - total           | 1,015,494 | 5,682,382 | -82% | 3,837,784 | 8,587,031 | -55% |
| Number of portfolios - total | 95        | 95        | 0%   | 282       | 250       | 13%  |

**ESTIMATED REMAINING COLLECTIONS (1) (in thousands)**

|  |              |              |     |              |              |     |
|--|--------------|--------------|-----|--------------|--------------|-----|
| Estimated remaining collections - core       | \$ 1,323,134 | \$ 1,154,406 | 15% | \$ 1,323,134 | \$ 1,154,406 | 15% |
| Estimated remaining collections - bankruptcy | 791,018      | 770,886      | 3%  | 791,018      | 770,886      | 3%  |
| Estimated remaining collections - total      | 2,114,152    | 1,925,292    | 10% | 2,114,152    | 1,925,292    | 10% |

**SHARE DATA (share amounts in thousands)**

|   |           |          |      |           |          |      |
|---|-----------|----------|------|-----------|----------|------|
| Net income per common share - diluted                                   | \$ 1.96   | \$ 1.48  | 32%  | \$ 5.30   | \$ 4.31  | 23%  |
| Weighted average number of shares outstanding - diluted                 | 17,022    | 17,228   | -1%  | 17,140    | 17,218   | 0%   |
| Shares repurchased  | --        | --       | 100% | 331,449   | --       | 100% |
| Average price paid per share repurchased (including acquisitions costs) | \$ --     | --       | 100% | \$ 68.56  | --       | 100% |
| Closing market price  | \$ 104.43 | \$ 62.22 | 68%  | \$ 104.43 | \$ 62.22 | 68%  |

**RATIOS AND OTHER DATA (dollars in thousands)**

|   |            |            |      |            |            |      |
|---|------------|------------|------|------------|------------|------|
| Return on average equity (2)                  | 20.29%     | 18.27%     | 11%  | 19.15%     | 18.57%     | 3%   |
| Return on revenue (3)                         | 22.01%     | 22.05%     | 0%   | 20.61%     | 21.85%     | -6%  |
| Operating margin (4)                          | 37.91%     | 38.35%     | -1%  | 35.59%     | 38.75%     | -8%  |
| Operating expense to cash receipts (5)        | 38.33%     | 36.39%     | 5%   | 38.94%     | 37.03%     | 5%   |
| Debt to equity (6)                            | 37.39%     | 46.02%     | -19% | 37.39%     | 46.02%     | -19% |
| Number of collectors                          | 1,992      | 1,520      | 31%  | 1,992      | 1,520      | 31%  |
| Number of employees                           | 3,103      | 2,504      | 24%  | 3,103      | 2,504      | 24%  |
| Cash receipts (5)                             | \$ 243,818 | \$ 193,569 | 26%  | \$ 725,456 | \$ 566,862 | 28%  |
| Line of credit - unused portion at period end | 214,450    | 147,500    | 45%  | 214,450    | 147,500    | 45%  |

(1) Domestic portfolio only

(2) Calculated as annualized net income divided by average equity for the period

(3) Calculated as net income divided by total revenues

(4) Calculated as income from operations divided by total revenues

(5) "Cash receipts" is defined as cash collections plus fee income

(6) For purposes of this ratio, "debt" equals the line of credit balance plus long-term debt

**FINANCIAL HIGHLIGHTS**

**For the Quarter Ended**

|  | September 30 | June 30    | March 31   | December 31 | September 30 |
|--|--------------|------------|------------|-------------|--------------|
|  | 2012         | 2012       | 2012       | 2011        | 2011         |
| <b>EARNINGS (in thousands)</b>                                 |              |            |            |             |              |
| Income recognized on finance receivables, net                  | \$ 135,754   | \$ 132,587 | \$ 124,226 | \$ 102,743  | \$ 102,875   |
| Fee income   | 14,765       | 15,298     | 15,920     | 15,344      | 11,401       |
| Total revenues   | 150,519      | 147,885    | 140,146    | 118,087     | 114,276      |
| Operating expenses   | 93,461       | 93,289     | 95,725     | 72,134      | 70,446       |
| Income from operations   | 57,058       | 54,596     | 44,421     | 45,953      | 43,830       |
| Net interest expense   | 2,189        | 2,374      | 2,652      | 2,512       | 2,548        |
| Net income   | 33,127       | 32,051     | 25,189     | 26,666      | 25,193       |
| Net income attributable to Portfolio Recovery Associates, Inc. | 33,314       | 32,015     | 25,462     | 26,590      | 25,506       |

**PERIOD-END BALANCES (in thousands)**

|                                     |           |           |           |           |           |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Cash and cash equivalents           | \$ 31,488 | \$ 42,621 | \$ 28,068 | \$ 26,697 | \$ 30,035 |
| Finance receivables, net            | 973,594   | 966,508   | 945,242   | 926,734   | 919,478   |
| Goodwill and intangible assets, net | 121,623   | 121,748   | 124,659   | 76,274    | 76,426    |
| Total assets                        | 1,169,698 | 1,173,738 | 1,142,026 | 1,071,123 | 1,064,104 |
| Line of credit                      | 250,000   | 292,000   | 265,000   | 220,000   | 260,000   |
| Total liabilities                   | 479,211   | 520,911   | 502,531   | 457,804   | 478,915   |
| Total equity                        | 670,489   | 633,446   | 620,712   | 595,488   | 568,305   |

**FINANCE RECEIVABLE COLLECTIONS (dollars in thousands)**

|   |            |            |            |            |            |
|---|------------|------------|------------|------------|------------|
| Cash collections  | \$ 229,053 | \$ 232,425 | \$ 217,996 | \$ 180,324 | \$ 182,168 |
| Principal amortization without allowance charges                      | 91,736     | 97,634     | 93,276     | 74,481     | 78,552     |
| Principal amortization with allowance charges                         | 93,299     | 99,838     | 93,770     | 77,581     | 79,293     |
| Principal amortization w/ allowance charges as % of cash collections: |            |            |            |            |            |
| Including fully amortized pools                                       | 40.7%      | 43.0%      | 43.0%      | 43.0%      | 43.5%      |
| Excluding fully amortized pools                                       | 42.0%      | 44.4%      | 44.8%      | 44.9%      | 45.7%      |

**ALLOWANCE FOR FINANCE RECEIVABLES (dollars in thousands)**

|  |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|
| Balance at period-end                                  | \$ 90,832 | \$ 89,269 | \$ 87,065 | \$ 86,571 | \$ 83,471 |
| Allowance charge                                       | 1,563     | 2,204     | 494       | 3,100     | 741       |
| Allowance charge to period-end net finance receivables | 0.16%     | 0.23%     | 0.05%     | 0.33%     | 0.08%     |
| Allowance charge to net finance receivable income      | 1.15%     | 1.66%     | 0.40%     | 3.02%     | 0.72%     |
| Allowance charge to cash collections                   | 0.68%     | 0.95%     | 0.23%     | 1.72%     | 0.41%     |

**PURCHASES OF FINANCE RECEIVABLES (1) (dollars in thousands)**

|                              |           |           |           |           |           |
|------------------------------|-----------|-----------|-----------|-----------|-----------|
| Purchase price - core        | \$ 52,703 | \$ 69,512 | \$ 52,104 | \$ 42,532 | \$ 57,240 |
| Face value - core            | 674,135   | 1,033,331 | 972,268   | 829,232   | 5,027,874 |
| Purchase price - bankruptcy  | 41,277    | 53,460    | 56,892    | 46,360    | 64,848    |
| Face value - bankruptcy      | 341,359   | 448,244   | 368,447   | 376,094   | 654,508   |
| Purchase price - total       | 93,980    | 122,972   | 108,996   | 88,892    | 122,088   |
| Face value - total           | 1,015,494 | 1,481,575 | 1,340,715 | 1,205,326 | 5,682,382 |
| Number of portfolios - total | 95        | 105       | 82        | 83        | 95        |

**ESTIMATED REMAINING COLLECTIONS (1) (in thousands)**

|  |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|
| Estimated remaining collections - core       | \$ 1,323,134 | \$ 1,305,641 | \$ 1,226,292 | \$ 1,159,086 | \$ 1,154,406 |
| Estimated remaining collections - bankruptcy | 791,018      | 802,353      | 796,161      | 794,262      | 770,886      |
| Estimated remaining collections - total      | 2,114,152    | 2,107,994    | 2,022,453    | 1,953,348    | 1,925,292    |

**SHARE DATA (share amounts in thousands)**

|   |           |          |          |          |          |
|---|-----------|----------|----------|----------|----------|
| Net income per common share - diluted                                   | \$ 1.96   | \$ 1.87  | \$ 1.47  | \$ 1.54  | \$ 1.48  |
| Weighted average number of shares outstanding - diluted                 | 17,022    | 17,133   | 17,267   | 17,269   | 17,228   |
| Shares repurchased  | --        | 300,849  | 30,600   | --       | --       |
| Average price paid per share repurchased (including acquisitions costs) | \$ --     | \$ 68.62 | \$ 68.02 | --       | --       |
| Closing market price  | \$ 104.43 | \$ 91.26 | \$ 71.72 | \$ 67.52 | \$ 62.22 |

**RATIOS AND OTHER DATA (dollars in thousands)**

|                              |        |        |        |        |        |
|------------------------------|--------|--------|--------|--------|--------|
| Return on average equity (2) | 20.29% | 20.34% | 16.70% | 18.18% | 18.27% |
| Return on revenue (3)        | 22.01% | 21.67% | 17.97% | 22.58% | 22.05% |
| Operating margin (4)         | 37.91% | 36.92% | 31.70% | 38.91% | 38.35% |



|   |            |            |            |            |            |
|---|------------|------------|------------|------------|------------|
| Operating expense to cash receipts (5)        | 38.33%     | 37.66%     | 40.92%     | 36.87%     | 36.39%     |
| Debt to equity (6)                            | 37.39%     | 46.33%     | 42.84%     | 37.15%     | 46.02%     |
| Number of collectors                          | 1,992      | 1,952      | 1,934      | 1,658      | 1,520      |
| Number of employees                           | 3,103      | 3,032      | 3,014      | 2,641      | 2,504      |
| Cash receipts (5)                             | \$ 243,818 | \$ 247,723 | \$ 233,916 | \$ 195,668 | \$ 193,569 |
| Line of credit - unused portion at period end | 214,450    | 166,450    | 142,500    | 187,500    | 147,500    |

(1) Domestic portfolio only

(2) Calculated as annualized net income divided by average equity for the period

(3) Calculated as net income divided by total revenues

(4) Calculated as income from operations divided by total revenues

(5) "Cash receipts" is defined as cash collections plus fee income

(6) For purposes of this ratio, "debt" equals the line of credit balance plus long-term debt

#### Purchase Price Multiples at September 30, 2012, Entire Domestic Portfolio

(\$ in thousands)

| Purchase Period | Purchase Price | Actual Cash                 |                                 |                                  |                                 |   |
|-----------------|----------------|-----------------------------|---------------------------------|----------------------------------|---------------------------------|---|
|                 |                | Total Estimated Collections | Net Finance Receivables Balance | Collections Including Cash Sales | Estimated Remaining Collections | Total Estimated Collections to Purchase Price |
| 1996            | \$ 3,080       | \$ 10,214                   | \$ --                           | \$ 10,171                        | \$ 43                           | 332%  |
| 1997            | 7,685          | 25,534                      | --                              | 25,387                           | 147                             | 332%  |
| 1998            | 11,089         | 37,585                      | --                              | 37,130                           | 455                             | 339%  |
| 1999            | 18,898         | 69,748                      | --                              | 68,715                           | 1,033                           | 369%  |
| 2000            | 25,020         | 117,469                     | --                              | 114,900                          | 2,569                           | 470%  |
| 2001            | 33,481         | 176,653                     | --                              | 172,937                          | 3,716                           | 528%  |
| 2002            | 42,325         | 201,333                     | --                              | 194,041                          | 7,292                           | 476%  |
| 2003            | 61,448         | 271,159                     | --                              | 258,244                          | 12,915                          | 441%  |
| 2004            | 59,176         | 204,729                     | --                              | 192,361                          | 12,368                          | 346%  |
| 2005            | 143,168        | 314,232                     | 8,853                           | 298,170                          | 16,062                          | 219%  |
| 2006            | 107,673        | 215,261                     | 10,496                          | 197,088                          | 18,173                          | 200%  |
| 2007            | 258,379        | 508,637                     | 38,359                          | 440,216                          | 68,421                          | 197%  |
| 2008            | 275,148        | 526,639                     | 67,272                          | 415,563                          | 111,076                         | 191%  |
| 2009            | 281,438        | 820,543                     | 85,138                          | 558,585                          | 261,958                         | 292%  |
| 2010            | 358,149        | 895,607                     | 154,974                         | 484,149                          | 411,458                         | 250%  |
| 2011            | 394,261        | 869,129                     | 283,307                         | 258,182                          | 610,947                         | 220%  |
| 2012            | 324,627        | 615,027                     | 311,561                         | 39,508                           | 575,519                         | 189%  |
| Total           | \$ 2,405,045   | \$ 5,879,499                | \$ 959,960                      | \$ 3,765,347                     | \$ 2,114,152                    | 244%  |

#### Purchase Price Multiples at September 30, 2012, Purchased Bankruptcy Portfolio

(\$ in thousands)

| Purchase Period | Purchase Price | Actual Cash                 |                                 |                                  |                                 |   |
|-----------------|----------------|-----------------------------|---------------------------------|----------------------------------|---------------------------------|---|
|                 |                | Total Estimated Collections | Net Finance Receivables Balance | Collections Including Cash Sales | Estimated Remaining Collections | Total Estimated Collections to Purchase Price |
| 1996-2003       | \$ --          | \$ --                       | \$ --                           | \$ --                            | \$ --                           | 0%  |
| 2004            | 7,468          | 14,462                      | --                              | 14,378                           | 84                              | 194%  |
| 2005            | 29,301         | 43,492                      | 38                              | 43,418                           | 74                              | 148%  |
| 2006            | 17,630         | 31,458                      | 70                              | 31,011                           | 447                             | 178%  |
| 2007            | 78,544         | 105,590                     | 2,918                           | 102,050                          | 3,540                           | 134%  |
| 2008            | 108,607        | 181,980                     | 27,141                          | 146,362                          | 35,618                          | 168%  |

|              |                   |                     |                   |                   |                   |             |
|--------------|-------------------|---------------------|-------------------|-------------------|-------------------|-------------|
| 2009         | 156,054           | 414,562             | 53,167            | 282,968           | 131,594           | 266%        |
| 2010         | 209,224           | 427,223             | 99,242            | 237,297           | 189,926           | 204%        |
| 2011         | 182,180           | 289,553             | 151,416           | 63,270            | 226,283           | 159%        |
| 2012         | 149,633           | 213,156             | 146,410           | 9,704             | 203,452           | 142%        |
| <b>Total</b> | <b>\$ 938,641</b> | <b>\$ 1,721,476</b> | <b>\$ 480,402</b> | <b>\$ 930,458</b> | <b>\$ 791,018</b> | <b>183%</b> |

**Purchase Price Multiples at September 30, 2012, Core Portfolio**

(\$ in thousands)

| Purchase<br>Period | Purchase<br>Price   | Actual Cash                       |                                       |  |                                       |                                | Total Estimated<br>Collections to<br>Purchase Price |
|--------------------|---------------------|-----------------------------------|---------------------------------------|--|---------------------------------------|--------------------------------|---|
|                    |                     | Total<br>Estimated<br>Collections | Net Finance<br>Receivables<br>Balance | Collections<br>Including Cash<br>Sales | Estimated<br>Remaining<br>Collections | Total Estimated<br>Collections |   |
| 1996               | \$ 3,080            | \$ 10,214                         | \$ --                                 | \$ 10,171                              | \$ 43                                 | 332%                           |   |
| 1997               | 7,685               | 25,534                            | --                                    | 25,387                                 | 147                                   | 332%                           |   |
| 1998               | 11,089              | 37,585                            | --                                    | 37,130                                 | 455                                   | 339%                           |   |
| 1999               | 18,898              | 69,748                            | --                                    | 68,715                                 | 1,033                                 | 369%                           |   |
| 2000               | 25,020              | 117,469                           | --                                    | 114,900                                | 2,569                                 | 470%                           |   |
| 2001               | 33,481              | 176,653                           | --                                    | 172,937                                | 3,716                                 | 528%                           |   |
| 2002               | 42,325              | 201,333                           | --                                    | 194,041                                | 7,292                                 | 476%                           |   |
| 2003               | 61,448              | 271,159                           | --                                    | 258,244                                | 12,915                                | 441%                           |   |
| 2004               | 51,708              | 190,267                           | --                                    | 177,983                                | 12,284                                | 368%                           |   |
| 2005               | 113,867             | 270,740                           | 8,815                                 | 254,752                                | 15,988                                | 238%                           |   |
| 2006               | 90,043              | 183,803                           | 10,426                                | 166,077                                | 17,726                                | 204%                           |   |
| 2007               | 179,835             | 403,047                           | 35,441                                | 338,166                                | 64,881                                | 224%                           |   |
| 2008               | 166,541             | 344,659                           | 40,131                                | 269,201                                | 75,458                                | 207%                           |   |
| 2009               | 125,384             | 405,981                           | 31,971                                | 275,617                                | 130,364                               | 324%                           |   |
| 2010               | 148,925             | 468,384                           | 55,732                                | 246,852                                | 221,532                               | 315%                           |   |
| 2011               | 212,081             | 579,576                           | 131,891                               | 194,912                                | 384,664                               | 273%                           |   |
| 2012               | 174,994             | 401,871                           | 165,151                               | 29,804                                 | 372,067                               | 230%                           |   |
| <b>Total</b>       | <b>\$ 1,466,404</b> | <b>\$ 4,158,023</b>               | <b>\$ 479,558</b>                     | <b>\$ 2,834,889</b>                    | <b>\$ 1,323,134</b>                   | <b>284%</b>                    |   |

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