

Morningstar[®] Document ResearchSM

FORM 10-Q

PRA GROUP INC - PRAA

Filed: August 08, 2018 (period: June 30, 2018)

Quarterly report with a continuing view of a company's financial position

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2018

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 August 3, 2018 was 45,300,060.

Table of Contents

Part I. Financial Information

Item 1.	Financial Statements (Unaudited)	3
	Consolidated Balance Sheets	3
	Consolidated Income Statements	4
	Consolidated Statements of Comprehensive Income/(Loss)	5
	Consolidated Statement of Changes in Equity	6
	Consolidated Statements of Cash Flows	7
	Notes to Consolidated Financial Statements	8
	1. Organization and Business	8
	2. Finance Receivables, net	9
	3. Investments	10
	4. Goodwill and Intangible Assets, net	12
	5. Borrowings	12
	6. Fair Value	15
	7. Earnings per Share	17
	8. Income Taxes	18
	9. Commitments and Contingencies	19
	10. Sale of Subsidiaries	21
	11. Recently Issued Accounting Standards	21
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	24
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	44
Item 4.	Controls and Procedures	45

Part II. Other Information

Item 1.	Legal Proceedings	46
Item 1A.	Risk Factors	46
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	46
Item 3.	Defaults Upon Senior Securities	46
Item 4.	Mine Safety Disclosures	46
Item 5.	Other Information	46
Item 6.	Exhibits	46
Signatures		47

Part I. Financial Information

Item 1. Financial Statements (Unaudited)

PRA Group, Inc.
Consolidated Balance Sheets
June 30, 2018 and December 31, 2017
(Amounts in thousands)

	(unaudited)	
	June 30, 2018	December 31, 2017
Assets		
Cash and cash equivalents	\$ 71,570	\$ 120,516
Investments	80,541	78,290
Finance receivables, net	2,730,395	2,771,921
Other receivables, net	14,688	15,770
Income taxes receivable	12,163	21,686
Net deferred tax asset	62,014	57,529
Property and equipment, net	53,364	49,311
Goodwill	519,811	526,513
Intangible assets, net	18,914	23,572
Other assets	31,650	32,656
Total assets	<u>\$ 3,595,110</u>	<u>\$ 3,697,764</u>
Liabilities and Equity		
Liabilities:		
Accounts payable	\$ 5,090	\$ 4,992
Accrued expenses	78,852	85,993
Income taxes payable	466	10,771
Net deferred tax liability	140,224	171,185
Interest-bearing deposits	82,613	98,580
Borrowings	2,133,997	2,170,182
Other liabilities	8,061	9,018
Total liabilities	<u>2,449,303</u>	<u>2,550,721</u>
Redeemable noncontrolling interest	8,322	9,534
Equity:		
Preferred stock, \$0.01 par value, 2,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.01 par value, 100,000 shares authorized, 45,300 shares issued and outstanding at June 30, 2018; 100,000 shares authorized, 45,189 shares issued and outstanding at December 31, 2017	453	452
Additional paid-in capital	56,410	53,870
Retained earnings	1,248,396	1,211,632
Accumulated other comprehensive loss	(209,167)	(178,607)
Total stockholders' equity - PRA Group, Inc.	<u>1,096,092</u>	<u>1,087,347</u>
Noncontrolling interest	41,393	50,162
Total equity	<u>1,137,485</u>	<u>1,137,509</u>
Total liabilities and equity	<u>\$ 3,595,110</u>	<u>\$ 3,697,764</u>

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

PRA Group, Inc.
Consolidated Income Statements
For the three and six months ended June 30, 2018 and 2017
(unaudited)
(Amounts in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
Income recognized on finance receivables	\$ 219,018	\$ 194,164	\$ 437,642	\$ 391,378
Fee income	2,342	6,344	7,669	16,202
Other revenue	158	3,145	315	5,310
Total revenues	221,518	203,653	445,626	412,890
Net allowance charges	(2,834)	(3,321)	(3,759)	(6,000)
Operating expenses:				
Compensation and employee services	80,690	66,771	161,927	135,239
Legal collection expenses	29,038	31,202	61,950	62,930
Agency fees	8,138	9,254	16,416	20,054
Outside fees and services	14,565	18,061	28,723	31,346
Communication	10,782	7,254	22,339	16,391
Rent and occupancy	4,003	3,387	8,317	7,170
Depreciation and amortization	4,525	5,041	9,454	10,256
Other operating expenses	11,628	11,046	23,812	21,931
Total operating expenses	163,369	152,016	332,938	305,317
Income from operations	55,315	48,316	108,929	101,573
Other income and (expense):				
Gain on sale of subsidiaries	—	1,322	—	48,167
Interest expense, net	(31,124)	(22,506)	(56,905)	(43,763)
Foreign exchange gain/(loss)	1,690	(2,516)	2,983	(337)
Other	(400)	—	(157)	—
Income before income taxes	25,481	24,616	54,850	105,640
Provision for income taxes	3,857	10,766	9,994	42,175
Net income	21,624	13,850	44,856	63,465
Adjustment for net income attributable to noncontrolling interests	2,036	2,177	4,162	3,625
Net income attributable to PRA Group, Inc.	\$ 19,588	\$ 11,673	\$ 40,694	\$ 59,840
Net income per common share attributable to PRA Group, Inc.:				
Basic	\$ 0.43	\$ 0.25	\$ 0.90	\$ 1.30
Diluted	\$ 0.43	\$ 0.25	\$ 0.90	\$ 1.29
Weighted average number of shares outstanding:				
Basic	45,283	45,941	45,257	46,173
Diluted	45,449	46,060	45,410	46,344

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

PRA Group, Inc.
Consolidated Statements of Comprehensive Income/(Loss)
For the three and six months ended June 30, 2018 and 2017
(unaudited)
(Amounts in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$ 21,624	\$ 13,850	\$ 44,856	\$ 63,465
Other comprehensive income/(loss):				
Change in foreign currency translation	(60,697)	27,022	(30,756)	41,845
Total comprehensive income/(loss)	(39,073)	40,872	14,100	105,310
Comprehensive income/(loss) attributable to noncontrolling interest:				
Net income attributable to noncontrolling interest	2,036	2,177	4,162	3,625
Change in foreign currency translation	(7,217)	(2,241)	(196)	(5,886)
Comprehensive income/(loss) attributable to noncontrolling interest	(5,181)	(64)	3,966	(2,261)
Comprehensive income/(loss) attributable to PRA Group, Inc.	\$ (33,892)	\$ 40,936	\$ 10,134	\$ 107,571

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

PRA Group, Inc.
Consolidated Statement of Changes in Equity
For the six months ended June 30, 2018
(unaudited)
(Amounts in thousands)

	Common Stock		Additional Paid- in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Noncontrolling Interest	Total Equity
	Shares	Amount					
Balance at December 31, 2017	45,189	\$ 452	\$ 53,870	\$ 1,211,632	\$ (178,607)	\$ 50,162	\$ 1,137,509
Cumulative effect of change in accounting principle - equity securities ⁽¹⁾	—	—	—	(3,930)	—	—	(3,930)
Balance at January 1, 2018	45,189	452	53,870	1,207,702	(178,607)	50,162	1,133,579
Components of comprehensive income:							
Net income	—	—	—	40,694	—	4,162	44,856
Foreign currency translation adjustment	—	—	—	—	(30,560)	(196)	(30,756)
Distributions paid to noncontrolling interest	—	—	—	—	—	(12,735)	(12,735)
Vesting of restricted stock	111	1	(1)	—	—	—	—
Share-based compensation expense	—	—	4,561	—	—	—	4,561
Employee stock relinquished for payment of taxes	—	—	(2,020)	—	—	—	(2,020)
Balance at June 30, 2018	45,300	\$ 453	\$ 56,410	\$ 1,248,396	\$ (209,167)	\$ 41,393	\$ 1,137,485

(1) Relates to the adoption of FASB ASU 2016-01, "Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). Refer to Note 3 for further detail.

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

PRA Group, Inc.
Consolidated Statements of Cash Flows
For the six months ended June 30, 2018 and 2017
(unaudited)
(Amounts in thousands)

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 44,856	\$ 63,465
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Share-based compensation expense	4,561	4,045
Depreciation and amortization	9,454	10,256
Gain on sale of subsidiaries	—	(48,167)
Amortization of debt discount and issuance costs	10,866	7,527
Deferred tax benefit	(32,805)	(32,852)
Net unrealized foreign currency transaction loss/(gain)	455	(857)
Fair value in earnings for equity securities	(2,781)	—
Other	—	(3,314)
Changes in operating assets and liabilities:		
Other assets	(1,685)	(2,673)
Other receivables, net	1,073	880
Accounts payable	145	1,028
Income taxes payable, net	(857)	6,182
Accrued expenses	(5,767)	(12,186)
Other liabilities	(438)	(7,736)
Net cash provided by/(used in) operating activities	<u>27,077</u>	<u>(14,402)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(11,303)	(6,854)
Acquisition of finance receivables	(385,823)	(514,036)
Collections applied to principal on finance receivables, net	399,331	369,127
Proceeds from sale of subsidiaries, net	—	92,997
Purchase of investments	(15,171)	(3,569)
Proceeds from sales and maturities of investments	3,519	6,237
Net cash used in investing activities	<u>(9,447)</u>	<u>(56,098)</u>
Cash flows from financing activities:		
Proceeds from lines of credit	236,015	653,822
Principal payments on lines of credit	(258,857)	(1,180,458)
Repurchases of common stock	—	(44,909)
Tax withholdings related to share-based payments	(2,020)	(2,331)
Distributions paid to noncontrolling interest	(13,392)	(710)
Principal payments on notes payable and long-term debt	(5,000)	(10,012)
Proceeds from long-term debt	—	310,000
Payments of origination costs and fees	(404)	(18,218)
Net (decrease)/increase in interest-bearing deposits	(8,314)	9,386
Proceeds from convertible debt	—	345,000
Net cash (used in)/provided by financing activities	<u>(51,972)</u>	<u>61,570</u>
Effect of exchange rate on cash	(14,604)	7,399
Net decrease in cash and cash equivalents	<u>(48,946)</u>	<u>(1,531)</u>
Cash and cash equivalents, beginning of period	120,516	94,287
Cash and cash equivalents, end of period	<u>\$ 71,570</u>	<u>\$ 92,756</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 46,897	\$ 35,564
Cash paid for income taxes	48,522	70,036

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

PRA Group, Inc.
Notes to Consolidated Financial Statements

1. Organization and Business:

As used herein, the terms "PRA Group," "the Company," or similar terms refer to PRA Group, Inc. and its subsidiaries. Refer to Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for a listing of other frequently used terms in this Quarterly Report on Form 10-Q.

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 also provides the following fee-based services: class action claims recovery services and purchases; servicing of consumer bankruptcy accounts in the United States ("U.S."); and, to a lesser extent, contingent collections of nonperforming loans in Europe and South America.

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 and six months ended June 30, 2018 and 2017, respectively, and long-lived assets held at June 30, 2018 and 2017, respectively, both for the U.S., the Company's country of domicile, and outside of the U.S. (amounts in thousands):

	As of and for the Three Months Ended June 30, 2018		As of and for the Three Months Ended June 30, 2017	
	Revenues	Long-Lived Assets	Revenues	Long-Lived Assets
United States	\$ 150,937	\$ 46,757	\$ 136,580	\$ 28,517
United Kingdom	24,398	1,817	18,939	2,818
Other ⁽¹⁾	46,183	4,790	48,134	5,197
Total	<u>\$ 221,518</u>	<u>\$ 53,364</u>	<u>\$ 203,653</u>	<u>\$ 36,532</u>

	As of and for the Six Months Ended June 30, 2018		As of and for the Six Months Ended June 30, 2017	
	Revenues	Long-Lived Assets	Revenues	Long-Lived Assets
United States	\$ 304,339	\$ 46,757	\$ 281,138	\$ 28,517
United Kingdom	49,178	1,817	37,435	2,818
Other ⁽¹⁾	92,109	4,790	94,317	5,197
Total	<u>\$ 445,626</u>	<u>\$ 53,364</u>	<u>\$ 412,890</u>	<u>\$ 36,532</u>

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

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

The accompanying interim financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and notes to the consolidated financial statements necessary for a complete presentation of financial position, results of operations, comprehensive income/(loss) and cash flows in conformity with GAAP. In the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair presentation of the Company's consolidated balance sheet as of June 30, 2018, its consolidated income statements and statements of comprehensive income/(loss) for the three and six months ended June 30, 2018 and 2017, its consolidated statement of changes in equity for the six months ended June 30, 2018, and its consolidated statements of cash flows for the six months ended June 30, 2018 and 2017, have been included. The consolidated income statements of the Company for the three and six months ended June 30, 2018 may not be indicative of future results.

PRA Group, Inc.
Notes to Consolidated Financial Statements

The Company revised the presentation of its consolidated income statements for all reporting periods by reclassifying allowance adjustments to the valuation of its finance receivables as a line item separate from revenues. As a result, the Company no longer includes valuation allowances as part of "Income recognized on finance receivables, net" and reports income recognized on finance receivables gross of valuation allowances. This presentation change had no impact on "Net income per common share attributable to PRA Group, Inc."

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 2017 Annual Report on Form 10-K for the year ended December 31, 2017.

2. Finance Receivables, net:

Changes in finance receivables, net for the three and six months ended June 30, 2018 and 2017 were as follows (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Balance at beginning of period	\$ 2,767,131	\$ 2,366,880	\$ 2,771,921	\$ 2,307,969
Acquisitions of finance receivables ⁽¹⁾	219,631	287,137	384,651	513,534
Foreign currency translation adjustment	(65,917)	50,698	(26,846)	68,507
Cash collections	(406,634)	(374,675)	(833,214)	(754,505)
Income recognized on finance receivables	219,018	194,164	437,642	391,378
Net allowance charges	(2,834)	(3,321)	(3,759)	(6,000)
Balance at end of period	\$ 2,730,395	\$ 2,520,883	\$ 2,730,395	\$ 2,520,883

(1) Acquisitions of finance receivables are net of buybacks and include certain capitalized acquisition related costs. The buybacks and capitalized acquisition costs are netted against the acquisition of finance receivables when paid and may relate to portfolios purchased in prior periods.

During the three months ended June 30, 2018, the Company purchased finance receivables portfolios with a face value of \$2.2 billion for \$221.4 million. During the three months ended June 30, 2017, the Company purchased finance receivables portfolios with a face value of \$2.0 billion for \$295.6 million. During the six months ended June 30, 2018, the Company purchased finance receivables portfolios with a face value of \$3.7 billion for \$389.7 million. During the six months ended June 30, 2017, the Company purchased finance receivables portfolios with a face value of \$3.7 billion for \$523.5 million. At June 30, 2018, the estimated remaining collections ("ERC") on the receivables purchased during the three months ended June 30, 2018 and 2017 were \$410.9 million and \$358.8 million, respectively. At June 30, 2018, the ERC on the receivables purchased during the six months ended June 30, 2018 and 2017 were \$697.9 million and \$650.4 million, respectively. At June 30, 2018 and 2017, total ERC were \$5.7 billion and \$5.3 billion, respectively.

At the time of acquisition and each quarter thereafter, the life of each pool is estimated based on projected amounts and timing of future cash collections using the proprietary models of the Company. Based upon current projections, cash collections expected to be applied to principal are estimated to be as follows for the years ending June 30, (amounts in thousands):

2019	\$ 776,690
2020	613,644
2021	471,763
2022	360,509
2023	241,127
2024	148,110
2025	43,039
2026	24,438
2027	15,114
2028	11,637
Thereafter	24,324
Total ERC expected to be applied to principal	\$ 2,730,395

PRA Group, Inc.
Notes to Consolidated Financial Statements

At June 30, 2018, the Company had aggregate net finance receivables balances in pools accounted for under the cost recovery method of \$80.3 million; at December 31, 2017, the amount was \$166.6 million.

Accretable yield represents the amount of income on finance receivables the Company can expect to recognize 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 based on its proprietary analytical models. 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.

Changes in accretable yield for the three and six months ended June 30, 2018 and 2017 were as follows (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Balance at beginning of period	\$ 3,010,546	\$ 2,776,446	\$ 2,932,144	\$ 2,740,006
Income recognized on finance receivables	(219,018)	(194,164)	(437,642)	(391,378)
Net allowance charges	2,834	3,321	3,759	6,000
Additions from portfolio purchases	197,453	185,794	344,285	349,189
Reclassifications from/(to) nonaccretable difference	90,046	(22,450)	202,074	24,628
Foreign currency translation adjustment	(83,262)	54,643	(46,021)	75,145
Balance at end of period	\$ 2,998,599	\$ 2,803,590	\$ 2,998,599	\$ 2,803,590

The following is a summary of activity within the Company's valuation allowance account, all of which relates to acquired nonperforming loans, for the three and six months ended June 30, 2018 and 2017 (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Beginning balance	\$ 226,975	\$ 214,413	\$ 225,555	\$ 211,465
Allowance charges	7,395	3,441	14,228	6,149
Reversal of previously recorded allowance charges	(4,561)	(120)	(10,469)	(149)
Net allowance charges	2,834	3,321	3,759	6,000
Foreign currency translation adjustment	(1,526)	1,041	(1,031)	1,310
Ending balance	\$ 228,283	\$ 218,775	\$ 228,283	\$ 218,775

3. Investments:

Investments consisted of the following at June 30, 2018 and December 31, 2017 (amounts in thousands):

	June 30, 2018	December 31, 2017
Debt securities		
Available-for-sale	\$ 5,341	\$ 5,429
Held-to-maturity	50,905	57,204
Equity securities		
Private equity funds	7,775	14,248
Mutual funds	16,520	1,409
Total investments	\$ 80,541	\$ 78,290

Debt Securities

Available-for-Sale

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

PRA Group, Inc.
Notes to Consolidated Financial Statements

Held-to-Maturity

Investments in securitized assets: The Company holds a majority interest in a closed-end Polish investment fund. The investment, which provides a non-guaranteed preferred return based on the expected net income of the portfolios, is 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. Income is recognized under FASB ASC Topic 325-40, "Beneficial Interest in Securitized Financial Assets" ("ASC 325-40"). Revenues recognized on this investment are recorded in the Other Revenue line item in the consolidated income statements.

Prior to April 1, 2017, income was recognized using the effective yield method. 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 this investment. Effective April 1, 2017, the Company determined that it could no longer reasonably forecast the timing of future cash flows and accordingly began using the cost recovery method to recognize income. No revenues were recognized on these investments during the three and six months ended June 30, 2018. During the three and six months ended June 30, 2017, revenues recognized on these investments were \$0.0 million and \$1.4 million, respectively. The unrealized loss on these investments was caused by a change in the timing of the estimated cash flows. As total expected cash flows on these investments exceed the carrying amount, the Company does not consider these investments to be other-than-temporarily impaired at June 30, 2018.

The amortized cost and estimated fair value of investments in debt securities at June 30, 2018 and December 31, 2017 were as follows (amounts in thousands):

	June 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
Available-for-sale				
Government bonds	\$ 5,437	\$ —	\$ 96	\$ 5,341
Held-to-maturity				
Securitized assets	50,905	—	12,384	38,521
	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
Available-for-sale				
Government bonds	\$ 5,452	\$ —	\$ 23	\$ 5,429
Held-to-maturity				
Securitized assets	57,204	—	14,249	42,955

Equity Securities

Investments in private equity funds: Investments in private equity funds represent limited partnerships in which the Company has less than a 3% interest. In the first quarter of 2018, the Company adopted ASU 2016-01, "Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"), which requires that investments in equity securities be measured at fair value with changes in unrealized gains and losses reported in earnings. Upon adoption of ASU 2016-01, the investments are carried at the fair value reported by the Fund manager. The Company recorded a cumulative effect adjustment of \$3.9 million, net of tax, to beginning retained earnings for the unrealized loss on the investment. Prior to 2018, the investments were carried at cost with income recognized in Other Revenue in the consolidated income statements when distributions, up to reported income, were received from the partnerships. The aggregate carrying amount of cost-method investments for which cost exceeded fair value but for which an impairment loss was not recognized was \$14.2 million at December 31, 2017.

Mutual funds: The Company invests certain excess funds held in Brazil in a U.S. dollar denominated mutual fund that invests in foreign currency contracts to hedge the risk in variation of the Brazilian real to the U.S. dollar. The investments are carried at fair value based on quoted market prices.

Unrealized gains and losses: The Company recognized unrealized gains of \$2.4 million and \$2.8 million for the three and six months ended June 30, 2018, respectively, on its equity securities. No securities were sold during the period.

PRA Group, Inc.
Notes to Consolidated Financial Statements

4. 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 a review of goodwill as of October 1 of each year or more frequently if indicators of impairment exist.

The following table represents the changes in goodwill for the three and six months ended June 30, 2018 and 2017 (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Balance at beginning of period:				
Goodwill	\$ 544,293	\$ 512,637	\$ 526,513	\$ 506,308
Accumulated impairment loss	—	(6,397)	—	(6,397)
	544,293	506,240	526,513	499,911
Changes:				
Foreign currency translation adjustment	(24,482)	9,925	(6,702)	16,254
Net change in goodwill	(24,482)	9,925	(6,702)	16,254
Goodwill	519,811	516,165	519,811	516,165
Accumulated impairment loss	—	—	—	—
Balance at end of period	\$ 519,811	\$ 516,165	\$ 519,811	\$ 516,165

The change in the accumulated impairment loss at June 30, 2018 as compared to June 30, 2017 was related to the June 2017 sale of PRA Location Services, LLC ("PLS").

5. Borrowings:

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

	June 30, 2018	December 31, 2017
Revolving credit	\$ 818,099	\$ 849,815
Term loans	751,872	764,830
Convertible senior notes	632,500	632,500
	2,202,471	2,247,145
Less: Debt discount and issuance costs	(68,474)	(76,963)
Total	\$ 2,133,997	\$ 2,170,182

The following principal payments are due on the Company's borrowings as of June 30, 2018 for the 12 month periods ending June 30, (amounts in thousands):

2019	\$ 10,000
2020	10,000
2021	1,002,916
2022	834,555
2023	345,000
Thereafter	—
Total	\$ 2,202,471

The Company believes it was in compliance with the covenants of its financing arrangements as of June 30, 2018.

PRA Group, Inc.
Notes to Consolidated Financial Statements

North American Revolving Credit and Term Loan

On May 5, 2017, the Company amended and restated its existing credit agreement (as amended, and modified from time to time, the "North American Credit Agreement") with Bank of America, N.A., as administrative agent, Bank of America, National Association, acting through its Canada branch, as the Canadian administrative agent, and a syndicate of lenders named therein. The total credit facility under the North American Credit Agreement includes an aggregate principal amount of \$1.2 billion (subject to compliance with a borrowing base and applicable debt covenants), which consists of (i) a fully-funded \$440.0 million term loan, (ii) a \$705.0 million domestic revolving credit facility, and (iii) a \$50.0 million Canadian revolving credit facility. The facility includes an accordion feature for up to \$45.0 million in additional commitments (at the option of the lenders) and also provides for up to \$25.0 million of letters of credit and a \$25.0 million swingline loan sublimit that would reduce amounts available for borrowing. The term and revolving loans accrue interest, at the option of the Company, at either the base rate or the Eurodollar rate (as defined in the North American Credit Agreement) for the applicable term plus 2.50% per annum in the case of the Eurodollar rate loans and 1.50% in the case of the base rate loans. The base rate is the highest of (a) the Federal Funds Rate (as defined in the North American Credit Agreement) plus 0.50%, (b) Bank of America's prime rate, or (c) the one month Eurodollar rate plus 1.00%. Canadian Prime Rate Loans will bear interest at a rate per annum equal to the Canadian Prime Rate plus 1.50%. The revolving credit facilities also bear an unused line fee of 0.375% per annum, payable quarterly in arrears. The loans under the North American Credit Agreement mature May 5, 2022. As of June 30, 2018, the unused portion of the North American Credit Agreement was \$330.4 million. Considering borrowing base restrictions, as of June 30, 2018, the amount available to be drawn was \$297.7 million.

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

- borrowings under each of the domestic revolving loan facility and the Canadian revolving loan facility are subject to separate borrowing base calculations and may not exceed 35% of the ERC of all domestic or Canadian, as applicable, core eligible asset pools, plus 55% of ERC of domestic or Canadian, as applicable, insolvency eligible asset pools, plus 75% of domestic or Canadian, as applicable, eligible accounts receivable;
- the consolidated total leverage ratio cannot exceed 2.75 to 1.0 as of the end of any fiscal quarter;
- the consolidated senior secured leverage ratio cannot exceed 2.25 to 1.0 as of the end of any fiscal quarter;
- subject to no default or event of default, cash dividends and distributions during any fiscal year cannot exceed \$20.0 million;
- subject to no default or event of default, stock repurchases during any fiscal year cannot exceed \$100.0 million plus 50% of the prior year's net income;
- permitted acquisitions during any fiscal year cannot exceed \$250.0 million (with a \$50.0 million per year sublimit for permitted acquisitions by non-loan parties);
- indebtedness in the form of senior, unsecured convertible notes or other unsecured financings cannot exceed \$750.0 million in the aggregate (without respect to the 2020 Notes (as defined below));
- the Company must maintain positive consolidated income from operations during any fiscal quarter; and
- restrictions on changes in control.

European Revolving Credit Facility and Term Loan

On October 23, 2014, European subsidiaries of the Company ("PRA Europe") entered into a credit agreement with DNB Bank ASA for a Multicurrency Revolving Credit Facility (such agreement as later amended or modified, the "European Credit Agreement"). In the first quarter of 2018, the Company entered into the Fourth Amendment and Restatement Agreement (the "Fourth Amendment") to its European Credit Agreement which, among other things, expanded the scope of loan portfolios that constitute Approved Loan Portfolios (as defined in the Fourth Amendment). Additionally, other changes to the European Credit Agreement resulting from the Fourth Amendment include: reduced all applicable margins for the interest payable under the multicurrency revolving credit facility by 15 basis points; reduced all applicable margins for the interest payable under the term loan facility by 50 basis points, subject to the lenders' right to increase the applicable margin by up to 50 basis points if one or more of the lenders elects to syndicate and/or transfer its commitment under the term loan in accordance with the terms of the Fourth Amendment; reduced the maximum permitted amount of interest bearing deposits in AK Nordic AB from SEK 1.5 billion to SEK 1.2 billion; and revised the definitions of ERC and LTV Ratio. 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 267.0 million EUR (approximately \$312.0 million) is a term loan, accrues interest at the Interbank Offered Rate ("IBOR") plus 2.65% - 3.75% under the revolving facility and 3.75% - 4.00% 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 1.21% per annum, of 35% of the margin, is payable monthly in arrears, and matures February 19, 2021. The European Credit Agreement also includes an overdraft facility in the aggregate amount of \$40.0 million (subject to the borrowing base), which accrues interest (per currency) at the daily rates as published by the facility agent, bears a facility line fee of 0.125% per quarter, payable quarterly in arrears, and also matures February

PRA Group, Inc.
Notes to Consolidated Financial Statements

19, 2021. As of June 30, 2018, the unused portion of the European Credit Agreement (including the overdraft facility) was \$546.5 million. Considering borrowing base restrictions and other covenants, as of June 30, 2018, the amount available to be drawn under the European Credit Agreement (including the overdraft facility) was \$197.6 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 cannot exceed 75%;
- the gross interest-bearing debt ratio in Europe cannot exceed 3.25 to 1.0 as of the end of any fiscal quarter;
- interest bearing deposits in AK Nordic AB cannot exceed SEK 1.2 billion; and
- PRA Europe's cash collections must exceed 95% of PRA Europe's IFRS ERC for the same set of portfolios, measured on a quarterly basis.

Convertible Senior Notes due 2020

On August 13, 2013, the Company completed the private offering of \$287.5 million in aggregate principal amount of its 3.00% Convertible Senior Notes due 2020 (the "2020 Notes"). The 2020 Notes were issued pursuant to an Indenture, dated August 13, 2013 (the "2013 Indenture"), between the Company and Regions Bank, as successor trustee. The 2013 Indenture contains customary terms and covenants, including certain events of default after which the 2020 Notes may be due and payable immediately. The 2020 Notes are senior unsecured obligations of the Company. Interest on the 2020 Notes is payable semi-annually, in arrears, on February 1 and August 1 of each year, beginning on February 1, 2014. Prior to February 1, 2020, the 2020 Notes will be convertible only upon the occurrence of specified events. On or after February 1, 2020, the 2020 Notes will be convertible at any time. The Company does not have the right to redeem the 2020 Notes prior to maturity. As of June 30, 2018, the Company does not believe that any of the conditions allowing holders of the 2020 Notes to convert their notes have occurred.

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

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

Convertible Senior Notes due 2023

On May 26, 2017, the Company completed the private offering of \$345.0 million in aggregate principal amount of its 3.50% Convertible Senior Notes due 2023 (the "2023 Notes" and, together with the 2020 Notes, the "Notes"). The 2023 Notes were issued pursuant to an Indenture, dated May 26, 2017 (the "2017 Indenture"), between the Company and Regions Bank, as trustee. The 2017 Indenture contains customary terms and covenants, including certain events of default after which the 2023 Notes may be due and payable immediately. The 2023 Notes are senior unsecured obligations of the Company. Interest on the 2023 Notes is payable semi-annually, in arrears, on June 1 and December 1 of each year, beginning on December 1, 2017. Prior to March 1, 2023, the 2023 Notes will be convertible only upon the occurrence of specified events. On or after March 1, 2023, the 2023 Notes will be convertible at any time. The Company has the right, at its election, to redeem all or any part of the outstanding 2023 Notes at any time on or after June 1, 2021 for cash, but only if the last reported sale price (as defined in the 2017 Indenture) exceeds 130% of the conversion price on each of at least 20 trading days during the 30 consecutive trading days ending on and including the trading day immediately before the date the Company sends the related redemption notice. As of June 30, 2018, the Company does not believe that any of the conditions allowing holders of the 2023 Notes to convert their notes have occurred.

The conversion rate for the 2023 Notes is initially 21.6275 shares per \$1,000 principal amount of 2023 Notes, which is equivalent to an initial conversion price of approximately \$46.24 per share of the Company's common stock, and is subject to adjustment in certain circumstances pursuant to the 2017 Indenture. Upon conversion, holders of the 2023 Notes will receive cash,

PRA Group, Inc.
Notes to Consolidated Financial Statements

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

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

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

	June 30, 2018	December 31, 2017
Liability component - principal amount	\$ 632,500	\$ 632,500
Unamortized debt discount	(49,756)	(55,537)
Liability component - net carrying amount	<u>\$ 582,744</u>	<u>\$ 576,963</u>
Equity component	<u>\$ 76,216</u>	<u>\$ 76,216</u>

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest expense - stated coupon rate	\$ 5,175	\$ 3,364	\$ 10,350	\$ 5,520
Interest expense - amortization of debt discount	2,904	1,809	5,781	2,964
Total interest expense - convertible senior notes	<u>\$ 8,079</u>	<u>\$ 5,173</u>	<u>\$ 16,131</u>	<u>\$ 8,484</u>

6. Fair Value:

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

Those levels of input are summarized as follows:

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

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

Financial Instruments Not Required To Be Carried at Fair Value

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

PRA Group, Inc.
Notes to Consolidated Financial Statements

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 June 30, 2018 and December 31, 2017 (amounts in thousands):

	June 30, 2018		December 31, 2017	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	\$ 71,570	\$ 71,570	\$ 120,516	\$ 120,516
Held-to-maturity investments	50,905	38,521	57,204	42,955
Finance receivables, net	2,730,395	3,132,765	2,771,921	3,060,907
Financial liabilities:				
Interest-bearing deposits	82,613	82,613	98,580	98,580
Revolving lines of credit	818,099	818,099	849,815	849,815
Term loans	751,872	751,872	764,830	764,830
Convertible senior notes	582,744	647,552	576,963	620,079

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

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

Held-to-maturity investments: Fair value of the Company's investment in the 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.

Finance receivables, net: 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 limited 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 senior notes: The fair value estimates for the Notes incorporate quoted market prices which were obtained from secondary market broker quotes which were derived from a variety of inputs including client orders, information from their pricing vendors, modeling software, and actual trading prices when they occur. Accordingly, the Company uses Level 2 inputs for its fair value estimates. Furthermore, in the table above, carrying amount represents the portion of the Notes classified as debt, while estimated fair value pertains to the face amount of the Notes.

PRA Group, Inc.
Notes to Consolidated Financial Statements

Financial Instruments Required To Be Carried At Fair Value

The carrying amounts in the following table are measured at fair value on a recurring basis in the accompanying consolidated balance sheets at June 30, 2018 and December 31, 2017 (amounts in thousands):

	Fair Value Measurements as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale investments				
Government bonds	\$ 5,341	\$ —	\$ —	\$ 5,341
Fair value through net income				
Mutual funds	16,520	—	—	16,520
Interest rate swap contracts (recorded in other assets)	—	907	—	907

	Fair Value Measurements as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale investments				
Government bonds	\$ 5,429	\$ —	\$ —	\$ 5,429
Liabilities:				
Interest rate swap contracts (recorded in accrued expenses)	—	1,108	—	1,108

Available-for-sale

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

Fair value through net income

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

Interest rate swap contracts: The estimated fair value of the interest rate swap contracts 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. Effective in Q2 2018, the Company replaced certain swap agreements with new hedges that were eligible for hedge accounting treatment which allows changes in market value to be reflected as adjustments in Other Comprehensive Income. All derivatives to which the Company applied hedge accounting match on all critical terms to the underlying debt instruments and mature in 2020.

Investments measured using net asset value

Private equity funds: This class of investments consists of private equity funds that invest primarily in loans and securities including single-family residential debt; corporate debt products; and financially-oriented, real-estate-rich and other operating companies in the Americas, Western Europe, and Japan. These investments are subject to certain restrictions regarding transfers and withdrawals. The investments cannot be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund. The investments are expected to be returned through distributions as a result of liquidations of the funds' underlying assets over 1 to 6 years. The fair value of these private equity funds following the Net Asset Value ("NAV") practical expedient was \$7.8 million and \$8.8 million as of June 30, 2018 and December 31, 2017, 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

PRA Group, Inc.
Notes to Consolidated Financial Statements

conversion spread is included in the diluted EPS calculation, if dilutive. Under such method, the settlement of the conversion spread has a dilutive effect when the average share price of the Company's common stock during any quarter exceeds \$65.72 for the 2020 Notes or \$46.24 for the 2023 Notes, neither of which occurred during the respective periods from which the Notes were issued through June 30, 2018. Share-based awards that are contingent upon the attainment of performance goals are included in the computation of diluted EPS if the effect is dilutive. The dilutive effect of nonvested shares is computed using the treasury stock method, which assumes any proceeds that could be obtained upon the vesting of nonvested shares would be used to purchase common shares at the average market price for the period.

The following table provides a reconciliation between the computation of basic EPS and diluted EPS for the three and six months ended June 30, 2018 and 2017 (amounts in thousands, except per share amounts):

	For the Three Months Ended June 30,					
	2018			2017		
	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	\$ 19,588	45,283	\$ 0.43	\$ 11,673	45,941	\$ 0.25
Dilutive effect of nonvested share awards		166	—		119	—
Diluted EPS	\$ 19,588	45,449	\$ 0.43	\$ 11,673	46,060	\$ 0.25

	For the Six Months Ended June 30,					
	2018			2017		
	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	\$ 40,694	45,257	\$ 0.90	\$ 59,840	46,173	\$ 1.30
Dilutive effect of nonvested share awards		153	—		171	(0.01)
Diluted EPS	\$ 40,694	45,410	\$ 0.90	\$ 59,840	46,344	\$ 1.29

There were no antidilutive options outstanding for the three and six months ended June 30, 2018 and 2017.

8. Income Taxes:

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

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

On December 22, 2017, the United States government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, the following provisions which are the most relevant to the Company: (1) reducing the U.S. federal corporate tax rate from 35% to 21%; (2) requiring companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries; (3) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; (4) requiring a current inclusion in U.S. federal taxable income of certain earnings of controlled foreign corporations referred to as Global Intangible Low-Taxed Income ("GILTI"); (5) creating the base erosion anti-abuse tax, a new minimum tax; (6) creating a new limitation on deductible interest expense; and (7) increasing limitations on the deductibility of executive compensation.

The Company had not completed its accounting for the income tax effects of the Tax Act for the tax year ended December 31, 2017, since formal application guidance has not yet been finalized or issued to date. Where the Company has been able to make reasonable estimates of the effects for which its analysis is not yet complete, the Company has recorded provisional amounts in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 118. Where the Company has not yet

PRA Group, Inc.
Notes to Consolidated Financial Statements

been able to make reasonable estimates of the impact of certain elements, the Company has not recorded any amounts related to those elements and has continued accounting for them in accordance with ASC 740 on the basis of the tax laws in effect immediately prior to the enactment of the Tax Act.

The Company was able to make reasonable estimates of certain effects and, therefore, recorded provisional amounts in 2017 as follows:

- **Revaluation of deferred tax assets and liabilities:** The Tax Act reduces the U.S. federal corporate tax rate from 35% to 21% for tax years beginning after December 31, 2017. The Company evaluated the financial impact and recorded a provisional deferred tax benefit of \$73.8 million during the year ended December 31, 2017. The Company will finalize its calculations of the impact upon filing its 2017 U.S. federal tax return.
- **Transition Tax on unrepatriated foreign earnings:** The Transition Tax on unrepatriated foreign earnings is a tax on previously untaxed accumulated and current earnings and profits (“E&P”) of the Company’s foreign subsidiaries. The Company was able to make a reasonable estimate of the Transition Tax and has provisionally recorded no Transition Tax expense.
- **GILTI:** The Tax Act creates a new requirement that certain income (i.e., GILTI) earned by foreign subsidiaries must be included currently in the gross income of the U.S. shareholder. Due to the complexity of the new GILTI tax rules, the Company is continuing to evaluate the provision of the Tax Act and the application of ASC 740. The Company’s accounting for this element of the Tax Act is subject to change since formal application guidance has not yet been finalized or issued to date. As a result, the Company has not recorded any amounts related to potential GILTI tax in its financial statements and has not yet made a policy decision regarding whether to record deferred taxes on GILTI.
- The Company has evaluated the impact of the other most relevant Tax Act provisions and determined the impact to be insignificant.

At June 30, 2018, the tax years subject to examination by the major federal, state and international taxing jurisdictions are 2013 and subsequent years.

The Company intends for predominantly all foreign earnings to be indefinitely reinvested in its foreign operations. If foreign earnings were repatriated, the Company may need to accrue and pay taxes, although foreign tax credits may be available to partially reduce U.S. income taxes. The amount of cash on hand related to foreign operations with indefinitely reinvested earnings was \$55.4 million and \$106.0 million as of June 30, 2018 and December 31, 2017, respectively.

9. Commitments and Contingencies:

Employment Agreements:

The Company has entered into employment agreements with all of its U.S. executive officers and with several members of its U.S. senior management group. Such agreements provide for base salary payments as well as potential discretionary bonuses that are based on the attainment of a combination of financial and management goals. At June 30, 2018, estimated future compensation under these agreements was approximately \$20.3 million. The agreements also contain confidentiality and non-compete provisions. Outside the U.S., employment agreements are in place with employees pursuant to local country regulations. Generally, these agreements do not have expiration dates and therefore it is impractical to estimate the amount of future compensation under these agreements. Accordingly, the future compensation under these agreements is not included in the \$20.3 million total above.

Leases:

The Company is party to various operating leases with respect to its facilities and equipment. Future minimum lease payments at June 30, 2018 totaled approximately \$53.7 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 June 30, 2018 was approximately \$376.1 million.

PRA Group, Inc.
Notes to Consolidated Financial Statements

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

The Company believes that the estimate of the aggregate range of reasonably possible losses in excess of the amount accrued for its legal proceedings outstanding at June 30, 2018, where the range of loss can be estimated, was not material.

In certain legal proceedings, the Company may have recourse to insurance or third-party contractual indemnities to cover all or portions of its litigation expenses, judgments, or settlements. Loss estimates and accruals for potential liability related to legal proceedings are typically exclusive of potential recoveries, if any, under the Company's insurance policies or third-party indemnities. During the year ended December 31, 2017, the Company recorded \$4.0 million in potential recoveries under the Company's insurance policies or third-party indemnities which is included in other receivables, net at June 30, 2018 and December 31, 2017.

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

Multi-State Investigation

The Company previously received civil investigative demands from multiple state Attorney General offices ("AGOs") broadly relating to its debt collection practices in the U.S. The Company, which has fully cooperated with the investigation, has discussed potential resolution of the investigation with this coalition of AGOs which could include penalties, restitution and/or the adoption of new practices and controls in the conduct of the Company's business. In these discussions, the AGOs have taken positions with which the Company disagrees. If the Company is unable to resolve its differences with this multi-state coalition, it is possible that individual state AGOs may file claims against the Company. The range of loss, if any, cannot be estimated at this time.

Iris Pounds v. Portfolio Recovery Associates, LLC

On November 21, 2016, Iris Pounds filed suit against the Company in Durham County, North Carolina alleging violations of the North Carolina Prohibited Practices by Collection Agencies Act. The purported class consists of all individuals against whom the Company had obtained a judgment by default in North Carolina on or after October 1, 2009. The Company removed the matter to the United States District Court for the Middle District of North Carolina (the "District Court"), and has filed a motion to dismiss. The District Court has entered an order remanding the matter to the North Carolina state court, which order the Fourth Circuit Court of Appeals affirmed. The Company is seeking review of that decision before the United States Supreme Court. The range of loss, if any, cannot be estimated at this time due to the uncertainty surrounding liability, class certification and the interpretation of statutory damages.

PRA Group, Inc.
Notes to Consolidated Financial Statements

10. Sale of Subsidiaries:

As part of the Company's strategy to focus on its primary business, the purchase, collection and management of portfolios of nonperforming loans, the Company sold its government services businesses: PRA Government Services, LLC; MuniServices, LLC; and PRA Professional Services, LLC on January 24, 2017, for \$91.5 million in cash plus additional consideration for certain balance sheet items. The pre-tax gain on sale was approximately \$46.8 million, and was recorded in the first quarter of 2017.

During the second quarter of 2017, the Company sold its vehicle location, skip tracing and collateral recovery business, PLS, for \$4.5 million which resulted in a gain on sale of approximately \$1.6 million.

11. Recently Issued Accounting Standards:

Recently Issued Accounting Standards Adopted:

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. The guidance specifically excludes revenue received for servicing finance receivables. 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 determined that the revenue generated by its subsidiary Claims Compensation Bureau, LLC ("CCB") is within the scope of this standard. The Company adopted ASU 2014-09 in the first quarter of 2018 which had no material impact on its consolidated financial statements.

In January 2016, FASB issued ASU 2016-01, as amended by ASU 2018-03, "Financial Instruments-Overall: Technical Corrections and Improvements", issued in February 2018, which revises the classification and measurement of investments in equity securities. ASU 2016-01 requires that equity investments, except those accounted for under the equity method of accounting, be measured at fair value and changes in fair value be recognized in net income. However, for equity investments that do not have readily determinable fair values and don't qualify for the existing practical expedient to estimate fair value using the NAV per share (or its equivalent) of the investment, the guidance provides a new measurement alternative. Entities may choose to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company adopted ASU 2016-01 in the first quarter of 2018, which resulted in a cumulative effect adjustment of \$3.9 million, net of tax, to retained earnings for the unrealized loss on its equity investments.

In October 2016, 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. 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 adopted ASU 2016-16 in the first quarter of 2018 which had no material impact 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 applies to transactions that occur on or after an entity's adoption date, the earliest of which is January 1, 2017. The Company adopted ASU 2017-01 in the first quarter of 2018 which had no material impact on its consolidated financial statements.

In May 2017, FASB issued ASU No. 2017-09, "Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting" ("ASU 2017-09"). ASU 2017-09 clarifies when a change to the terms or conditions of a share-based payment award must be accounted for as a modification. The new guidance requires modification accounting if the fair value, vesting condition or the classification of the award is not the same immediately before and after a change to the terms and conditions of the award. The new guidance is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted. The Company adopted ASU 2017-09 in the first quarter of 2018 which had no material impact on its consolidated financial statements.

PRA Group, Inc.
Notes to Consolidated Financial Statements

In August 2017, FASB issued ASU No. 2017-12, "Derivatives and Hedging - Targeted Improvements to Accounting for Hedging Activities" ("ASU 2017-12"). ASU 2017-12 modifies the presentation and disclosure of hedging results. Further, it provides partial relief on the timing of certain aspects of hedge documentation and eliminates the requirement to recognize hedge ineffectiveness separately in income. The amendments in ASU 2017-12 are effective for fiscal years beginning after December 15, 2018 and for interim periods therein. The Company elected to early adopt the ASU 2017-12 in the second quarter of 2018 which had no material impact on its consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted:

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 has approximately \$53.7 million in operating lease obligations as disclosed in its contractual obligations table in Part I, Item 2 of this Quarterly Report on Form 10-Q and is in the process of evaluating 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 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 experience, current conditions and reasonable forecasts. The main objective of ASU 2016-13 is to provide financial statement users with more decision-useful information about the expected credit losses rather than incurred losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. Under this model, an entity would recognize an impairment allowance equal to its current estimate of all contractual cash flows that the entity does not expect to collect from financial assets measured at amortized cost. The expected credit losses, and subsequent adjustments to such losses, will be recorded through an allowance account that is deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the consolidated balance sheet at the amount expected to be collected. ASU 2016-13 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. ASU 2016-13 supersedes ASC Topic 310-30, which the Company currently follows to account for income recognized on its finance receivables. For existing pools at adoption date and accounted for previously under 310-30, a prospective transition approach should be used where the amortized cost will be adjusted to reflect any required allowances resulting from any change in estimated cash flows whether favorable or unfavorable in the current period. An entity will also be permitted to accrete the remaining noncredit discount into interest income. The Company expects that ASU 2016-13 will have a significant impact on how it measures and records income recognized on its finance receivables and is in the process of evaluating the impact of adoption on its consolidated financial statements including accounting policy, implementation options and software to facilitate.

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 does not expect the adoption of ASU 2016-15 will have a material impact on its consolidated financial statements.

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 in the process of evaluating the impact of adoption of ASU 2017-04 on its consolidated financial statements.

PRA Group, Inc.
Notes to Consolidated Financial Statements

In February 2018, the FASB issued ASU No. 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" ("ASU 2018-02"). Under existing U.S. GAAP, the effects of changes in tax rates and laws on deferred tax balances are recorded as a component of income tax expense in the period in which the law was enacted. When deferred tax balances related to items originally recorded in accumulated other comprehensive income (loss) are adjusted, certain tax effects become stranded in accumulated other comprehensive income. The amendments in ASU 2018-02 allow a reclassification from accumulated other comprehensive income (loss) to retained earnings (accumulated deficit) for stranded income tax effects resulting from the 2017 Tax Cuts and Jobs Act. The amendments in this ASU also require certain disclosures about stranded income tax effects. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption in any period is permitted. The Company's provisional adjustments recorded during the year ended December 31, 2017 to account for the impact of the Tax Act did not result in stranded tax effects. The Company does not anticipate the adoption of this standard will have a material impact 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.

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

Forward-Looking Statements:

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements involve risks, uncertainties and assumptions that could cause our results to differ materially from those expressed or implied by such forward-looking statements. All statements, other than statements of historical fact, are forward-looking statements, including statements regarding overall cash collection trends, 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 portfolios of 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 impact of the Tax Cuts and Jobs Act, including interpretations and determinations by tax authorities;
- the possibility that we could incur goodwill or other intangible asset impairment charges;
- adverse effects from the 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 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 nonperforming loans 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 Bureau of Consumer Financial Protection ("BCFP"), 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;
- the possibility that the adoption of future accounting standards could negatively impact our business; 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, 2017 ("2017 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, investors should not assume that we agree with any statement or report issued by any analyst regardless of the content of the statement or report. We do not, by policy, confirm forecasts or projections issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

Frequently Used Terms

We use the following terminology throughout this Quarterly Report:

- "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.
- "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.
- "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 are headquartered in Norfolk, Virginia, and as of June 30, 2018 employ 5,747 full time equivalents. Our shares of common stock are traded on the NASDAQ Global Select Market under the symbol "PRAA."

Results of Operations

The results of operations include the financial results of the Company and all of its subsidiaries. The following table sets forth consolidated income statement amounts as a percentage of total revenues for the periods indicated:

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2018		2017		2018		2017	
Revenues:								
Income recognized on finance receivables	\$ 219,018	98.9 %	\$ 194,164	95.3 %	\$ 437,642	98.2 %	\$ 391,378	94.8 %
Fee income	2,342	1.1	6,344	3.1	7,669	1.7	16,202	3.9
Other revenue	158	—	3,145	1.6	315	0.1	5,310	1.3
Total revenues	221,518	100.0	203,653	100.0	445,626	100.0	412,890	100.0
Net allowance charges	(2,834)	(1.3)	(3,321)	(1.6)	(3,759)	(0.8)	(6,000)	(1.5)
Operating expenses:								
Compensation and employee services	80,690	36.4	66,771	32.8	161,927	36.3	135,239	32.8
Legal collection expenses	29,038	13.1	31,202	15.3	61,950	13.9	62,930	15.2
Agency fees	8,138	3.7	9,254	4.5	16,416	3.7	20,054	4.9
Outside fees and services	14,565	6.6	18,061	8.9	28,723	6.5	31,346	7.6
Communication	10,782	4.9	7,254	3.6	22,339	5.0	16,391	4.0
Rent and occupancy	4,003	1.8	3,387	1.7	8,317	1.9	7,170	1.7
Depreciation and amortization	4,525	2.0	5,041	2.5	9,454	2.1	10,256	2.5
Other operating expenses	11,628	5.2	11,046	5.4	23,812	5.4	21,931	5.2
Total operating expenses	163,369	73.7	152,016	74.7	332,938	74.8	305,317	73.9
Income from operations	55,315	25.0	48,316	23.7	108,929	24.4	101,573	24.6
Other income and (expense):								
Gain on sale of subsidiaries	—	—	1,322	0.6	—	—	48,167	11.7
Interest expense, net	(31,124)	(14.1)	(22,506)	(11.0)	(56,905)	(12.8)	(43,763)	(10.6)
Foreign exchange gain/(loss)	1,690	0.8	(2,516)	(1.2)	2,983	0.7	(337)	(0.1)
Other	(400)	(0.2)	—	—	(157)	—	—	—
Income before income taxes	25,481	11.5	24,616	12.1	54,850	12.3	105,640	25.6
Provision for income taxes	3,857	1.7	10,766	5.3	9,994	2.2	42,175	10.2
Net income	21,624	9.8	13,850	6.8	44,856	10.1	63,465	15.4
Adjustment for net income attributable to noncontrolling interests	2,036	0.9	2,177	1.1	4,162	1.0	3,625	0.9
Net income attributable to PRA Group, Inc.	\$ 19,588	8.9 %	\$ 11,673	5.7 %	\$ 40,694	9.1 %	\$ 59,840	14.5 %

Three Months Ended June 30, 2018 Compared To Three Months Ended June 30, 2017

Revenues

Total revenues were \$221.5 million for the three months ended June 30, 2018, an increase of \$17.8 million, or 8.7%, compared to total revenues of \$203.7 million for the three months ended June 30, 2017.

A summary of how our revenues were generated during the three months ended June 30, 2018 and 2017 is as follows (amounts in thousands):

	For the Three Months Ended June 30,	
	2018	2017
Cash collections	\$ 406,634	\$ 374,675
Principal amortization	(187,616)	(180,511)
Income recognized on finance receivables	219,018	194,164
Fee income	2,342	6,344
Other revenue	158	3,145
Total revenues	<u>\$ 221,518</u>	<u>\$ 203,653</u>

Income Recognized on Finance Receivables, net

We have revised the presentation of our consolidated income statements for all reporting periods by reclassifying allowance adjustments to the valuation of our finance receivables as a line item separate from revenues. As a result, we no longer include valuation allowances as part of "Income recognized on finance receivables, net" on the face of the income statement and report income recognized on finance receivables gross of valuation allowances. The table below reconciles our revised presentation to what has been disclosed historically as total income recognized on our finance receivables net of any valuation allowances taken during the reporting period.

	For the Three Months Ended June 30,	
	2018	2017
Income recognized on finance receivables	\$ 219,018	\$ 194,164
Net allowance charges	(2,834)	(3,321)
Income recognized on finance receivables, net	<u>\$ 216,184</u>	<u>\$ 190,843</u>

Income recognized on finance receivables, net was \$216.2 million for the three months ended June 30, 2018, an increase of \$25.4 million, or 13.3%, compared to \$190.8 million for the three months ended June 30, 2017. The increase was primarily the result of overperformance on select Americas Core and European Core portfolios which resulted in yield increases on certain pools, a decrease in net allowance charges, and the impact of record Americas Core and Americas Insolvency buying in 2017.

Cash collections were \$406.6 million in the three months ended June 30, 2018, an increase of \$31.9 million, or 8.5%, compared to \$374.7 million for the three months ended June 30, 2017. The increase was primarily attributable to increased cash collections on our Americas Core and European Core portfolios, which increased \$16.7 million and \$10.2 million, respectively. Additionally, our Americas Insolvency and European Insolvency cash collections increased \$2.9 million and \$2.1 million, respectively. Cash collections on fully amortized pools were \$14.6 million in the three months ended June 30, 2018, an increase of \$1.9 million or 15.0%, compared to \$12.7 million in the three months ended June 30, 2017. Cash collections on pools on cost recovery were \$7.7 million in the three months ended June 30, 2018, a decrease of \$0.6 million or 7.2%, compared to \$8.3 million in the three months ended June 30, 2017.

Net allowance charges 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 June 30, 2018, we recorded net allowance charges of \$2.8 million, consisting of \$3.3 million and \$0.2 million on our Americas Core and Americas Insolvency portfolios, respectively, partially offset by net allowance reversals of \$0.7 million on our European Core portfolios. For the three months ended June 30, 2017, we recorded net allowance charges of \$3.3 million consisting of \$1.4 million, \$1.0 million, and \$0.9 million on our Americas Core, Americas Insolvency and our European portfolios, respectively.

During the three months ended June 30, 2018, we reclassified \$90.0 million from nonaccretable difference to accretable yield primarily due to increased cash collection forecasts relating to certain Americas Core and European Core pools. During the

three months ended June 30, 2017, we reclassified \$22.5 million to nonaccretable difference from accretable yield primarily due to decreased cash collection forecasts relating mainly to certain European pools.

Fee Income

Fee income was \$2.3 million in the three months ended June 30, 2018, a decrease of \$4.0 million or 63.5%, compared to \$6.3 million in the three months ended June 30, 2017. This was primarily due to the sale of PRA Location Services, LLC ("PLS") in June 2017 and a decrease in revenue generated by Claims Compensation Bureau, LLC ("CCB"). The decrease in revenue from CCB is due primarily to smaller distributions of class action settlements during the three months ended June 30, 2018 as compared to the prior year period.

Other Revenue

Other revenue was \$0.2 million in the three months ended June 30, 2018, a decline of \$2.9 million or 93.5%, compared to \$3.1 million in the three months ended June 30, 2017. The decline was primarily due to a decrease in revenue generated by our investments.

Operating Expenses

Total operating expenses were \$163.4 million for the three months ended June 30, 2018, an increase of \$11.4 million or 7.5%, compared to operating expenses of \$152.0 million for the three months ended June 30, 2017.

Compensation and Employee Services

Compensation and employee services expenses were \$80.7 million for the three months ended June 30, 2018, an increase of \$13.9 million, or 20.8%, compared to \$66.8 million for the three months ended June 30, 2017. Compensation expense increased primarily as a result of larger average staff sizes, partially offset by a decrease resulting from the sale of PLS in June 2017. As part of our strategy to expand our domestic collector workforce, in the U.S., we have hired approximately 850 new collectors, net of attrition, since June 30, 2017. Total full-time equivalents increased to 5,747 as of June 30, 2018, compared to 4,512 as of June 30, 2017.

Legal Collection Expenses

Legal collection expenses primarily consist of costs paid to courts where a lawsuit is filed and contingent fees incurred for the cash collections generated by our independent third-party attorney network. Legal collection expenses were \$29.0 million for the three months ended June 30, 2018, a decrease of \$2.2 million or 7.1%, compared to legal collection expenses of \$31.2 million for the three months ended June 30, 2017. The decrease was primarily due to a decrease in legal fees paid to third-party attorneys. Our fees paid to third-party attorneys were \$10.3 million for the three months ended June 30, 2018, a decrease of \$1.7 million or 14.2% compared to \$12.0 million for the three months ended June 30, 2017. None of the remaining variance was attributable to any significant identifiable items.

Agency Fees

Agency fees primarily represent third-party collection fees, primarily outside the U.S. Prior to the sale of PLS in June 2017, agency fees also included costs paid to repossession agents to repossess vehicles. Agency fees were \$8.1 million for the three months ended June 30, 2018, a decrease of \$1.2 million or 12.9%, compared to \$9.3 million for the three months ended June 30, 2017. The decrease was primarily due to the impact of the sale of PLS.

Outside Fees and Services

Outside fees and services expenses were \$14.6 million for the three months ended June 30, 2018, a decrease of \$3.5 million or 19.3%, compared to outside fees and services expenses of \$18.1 million for the three months ended June 30, 2017. The decrease was primarily the result of a \$4.5 million decline in corporate legal expenses partially offset by a \$0.9 million increase in accounting and other consulting fees. None of the remaining variance was attributable to any significant identifiable items.

Communication

Communication expenses were \$10.8 million for the three months ended June 30, 2018, an increase of \$3.5 million or 47.9%, compared to communication expenses of \$7.3 million for the three months ended June 30, 2017. These increases are primarily the result of costs associated with additional letters and increased calling efforts.

Rent and Occupancy

Rent and occupancy expenses were \$4.0 million for the three months ended June 30, 2018, an increase of \$0.6 million or 17.6%, compared to rent and occupancy expense of \$3.4 million for the three months ended June 30, 2017. The increase was primarily due to the opening of two new call centers in the U.S. in the fourth quarter of 2017.

Depreciation and Amortization

Depreciation and amortization expenses were \$4.5 million for the three months ended June 30, 2018, a decrease of \$0.5 million, or 10.0%, compared to depreciation and amortization expenses of \$5.0 million for the three months ended June 30, 2017. The decrease was primarily due to the impact of the sale of PLS in June 2017.

Other Operating Expenses

Other operating expenses were \$11.6 million for the three months ended June 30, 2018, an increase of \$0.6 million, or 5.5%, compared to other operating expenses of \$11.0 million for the three months ended June 30, 2017. None of the variance was attributable to any significant identifiable items.

Gain on Sale of Subsidiaries

Gain on sale of subsidiaries was \$1.3 million for the three months ended June 30, 2017 as the direct result of the June 2017 sale of PLS.

Interest Expense, Net

Interest expense, net was \$31.1 million during the three months ended June 30, 2018, an increase of \$8.6 million or 38.2%, compared to \$22.5 million for the three months ended June 30, 2017. The increase was primarily due to higher levels of average borrowings outstanding, higher average interest rates during the three months ended June 30, 2018, and the change in fair value of our interest rate swap agreements, as compared to the three months ended June 30, 2017.

Interest expense, net consisted of the following for the three months ended June 30, 2018 and 2017 (amounts in thousands):

	Three Months Ended June 30,		
	2018	2017	Change
Stated interest on debt obligations and unused line fees	\$ 20,213	\$ 17,591	\$ 2,622
Coupon interest on convertible debt	5,175	3,364	1,811
Amortization of convertible debt discount	2,904	1,809	1,095
Amortization of loan fees and other loan costs	2,532	2,636	(104)
Change in fair value on interest rate swap agreements	972	(1,578)	2,550
Interest income	(672)	(1,316)	644
Interest expense, net	\$ 31,124	\$ 22,506	\$ 8,618

Net Foreign Currency Transaction Gains/(Losses)

Net foreign currency transaction gains were \$1.7 million for the three months ended June 30, 2018, compared to net foreign currency transaction losses of \$2.5 million for the three months ended June 30, 2017. In any given period, we may incur foreign currency transactions gains or losses from transactions in currencies other than the functional currency.

Other Expense

Other expense was \$0.4 million and \$0.0 million during the three months ended June 30, 2018 and June 30, 2017, respectively. None of the variance was attributable to any significant identifiable items.

Provision for Income Taxes

Provision for income taxes was \$3.9 million for the three months ended June 30, 2018, a decrease of \$6.9 million, or 63.9%, compared to provision for income taxes of \$10.8 million for the three months ended June 30, 2017. The decrease was primarily due to a decrease in our effective tax rate. During the three months ended June 30, 2018, our effective tax rate was 15.1%, compared to 43.7% for the three months ended June 30, 2017. The decrease was due to the effects of U.S. tax reform, primarily the reduction of the U.S. Federal income tax rate from 35% to 21%, changes in the mix of projected taxable income between tax jurisdictions, and a decrease in the estimated blended rate for U.S. state deferred taxes due to state apportionment. This decrease was partially offset by an increase of \$0.9 million in income before income taxes for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017.

Six Months Ended June 30, 2018 Compared To Six Months Ended June 30, 2017

Revenues

Total revenues were \$445.6 million for the six months ended June 30, 2018, an increase of \$32.7 million, or 7.9%, compared to total revenues of \$412.9 million for the six months ended June 30, 2017.

A summary of how our revenues were generated during the six months ended June 30, 2018 and 2017 is as follows (amounts in thousands):

	For the Six Months Ended June 30,	
	2018	2017
Cash collections	\$ 833,214	\$ 754,505
Principal amortization	(395,572)	(363,127)
Income recognized on finance receivables	437,642	391,378
Fee income	7,669	16,202
Other revenue	315	5,310
Total revenues	\$ 445,626	\$ 412,890

Income Recognized on Finance Receivables, net

We have revised the presentation of our consolidated income statements for all reporting periods by reclassifying allowance adjustments to the valuation of our finance receivables as a line item separate from revenues. As a result, we no longer include valuation allowances as part of "Income recognized on finance receivables, net" on the face of the income statement and report income recognized on finance receivables gross of valuation allowances. The table below reconciles our revised presentation to what has been disclosed historically as total income recognized on our finance receivables net of any valuation allowances taken during the reporting period.

	For the Six Months Ended June 30,	
	2018	2017
Income recognized on finance receivables	\$ 437,642	\$ 391,378
Net allowance charges	(3,759)	(6,000)
Income recognized on finance receivables, net	\$ 433,883	\$ 385,378

Income recognized on finance receivables, net was \$433.9 million for the six months ended June 30, 2018, an increase of \$48.5 million, or 12.6%, compared to \$385.4 million for the six months ended June 30, 2017. The increase was primarily the result of overperformance on select Americas Core and European Core portfolios which resulted in yield increases on certain pools, a decrease in net allowance charges, and the impact of elevated Americas Core and Americas Insolvency buying in 2017. This was partially offset by a decline in income generated by our Americas Insolvency portfolios due primarily to lower volume of purchasing during fiscal years 2014 to 2016.

Cash collections were \$833.2 million for the six months ended June 30, 2018, compared to \$754.5 million for the six months ended June 30, 2017, an increase of \$78.7 million, or 10.4%. The increase was primarily attributable to increased cash collections on our Americas Core and European Core portfolios, which increased \$36.0 million and \$30.3 million, respectively. Additionally, our Americas Insolvency and European Insolvency cash collections increased \$8.4 million and \$4.0 million, respectively. Cash collections on fully amortized pools were \$30.2 million in the six months ended June 30, 2018, up \$4.0 million or 15.3%, compared to \$26.2 million in the six months ended June 30, 2017. Cash collections on pools on cost recovery were \$25.2 million in the six months ended June 30, 2018, up \$8.3 million or 49.1%, compared to \$16.9 million in the six months ended June 30, 2017.

For the six months ended June 30, 2018, we recorded net allowance charges of \$3.8 million, consisting of \$2.7 million on our Americas Core portfolios and \$0.4 million on our Americas Insolvency portfolios. We also recorded net allowance charges of \$0.6 million on our European portfolios. For the six months ended June 30, 2017, we recorded net allowance charges of \$6.0 million. On our Americas Core and Insolvency portfolios, we recorded net allowance charges of \$2.3 million and \$1.2 million, respectively. We also recorded net allowance charges of \$2.5 million on our European portfolios.

During the six months ended June 30, 2018, the Company reclassified \$202.1 million from nonaccretable difference to accretable yield primarily due to increased cash collection forecasts relating to certain Americas Core and European Core pools. During the six months ended June 30, 2017, the Company reclassified \$24.6 million from nonaccretable difference to accretable

yield primarily due to increased cash collection forecasts relating to certain Americas Core pools partially offset by decreased cash collection forecasts relating mainly to certain European pools.

Fee Income

Fee income was \$7.7 million in the six months ended June 30, 2018, a decrease of \$8.5 million or 52.5%, compared to \$16.2 million in the six months ended June 30, 2017, primarily due to a decrease in fee income resulting from the sale of our government services businesses in January 2017 and the sale of PLS in June 2017. This decrease was partially offset by an increase in fee income generated by CCB.

Other Revenue

Other revenue decreased to \$0.3 million in the six months ended June 30, 2018 from \$5.3 million in the six months ended June 30, 2017, primarily due to a decrease in revenue generated by our investments.

Operating Expenses

Operating expenses were \$332.9 million for the six months ended June 30, 2018, an increase of \$27.6 million or 9.0%, compared to operating expenses of \$305.3 million for the six months ended June 30, 2017.

Compensation and Employee Services

Compensation and employee services expenses were \$161.9 million for the six months ended June 30, 2018, an increase of \$26.7 million, or 19.7% compared to compensation and employee services expenses of \$135.2 million for the six months ended June 30, 2017. Compensation expense increased primarily as a result of larger average staff sizes, partially offset by a decrease resulting from the sale of our government services businesses in January 2017 and the sale of PLS in June 2017. As part of our strategy to expand our domestic collector workforce, in the U.S., we have hired approximately 850 new collectors, net of attrition, since June 30, 2017. Total full-time equivalents increased to 5,747 as of June 30, 2018, compared to 4,512 as of June 30, 2017.

Legal Collection Expenses

Legal collection expenses were \$62.0 million for the six months ended June 30, 2018, a decrease of \$0.9 million, or 1.4%, compared to legal collection expenses of \$62.9 million for the six months ended June 30, 2017. The decrease was primarily due to a decrease in legal fees paid to third-party attorneys. Our fees paid to third-party attorneys were \$21.0 million for the six months ended June 30, 2018, a decrease of \$2.2 million or 9.5% compared to \$23.2 million for the six months ended June 30, 2017. This decrease was offset by an increase in costs paid to courts where a lawsuit is filed mainly related to the expansion of the number of accounts brought into the legal channel in the Americas during the six months ended June 30, 2018. Our costs paid to courts were \$40.5 million for the six months ended June 30, 2018, an increase of \$1.6 million or 4.1% compared to \$38.9 million for the six months ended June 30, 2017.

Agency Fees

Agency fees were \$16.4 million for the six months ended June 30, 2018, compared to \$20.1 million for the six months ended June 30, 2017. The decrease was primarily due to the impact of the sale of PLS in June 2017.

Outside Fees and Services

Outside fees and services expenses were \$28.7 million for the six months ended June 30, 2018, a decrease of \$2.6 million, or 8.3%, compared to outside fees and services expenses of \$31.3 million for the six months ended June 30, 2017. The decrease was primarily the result of a \$4.8 million decrease in corporate legal expenses, partially offset by a \$0.9 million increase in consulting and other outside professional fees and a \$0.5 million increase in payment processing fees and database fees. None of the remaining variance was attributable to any significant identifiable items.

Communication

Communication expenses were \$22.3 million for the six months ended June 30, 2018, an increase of \$5.9 million, or 36.0%, compared to communication expenses of \$16.4 million for the six months ended June 30, 2017. These increases are primarily the result of costs associated with additional letters and increased calling efforts.

Rent and Occupancy

Rent and occupancy expenses were \$8.3 million for the six months ended June 30, 2018, an increase of \$1.1 million, or 15.3%, compared to rent and occupancy expenses of \$7.2 million for the six months ended June 30, 2017. The increase was primarily due to the opening of two new call centers in the U.S. in the fourth quarter of 2017, partially offset by a decline in rent and occupancy expenses incurred as a result of the sale of our government services businesses in January 2017 and the sale of PLS in June 2017.

Depreciation and Amortization

Depreciation and amortization expenses were \$9.5 million for the six months ended June 30, 2018, a decrease of \$0.8 million, or 7.8%, compared to depreciation and amortization expenses of \$10.3 million for the six months ended June 30, 2017. The decrease was primarily due to the impact of the sale of our government services businesses in January 2017 and the sale of PLS in June 2017.

Other Operating Expenses

Other operating expenses were \$23.8 million for the six months ended June 30, 2018, an increase of \$1.9 million, or 8.7%, compared to other operating expenses of \$21.9 million for the six months ended June 30, 2017. None of the variance was attributable to any significant identifiable items.

Gain on Sale of Subsidiaries

Gain on sale of subsidiaries was \$48.2 million for the six months ended June 30, 2017 due to the January 2017 sale of our government services businesses and the June 2017 sale of PLS.

Interest Expense, Net

Interest expense, net was \$56.9 million for the six months ended June 30, 2018, an increase of \$13.1 million or 29.9%, compared to \$43.8 million for the six months ended June 30, 2017. The increase was primarily due to higher levels of average borrowings outstanding and higher average interest rates during the six months ended June 30, 2018, partially offset by a decrease in interest expense caused by the change in fair value of our interest rate swaps, as compared to the three months ended June 30, 2017.

Interest expense, net consisted of the following for the six months ended June 30, 2018 and 2017 (amounts in thousands):

	Six months ended June 30,		
	2018	2017	Change
Stated interest on debt obligations and unused line fees	\$ 40,256	\$ 34,918	\$ 5,338
Coupon interest on convertible debt	10,350	5,520	4,830
Amortization of convertible debt discount	5,781	2,964	2,817
Amortization of loan fees and other loan costs	5,085	4,564	521
Change in fair value on interest rate swap agreements	(2,701)	(1,420)	(1,281)
Interest income	(1,866)	(2,783)	917
Interest expense, net	\$ 56,905	\$ 43,763	\$ 13,142

Net Foreign Currency Transaction (Losses)/Gains

Net foreign currency transaction gains were \$3.0 million for the six months ended June 30, 2018, compared to net foreign currency transaction losses of \$0.3 million for the six months ended June 30, 2017. In any given period, our foreign entities conduct operations in currencies different from their functional currency which generate foreign currency transaction gains and losses.

Other Expense

Other expense was \$0.2 million and \$0.0 million during the six months ended June 30, 2018 and June 30, 2017, respectively. None of the variance was attributable to any significant identifiable items.

Provision for Income Taxes

Provision for income taxes was \$10.0 million for the six months ended June 30, 2018, a decrease of \$32.2 million, or 76.3%, compared to provision for income taxes of \$42.2 million for the six months ended June 30, 2017. The decrease was primarily due to a decrease in our effective tax rate and a decrease in income before income taxes. During the six months ended June 30, 2018, our effective tax rate was 18.2%, compared to 39.9% for the six months ended June 30, 2017. The decrease was due to the effects of U.S. tax reform, primarily the reduction of the U.S. Federal income tax rate from 35% to 21%, changes in the mix of projected taxable income between tax jurisdictions and a decrease in the estimated blended rate for U.S. state deferred taxes due to state apportionment. During the six months ended June 30, 2018, our income before income taxes declined \$50.7 million or 48.0%, compared to the six months ended June 30, 2017. The decline was mainly attributable to the \$48.2 million gain recognized during the six months ended June 30, 2017, related to the sale of our government services businesses and PLS.

Supplemental Performance Data

Finance Receivables Portfolio Performance

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

The accounts represented in the insolvency tables are those portfolios of accounts that were in an insolvency status at the time of purchase. This contrasts with accounts in our Core portfolios that file for bankruptcy/insolvency protection after we purchase them, which continue to be tracked in their corresponding Core portfolio. Core customers sometimes file for bankruptcy/insolvency protection subsequent to our purchase of the related Core portfolio. When this occurs, we adjust our collection practices to comply with bankruptcy/insolvency rules and procedures; however, for accounting purposes, these accounts remain in the original Core portfolio. Insolvency accounts may be dismissed voluntarily or involuntarily subsequent to our purchase of the Insolvency portfolio. Dismissal occurs when the terms of the bankruptcy are not met by the petitioner. When this occurs, we are typically free to pursue collection outside of bankruptcy procedures; however, for accounting purposes, these accounts remain in the original Insolvency pool.

Purchase price multiples can vary over time due to a variety of factors, including pricing competition, supply levels, age of the receivables 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 net income margins when compared with a Core portfolio.

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

Within a given portfolio type, to the extent that lower purchase price multiples are the result of more competitive pricing and lower net yields, this will generally lead to 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 paper.

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. As a result, our estimate of total collections has often increased as pools have aged. These processes have tended to cause the ratio of ERC to purchase price for any given year of buying to gradually increase over time. Thus, all factors being equal in terms of pricing, one would typically tend to see a higher collection to purchase price ratio from a pool of accounts that was six years from 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 nonperforming loans. 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 estimated remaining collections of the portfolios held by the closed-end Polish investment fund, expected to be received by us, was \$67.6 million at June 30, 2018.

**Purchase Price Multiples
as of June 30, 2018**

Amounts in thousands

Purchase Period	Purchase Price ⁽¹⁾⁽²⁾	Net Finance Receivables ⁽³⁾	ERC-Historical Period Exchange Rates ⁽⁴⁾	Total Estimated Collections ⁽⁵⁾	ERC-Current Period Exchange Rates ⁽⁶⁾	Current Estimated Purchase Price Multiple	Original Estimated Purchase Price Multiple ⁽⁷⁾
Americas-Core							
1996-2007	\$ 638,460	\$ 6,655	\$ 28,406	\$ 2,047,430	\$ 28,406	321%	240%
2008	166,433	3,336	13,043	375,006	13,043	225%	220%
2009	125,154	788	25,851	459,031	25,851	367%	252%
2010	148,202	5,119	43,391	536,258	43,391	362%	247%
2011	209,616	11,996	63,692	728,313	63,692	347%	245%
2012	254,203	22,736	90,688	680,572	90,688	268%	226%
2013	391,171	64,381	204,428	979,588	204,428	250%	211%
2014	405,574	107,304	297,048	982,178	293,600	242%	204%
2015	444,428	158,456	363,693	965,312	363,624	217%	205%
2016	455,441	230,383	524,023	1,022,709	517,436	225%	201%
2017	535,233	433,064	845,371	1,096,828	841,527	205%	193%
2018	315,220	309,301	604,828	630,470	602,543	200%	200%
Subtotal	4,089,135	1,353,519	3,104,462	10,503,695	3,088,229		
Americas-Insolvency							
1996-2007	132,917	—	400	197,059	400	148%	148%
2008	108,549	—	428	168,619	428	155%	163%
2009	155,989	—	1,590	470,694	1,590	302%	214%
2010	208,946	—	2,855	547,385	2,855	262%	184%
2011	180,441	—	968	368,695	968	204%	155%
2012	251,427	—	1,157	389,322	1,157	155%	136%
2013	227,905	1,883	12,999	356,377	12,999	156%	133%
2014	148,715	15,141	27,470	213,010	27,425	143%	124%
2015	63,191	23,645	30,600	82,306	30,600	130%	125%
2016	92,291	40,206	49,510	112,408	49,469	122%	123%
2017	275,652	193,563	239,828	339,368	239,828	123%	125%
2018	30,158	29,982	37,712	38,346	37,712	127%	127%
Subtotal	1,876,181	304,420	405,517	3,283,589	405,431		
Total Americas	5,965,316	1,657,939	3,509,979	13,787,284	3,493,660		
Europe-Core							
2012	20,425	—	1,874	38,528	1,522	189%	187%
2013	20,352	313	1,137	23,745	906	117%	119%
2014	797,468	278,173	1,011,964	2,153,039	892,283	270%	208%
2015	422,557	214,465	460,690	750,863	425,791	178%	160%
2016	348,853	256,048	428,191	581,851	443,421	167%	167%
2017	250,037	214,488	317,340	364,472	318,255	146%	144%
2018	36,719	34,017	49,806	52,096	48,392	142%	142%
Subtotal	1,896,411	997,504	2,271,002	3,964,594	2,130,570		
Europe-Insolvency							
2014	10,876	1,465	4,042	18,102	3,743	166%	129%
2015	19,408	6,503	12,913	29,151	11,501	150%	139%
2016	42,215	23,467	35,026	60,613	35,592	144%	130%
2017	38,836	35,927	45,205	49,836	45,150	128%	128%
2018	7,970	7,590	9,609	9,711	9,236	122%	122%
Subtotal	119,305	74,952	106,795	167,413	105,222		
Total Europe	2,015,716	1,072,456	2,377,797	4,132,007	2,235,792		
Total PRA Group	\$ 7,981,032	\$ 2,730,395	\$ 5,887,776	\$ 17,919,291	\$ 5,729,452		

- (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, 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.
- (3) For our international amounts, Net Finance Receivables are presented at the June 30, 2018 exchange rate.
- (4) For our international amounts, ERC-Historical Period Exchange Rates is presented at the period-end exchange rate for the respective quarter of purchase.
- (5) For our international amounts, TEC is presented at the period-end exchange rate for the respective quarter of purchase.
- (6) For our international amounts, ERC-Current Period Exchange Rates is presented at the June 30, 2018 exchange rate.
- (7) The Original Purchase Price Multiple represents the purchase price multiple at the end of the year of acquisition.

Portfolio Financial Information
Year-to-date as of June 30, 2018
Amounts in thousands

Purchase Period	Purchase Price ⁽¹⁾⁽²⁾	Cash Collections ⁽³⁾	Gross Revenue ⁽³⁾	Amortization ⁽³⁾	Allowance ⁽³⁾	Net Revenue ⁽³⁾⁽⁴⁾	Net Finance Receivables as of June 30, 2018 ⁽⁵⁾
Americas-Core							
1996-2007	\$ 638,460	\$ 5,631	\$ 4,448	\$ 1,183	\$ (620)	\$ 5,068	\$ 6,655
2008	166,433	2,623	1,181	1,442	(400)	1,581	3,336
2009	125,154	4,560	4,414	146	125	4,289	788
2010	148,202	6,194	5,001	1,193	(2,805)	7,806	5,119
2011	209,616	12,273	10,346	1,927	(745)	11,091	11,996
2012	254,203	15,906	9,882	6,024	(3,515)	13,397	22,736
2013	391,171	32,003	22,814	9,189	3,780	19,034	64,381
2014	405,574	47,477	32,765	14,712	5,565	27,200	107,304
2015	444,428	73,092	40,061	33,031	106	39,955	158,456
2016	455,441	111,140	60,424	50,716	816	59,608	230,383
2017	535,233	143,546	81,210	62,336	380	80,830	433,064
2018	315,220	25,544	20,366	5,178	—	20,366	309,301
Subtotal	4,089,135	479,989	292,912	187,077	2,687	290,225	1,353,519
Americas-Insolvency							
1996-2007	132,917	93	93	—	—	93	—
2008	108,549	117	117	—	—	117	—
2009	155,989	458	458	—	—	458	—
2010	208,946	854	854	—	—	854	—
2011	180,441	924	924	—	—	924	—
2012	251,427	2,895	2,895	—	—	2,895	—
2013	227,905	15,408	9,686	5,722	—	9,686	1,883
2014	148,715	15,684	4,003	11,681	—	4,003	15,141
2015	63,191	10,277	1,705	8,572	—	1,705	23,645
2016	92,291	13,551	2,285	11,266	434	1,851	40,206
2017	275,652	50,448	8,247	42,201	—	8,247	193,563
2018	30,158	634	458	176	—	458	29,982
Subtotal	1,876,181	111,343	31,725	79,618	434	31,291	304,420
Total Americas	5,965,316	591,332	324,637	266,695	3,121	321,516	1,657,939
Europe-Core							
2012	20,425	1,064	1,067	(3)	—	1,067	—
2013	20,352	715	479	236	—	479	313
2014	797,468	110,074	66,134	43,940	(738)	66,872	278,173
2015	422,557	43,723	17,875	25,848	(1,372)	19,247	214,465
2016	348,853	38,661	14,234	24,427	2,748	11,486	256,048
2017	250,037	30,967	7,185	23,782	—	7,185	214,488
2018	36,719	2,264	548	1,716	—	548	34,017
Subtotal	1,896,411	227,468	107,522	119,946	638	106,884	997,504
Europe-Insolvency							
2014	10,876	1,439	765	674	—	765	1,465
2015	19,408	2,554	949	1,605	—	949	6,503
2016	42,215	6,801	2,561	4,240	—	2,561	23,467
2017	38,836	3,521	1,179	2,342	—	1,179	35,927
2018	7,970	99	29	70	—	29	7,590
Subtotal	119,305	14,414	5,483	8,931	—	5,483	74,952
Total Europe	2,015,716	241,882	113,005	128,877	638	112,367	1,072,456
Total PRA Group	\$ 7,981,032	\$ 833,214	\$ 437,642	\$ 395,572	\$ 3,759	\$ 433,883	\$ 2,730,395

- (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, 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.
- (3) For our international amounts, amounts are presented using the average exchange rates during the current reporting period.
- (4) Net Revenue refers to income recognized on finance receivables, net of allowance charges/(reversals).
- (5) For our international amounts, net finance receivables are presented at the June 30, 2018 exchange rate.

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

Cash Collections by Year, By Year of Purchase ⁽¹⁾
as of June 30, 2018
Amounts in thousands

Purchase Period	Purchase Price (2)(3)	Cash Collections													Total
		1996-2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018		
Americas-Core															
1996-2007	\$ 638,460	\$ 1,096,153	\$ 222,628	\$ 168,849	\$ 137,689	\$ 115,551	\$ 89,405	\$ 63,955	\$ 45,247	\$ 32,491	\$ 20,745	\$ 13,427	\$ 5,631	\$ 2,011,771	
2008	166,433	—	47,253	72,080	62,363	53,654	42,850	31,307	21,027	13,786	8,989	6,031	2,623	361,963	
2009	125,154	—	—	40,703	95,627	84,339	69,385	51,121	35,555	24,896	16,000	10,994	4,560	433,180	
2010	148,202	—	—	—	47,076	113,554	109,873	82,014	55,946	38,110	24,515	15,587	6,194	492,869	
2011	209,616	—	—	—	—	61,971	174,461	152,908	108,513	73,793	48,711	31,991	12,273	664,621	
2012	254,203	—	—	—	—	—	56,901	173,589	146,198	97,267	59,981	40,042	15,906	589,884	
2013	391,171	—	—	—	—	—	—	101,614	247,849	194,026	120,789	78,880	32,003	775,161	
2014	405,574	—	—	—	—	—	—	—	92,660	253,448	170,311	114,219	47,477	678,115	
2015	444,428	—	—	—	—	—	—	—	—	116,951	228,432	185,898	73,092	604,373	
2016	455,441	—	—	—	—	—	—	—	—	—	138,723	256,531	111,140	506,394	
2017	535,233	—	—	—	—	—	—	—	—	—	—	107,327	143,546	250,873	
2018	315,220	—	—	—	—	—	—	—	—	—	—	—	25,544	25,544	
Subtotal	4,089,135	1,096,153	269,881	281,632	342,755	429,069	542,875	656,508	752,995	844,768	837,196	860,927	479,989	7,394,748	
Americas-Insolvency															
1996-2007	132,917	61,154	42,794	33,842	27,347	18,234	8,574	1,884	1,151	802	463	321	93	196,659	
2008	108,549	—	14,024	35,894	37,974	35,690	28,956	11,650	1,884	1,034	635	332	117	168,190	
2009	155,989	—	—	16,635	81,780	102,780	107,888	95,725	53,945	5,781	2,531	1,581	458	469,104	
2010	208,946	—	—	—	39,486	104,499	125,020	121,717	101,873	43,649	5,008	2,425	854	544,531	
2011	180,441	—	—	—	—	15,218	66,379	82,752	85,816	76,915	35,996	3,726	924	367,726	
2012	251,427	—	—	—	—	—	17,388	103,610	94,141	80,079	60,715	29,337	2,895	388,165	
2013	227,905	—	—	—	—	—	—	52,528	82,596	81,679	63,386	47,781	15,408	343,378	
2014	148,715	—	—	—	—	—	—	—	37,045	50,880	44,313	37,350	15,684	185,272	
2015	63,191	—	—	—	—	—	—	—	—	3,395	17,892	20,143	10,277	51,707	
2016	92,291	—	—	—	—	—	—	—	—	—	18,869	30,426	13,551	62,846	
2017	275,652	—	—	—	—	—	—	—	—	—	—	49,093	50,448	99,541	
2018	30,158	—	—	—	—	—	—	—	—	—	—	—	634	634	
Subtotal	1,876,181	61,154	56,818	86,371	186,587	276,421	354,205	469,866	458,451	344,214	249,808	222,515	111,343	2,877,753	
Total Americas	5,965,316	1,157,307	326,699	368,003	529,342	705,490	897,080	1,126,374	1,211,446	1,188,982	1,087,004	1,083,442	591,332	10,272,501	
Europe-Core															
2012	20,425	—	—	—	—	—	11,604	8,995	5,641	3,175	2,198	2,038	1,064	34,715	
2013	20,352	—	—	—	—	—	—	7,068	8,540	2,347	1,326	1,239	715	21,235	
2014	797,468	—	—	—	—	—	—	—	153,180	291,980	246,365	220,765	110,074	1,022,364	
2015	422,557	—	—	—	—	—	—	—	—	45,760	100,263	86,156	43,723	275,902	
2016	348,853	—	—	—	—	—	—	—	—	—	40,368	78,915	38,661	157,944	
2017	250,037	—	—	—	—	—	—	—	—	—	—	17,894	30,967	48,861	
2018	36,719	—	—	—	—	—	—	—	—	—	—	—	2,264	2,264	
Subtotal	1,896,411	—	—	—	—	—	11,604	16,063	167,361	343,262	390,520	407,007	227,468	1,563,285	
Europe-Insolvency															
2014	10,876	—	—	—	—	—	—	—	5	4,297	3,921	3,207	1,439	12,869	
2015	19,408	—	—	—	—	—	—	—	—	2,954	4,366	5,013	2,554	14,887	
2016	42,215	—	—	—	—	—	—	—	—	—	6,175	12,703	6,801	25,679	
2017	38,836	—	—	—	—	—	—	—	—	—	—	1,233	3,521	4,754	
2018	7,970	—	—	—	—	—	—	—	—	—	—	—	99	99	
Subtotal	119,305	—	—	—	—	—	—	—	5	7,251	14,462	22,156	14,414	58,288	
Total Europe	2,015,716	—	—	—	—	—	11,604	16,063	167,366	350,513	404,982	429,163	241,882	1,621,573	
Total PRA Group	\$ 7,981,032	\$ 1,157,307	\$ 326,699	\$ 368,003	\$ 529,342	\$ 705,490	\$ 908,684	\$ 1,142,437	\$ 1,378,812	\$ 1,539,495	\$ 1,491,986	\$ 1,512,605	\$ 833,214	\$ 11,894,074	

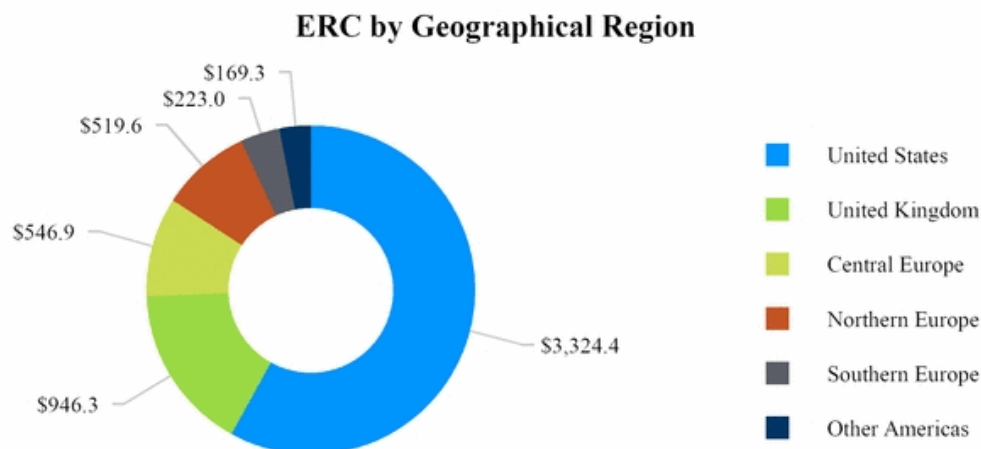
(1) For our international amounts, cash collections are presented using the average exchange rates during the cash collection period.

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

(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 June 30, 2018 (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; by contrast, 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

	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Americas-Core	\$ 233,752	\$ 246,237	\$ 204,245	\$ 212,756	\$ 217,020	\$ 226,906	\$ 193,360	\$ 210,524
Americas-Insolvency	56,063	55,280	59,103	60,436	53,163	49,813	52,988	60,429
Europe-Core	109,359	118,109	107,124	102,681	99,121	98,081	97,429	96,028
Europe-Insolvency	7,460	6,954	5,794	5,961	5,371	5,030	4,974	4,719
Total Cash Collections	\$ 406,634	\$ 426,580	\$ 376,266	\$ 381,834	\$ 374,675	\$ 379,830	\$ 348,751	\$ 371,700

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

U.S. Core Portfolio Cash Collections by Source

Amounts in thousands

	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Call Center and Other Collections	\$ 143,527	\$ 155,448	\$ 120,349	\$ 123,009	\$ 122,780	\$ 127,368	\$ 103,595	\$ 115,454
External Legal Collections	40,631	38,891	31,960	35,042	37,863	40,267	35,231	36,415
Internal Legal Collections	32,532	33,423	31,154	31,761	32,511	34,937	31,458	33,206
Total US-Core Cash Collections	\$ 216,690	\$ 227,762	\$ 183,463	\$ 189,812	\$ 193,154	\$ 202,572	\$ 170,284	\$ 185,075

Collections Productivity (U.S. Portfolio)

The following tables display certain collections productivity measures.

Cash Collections per Collector Hour Paid U.S. Portfolio

	Total U.S. core cash collections ⁽¹⁾				
	2018	2017	2016	2015	2014
First Quarter	\$ 176	\$ 254	\$ 274	\$ 247	\$ 223
Second Quarter	152	202	269	245	220
Third Quarter	—	191	281	250	217
Fourth Quarter	—	170	248	239	203

	Call center and other cash collections ⁽²⁾				
	2018	2017	2016	2015	2014
First Quarter	\$ 121	\$ 161	\$ 168	\$ 143	\$ 119
Second Quarter	101	129	167	141	107
Third Quarter	—	125	177	145	112
Fourth Quarter	—	112	153	139	110

(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 2008. It also includes the acquisition date finance receivable portfolios that were acquired through our various business acquisitions.



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

Portfolio Purchases by Geography and Type
Amounts in thousands

	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Americas-Core	\$ 182,768	\$ 131,427	\$ 160,278	\$ 115,572	\$ 144,871	\$ 115,166	\$ 91,800	\$ 95,452
Americas-Insolvency	16,651	13,436	44,195	73,497	100,040	67,123	20,929	16,760
Europe-Core	19,403	18,000	152,417	14,695	42,876	39,505	80,129	34,240
Europe-Insolvency	2,577	5,392	17,698	7,146	7,860	6,020	6,943	14,803
Total Portfolio Purchasing	\$ 221,399	\$ 168,255	\$ 374,588	\$ 210,910	\$ 295,647	\$ 227,814	\$ 199,801	\$ 161,255

Portfolio Purchases by Stratifications (U.S. Only)

The following table categorizes our quarterly U.S. portfolio purchases for the periods indicated into major asset type and delinquency category. Over the past 20 plus years, we have acquired more than 49 million customer accounts in the U.S. alone.

U.S. Portfolio Purchases by Major Asset Type
Amounts in thousand

	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Major Credit Cards	\$ 100,160	\$ 84,858	\$ 87,895	\$ 54,892	\$ 65,177	\$ 57,615	\$ 35,306	\$ 38,858
Consumer Finance	4,098	3,558	2,360	3,308	7,354	7,987	5,678	1,309
Private Label Credit Cards	82,406	47,962	90,332	78,609	101,162	73,473	56,681	54,969
Auto Related	427	613	21,219	49,741	67,701	30,191	6,104	—
Total	\$ 187,091	\$ 136,991	\$ 201,806	\$ 186,550	\$ 241,394	\$ 169,266	\$ 103,769	\$ 95,136

U.S. Portfolio Purchases by Delinquency Category
Amounts in thousand

	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Fresh ⁽¹⁾	\$ 80,976	\$ 71,067	\$ 76,910	\$ 67,540	\$ 73,813	\$ 43,786	\$ 30,919	\$ 30,114
Primary ⁽²⁾	34,166	3,290	23,100	1,623	4,314	726	2,672	1,568
Secondary ⁽³⁾	55,299	49,198	48,865	43,366	52,217	49,794	48,005	51,630
Tertiary ⁽³⁾	—	—	8,736	524	—	1,111	557	—
Insolvency	16,650	13,436	44,195	73,497	100,040	67,123	20,930	11,145
Other ⁽⁴⁾	—	—	—	—	11,010	6,726	686	679
Total	\$ 187,091	\$ 136,991	\$ 201,806	\$ 186,550	\$ 241,394	\$ 169,266	\$ 103,769	\$ 95,136

- (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 June 30, 2018, cash and cash equivalents totaled \$71.6 million. Of the cash and cash equivalent balance as of June 30, 2018, \$55.4 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 June 30, 2018, we had approximately \$2.1 billion in borrowings outstanding with \$876.9 million of availability under all our credit facilities (subject to the borrowing base and applicable debt covenants). Considering borrowing base restrictions, as of June 30, 2018, the amount available to be drawn was \$495.3 million. Of the \$876.9 million of borrowing availability, \$546.5 million was available under our European credit facility and \$330.4 million was available under our North American credit facility. Of the \$495.3 million available considering borrowing base restrictions, \$197.6 million was available under our European credit facility and \$297.7 million was available under our North American credit facility. For more information, see Note 5 to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report.

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 1.2 billion (approximately \$133.7 million as of June 30, 2018). Interest-bearing deposits as of June 30, 2018 were \$82.6 million.

We believe we were in compliance with the covenants of our financing arrangements as of June 30, 2018.

We have the ability to slow the purchasing of finance receivables if necessary, with low impact to current year cash collections. For example, we invested \$1.1 billion in portfolio purchases in 2017. The portfolios purchased in 2017 generated \$175.5 million of cash collections, representing only 11.6% of 2017 cash collections.

Contractual obligations over the next year are primarily related to debt maturities and purchase commitments. Our North American credit facility expires in May 2022. Our European credit facility expires in February 2021. Of our \$751.9 million in term loans outstanding at June 30, 2018, \$10.0 million is due within one year.

We have in place forward flow commitments for the purchase of nonperforming loans with a maximum purchase price of \$376.1 million as of June 30, 2018. We may also enter into new or renewed flow commitments and close on spot transactions in addition to the aforementioned flow agreements.

On May 10, 2017, we reached a settlement with the Internal Revenue Service in regards to the assertion that tax revenue recognition using the cost recovery method did not clearly reflect taxable income. In accordance with the settlement, our tax accounting method to recognize finance receivables revenue changed effective with tax year 2017. Under the new method, a portion of the annual collections amortizes principal and the remaining portion is taxable income. The deferred tax liability related to the difference in timing between the new method and the cost recovery method will be incorporated evenly into our tax filings over four years effective with tax year 2017. We estimate the related tax payments for future years to be approximately \$9.8 million per quarter.

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 12 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 \$27.1 million and used cash of \$14.4 million for the six months ended June 30, 2018 and 2017, respectively. Key drivers of the change included cash collections recognized as revenue, income tax payments and other changes to our income tax payable and receivable accounts. Cash collections recognized as revenue increased \$48.5 million, as previously described in the revenues discussion and analysis, and cash paid for income taxes decreased \$21.5 million.

Our investing activities used cash of \$9.4 million and \$56.1 million for the six months ended June 30, 2018 and 2017, respectively. Cash used in investing activities is primarily driven by acquisitions of nonperforming loans. Cash provided by investing activities is primarily driven by cash collections applied to principal on finance receivables, net. The change in net cash used in investing activities is primarily due a decrease in the amounts of acquisitions of finance receivables, which totaled \$385.8 million during the six months ended June 30, 2018, compared to \$514.0 million during six months ended June 30, 2017. This was partially offset by the sale of subsidiaries during the six months ended June 30, 2017, which provided us with net proceeds of \$93.0 million, and an increase in collections applied to principal on finance receivables, net, which totaled \$399.3 million during the six months ended June 30, 2018, compared to \$369.1 million during six months ended June 30, 2017.

Our financing activities used cash of \$52.0 million and provided cash of \$61.6 million for the six months ended June 30, 2018 and 2017, respectively. Cash for financing activities is normally provided by draws on our lines of credit and proceeds from debt offerings. Cash used in financing activities is primarily driven by principal payments on our lines of credit and long-term debt. The change in cash provided by/(used in) financing activities for the six months ended June 30, 2018 compared to six months ended June 30, 2017 was primarily due to a decrease in net payments on our lines of credit and long-term debt. During the six months ended June 30, 2018, net payments on our borrowing activities totaled \$27.8 million compared to net draws of \$118.4 million during the six months ended June 30, 2017. Cash used in financing activities was also impacted by repurchases of common stock and distributions paid to noncontrolling interests. Repurchases of our common stock totaled \$0 during the six months ended June 30, 2018 compared to \$44.9 million during the six months ended June 30, 2017. Distributions paid to noncontrolling interests totaled \$13.4 million and \$0.7 million for the six months ended June 30, 2018 and 2017, respectively. Additionally, during the the six months ended June 30, 2018 we had a decrease in interest bearing deposits of \$8.3 million, compared to an increase of \$9.4 million during the six months ended June 30, 2017.

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 income tax and withholding tax has been provided thereon. If management's intentions change and eligible undistributed earnings of foreign subsidiaries are repatriated, we could be subject to additional income taxes and withholding taxes. This could result in a higher effective tax rate in the period in which such a decision is made to repatriate accumulated or future undistributed foreign earnings. The amount of cash on hand related to foreign operations with indefinitely reinvested earnings was \$55.4 million and \$106.0 million as of June 30, 2018 and December 31, 2017, respectively. Refer to Note 8 to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report for further information related to our income taxes and undistributed foreign earnings.

Contractual Obligations

Our contractual obligations as of June 30, 2018 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	\$ 53,730	\$ 11,730	\$ 20,037	\$ 12,344	\$ 9,619
Revolving credit ⁽¹⁾	976,791	49,598	907,610	19,460	123
Long-term debt ⁽²⁾	1,659,052	63,013	798,228	797,811	—
Purchase commitments ⁽³⁾	376,125	376,125	—	—	—
Employment agreements	20,335	8,628	11,707	—	—
Total	\$ 3,086,033	\$ 509,094	\$ 1,737,582	\$ 829,615	\$ 9,742

(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 June 30, 2018 balances to maturity.

(2) This amount includes scheduled interest and principal payments on our term loans and convertible senior notes.

(3) This amount includes the maximum remaining amount to be purchased under forward flow and other contracts for the purchase of nonperforming loans in the amount of approximately \$376.1 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 11 to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with 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 2017 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 via yield increases which are recognized prospectively or increased allowance charges resulting from decreased cash flow estimates which are recognized immediately.

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 review each pool watching for trends, actual performance versus projections and curve shape (a graphical depiction of the timing of cash flows). We then re-forecast future cash flows utilizing our proprietary analytical models.

Significant judgment is used in evaluating whether variances in actual performance are due to changes in the total amount or changes in the timing of expected cash flows. Significant changes in either may result in yield increases or allowance charges if necessary for the pool's amortization period to fall within a reasonable expectation of its 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 and liabilities are expected to be realized or settled. The evaluation of a tax position in accordance with the guidance is a two-step process. The first step is recognition: the Company 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 Company 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.

Our international operations require 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

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

Interest Rate Risk

We are subject to interest rate risk from outstanding borrowings on our variable rate credit facilities. As such, our consolidated financial results are subject to fluctuations due to changes in the market rate of interest. We assess this interest rate risk by estimating the increase or decrease in interest expense that would occur due to a change in short-term interest rates. The borrowings on our variable rate credit facilities were approximately \$1.6 billion as of June 30, 2018. Based on our current debt structure, assuming a 50 basis point decrease in interest rates, for example, interest expense over the following 12 months would decrease by an estimated \$5.5 million. Assuming a 50 basis point increase in interest rates, interest expense over the following 12 months would increase by an estimated \$6.7 million.

To reduce the exposure to changes in the market rate of interest and to be in compliance with the terms of our European credit facility, we have entered into interest rate swap agreements for a portion of our borrowings under our floating rate financing arrangements. Further, effective in the second quarter of 2018, we replaced certain swap agreements with new hedges that were eligible for hedge accounting treatment which allows changes in market value to be reflected as adjustments in Other Comprehensive Income. All derivatives to which we have applied hedge accounting match on all critical terms to the underlying debt instruments and mature in 2020. Terms of the interest rate swap agreements require us to receive a variable interest rate and pay a fixed interest rate. The sensitivity calculations above consider the impact of our interest rate swap agreements.

The fair value of our interest rate swap agreements was a net asset of \$0.9 million at June 30, 2018. 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 \$1.7 million at June 30, 2018. 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 \$4.1 million at June 30, 2018.

Currency Exchange Risk

We operate internationally and enter into transactions denominated in various foreign currencies. During the three months ended June 30, 2018, we generated \$70.6 million of revenues from operations outside the U.S. and used 11 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 gains and losses are primarily the result of the re-measurement of transactions in certain other currencies into an entity's functional currency. Foreign currency gains and losses are included as a component of other income and (expense) in our consolidated income statements.

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 Quarterly Report. Based on this evaluation, the principal executive officer and principal financial officer have concluded that, as of June 30, 2018, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting. There was no change in our internal control over financial reporting that occurred during the quarter ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

For information regarding legal proceedings as of June 30, 2018, refer to Note 9 to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in our 2017 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 4.1 of the Current Report on Form 8-K \(File No. 000-50058\) filed on August 14, 2013\).](#)
- [4.4](#) [Indenture dated May 26, 2017 between PRA Group, Inc. and Regions Bank, as trustee \(Incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K \(File No. 000-50058\) filed on May 26, 2017\).](#)
- [10.1](#) [First Amended Executive Chairman Agreement dated as of May 18, 2018, by and between PRA Group, Inc., and Steven D. Fredrickson* \(filed herewith\).](#)
- [10.2](#) [Settlement Agreement dated June 4, 2018 among PRA Group \(UK\) Limited and Tikendra Patel* \(filed herewith\).](#)
- [10.3](#) [Service Agreement dated February 19, 2014 between Aktiv Kapital UK LTD and Tikendra Patel* \(filed herewith\).](#)
- [31.1](#) [Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002 \(filed herewith\).](#)
- [31.2](#) [Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002 \(filed herewith\).](#)
- [32.1](#) [Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002 \(filed herewith\).](#)
- 101.INS XBRL Instance Document
- 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)

August 7, 2018

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

August 7, 2018

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

FIRST AMENDED EXECUTIVE CHAIRMAN AGREEMENT

This FIRST AMENDED EXECUTIVE CHAIRMAN AGREEMENT (the “**Agreement**”) is dated as of May 18, 2018 (the “**Effective Date**”), by and between PRA Group, Inc. (the “**Company**”), and Steven D. Fredrickson (the “**Executive**”).

WITNESSETH:

WHEREAS, Executive has been employed by the Company as Executive Chairman of the Board since June 1, 2017 and is also currently serving as a member of the Board of Directors of the Company (the “**Board**”), both pursuant to that certain Executive Chairman Agreement dated as of February 23, 2017 (the “**Executive Chairman Agreement**”); and

WHEREAS, Executive and the Company desire to make certain amendments to the Executive Chairman Agreement, including but not limited to extending the term of the Executive Chairman Agreement.

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. Term. From the Effective Date through December 31, 2019 (the “**Extended Chairman Term**”), Executive shall serve as a member of the Board and as Executive Chairman of the Company and shall be an employee of the Company. The Extended 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 Extended 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.

2. Duties. During the Extended 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 Chief Executive Officer and/or the Board, as appropriate.

3. Commitment. During and throughout the Extended 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 4.6) and for Disability (as defined in Section 5.3). 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 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.

4. COMPENSATION AND BENEFITS.

4.1 Base Salary. During the Extended 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 Extended Chairman Term; provided, the Base Salary shall not be decreased below the stated amount in this Agreement.

4.2 Bonus Compensation. Executive shall be eligible to receive an annual bonus as set forth in the Company’s Annual Bonus Plan(as amended from time to time, the “**Annual Bonus**”). For 2018, the Annual Bonus shall include a target opportunity of \$[650,000]. For 2019 (and any subsequent year in the event that the Extended Chairman’s Term is extended by mutual written agreement pursuant to Section 1), the Committee will review the Annual Bonus Plan to determine the Executive’s target participation level 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.

4.3 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**”). Subject to this Section 4.3, any and all Equity Awards shall be subject to the terms of the Plan, restrictions incorporated in the Company’s Insider Trading Policy, and 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.

4.4 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.

4.5 Executive Benefits. In addition to the compensation discussed above, and subject to the limitations imposed herein, during the Extended 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. Executive’s benefit entitlement shall be governed

by the terms and conditions of the plan documents and/or Company policies applicable to each such benefit.

4.6 Paid Time Off. Executive shall be entitled to such paid time off (“PTO”) during each calendar year of employment during the Extended 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 in any such calendar year. PTO days used by the Executive during calendar year 2018 prior to the Effective Date shall be counted towards Executive’s PTO allotment for calendar year 2018. 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. Executive shall not be entitled to carry over unused PTO, and subject to Section 5 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

4.7 Business and Entertainment Expenses. During the Extended 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 8.15 below with respect to Section 409A of the Internal Revenue Code (the “Code”).

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

5. TERMINATION OF EXECUTIVE.

5.1 General. The Company or Executive may terminate this Agreement and Executive’s employment hereunder at any time and for any reason by written notice to the other party (other than termination in the event of Executive’s death). In connection with any such termination, within 30 days following the termination date, the Company shall pay to Executive his Base Salary through the date of termination, accrued but unused PTO through the date of termination, and any earned but unpaid Annual Bonus. In addition, if Executive’s employment is terminated by the Company without Cause (and not due to death, Disability, or a Nonrenewal Termination) or by Executive 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 Extended Chairman Term for purposes of Sections 4.1, 4.2 and 4.5, and he shall continue to receive the payments and benefits specified therein through the end of the Extended 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 5.1 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 5.1 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 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 continue to comply with, all surviving obligations of Executive hereunder, including, without limitation, Executive's obligations under Section 6 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 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 30 days after Executive knew or should have known of such action and (ii) Executive must terminate employment within 30 days after the cure period has ended.

5.2 Death. In the event of the death of Executive during the Extended Chairman Term, this Agreement and 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 but unused 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 Extended Chairman Term.

5.3 Disability. In the event Executive is unable to render the services or perform the duties of his employment hereunder during the Extended Chairman Term by reason of illness, injury or incapacity (whether physical, mental, emotional or psychological), with or without any reasonable accommodation, 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 this Agreement and 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 this Agreement and 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 but unused 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 5.3 and of the Company’s benefit programs and plans. Any unvested Equity Awards shall vest immediately (at target in the case of performance-based awards) upon Executive’s Disability termination during the Extended 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.

5.4 Termination of Employment by the Company for Cause. This Agreement and Employee’s Employment hereunder shall be terminated for Cause (as hereinafter defined) 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. From and after the effective date of termination for Cause, Executive shall not receive any further benefits, any unearned Base Salary, 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 non-felony offense that would materially affect Executive’s ability to perform his duties 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 6 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.

5.5 Nonrenewal Termination. If the Executive's employment continues until the expiration of the Extended Chairman Term and the Executive's employment is not renewed or extended by the written agreement of the parties, the Company shall have the right to terminate Executive's employment hereunder within 30 days following the expiration of the Extended Chairman Term. Such termination is referred to herein as a "**Nonrenewal Termination.**"

6. CONFIDENTIAL INFORMATION; NONCOMPETITION AND NONSOLICITATION.

6.1 Confidential Information.

(i) Executive covenants and agrees that he will not at any time, either during the Extended 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 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.

(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.

(iii) Executive and the Company agree that the covenants in this Section 6.1 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 6.1 shall be deemed severable. Executive agrees that any breach of any covenant contained in this Section 6.1 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 6.1. The Company may claw back any post-employment payments paid or payable to Executive under the third sentence of Section 5.1 in the event that Executive breaches this Section 6.1.

(iv) Notwithstanding the foregoing, nothing in this Agreement shall prohibit or restrict Executive from lawfully (i) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by the Securities and Exchange Commission, the Department of Justice, the Equal Employment Opportunity Commission, the Congress, or any other governmental or regulatory agency, entity, or official(s) or self-regulatory organization (collectively, "**Governmental Authorities**") regarding a possible violation of any law, rule, or regulation; (ii) responding to any inquiry or legal process directed to Executive individually (and not directed to the Company and/or its subsidiaries) from any such Governmental Authorities; (iii) testifying, participating or otherwise assisting in an action or proceeding by any such Governmental Authorities relating to a possible violation of law; or (iv) making any other disclosures that are protected under the whistleblower provisions of any applicable law, rule, or regulation. Nor does this Agreement require Executive to obtain prior authorization from the Company before engaging in any conduct described in this paragraph, or to notify the Company that Executive has engaged in any such conduct. Moreover, nothing in this Agreement prohibits Executive from disclosing a Company trade secret (i) in confidence to a Federal, State, or local government official, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. If Executive files a lawsuit for retaliation by an employer for reporting a suspected violation of law, Executive may disclose a Company trade secret to the Executive's attorney and use the trade secret information in the court proceeding if Executive files any document containing the trade secret under seal and does not disclose the trade secret except pursuant to court order.

6.2 Noncompete. As additional consideration for Executive's continued 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 6.5 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 engaged in buying or servicing distressed consumer debt (the "**Business**"). Notwithstanding the foregoing, 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.

6.3 Nonsolicitation. As additional consideration for Executive's continued 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.

6.4 Treatment of Covenants. Executive agrees that any breach of the covenants contained in Sections 6.2 and 6.3 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 6.2 or 6.3. The Company may claw back any post-employment payments paid or payable to Executive under the third sentence of Section 5.1 in the event that Executive breaches Section 6.2 or Section 6.3.

6.5 Restricted Period. The provisions of Sections 6.2 and 6.3 shall be in effect for the duration of Executive's employment and shall survive the termination of Executive's employment by either party for any reason for a period of two years after the effective date of such termination (the "**Restricted Period**").

6.6 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.

7. INDEMNIFICATION.

7.1 General. 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.

7.2 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 Company is not obligated to maintain any such D&O insurance policy. The Company shall provide Executive a copy of any D&O liability insurance policy then in effect upon request.

7.3 Scope of Indemnification. In addition to any D&O insurance coverage provided for in Section 7.1 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.

7.4 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.

7.5 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.

7.6 Survival. The indemnification rights provided for in this Section 7 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.

8. MISCELLANEOUS.

8.1 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.

8.2 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 Code, then the amount payable to Executive 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 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

8.3 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, including, but not limited to, the Executive Chairman Agreement. 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.

8.4 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
P.O. Box 965
Virginia Beach, VA 23451

8.5 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.

8.6 No Assignment. Except as contemplated by Section 8.5 above, this Agreement shall not be assignable or otherwise transferable by either party

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

8.8 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.

8.9 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.

8.10 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 or Executive's employment with the Company, including any claims under any statute or regulation, shall be submitted for binding arbitration; provided that any action by the Company to enforce Section 6 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 8.9). The decision of the arbitrator shall be final and binding on all parties.

8.11 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.

8.12 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.

8.13 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.

8.14 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.

8.15 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.

(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.]

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

PRA GROUP, INC.

/s/ Kevin P. Stevenson

Kevin P. Stevenson
President and Chief Executive Officer

/s/ Steven D. Fredrickson

Steven D. Fredrickson

- 14 -

**WITHOUT PREJUDICE
SUBJECT TO CONTRACT**

DATED

4 JUNE 2018

SETTLEMENT AGREEMENT

AMONG

PRA GROUP (UK) LIMITED

AND

TIKENDRA PATEL

{00586770.DOCX.7}

This AGREEMENT is made on 4 JUNE 2018

AMONG

- (1) **PRA GROUP (UK) LIMITED**, incorporated and registered in England and Wales with company number 04267803 whose registered office is at Wells House., 15-17 Elmfield Road, Bromley, Kent, BR1 1LT (the “**Employer**”); and
 - (2) **TIKENDRA PATEL** of Street address, City, County, Post code (the “**Executive**”)
- (together the “**Parties**”).

BACKGROUND

- A. The Executive has served as Chief Executive Officer of the Employer from 1 January 2016, under a service agreement with the Employer dated 19 February 2014 (the “**Service Agreement**”).
- B. The Executive gave notice of the termination of employment in accordance with the Service Agreement. The Parties have agreed that the Executive will immediately step down as Chief Executive Officer from the date of this Agreement, the Executive's twelve months' notice as set out in the Service Agreement will commence on 30 June 2018, the employment will terminate on the Separation Date (as defined below), and that from 30 June 2018 until the Separation Date the Executive will be placed on garden leave in accordance with clause 24 of the Service Agreement and clause 12 of this Agreement.
- C. The Parties have also agreed that the Executive will immediately resign from all directorships and other positions he holds with any and all of the entities in the PRA Group, Inc. consolidated group of companies (each a “**Group Company**”) and pursuant to the other terms set out in this agreement (the “**Agreement**”).
- D. The parties have entered into this agreement to record and implement the terms on which they have agreed to settle any claims that the Executive has or may have in connection with his employment or its termination or otherwise against any Group Company or their officers or employees whether or not those claims are, or could be, in the contemplation of the parties at the time of signing this agreement, and including, in particular, the statutory complaints that the Executive raises in this agreement.
- E. The parties intend this agreement to be an effective waiver of any such claims and to satisfy the conditions relating to settlement agreements in the relevant legislation.

IT IS AGREED THAT

{00586770.DOCX.7} 1

1. INTERPRETATION

1.1. Save as set out specifically in this Agreement, all defined terms shall have the same meaning as under the Service Agreement.

1.2. In this Agreement:

"**Adviser**" means Daryl Cowan of DC Employment Solicitors;

"**Claim**" or "**Claims**" includes (without limitation) any and all actions, claims, rights, demands, and set-offs, including all causes of action and rights to bring any civil, criminal or regulatory complaint (whether before any court, tribunal, regulatory or other authority) arising or made (or to be made) in any jurisdiction whether in contract, tort or equity or under or in relation to any statute, regulation, rule or guidance. A Claim or Claims includes, but is not limited to, any action or proceedings of any kind for any relief including by way of equitable relief, damages, injunctions, declarations, costs and expenses (including, without limitation, the causes of action, suits or proceedings listed in Schedules 2 and 3);

"**Post-Employment Notice Pay**" has the meaning given in section 402D of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA).

"**Post-Employment Notice Period**" has the meaning given in section 402E(5) of ITEPA.

"**Reaffirmation Letter**" means the letter agreement to be entered into by the parties pursuant to clause 19 in the form set out at Schedule 5, under which the Executive reaffirms certain provisions of this Agreement on or after the Separation Date.

1.3. The headings in this agreement are inserted for convenience only and shall not affect its construction.

1.4. A reference to a particular law is a reference to it as it is in force for the time being taking account of any amendment, extension, or re-enactment and includes any subordinate legislation for the time being in force made under it.

1.5. Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

1.6. Unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular.

1.7. The Schedules shall form part of this agreement and shall have effect as if set out in full in the body of this agreement. Any reference to this agreement includes the Schedules.

1.8. A reference to a holding company or a subsidiary means a holding company or a subsidiary (as the case may be) as defined in section 1159 of the Companies Act 2006.

2. ARRANGEMENTS ON TERMINATION

2.1. The Executive's employment with the Employer shall terminate on 30 November 2018 (the "**Separation Date**"). Until 30 June 2018 the Executive will continue to perform his normal duties. On 30 June 2018 until the Separation Date the Executive will be placed on garden leave in accordance with clause 24 of the Service Agreement and clause 12 of this Agreement.

- 2.2. The Employer shall pay the Executive his salary up to the Separation Date in the usual way.
- 2.3. The Employer shall continue to provide benefits to the Executive in the usual way up to the Separation Date.
- 2.4. The Executive acknowledges that, in accordance with clause 9.3(e) of the Service Agreement, he no longer qualifies for a bonus payment under the Employer's annual bonus program, either in respect of any period worked before 30 June 2018, or any period worked thereafter.
- 2.5. The Employee's notice period under the Service Agreement is 12 months. The Employee will be placed on garden leave for 5 months from 30 June 2018 until the Separation Date. The Employer will pay the Executive in lieu of 7 months' notice in accordance with clause 20.1 of the Service Agreement and clause 3.1.2 of this Agreement. The parties accordingly believe that the Employee's Post-Employment Notice Period and Post-Employment Notice Pay are nil.
- 2.6. The payments and benefits in this clause 2 shall be subject to the income tax and National Insurance contributions that the Employer is obliged by law to pay or deduct.
- 2.7. The Executive shall submit on or before the Separation Date his expenses claims in the usual way and the Employer shall reimburse the Executive for any expenses properly incurred before the Separation Date in the usual way.
- 2.8. The Company shall deduct from the sums due under this clause 2 any outstanding sums due from the Employee to any Group Company.

3. SEPARATION PAYMENTS

- 3.1. Subject to and conditional on the Executive complying with the terms of this agreement, including, without limitation clause 19, the Employer shall within 14 days of the Separation Date or receipt by the Employer of a copy of this Agreement signed by the Executive, a copy of the Reaffirmation Letter signed by the Executive and both a letter from the Adviser dated today's date and a letter from the Adviser dated on or soon after the Separation Date in the form as set out in Schedule 1, whichever is later, pay to the Executive:
 - 3.1.1. £78,830.00 as an ex-gratia payment; and
 - 3.1.2. £236,090.39 as payment in lieu of 7 months' notice;
(together the "**Separation Payment**").
- 3.2. The Separation Payment will be taxable as employment income save for the first £30,000 of the ex-gratia payment. The Employer and the Executive believe that the first £30,000 of the ex-gratia payment is payable free of tax and National Insurance Contributions. The Employer shall deduct income tax and National Insurance Contributions from the remainder of the Separation Payment at the appropriate rate.
- 3.3. The Executive shall be responsible for any further tax and employee's National Insurance contributions due in respect of the Separation Payment and shall indemnify the Employer in respect of such liability in accordance with clause 11.1.

4. STOCK UNITS

4.1. The Executive currently holds 10,789 shares of common stock granted to him as Restricted Stock Units ("RSUs") and/or Performance Stock Units ("PSUs") under the PRA Group, Inc. 2013 Omnibus Incentive Plan and 2016 Long Term Equity Incentive Plan (the "**LTIP Plans**"). With respect to any remaining RSUs and PSUs between the Executive and the Employer that are not yet vested (the "**Unvested Stock Units**"), this clause acknowledges and confirms that the Unvested Stock Units shall be immediately and automatically forfeited and neither the Executive, nor any successors, heirs, assigns, or legal representatives of the Executive shall not have any further rights or interest in the Unvested Stock Units in accordance with the terms of the Plans and the relevant RSU or PSU Agreement.

5. RESIGNATION OF DIRECTORSHIPS

5.1. The Executive agrees that he:

- 5.1.1. shall with effect from the execution of this Agreement resign with immediate effect from all directorships referred to in the resignation letter set out in Schedule 4, shall vacate the role of Chief Executive Officer, and shall execute and deliver such letters, and shall resign with immediate effect from any and all other directorships and other positions he may hold in or on behalf of any Group Company, and shall carry out any other act required or requested by the Employer to effect his resignation from any and all such positions. The Employer shall, without undue delay, take such steps as are necessary to give effect to the Executive's resignation from any directorships or other office, trusteeship or position that he holds;
- 5.1.2. shall not at any time after the Separation Date represent himself as connected with the Employer or any Group Company in any capacity other than as a former director and employee; and
- 5.1.3. irrevocably appoints the Employer to be his attorney in his name and on his behalf to sign, execute or do any instrument or thing and generally to use his name in order to give the employer and any Group Company the full benefit of the provisions of this clause.

6. WAIVER OF CLAIMS

6.1. In consideration of the above:

- 6.1.1. the Executive accepts the terms of this Agreement in full and final settlement and release of:
- 6.1.2. the Claims listed at Schedule 4 (the "**UK Claims**"), the claims listed at Schedule 5 (the "**US Claims**"), and any other Claims as defined in this Agreement; and
- 6.1.3. any other Claims which the Executive has or may have now or in the future against the Employer or any Group Company or its or their current or former directors, officers, employees or workers arising out of or in connection with the Executive's directorships, employment or other offices or positions, or their respective cessations (whether or not the Executive or the Employer or any Group Company could have contemplated

such a Claim at the date of this Agreement) but excluding any Claim in respect of any breach of this Agreement or personal injury Claims of which the Executive is currently unaware which the Executive may have relating to his employment with the Employer.

6.2. The Executive warrants that:

- 6.2.1. before entering into this Agreement he received independent advice from the Adviser as to the terms and effect of this agreement and, in particular, on its effect on his ability to pursue any complaint before an employment tribunal or other court;
- 6.2.2. the Adviser has confirmed to the Executive that they are a solicitor holding a current practising certificate and that there is in force a policy of insurance covering the risk of a claim by the Executive in respect of any loss arising in consequence of their advice;
- 6.2.3. the Adviser shall sign and deliver to the Employer a letter in the form attached as Schedule 1 to this agreement;
- 6.2.4. before receiving the advice the Executive disclosed to the Adviser all facts and circumstances that may give rise to a claim by the Executive against the Employer and any Group Company or its officers or employees;
- 6.2.5. the only claims that the Executive has or may have against the Employer and any Group Company or their officers or employees (whether at the time of entering into this agreement or in the future) relating to his employment, directorships or other officer positions with any Group Company or their termination are specified in clause 6.1; and
- 6.2.6. the Executive is not aware of any facts or circumstances that may give rise to any claim against any Group Company or its officers or employees other than those claims specified in clause 6.1.

The Executive acknowledges that the Employer acted in reliance on these warranties when entering into this Agreement.

- 6.3. The Executive acknowledges that the conditions relating to settlement agreements under section 147(3) of the Equality Act 2010, section 288(2B) of the Trade Union and Labour Relations (Consolidation) Act 1992, section 203(3) of the Employment Rights Act 1996, regulation 35(3) of the Working Time Regulations 1998, section 49(4) of the National Minimum Wage Act 1998, regulation 41(4) of the Transnational Information and Consultation etc. Regulations 1999, regulation 9 of the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000, regulation 10 of the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations 2002, regulation 40(4) of the Information and Consultation of Employees Regulations 2004, paragraph 13 of the Schedule to the Occupational and Personal Pension Schemes (Consultation by Employers and Miscellaneous Amendment) Regulations 2006, regulation 62 of the Companies (Cross Border Mergers) Regulations 2007 and section 58 of the Pensions Act 2008 have been satisfied.

7. LEGAL FEES

The Employer shall pay direct to the Executive's legal adviser, provided the Employer receives within 14 days of the date of this agreement an invoice from it (addressed to the Executive and marked as payable by the Employer), its reasonable legal fees incurred solely in connection with advising the Executive on the termination of the Executive's employment with the Employer and related resignations from directorships, up to a maximum of £2,000 (exclusive of VAT). The Employer shall pay direct to the Executive's legal adviser, provided the Employer receives within 14 days of the Separation Date an invoice from it (addressed to the Executive and marked as payable by the Employer), its reasonable legal fees incurred solely in connection with advising the Executive on the termination of the Executive's employment with the Employer and related resignations from directorships, up to a maximum of £500 (exclusive of VAT).

8. EXECUTIVE AND EMPLOYER OBLIGATIONS

8.1. The Executive confirms that following the Separation Date he will continue to be bound by:

- 8.1.1. the Executive's obligations owed to the Employer or any Group Company relating to confidential information (clause 18 of the Service Agreement);
- 8.1.2. the Executive's obligations owed to the Employer or any Group Company under clause 16.3 and 17.3 of the Service Agreement, and
- 8.1.3. the Executive's obligations owed to the Employer or any Group Company relating to restrictive covenants (clause 19 of the Service Agreement).

8.2. In addition to clause 8.1.3, the Employer shall pay £100 to the Executive as consideration for his entering into the restrictive covenant in clause 8.2.1, such sum to be paid within 14 days of the Separation Date or receipt by the Employer of a copy of this Agreement signed by the Executive, a copy of the Reaffirmation Letter signed by the Executive and both a letter from the Adviser dated today's date and a letter from the Adviser dated on or soon after the Separation Date in the form as set out in Schedule 1, whichever is later. The Employer shall deduct income tax and National Insurance contributions from this sum.

- 8.2.1. For a period of 6 months from the Separation Date, in competition with the business of the Employer or any Group Company within Europe, establish, carry on, be employed, concerned, interested in or engaged in, or perform services the same as or competitive or about to be competitive with the businesses of the Employer and the Group Companies at the Separation Date with which the Executive was involved to a material extent during the 12 months ending on the Separation Date.

8.3. The Executive shall not, save as required by law, at any time disclose the terms of this Agreement (other than to the Executive's immediate family, professional advisers or HM Revenue & Customs) or the circumstances surrounding the cessation of the Executive's directorships, employment or other offices or positions, including details regarding the negotiations leading to this Agreement. The Employer shall not disclose the terms of this agreement other than to their respective professional advisers and except as required by HM Revenue & Customs, or as otherwise required by law, regulation or necessary business practice or under the public

disclosure requirements of any jurisdiction in which that party is a public reporting or listed company.

- 8.4. In addition to any other non-disparagement or similar obligations of the Executive under the Service Agreement, the Executive undertakes that at any time following the date hereof he will not make and shall use all reasonable endeavours to prevent the making of any disparaging or derogatory statements whether or not the statement is true, whether in writing or otherwise concerning the Employer or any Group Company or its or their past or current or future directors or officers or employees or consultants and in consideration of this the Employer undertakes that at any time following the date hereof it will not make and shall use all reasonable endeavours to prevent the making of any disparaging or derogatory statements whether or not the statement is true, whether in writing or otherwise concerning the Executive, excluding in all events any statements required to be made by law, regulation or necessary business practice, or under the public disclosure requirements of any jurisdiction in which that party is a public reporting or listed company.
- 8.5. The Executive acknowledges that, except as set out in clauses 2 and 3 of this Agreement, there are no sums or securities owed to him by the Employer or any Group Company including any payments under any bonus, incentive, commission, share option or similar scheme and that neither the Employer nor any Group Company nor the trustees of any such scheme is or shall be liable to make any payment or provide him with shares or other benefits under any such scheme.

9. COMPANY PROPERTY AND INFORMATION

9.1. The Executive shall, before the Separation Date, return to the Employer:

- 9.1.1. all Confidential Information and any copies;
- 9.1.2. all property belonging to the Employer and any Group Company in satisfactory condition including (but not limited to) any car (together with the keys and all documentation relating to the car), company credit card, keys, security pass, identity badge, , ; and
- 9.1.3. all documents and copies (whether written, printed, electronic, recorded or otherwise and wherever located) made, compiled or acquired by him during his employment with the Employer or relating to the business or affairs of any Group Company or their business contacts,

in the Executive's possession or under his control.

- 9.2. The Executive shall, before the Separation Date, erase irretrievably any information relating to the business or affairs of any Group Company or its business contacts from computer and communications systems and devices owned or used by him outside the premises of the Employer, including such systems and data storage services provided by third parties (to the extent technically practicable).
- 9.3. The Executive shall be entitled to retain his iPhone and telephone number and laptop as provided by the Employer, subject to all Employer information being deleted from such items, and the Employer and the Executive shall work together to ensure that this is takes place within 28 days from the Separation Date.

10. EXECUTIVE WARRANTIES

- 10.1. As at the date of this agreement, the Executive warrants and represents to the Employer that there are no circumstances of which the Executive is aware or of which the Executive ought reasonably to be aware that would amount to a repudiatory breach by the Executive of any express or implied term of the Service Agreement that would entitle (or would have entitled) the Employer to terminate the Executive's employment without notice or payment in lieu of notice and the Separation Payments are conditional on this being so.
- 10.2. The Executive agrees to make himself available to, and to cooperate with, the Employer or its advisers in any internal investigation or administrative, regulatory, judicial or quasi-judicial proceedings. The Executive acknowledges that this could involve, but is not limited to, responding to or defending any regulatory or legal process, providing information in relation to any such process, preparing witness statements and giving evidence in person on behalf of the Employer. The Employer shall reimburse any reasonable expenses and loss of income incurred by the Executive together with any loss of income as a consequence of complying with his obligations under this clause, provided that such expenses or loss of income are verified and approved in advance by the Employer.
- 10.3. The Executive acknowledges that he is not entitled to any compensation for the loss of any rights or benefits under any bonus plan, benefit or award programme, share plan operated by any Group Company or any stand-alone share incentive arrangement, or for loss of any other benefit, payment or award he may have received had his employment not terminated other than the payments and benefits provided for in this Agreement.

11. EXECUTIVE INDEMNITIES

- 11.1. The Executive shall indemnify the Employer on a continuing basis in respect of any income tax, social insurance or National Insurance contributions (save for employers' National Insurance contributions), or equivalent in any other jurisdiction wheresoever and howsoever arising, due in respect of the payments and benefits in clauses 2 and 3 (and any related interest, penalties, costs and expenses). The Employer shall give the Executive reasonable notice of any demand for tax which may lead to liabilities on the Executive under this indemnity, and shall provide the Executive with reasonable access to any documentation he may reasonably require to dispute such a claim (provided that nothing in this clause shall prevent the Employer from complying with its legal obligations).

11.2.If the Executive breaches any material provision of this Agreement or pursues a Claim against any Group Company arising out of his directorships, employment or other positions or offices, or their respective cessations, he agrees to indemnify the relevant Group Company for any losses suffered as a result thereof, including all legal and professional fees.

12. GARDEN LEAVE

12.1.During the period from 30 June 2018 to the Separation Date the Executive will be placed on garden leave in accordance with clause 24 of the Service Agreement ("**Garden Leave**"), and during Garden Leave the Executive shall not perform any services for the Employer or any Group Company.

12.2.During Garden Leave the Employer shall be under no obligation to provide any work to, or vest any powers in, the Executive, who shall have no right to perform any services for the Employer or any Group Company.

12.3.Notwithstanding clause 12.1 and 12.2, the Employer may at its discretion require the Executive to perform duties (that could be required under the employment contract) at any time during the Garden Leave which duties may be withdrawn at any time at the Employer's discretion. For the avoidance of doubt, the Employer does not currently envisage a requirement to exercise this right but it will retain the right to do so during this period in case of unforeseen circumstances arising. Should the Employer require the Employee to deal with matters more substantive than transition queries/phone assistance or require him to return to the office for any reason, it will provide the Employee with one week of notice of this requirement.

12.4.During the period of Garden Leave the Executive shall:

- 12.4.1. continue to receive his salary and all contractual benefits in the usual way (subject to the rules of the relevant benefit schemes in force from time to time). The Employer will declare these benefits to HM Revenue and Customs at the appropriate time and the Executive will be liable for any further tax or National Insurance contributions due in relation to them;
- 12.4.2. remain an employee of the Employer and bound by the terms of his employment contract, save as modified by this clause 12;
- 12.4.3. not, without the prior written consent of the Company attend his place of work or any other premises of the Employer or any Group Company or access the information technology systems of the Employer or any Group Company;
- 12.4.4. not, without the prior written consent of the Company contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Employer or any Group Company;
- 12.4.5. be deemed to take any accrued but unused holiday entitlement; and
- 12.4.6. (except during any periods taken as holiday in accordance with the Employer's usual procedures) be ready and available to perform such duties as the Employer may require under clause 12.3, ensuring that the Company knows where and how he can be contacted

during each working day and complying with any written requests to contact a specified employee of the Employer at specified intervals.

13. ENTIRE AGREEMENT

13.1. Each party on behalf of itself and, in the case of the Employer, as agent for any Group Company acknowledges and agrees with the other party (the Employer acting on behalf of itself and as agent for each Group Company) that:

- 13.1.1. this Agreement constitutes the entire agreement between the parties and any Group Company and supersedes and extinguishes all agreements, promises, assurances, warranties, representations and understandings between them whether written or oral, relating to its subject matter;
- 13.1.2. in entering into this Agreement it does not rely on , and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this Agreement; and
- 13.1.3. it shall have no claim for innocent or negligent misrepresentation or negligent misstatement based on any statement in this Agreement.

13.2. Nothing in this Agreement shall, however, operate to limit or exclude any liability for fraud.

14. VARIATION

No variation of this Agreement shall be effective unless it is in writing and signed by the parties (or their authorised representatives).

15. THIRD PARTY RIGHTS

Except as expressly provided elsewhere in this Agreement, no person other than the Executive and any Group Company shall have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement. This does not affect any right or remedy of a third party which exists, or is available, apart from that Act.

16. GOVERNING LAW

This Agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.

17. JURISDICTION

Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Agreement or its subject matter or formation (including non-contractual disputes or claims).

18. SUBJECT TO CONTRACT AND WITHOUT PREJUDICE

This Agreement shall be deemed to be without prejudice and subject to contract until such time as it is signed by both parties and dated, when it shall be treated as an open document evidencing a binding agreement.

19. REAFFIRMATION

19.1. On or shortly after the Separation Date, the Executive shall sign and date the Reaffirmation Letter at Schedule 5 and shall ensure that the Adviser (or another relevant independent adviser within the meaning of the legislation settlement) signs and dates a letter in the form set out in Schedule 5.

19.2. The Employer's obligations under this Agreement (except under clause 2) are conditional on the Employer receiving the letters referred to in clause 19.1 duly signed and dated within 5 days of the Separation Date.

20. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which, when executed, shall constitute a duplicate original, but all the counterparts shall together constitute the one agreement.

This agreement has been entered into on the date stated at the beginning of it.

SCHEDULE 1

4 June 2018

Dear Sirs

We confirm that:

1. Daryl Cowan of DC Employment Solicitors, Street address, City, County, Post code, a solicitor holding a current practising certificate, who has not acted in this matter for PRA Group (UK) Limited or any associated employer, has advised Tikendra Patel as to the terms of the attached Agreement and in particular as to its effect on his ability to pursue his rights before an employment tribunal.
2. This firm holds a current contract of insurance or an indemnity provided for members of a professional body covering the risk of a claim by Tikendra Patel in respect of loss arising in consequence of the above advice.
3. The conditions regulating settlement agreements under the provisions of the Equality Act 2010, the Employment Rights Act 1996 and the Working Time Regulations 1998, are satisfied.

Yours faithfully,

Daryl Cowan

{00586770.DOCX.7}

12

SCHEDULE 2

UK CLAIMS

1. Any claim, cause of action, suit, or other process, including:
 - (i) for breach of contract or wrongful dismissal;
 - (ii) for unfair dismissal, under section 111 of the Employment Rights Act 1996;
 - (iii) in relation to the right to a written statement of reasons for dismissal, under section 93 of the Employment Rights Act 1996;
 - (iv) for a statutory redundancy payment, under section 163 of the Employment Rights Act 1996;
 - (v) in relation to an unlawful deduction from wages or unlawful payment, under section 23 of the Employment Rights Act 1996;
 - (vi) in relation to written employment particulars and itemised pay statements, under section 11 of the Employment Rights Act 1996;
 - (vii) for a guarantee payment under section 35 of the Employment Rights Act 1996;
 - (viii) for unlawful detriment, under section 48 of the Employment Rights Act 1996 or section 56 of the Pensions Act 2008;
 - (ix) in relation to working time or holiday pay, under regulation 30 of the Working Time Regulations 1998;
 - (x) for pregnancy or maternity discrimination, direct or indirect discrimination, harassment or victimisation related to sex, marital or civil partnership status, pregnancy or maternity or gender reassignment under section 120 of the Equality Act 2010 and/or direct or indirect discrimination, harassment or victimisation related to sex, marital or civil partnership status, gender reassignment, pregnancy or maternity under section 63 of the Sex Discrimination Act 1975 relating to suspension on medical or maternity grounds under section 70 of the Employment Rights Act;
 - (xi) for direct or indirect discrimination, harassment or victimisation related to race under section 120 of the Equality Act 2010 and/or direct or indirect discrimination, harassment or victimisation related to race, colour, nationality or ethnic or national origin, under section 54 of the Race Relations Act 1976;
 - (xii) for direct or indirect discrimination, harassment or victimisation related to religion or belief under section 120 of the Equality Act 2010 and/or under regulation 28 of the Employment Equality (Religion or Belief) Regulations 2003;
 - (xiii) for direct or indirect discrimination, harassment or victimisation related to sexual orientation, under section 120 of the Equality Act 2010 and/or under regulation 28 of the Employment Equality (Sexual Orientation) Regulations 2003;

- (xiv) for direct or indirect discrimination, harassment or victimisation related to age, under section 120 of the Equality Act 2010 and/or under regulation 36 of the Employment Equality (Age) Regulations 2006;
 - (xv) in relation to parental leave under section 80 of the Employment Rights Act;
 - (xvi) in relation to flexible working under section 80H of the Employment Rights Act;
 - (xvii) for direct or indirect discrimination, harassment or victimisation under section 120 of the Equality Act 2010;
 - (xviii) in relation to the right to be accompanied under section 11 of the Employment Relations Act 1999;
 - (xix) for harassment under the Protection from Harassment Act 1997;
 - (xx) for failure to comply with obligations under the Human Rights Act 1998;
 - (xxi) for failure to comply with obligations under the Data Protection Act 1998;
 - (xxii) Any claim under any provision of directly applicable European law.
2. The Executive agrees that the above claims are released by the terms of this Agreement and that the Executive shall not bring any action or suit or cause any action or suit to be brought in respect of any claim which the Executive may have in respect of the matters listed above. To the extent that any dispute shall arise in respect of the releases given in this Agreement in respect of the claims, causes of action and suits listed in this schedule, then notwithstanding the provisions of clause 23 of the Agreement otherwise, English law shall apply to that dispute to the extent that it relates to any rights of the Executive under English law and the courts of England and Wales shall have jurisdiction to determine such matters.
3. Nothing in this Schedule 4 or the Agreement will prevent disclosure by the Executive of information:
- a. For the purposes of making a Protected Disclosure, provided that the disclosure is made in accordance with the provisions of the Employment Rights Act 1996;
 - b. For the purpose of reporting misconduct, or a serious breach of regulatory requirements, to a regulator;
 - c. For the purpose of reporting an offence to a law enforcement agency and/or cooperating with a criminal investigation or prosecution; and/or
 - d. That has come into the public domain otherwise than by a breach of confidence by you or on your behalf.

SCHEDULE 3

US CLAIMS

Any cause of action, suit, or other process, including, but not limited to (i) any claims, whether statutory, common law, or otherwise, arising out of the terms, conditions, termination or other cessation or other facts or circumstances of Executive's directorships with any Group Company, employment by the Employer or Inspired US, or any other employment by or office- or position-holding with any Group Company; (ii) any claims, whether statutory, common law, or otherwise, arising out of the terms, conditions, termination or other cessation or other facts or circumstances of Executive's directorships with any Group Company, employment by the Employer or Inspired US, or any other employment by or office- or position-holding with any Group Company; (iii) any claims for breach of contract, quantum meruit, unjust enrichment, breach of oral promise, tortious interference with business relations, injurious falsehood, defamation, negligent or intentional infliction of emotional distress, invasion of privacy, and any other common law contract and tort claims; (iv) any claims for unpaid or lost benefits or salary, bonus, vacation pay, severance pay, or other compensation; (v) any claims for attorneys' fees, costs, disbursements, or other expenses; (vi) any claims for damages or personal injury; (vii) any claims of employment discrimination, harassment, retaliation, or any other claims arising out of any legal restrictions on an employer's right to terminate employees, whether based on federal, state, or local law or judicial or administrative decision; and (viii) those arising under the National Labor Relations Act, 29 U.S.C. §151 et seq., Fair Labor Standards Act, 29 U.S.C. §201, et seq., Employee Retirement Income Security Act of 1974, 29 U.S.C. §1001 et seq., Civil Rights Acts of 1964 and 1991, 42 U.S.C. §2000e et seq., Civil Rights Act of 1866, 42 U.S.C. §1981 et seq., Equal Pay Act of 1963, 29 U.S.C. §206(d), Americans with Disabilities Act, 42 U.S.C. §12101 et seq., Age Discrimination in Employment Act, 29 U.S.C. §621 et seq., Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101 et seq., Family and Medical Leave Act, 29 U.S.C. § 2601 et seq., Consolidated Omnibus Budget Reconciliation Act of 1985, I.R.C. § 4980B, Genetic Information Nondiscrimination Act, 42 U.S.C. § 2000ff, Sarbanes-Oxley Act of 2002, 18 U.S.C. §1514A, et seq., Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub Law. No. 111-203, Delaware Discrimination in Employment Act, Delaware Persons With Disabilities Employment Protections Act, Delaware Whistleblowers' Protection Act, Delaware Wage Payment and Collection Act, Delaware Fair Employment Practices Act, Delaware social media law and/or any other applicable United States federal, state or local statute, law, ordinance, regulation or order, or the common law, or any self-regulatory organization rule or regulation.

The Executive agrees that the above claims are released by the terms of this Agreement and that the Executive shall not bring any action or suit or cause any action or suit to be brought in respect of any claim which the Executive may have in respect of the matters listed above. To the extent that any dispute shall arise in respect of the releases given in this Agreement in respect of the claims, causes of action and suits listed in this schedule, then notwithstanding the provisions of clause 17 of the Agreement otherwise, Delaware law shall apply to that dispute without regard to conflicts of law, to the extent that it relates to any rights of the employee under US law and the courts of Delaware shall have jurisdiction over such matters.

Notwithstanding the foregoing, nothing in this Agreement shall prohibit or restrict Employee from lawfully (i) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by the Securities and Exchange Commission, the Department of Justice, the Equal Employment Opportunity Commission, the Congress, or any other governmental or regulatory agency, entity, or official(s) or self-regulatory organization (collectively, "Governmental Authorities") regarding a possible violation of any law, rule, or regulation; (ii) responding to any inquiry or legal process directed to Employee individually (and not directed to the Company and/or its subsidiaries) from any such Governmental Authorities; (iii) testifying, participating or otherwise assisting in an action or proceeding by any such Governmental Authorities relating to a possible violation of law; or (iv) making any other disclosures that are protected under the whistleblower provisions of any applicable law, rule, or regulation. Nor does this Agreement require Employee to obtain prior authorization from the Company before engaging in any conduct described in this paragraph, or to notify the Company that Employee has engaged in any such conduct. Moreover, nothing in this Agreement prohibits Employee from disclosing a Company trade secret (i) in confidence to a Federal, State, or local government official, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. If Employee files a lawsuit for retaliation by an employer for reporting a suspected violation of law, Employee may disclose a Company trade secret to the Employee's attorney and use the trade secret information in the court proceeding if Employee files any document containing the trade secret under seal and does not disclose the trade secret except pursuant to court order.

SCHEDULE 4

DIRECTOR RESIGNATION LETTER

Directors of the companies listed in the Appendix hereto
(together, the "**Companies**")

4 June 2018

Dear Sirs,

RESIGNATION AS DIRECTOR, OFFICER, TRUSTEE, COMMITTEE MEMBER, OR FIDUCIARY OF THE COMPANIES

1. I hereby resign with effect from the date of this letter (the "**Termination Date**") from my office as a director of each of the Companies, any position of office of each of the Companies, and any trusteeship, any committee membership and any fiduciary position of any of the Companies and any of their benefit plans (the "**Officer Positions**").
2. I acknowledge that:
 - 2.1 I have no claims or rights of action arising from arising from the holding of the Officer Positions or their termination, whether under common law, contract, statute or otherwise, whether or not such claims are, or could be, known to the me or in my contemplation at the Termination Date in any jurisdiction; and
 - 2.2 there is no agreement or arrangement outstanding under which the Companies have or could have any actual or contingent obligation to me or to any person connected with me; and
 - 2.3 to the extent that any such claim, obligation or sum exists or may exist as at the date of this letter, I irrevocably and unconditionally waive such claim, obligation or sum and all rights of action I may have against the Companies so far as is possible under the applicable law of each Company.
3. For the purposes of this letter a person shall be deemed to be connected with me if that person is so connected within the meaning of section 1122 of the Corporation Tax Act 2010 (or any equivalent legislation outside the UK).
4. This letter and any disputes or claims (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation shall be governed by and construed in accordance with the law of England and Wales. The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this letter or its subject matter or formation.
5. This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

{00586770.DOCX.7}

17

Yours faithfully,

Signed as a deed by **TIKENDRA PATEL**

in the presence of:

/s/ Cherie Harrington

SIGNATURE OF WITNESS

CHERIE HARRINGTON

NAME OF WITNESS:

Street address, City, County, Post code

ADDRESS OF WITNESS:

Executive Assistant

OCCUPATION OF WITNESS:

{00586770.DOCX.7}

18

APPENDIX

The Companies (together, the "Companies"):

Company	Jurisdiction of Incorporation	Registered Address
PRA Group (UK) Limited	England & Wales	Wells House, 15/17 Elmfield Road, Bromley, Kent, BR1 1LT, United Kingdom
PRA Suomi Oy	Finland	PL 274, 00101 Helsinki, Finland
PRA Deutschland GmbH	Germany	Landfermannstrasse 6, 47051 Duisburg, Germany
PRA Group Italia srl	Italy	VIA MONTE ROSA 91 - 20149 MILANO (MI), Italy;
PRA Group Norge AS	Norway	Dronning Eufemias Gate 60191 Oslo/ Postboks 9106 Gronland, 0133 Norway
PRA Group Polska Holding Sp zoo	Poland	Prosta 68, 00-838 Warszawa
PRA Iberia SLU	Spain	C/Albasanz, n° 16, 3ª planta 28037 Madrid
PRA Group Sverige AB	Sweden	753 83 Uppsala, Uppsala län, Uppsala kommun, Sweden

SCHEDULE 5

REAFFIRMATION LETTER

Tikendra Patel

Street Address

City

County

Post code

[DATE]

Dear Tikendra,

Reaffirmation Letter

I am writing in connection with the settlement agreement between PRA Group (UK) Ltd (the "**Employer**") and you dated 4 June 2018 (the "**Agreement**"). This is the Reaffirmation Letter referred to at clause 19 of the Agreement.

Defined terms have the same meaning when used in this Reaffirmation Letter as in the Agreement.

In consideration of the Employer paying the Separation Payment to you in accordance with the terms of the Agreement, you expressly agree the following:

1. WAIVER OF CLAIMS

1.1 You accept the terms of this Reaffirmation Letter in full and final settlement and release of:

1.1.1 the Claims listed at Schedule 2 (the "**UK Claims**") of the Agreement, the claims listed at Schedule 3 (the "**US Claims**") of the Agreement, and any other Claims as defined in the Agreement, in respect of the period up to and including the Separation Date; and

1.1.2 any other Claims which you have or may have now or in the future against the Employer or any Group Company or its or their current or former directors, officers, employees or workers arising out of or in connection with your directorships, employment or other offices or positions, or their respective cessations (whether or not you or the Employer or any Group Company could have contemplated such a Claim at the date of this Agreement) but excluding any Claim in respect of any breach of this Agreement or personal injury Claims of which you are currently unaware which you may have relating to your employment with the Employer.

1.2 You warrant that:

1.2.1 before entering into this Reaffirmation Letter you received independent advice from the Adviser as to the terms and effect of the Reaffirmation Letter and, in particular, on

its effect on your ability to pursue any complaint before an employment tribunal or other court;

- 1.2.2 the Adviser has confirmed to you that they are a solicitor holding a current practising certificate and that there is in force a policy of insurance covering the risk of a claim by you in respect of any loss arising in consequence of their advice;
- 1.2.3 the Adviser shall sign and deliver to the Employer a letter in the form attached as Schedule 1 to the Agreement in accordance with clause 19.1 of the Agreement;
- 1.2.4 before receiving the advice you disclosed to the Adviser all facts and circumstances that may give rise to a claim by you against the Employer and any Group Company or its officers or employees;
- 1.2.5 the only claims that you have or may have against the Employer and any Group Company or their officers or employees (whether at the time of entering into this agreement or in the future) relating to his employment, directorships or other officer positions with any Group Company or their termination are specified in clause 1.1; and
- 1.2.6 you are not aware of any facts or circumstances that may give rise to any claim against any Group Company or its officers or employees other than those claims specified in clause 1.1.

You acknowledge that the Employer acted in reliance on these warranties when entering into this Agreement.

- 1.3 You acknowledge that the conditions relating to settlement agreements under section 147(3) of the Equality Act 2010, section 288(2B) of the Trade Union and Labour Relations (Consolidation) Act 1992, section 203(3) of the Employment Rights Act 1996, regulation 35(3) of the Working Time Regulations 1998, section 49(4) of the National Minimum Wage Act 1998, regulation 41(4) of the Transnational Information and Consultation etc. Regulations 1999, regulation 9 of the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000, regulation 10 of the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations 2002, regulation 40(4) of the Information and Consultation of Employees Regulations 2004, paragraph 13 of the Schedule to the Occupational and Personal Pension Schemes (Consultation by Employers and Miscellaneous Amendment) Regulations 2006, regulation 62 of the Companies (Cross Border Mergers) Regulations 2007 and section 58 of the Pensions Act 2008 have been satisfied.
- 1.4 The waiver in paragraph 1.1 shall have effect irrespective of whether or not, at today's date, you are or could be aware of such claims or have such claims in your express contemplation (including such claims of which you become aware after today's date in whole or in part as a result of new legislation or the development of common law or equity).

1.5 You agree that, except for the payments and benefits provided for in the Agreement, and subject to the waiver in paragraph 1.1, you shall not be eligible for any further payment from any Group Company relating to your employment or its termination and without limitation to the generality of the foregoing, you expressly waive any right or claim that you have or may have to payment of bonuses, any benefit or award programme or grant of equity interest, or to any other benefit, payment or award you may have received had your employment not terminated or for any compensation for the loss of any such benefit, payment or award.

2. WARRANTIES AND ACKNOWLEDGEMENTS

As at the date of this Reaffirmation Letter, you warrant and represent to the Employer that there are no circumstances of which you are aware or of which you ought reasonably to be aware that would amount to a repudiatory breach by you of any express or implied term of your contract of employment that would entitle (or would have entitled) the Employer to terminate your employment without notice or payment in lieu of notice and any payments to you pursuant to clauses 3 and 4 of the Agreement are conditional on this being so.

3. EXECUTIVE OBLIGATIONS

3.1 You confirm that following the Separation Date you will continue to be bound by:

3.1.1 your obligations owed to the Employer or any Group Company relating to confidential information (clause 18 of the Service Agreement);

3.1.2 your obligations owed to the Employer or any Group Company under clause 16.3 and 17.3 of the Service Agreement, and

3.1.3 your obligations owed to the Employer or any Group Company relating to restrictive covenants (clause 19 of the Service Agreement).

Yours sincerely,

.....
For and on behalf of PRA Group (UK) Ltd

I agree to the above terms.

{00586770.DOCX.7}

22

Signed /s/ Tikendra Patel
Tikendra Patel

Date: June 4, 2018

EXECUTED as a **DEED** by **PRA**)
GROUP (UK) LIMITED)
acting by **MARTIN SJOLUND**,)
a director, in the presence of:)

/s/ Martin Sjolund
Director

/s/ Tiana Peck

SIGNATURE OF WITNESS

NAME OF WITNESS: **TIANA PECK**

ADDRESS OF WITNESS: **Street address, City, County, Post code**

OCCUPATION OF WITNESS: **Solicitor**

EXECUTED as a **DEED** by **TIKENDRA**)
PATEL)
in the presence of:)

/s/ Tikendra Patel
Tikendra Patel

/s/ Sherie Harrington

SIGNATURE OF WITNESS

NAME OF WITNESS: **CHERIE HARRINGTON**

ADDRESS OF WITNESS: **Street address, City, County, Post code**

OCCUPATION OF WITNESS: **Executive Assistant**

{00586770.DOCX.7} 23

DATED 19 February 2014

AKTIV KAPITAL UK LTD

AN D

TIKENDRA PATEL

SERVICE AGREEMENT

SIDLEY

CONTENTS

Clause		Page
1.	INTERPRETATION	1
2.	COMMENCEMENT OF EMPLOYMENT	2
3.	JOB TITLE	2
4.	PLACE OF WORK	2
5.	WORKING HOURS	2
6.	TERM	3
7.	SCOPE OF DUTIES	3
8.	INTERESTS OF THE EXECUTIVE	4
9.	SALARY AND BONUS SCHEME	4
10.	BENEFITS	6
11.	PENSION	6
12.	EXPENSES	6
13.	DEDUCTIONS	7
14.	HOLIDAYS	7
15.	SICKNESS ABSENCES	8
16.	INVENTIONS	8
17.	OTHER INTELLECTUAL PROPERTY	9
18.	CONFIDENTIAL INFORMATION	10
19.	POST-TERMINATION RESTRICTIVE COVENANTS	11
20.	TERMINATION OF CONTRACT	14
21.	DISMISSAL, DISCIPLINARY AND GRIEVANCE PROCEDURES	15
22.	SUSPENSION	16
23.	RETURN OF COMPANY PROPERTY	16
24.	GARDEN LEAVE	16
25.	DIRECTORSHIPS	18
26.	DATA PROTECTION	18
27.	EXECUTIVE'S REPRESENTATIONS AND UNDERTAKINGS	19
28.	MONITORING	20
29.	COLLECTIVE AGREEMENTS	20
30.	GOVERNING LAW	21
31.	NOTICES	21
32.	CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999	21
33.	WHOLE AGREEMENT	21
34.	MISCELLANEOUS	22
35.	ASSIGNMENT	22

THIS AGREEMENT is made the 19th February 2014

BETWEEN:

- (1) **AKTIV KAPITAL UK LTD** whose registered office is at Walls House, 15-17 Emfield Road. Bromley. Kent. BRI ILT (“**the Company**”); and
- (2) **TIKENDRA PATEL** whose home address is Street address, City, County, Post code (“**the Executive**”).

INTRODUCTION

- A. Subject to and conditional on the completion of the Acquisition (as defined below), the Company will employ and the Executive has agreed to be employed by the Company on the terms and conditions set out in this Agreement which will commence operation on the Commencement Date (as defined below).
- B. This Agreement sets out the Executive’s terms and conditions of employment with the company including the written particulars the Executive is entitled to receive under the Employment Rights Act 1996 as amended.
- C. To the extent that the terms of the agreement conflict with the term of employment set out in the UK Employee Handbook the terms of this Agreement will prevail.

IT IS AGREED as follows:

1. INTERPRETATION

In this Agreement the following expressions have the following meanings:

- 1.1 “**Acquisitions**” means the acquisition of the entire issued share capital of Aktiv Kapital AS pursuant to sale and purchase agreement dated on or about the date of this Agreement among (1) Geveran Trading Co. Ltd; (2) a wholly owned subsidiary of Portfolio Associates. Inc. a Delaware corporation (PRA) and/or any affiliate of PRA as Purchaser; and (3) PRA as Guarantor;
- 1.2 “**Board**” means the Board of Directors from time to time of the Company or anyone any person or committee duly appointed by the Board of Directors as its representative for the purpose of this Agreement;
- 1.3 “**Commencement Date**” means the date of the completion of the Acquisition;
- 1.4 “**Employment**” means the Executive’s employment under this Agreement;
- 1.5 “**Group**” means the Company and the Company’s Associated Companies (which shall mean any holding company or any subsidiary of the Company or of such holding company as defined in Section 1159 of the Companies Act 2006 as amended) from time to time;
- 1.6 “**Group Company**” means a member of the Group and “Group Companies” will be interpreted accordingly;
- 1.7 “**Working Day**” is any day of the week other than Saturday, Sunday and UK bank or public holidays;
- 1.8 “**Working Time Regulations**” mean the Working Time Regulations 1998 as amended; and
- 1.9 “**Termination Date**” means the date of the termination of the Employment.

2. COMMENCEMENT OF EMPLOYMENT

The Executive's continues period of employment began on 1st December 2008. The Employment will continue until termination in accordance with the provisions of this Agreement.

3. JOB TITLE

- 3.1 The Company shall employ the Executive and the Executive shall serve the Company as chief Operating Officer, Europe/EMEA or in such other capacity as the company may from time to time require. At the commencement of this agreement, the Executive will report to the CEO, Europe/EMEA. However, the reporting structure may be changed at any time and the Executive may in the future report to such other person of body notified to him from time to time.
- 3.2 The Company may change the Executive's job title in its absolute discretion and as it considers necessary so long as this change is reasonable with regard to the Executive's capabilities.
- 3.3 The Company may from time to time appoint any other person or persons to act jointly with the Executive in this appointment.

4. PLACE OF WORK

- 4.1 The Executive's place of work will be at his home or such other places as may replace it from time to time. However, the Executive agrees that:
- (a) the Executive may be required to work on a temporary or permanent basis, at any other place where the Company may be carrying on business; and
 - (b) the Company reserves the right to require, on reasonable notice, the Executive to travel throughout the world from time to time in order to perform the obligations of the Executive to the Company, but unless otherwise agreed in writing, the Executive will not be required to work outside the UK for a continuous period of more than one month.

5. WORKING HOURS

- 5.1 The Executive's normal working hours shall be 9:00 a.m. to 5.30 p.m. Mondays to Fridays and such additional hours as are necessary for the proper performance of his duties. The Executive acknowledge that he shall not receive or otherwise be entitled to further compensation, or time off in respect of such additional hours.
- 5.2 The parties each agree that the nature of the Executive's position is such that his working time cannot be measured and, accordingly, his Employment comes within the scope of Regulation 20 of the Working Time Regulations. In the event that the Executive employment does not fall within the scope of Regulation 20 of the WTR, the Executive agrees that the limit on working time contained in Regulation 4(1) of the Working Time Regulations shall not apply to his employment with the Company and that his working week may not exceed 48 hours per week on average. The Executive may withdraw his agreement to work more than 48 hours per week on average by giving three months' notice in writing to the Company.

6. TERM

- 6.1 Subject to the terms of the Agreement, the Company shall employ the Executive until this Agreement is terminated by either party giving to the other written notice in accordance with clause 6.2.
- 6.2 The Company must give the Executive 12 months' notice to terminate this Agreement and the Executive must give 12 months' notice to terminate this Agreement (or such additional notice as required by applicable statute).

7. SCOPE OF DUTIES

- 7.1 The Executives will perform such duties and responsibilities and exercise such powers as may from time to time lawfully be assigned to the Executive, consistent with his skills and experience.
- 7.2 During the Employment the Executive shall:
- (a) devote the whole of his time, attention and skill during his working hours to the performance of his duties;
 - (b) faithfully and diligently perform such duties and exercise such powers consistent with them as may from time to time be assigned to or vested in him by the Board and subject to such restriction as the Board may from time to time impose;
 - (c) use his best endeavors to promote, develop and protect the interest of the Group and shall not do anything that is harmful to those interests;
 - (d) obey the reasonable and lawful directions of the Board and keep the CEO, Europe/EMEA at all times promptly and fully informed (in writing if so requested) of his conduct of the business of the Company and any Group Company;
 - (e) comply with all of the Company's rules, regulations, policies and procedures from time to time in force;
 - (f) promptly make such reports in connection with affairs of the Company and the performance of his duties and responsibilities and such matters and at such times as are reasonable required;
 - (g) report his own wrongdoing and any wrongdoing or proposed wrongdoing of any other executive or director of the Company or any Group Company immediately on becoming aware of it; and
 - (h) read and familiarize himself with (on a regular basis) and comply with all policies, rules and procedures (including the applicable handbook in your jurisdiction) as amended or replaced from time to time.
- 7.3 The Executive shall if and so long as the Company requires and without entitlement to any further remuneration that is provided for in this agreement;
- (a) carry out his duties on behalf of any Group Company as if they were duties to be performed by him on behalf of the Company hereunder;
 - (b) subject to suitable directors' and officers' insurance being provided by the Company at the Company's expense, act as a director or officer of any Group Company or hold any other appointment of office as nominee or representative of the Company or any Group Company without further compensation;
 - (c) comply with the articles of association (as amended from time to time) and abide by his fiduciary duties of any Group Company of which he is a director; and
 - (d) not do anything that would cause him to be disqualified from acting as a director.
- 7.4 Subject to obtaining the Executive's prior agreement, the Company may transfer this Agreement to any Group Company at any time.
- 7.5 The Company may, on providing reasonable notice to the Executive, second the Executive (either on a permanent or a temporary basis) or transfer the Executive employment to another Group

company provided always, however, that the terms of this Agreement will continue to apply and that should any secondment or transfer required the Executive to work outside of the UK for a period exceeding one month, the Executive has provided this prior written consent to such secondment or transfer.

8. INTERESTS OF THE EXECUTIVE

- 8.1 During the Employment the Executive will not be directly or indirectly engaged or concerned in the conduct of any other business or activity which is similar to or competes with any activity carried on by any Group Company (except as a representative of the Company or with the prior written consent of the Board).
- 8.2 The Executive may not hold or be interested in investments which amount to more than one percent of the issued investment of any class of any one company which is in competition with any Group Company, whether or not those investments are listed or quoted on any recognized Stock Exchange or dealt in on the Alternative Investment Market.

9. SALARY AND BONUS SCHEME

- 9.1 The Executive will be paid a gross base salary of £329,988 per annum (“**Basic Salary**”), payable by equal monthly installments in arrears by direct bank credit transfer on or before the last day of each calendar month. The Basic Salary payment shall be inclusive of any fees to which the Executive may be entitled as a director of the Company or any Group Company.
- 9.2 The Basic Salary will be reviewed by the Company in May of each year and a salary rise may be awarded in the absolute discretion of the Company. There is not guarantee of any salary rise but the Salary will not be adjusted downwards. Any salary increase is neither indicative nor determinative of the Executive’s right to a salary increase in any subsequent year.
- 9.3 The Executive will be included in the relevant Aktiv Kapital AS Group’s annual bonus program in operation from time to time. For the avoidance of any doubt, the Company may replace, amend or discontinue any such bonus scheme or schemes at any time. The Executive shall have no contractual rights to any bonus payments and such payments shall be in the absolute discretion of the Company taking into account such criteria as may be identified from time to time in its absolute discretion but which may include such criteria as personal performance, Company performance and overall Group performance. Without prejudice to such absolute discretion and to the specific rules of such bonus schemes as may from time to time be operated by the Company under current scheme, the Executive will have the opportunity to earn a target bonus of £125,395 in connection with which the following terms will normally apply:
- (a) bonus targets are set annually (by 15 February in each calendar year);
 - (b) bonus targets consist of personal targets as well as targets relating to the Company and/or the Group and the payable amount, which may be higher or lower than the target bonus amount (ranging from zero to 200 percent of the target bonus amount), is dependent on Company and personal performance or such other targets or performance criteria as identified by the Company from time to time;
 - (c) bonus payments are normally paid by 15 March of the following year, after the Company has presented its annual accounts;
 - (d) bonus payments, if any, are subject to any withholdings or deductions required by law;
 - (e) to qualify for payment of a Bonus, the Executive must still be employed and not have given his notice of termination of employment to the Company as at the date the Bonus is paid;

- (f) the Company reserves the right to amend or replace the bonus scheme from time to time (including the percentage of salary potentially payable) save that, once the bonus rules have been agreed in any year, the scheme for that year will not be amended;
- (g) bonuses shall not form part of the Executive's normal remuneration and therefore, will not be taken into account with respect to calculating any payment on lieu of notice, termination pay, or redundancy or severance pay, if any. Bonuses shall also not form of the Executive's remuneration for the purposes of any Company or Group benefit plan. The level of bonus paid by the Company to the Executive, if any, in any given year shall be neither indicative nor determinative of the Executive's right to bonus, or the level of bonus payable, in any subsequent year.

9.4 Any payments due to the Executive hereunder (including the Basis Salary and any bonus payments) shall be made less any necessary deductions or withholdings (including for or on account of income tax and national insurance contributions) as may be required by law.

10. BENEFITS

- 10.1 The Executive (and his dependents where applicable) will be eligible to participate in all benefits provided to employees in accordance with the Company's policies in force from time to time including the Company's private health disability insurance and death in service policies.
- 10.2 The Executive's entitlement to and/or participation in any benefit scheme shall be subject to the rules of such scheme from time to time. Nothing in this Argument shall entitle the Executive to any payment direct from the Company. The Executive understands and agrees that if any issuer fails or refuses to provide him with any benefit under any insurance arrangement provided by the Company, the Executive will have no right of action against the Company in respect of such failure or refusal.
- 10.3 The Company reserves the right to change the provider/s with whom its insurance schemes are maintained and to change the rules of the scheme for the time being in force (including, but not limited to, the basis of cover and the scale or level of benefit) or to withdraw its insurance schemes in their entirety. Copies of the applicable supporting insurance policies and any additional scheme rules are available from the HR Department. If the Executive chooses not to join any scheme he/she will not be entitled to any sums by way of an alternative.
- 10.4 The Executive is permitted to use the mobile phone, computer and email provided by the Company for reasonable use.

11. PENSION

The Company will make a pension contribution of 12.5% of Basic Salary to an HMRC approved pension scheme as nominated by the Executive.

12. EXPENSES

- 12.1 The Executive will be reimbursed with all reasonable out of pocket expenses wholly, exclusively and necessarily incurred on the Company's business in the performance of his duties under this Agreement.
- 12.2 This will include expenses of entertainment, subsistence and traveling subject to the Company's guidelines/allowances current from time to time and subject to the Executive producing appropriate vouchers or other acceptable evidence in support of expense claims.
- 12.3 The decision of the Company as to what constitutes "wholly, exclusively and necessarily" incurred expenses shall be conclusive.

13. DEDUCTIONS

The Executive hereby authorizes the Company to deduct from any remuneration and monies due to him including any pay in lieu of notice, any money owed to the Company or any Group company, including, but not limited to any overpayment of salary or expenses or payment made to the Executive by mistake or misrepresentation or default of the Executive or otherwise, and any debt owed by the Executive to the Company or any Group Company

14. HOLIDAYS

- 14.1 The holiday year runs 1 January to 31 December. The Executive is entitled to holiday of 30 Working Days in each year in addition to all UK bank and public holidays.
- 14.2 On termination of employment, he shall be entitled to pay in lieu of any accrued but untaken holiday. For each day's holiday that has been accrued but not taken, the Executive will be paid 1/260 of his basic salary (after statutory deductions). However, if the Executive has taken more holiday days than he entitled to in the holiday year in which he leaves, the Executive agrees that the Company will deduct from his final salary or other monies due to him on termination a sum representing 1/260 of his annual salary for each such day (after statutory deductions). If no final salary payment or other monies are due, the Executive agrees that he will immediately repay the outstanding sum to the Company as a debt immediately due and payable. If any holiday in excess of the annual entitlement is taken, the Company reserves the right to deduct the appropriate number of days' pay from the Executive's salary.
- 14.3 The Executive's holiday should be taken at such times as may be convenient to the Company and the Executive must give written notice of not less than one month of his/her proposed holiday dates to the CEO, EMEA. The Company reserves the right, on receipt of his/her notice of proposed holiday dates, to refuse to allow him/her to take holiday on those dates.
- 14.4 The Executive will not, without the prior written consent of the Company, be allowed to take more than 10 Working Days' holiday consecutive at any one time.
- 14.5 The Executive is encouraged to take his/her full holiday entitlement and may not carry forward any days of unused holiday entitlement into the following holiday year without the expression permission of the Company.
- 14.6 The Company reserves the right to require the Executive to take any unused holiday during his notice period.

15. SICKNESS ABSENCES

- 15.1 If the Executive is going to be absent from work for any reason, the Executive must notify the CEO, Europe/EMEA on the first day of absence. The Executive will also be required to give details of the nature of his absence and any indication that can be given of his/her anticipated length of absence. While absent, the Executive must continue to report to the CEO, Europe/EMEA on a daily basis, or as frequently as required by the CEO, Europe/EMEA until the Executive returns to work. Entitlement to sick pay may be affected by late notification. For any absence he must fill in a self-certification form, copies of which are available from the HR Department.
- 15.2 When any period of absence continues beyond seven calendar days the Executive is required to obtain a medical certificate and to forward this to the CEO, Europe/EMEA. If illness continues after the expire of the first certificate, further certificates must be obtained as necessary to cover the whole period of absence and forwarded to the Company on each occasion. Failure to adequately document an illness or injury when requested could result in disciplinary action up to and including termination of employment.

- 15.3 Where the Executive has taken a series of short-term absence or where the absence occurs immediately before or after a public holiday or annual leave, the Executive may be required to provide a medical certificate for each absence regardless of duration.
- 15.4 If the Executive shall be prevented by illness (including mental disorder), injury or other incapacity from properly performing his duties the Executive shall be entitled to receive sick pay subject to the provisions of the Company's sick pay policies and procedures in force from time to time as set out in the Company's employee handbook. The Executive's entitlement to sick pay is six months at full pay followed by six months at half pay (inclusive of SSP)
- 15.5 Payment of Sick Pay beyond the period stipulated in clause 15.4 will be made entirely at the Company's discretion.
- 15.6 The Company places importance on executives being fit for work and reserves the right to require the Executive to undergo a medical examination at any time (at the Company's expense) by a doctors(s) appointed by the Company and in such circumstances the Executive consents to the doctor providing a report to the Company in accordance with the provisions of the Access to Medical Reports Act 1988. Failure to agree to such examination, or to comply with the company's sickness absence procedures (as in force from time to time) may be grounds for disciplinary action, up to and including dismissal.

16. INVENTIONS

- 16.1 The Executive agrees that he has a special obligation to further the interests of the Company and its Group Companies with respect to any invention created or discovered by him (or in the creation or discovery of which he has participated) in the course of the employment.
- 16.2 The Executive must disclose immediately, and promptly give full details, to the Company any discovery or invention or secret process or improvement in procedure made or discovered by the Executive during his/her Employment in connection with or any way affecting or relating to the business of the Company or any Group Company or capable of being used or adapted for use in connection with any such company ("**Inventions**"), which Inventions will belong to and be the absolute property of the Company or such other person, firm, company or organization as the Company may require without any payment to the Executive (except to the extent provided in Section 40 of the Patents Act 1977) other than agreed emoluments and reimbursements of out pocket expenses.
- 16.3 If requested by the Board (whether during or after the termination of his/her employment) the Executive will at the expense of the Company:
- (a) give and supply all such information, data, drawings and assistance as may be necessary to enable the Company to exploit any such Inventions to the best advantage; and
 - (b) execute all documents and do all things as the Company may decide is necessary or desirable for obtaining patent or other protection for the Inventions in such parts of the world as may be specified by the Company and for vesting the same in the Company or as it may direct; and
 - (c) sign, execute or do any such instrument or thing and generally use his name for the purposes of giving to the Company (or its nominee) all the right and title to interest in all Inventions in the Company absolutely and as sole beneficial owner or in such other person, firm, company or organization as the Company may require to give it, or any Group Company, the full benefit of the provision of this clause; and
 - (d) both during and after termination of his/her employment at the Company's expense anywhere in the world and at any time and at any time promptly do everything (including executing documents) that may be required by the Board to defend or protect for the benefit of the

Company or any Group Company all Inventions and the right and the title of the Company or any Group Company to them.

16.4 The Executive hereby irrevocably authorises the Company to appoint a person as his attorney in his name and on his behalf to execute any documents and to do everything necessary to effect his/her obligations under this clause on his/her behalf.

16.5 The provisions of this clause are without prejudice to the provisions of the Patents Act 1977.

17. OTHER INTELLECTUAL PROPERTY

17.1 The entire copyright and all similar rights (including future copyright, right to register trademarks or service marks and the right to register designs and design rights throughout the world in works of any description produced, originated and conceived, written or made by the Executive alone or with others in the course of or in connection with his employment) (“Works”) will vest in and belong to the Company absolutely throughout the world for the full periods of protection available in law throughout the world including all renewals and extensions.

17.2 Without prejudice to clause 16, the Executive hereby assigns to the Company by way of future assignment the entire copyright and/or similar rights in all Works.

17.3 The Executive will (both during and after termination of his/her employment) at the Company’s request and expense anywhere in the world and at any time promptly disclose to the Company all Works and will do everything (including executing documents) that may be required by the Board to register, assure, defend or protect the rights of the Company in all Works.

17.4 The Executive hereby irrevocably authorises the Company to appoint a person as his attorney in his name and on his behalf to execute any documents and to do everything necessary to effect the obligations of the Executive under this clause on the Executive's behalf.

17.5 For the purposes of clause 16 and this clause, the Executive hereby irrevocably and unconditionally waives in favour of the Company the moral rights conferred on him/her by Chapter IV Part I of the Copyright Design and Patents Act 1988 in respect of any Inventions or Works in which the copyright is vested in the Company under clause 16, this clause or otherwise.

17.6 If the Company shall at any time make an award or give any other form of recognition or benefit to the Executive in respect of an Invention or Works this shall not be deemed to be construed in any way as a waiver or diminution of the Company’s rights under this Agreement.

17.7 The covenants imposed on the Executive by clauses 16 and 17 shall bind the Executive both during and after his employment and shall be binding upon the personal representatives of the Executive in the event of his death.

18. CONFIDENTIAL INFORMATION

18.1 In this Agreement, Confidential Information shall include, but is not limited to, the Company’s and the Group’s trade secrets, details of suppliers and their terms of business, details of customers and their requirements, the prices charged to and terms of business with customers, recruiting efforts and strategy, marketing plans and sales forecasts, financial information, results and forecasts (save to the extent that these are included in published audited accounts), any proposal relating to the acquisition or disposal of a company or a business or any part thereof or to any proposed expansion or contraction of activities, details of executives and officers and of the remuneration and other benefits paid to them, information relating to research activities, inventions, secret possessions, designs, formulae, and product lines, financial structure and performance and information which the Executive is aware of should reasonably be aware of or has been told is confidential and any information that has been given to the Company or any

Group Company in confidence by customers, suppliers or other persons. The Executive will use his best endeavours to prevent the unauthorized copying use or disclosure of such information.

- 18.2 Save as required by law the Executive shall not, either during the Employment (except in the proper performance of his/her duties or pursuant to the Public Interest Disclosure Act 1998) or at any time (without limit) after the Termination Date:
- (a) divulge or communicate to any person, company, business entity or other organization any Confidential Information;
 - (b) copy or reproduce in any form or by or on any media or allow others to access or copy or reproduce any Confidential Information;
 - (c) use any Confidential Information for his/her own purpose or for any purposes other than those of the Company or any Group Company;
 - (d) send, transmit, transfer or forward any Confidential Information to a private email account or any unauthorized recipient;
 - (e) through any failure to exercise due care and diligence, cause any unauthorized disclosure of any trade secret or Confidential Information relating to the Company or any Group Company; or
 - (f) so that those restrictions shall cease to apply to any information which shall become available to the public generally otherwise than through the default of the Executive, or which the Executive shall be required to divulge by law (provided that the Executive shall give prior written notice to the Company of the requirement to disclose and the information ad allow the Company to comment).
- 18.3 The undertakings and covenants in this clause shall be directly enforceable by the Company or any Group Company enjoying the benefit thereof and the Company may also enforce the same for the benefit of any Group Company as well as for its own benefit.
- 18.4 The Executive agrees that the restrictions set out above in this clause are in addition to and shall not affect all other express and implied duties of confidentiality owed by the Executive to the Company and shall survive the termination or expiry (howsoever arising) of his employment with the Company.

19. POST-TERMINATION RESTRICTIVE COVENANTS

- 19.1 In this clause:
- (a) **“Company Goods”** means any product researched into developed, manufactured, distributed or sold by the Company with which the duties of the Executive were concerned or for which he was responsible during the 12 month immediately preceding the Termination Date;
 - (b) **“Company Services”** means any services (including but not limited to technical an product support, technical advice and customer services) supplied by the Company with which the duties of the Executive were materially concerned or for which he was directly or ultimately responsible during the 12 months immediately preceding the Termination Date;
 - (c) **“Prospective Customer”** means any person, firm, company or other organization whatsoever to whom the Company has offered to supply Company Goods or Company Services or the purchase of accounts or debt, or to whom the Company has provided details of the term on which it would or might be willing to supply Company Goods or Company Services or the purchases of accounts or debt, or with whom the Company has had any negotiations or

discussions regarding the possible supply of Company Goods or Company Services or the purchase of accounts or debt during and in respect of whom the Executive had access to Confidential Information or with whose prospective custom the Executive has had material dealings of behalf of the Company during 12 months immediately preceding the Termination Date;

- (d) **“Restricted Area”** means Europe;
- (e) **“Restricted Business”** means those of the businesses of the Company and the Group Companies at the Termination Date with which the Executive was involved to a material extent during the period of 12 month ending on the Termination Date;
- (f) **“Restricted Customer”** means any firm, company or other person to whom or which, during the period of 12 month ending on the Termination Date, the Company supplied Company Goods or Company Services or the purchase of accounts or debt or was on the habit of dealing with the Company or any Group Company and in respect of whom the Executive had access to Confidential Information or with whom the Executive had material dealings during that 12 month period, and
- (g) **“Restricted Employee”** means any person who, at the Termination Date, either:
 - (i) was employed by the Company or any Group Company at a level at least equal to the Executive and was a person with whom the Executive had material contact; or
 - (ii) was employed by the Company or any Group Company and reported to the Executive directly or indirectly at any time during the 12 months prior to the Termination Date.

19.2 The Executive will not:

- (a) for a period of 12 months after the Termination Date, canvass solicit or entice away or assist in soliciting or endeavor to canvas, solicit, entice away from the Company or any Group Company the business or custom of a Restricted Customer with a view to providing goods or services to that Restricted Customer in competition with any Restricted Business;
- (b) for a period of 12 month after the Termination Date, accept or facilitate the acceptance of, or deal with the custom or business of any Restricted Customer with a view to providing goods or services to that Restricted Customer in competition with any Restricted Business;
- (c) for a period of 12 months after the Termination Date, solicit, induce, entice away or offer employment to or engage or otherwise endeavor to solicit, induce or entice away from the Company or any Group Company any Restricted Employee;
- (d) for a period or 12 months after the Termination Date, canvass, solicit or entice away or assist in canvassing, soliciting or enticing away the custom or business of any Prospective Customer with a view to providing goods or services to that Prospective Customer in competition with any Restricted Business;
- (e) for a period of 12 months after the Termination Date, accept or facilitate the acceptance of, or deal with, in competition with the Company or any Group Company the custom or business of any Prospective Customer in competition with a view of providing goods or services to that Prospective Customer in competition with any Restricted Business;
- (f) for a period of 6 months after the Termination Date, in competition with the business of the Company or any Group Company within the Restricted Area establish, carry on, be employed concerned, interested in or engaged in or perform services the same as or competitive or about to be competitive with the Restricted Business.

- 19.3 Nothing in this clause shall prohibit the Executive seeking or procuring customers or doing business not related to the Restricted Business.
- 19.4 For any period the Executive is placed on garden leave in accordance with clause 24 below, such period shall reduce the period of restriction identified in clause 19.2 above.
- 19.5 The obligation imposed on the Executive by this clause extended to him/her acting not only on his own account but also on behalf of any other firm, company or other person whether as principal, shareholder, director, Executive, agent, consultant, partner or in any other capacity whatsoever and shall apply whether the Executive acts directly or indirectly. For the avoidance of doubt the obligations imposed on the Executive by this clause shall not apply in respect of any activities as the Board may agree in writing with the Executive.
- 19.6 The Executive understands and acknowledges that due to his/her position in the Company and any Group Company he will have access to Confidential Information vital to the continued success of the Company and any Group Company, together with influence over and connection with the Company's and/or any Group Company's customers, prospective customers and executives. He therefore agrees that the provisions of this clause are reasonable in their application to him and necessary, but not more than sufficient, to protect the legitimate interests of the Company and any Group Company.
- 19.7 The undertakings contained in this clause shall be directly enforceable by the Company or any Group Company enjoying the benefit thereof and the Company may also enforce the same for the benefit of any Group Company as well as for its own benefit.
- 19.8 Each of the covenants and obligations on the Executive's part contained in each part of this clause shall be deemed to be separate and severable and enforceable by the Company accordingly. In the event that any of the restrictions shall be held void but would be valid if part of the wording thereof was deleted, such restriction shall apply with such deletion as may be necessary to make it valid and effective. If any restriction is found to be unenforceable for any reason, this will not affect the validity or enforceability of any other covenants.
- 19.9 Where this clause refers to the Group Company the said clause will with respect to each Group Company constitute a separate and distinct covenant and the invalidity or unenforceability of any such covenant shall not affect the validity or enforceability of the remaining covenants in favour of the Company or any Group Company provided always that this clause shall only apply to those Group Companies to whom the Executive has given his/her services, or with whom he/she was concerned, in the 12 month immediately preceding the Termination Date.
- 19.10 If the Executive applies for or is otherwise offered employment or an engagement, appointment or consultancy at any time during his employment with the Company or at any time prior to the expire of the obligations contained in clause 19.2 of this Agreement, the Executive will provide a copy of this clause 19 to the person or entity that he has applied to or has made such offer.
- 19.11 The Executive agrees that the Company's remedies at law for breach or threat of breach by the Executive of the provisions of this clause 19 or clause 18 may be inadequate, and that the Company shall be entitled to an injunction or injunctions to prevent breaches of such provisions and to enforce specifically such provisions, in additions to any other remedy to which the Company may be entitled at law or in equity.
- 19.12 The Executive shall not, at any time after the Termination Date, either on his own behalf or on behalf of any other person, firm or company directly or indirectly falsely represent himself as being in any way connected with or interested in the business of the Company or use any name which is identical or similar to or likely to be confused with the name of the Company or any product or service produced or provided by the Company.

19.13 Both during his employment and from the Termination Date, the Executive will not at any time thereafter make any disparaging, untrue or misleading oral or written statement concerning the business and affairs of the Company and the Group or their respective current or former directors, officers, executives, consultants or shareholders.

20. TERMINATION OF CONTRACT

20.1 In the event the Executive's employment is terminated on notice by either party in accordance with clause 6 above, the Company may, in its absolute discretion, make a payment in lieu of all or part of the outstanding notice period, calculated by reference to the Executive's Basic Salary and contractual benefits such as pension payments, private health, disability insurance and death in service policy.

20.2 The Executive's employment may be terminated by the Company at any time without notice, payment in lieu of notice or compensation in lieu thereof for cause which shall include (without limitation) if he:

- (a) materially fails to perform his/her duties to a standard reasonably satisfactory to the Board after having received a written warning from the Company relating to the same or to the follow a lawful and reasonable direction, and having been given reasonable time to rectify his performance;
- (b) commits an act of: (i) gross misconduct or any serious breach or repeated or continued (after warning) material breach of his/her obligations under this Agreement; or (ii) fraud or dishonesty;
- (c) fails to maintain or becomes disqualified from maintaining registration with any regulatory body, membership of which is reasonably required by the Company for the Executive to carry out his/her duties or is prevented by applicable law or regulation from performing any part of his duties;
- (d) he/she guilty of conduct set out in the Company's dismissal and disciplinary procedures which warrants dismissal without notice or is guilty of conduct which in the reasonable opinion of the Board brings, or which could bring, the Company or any Group Company into disrepute (or bring himself into disrepute in circumstances which have or could gave a material adverse effect on the Company or any Group Company);
- (e) commits any act of negligence, neglect of duty which is serious or mismanages the business of the Company or any Group Company or does any act which causes the Company to lose trust and confidence;
- (f) is declared bankrupt or otherwise enters into any arrangement with his/her creditors or has an interim order made against him/her under the Insolvency Act 1986 or has compounded with or makes any arrangement with his/her creditors generally;
- (g) is disqualified from being a company director of the Company or any Group Company by reason of any order made under the Company Directors Disqualification Act 1986 or any other enactment; or
- (h) is convicted of any criminal offence, and in the case of a monitoring offence, this results in imprisonment.

21. DISMISSAL, DISCIPLINARY AND GRIEVANCE PROCEDURES

- 21.1 Details of the Company's dismissal, disciplinary and grievance procedures are set out in the UK employee handbook. These procedures do not form part of the Executive's contract of employment.
- 21.2 If the Executive wishes to appeal against any disciplinary decision he should inform the HR Department in writing, within five working days that he wishes to appeal. The appeal decision will be final.
- 21.3 If the Executive wishes to bring a grievance he should inform the CEO, Europe/EMEA in writing, and if he wishes to appeal a grievance decision he should inform the HR Department, in writing, within five working days that he wishes to appeal. The appeal decision will be final.

22. SUSPENSION

- 22.1 The company may suspend the Executive in order to investigate any allegation of misconduct against the Executive.
- 22.2 Throughout any such period of suspension or exclusion, the Executive shall continue to receive his normal salary and other contractual benefits to which he/she is entitled under this Agreement.
- 22.3 The Executive will have no claim for damages or any other remedy against the Company if the Employment is terminated for any of the reasons set out in this clause.

23. RETURN OF COMPANY PROPERTY

Upon the termination of the Executive's employment for whatever reason, and at any time at the request of the Company, the Executive shall immediately return to the Company all property that belongs to the Company or any Group Companies including:

- (a) any computer, printer or other such equipment, and all computer discs and other software. If the Executive has a password for any computer, the detail of the password;
- (b) all documents in whatever form, including any copies or summaries of the same and including the Executive's working notes;
- (c) all other property belonging or relating to any of the Group Companies including but not limited to all copies of Confidential Information whether or not lawfully made or obtained (and the Executive shall delete Confidential Information from any document comprising a re-usable medium).

24. GARDEN LEAVE

- 24.1 If either party gives notice to terminate the Employment the Company may require the Executive to comply with any or all of the provision below for all or part of the period of notice (the "**Garden Leave Period**").
- 24.2 The Executive will not, without prior written consent of the Board, be employed or otherwise provide services to any third party, whether or not of a business nature during the Garden Leave Period. Further, the Executive will not, unless requested by the Company:
- (a) enter or attend the premises of the Company or any other Group Company; or
- (b) contact or have any communication with any customer or client of the Company or any other Group Company in relation to the business of the Company or any Group Company; or

- (c) contact or have any communication with any Executive, officer, director, agent or consultant of the Company or any other Group Company in relation to the business of the Company or any other Group Company; or
- (d) remain or become involved in any aspect of the business of the Company or any other Group Company except as required by such companies.

24.3 The Company may, in its absolute discretion:

- (a) assign the Executive to other duties;
- (b) request that the Executive be available by telephone during normal business hours; and
- (c) instruct the Executive not to access or procure others to access the Company or Group database or Computer Systems.

24.4 The Company may require the Executive:

- (a) to comply with the provisions of clause 23; and
- (b) to immediately resign from any directorship which he/she holds in the Company, any other Group Company or any other company where such directorship is held as a consequence or requirement of the Employment, unless he/she is required to perform duties to which any such directorship relates, in which case he/she may retain such directorships while those duties are ongoing. The Executive hereby irrevocably appoints the Company to be his/her attorney to execute any instrument and do anything in his/her name and on his/her behalf to effect his/her resignation if he/she fails to do so in accordance with this clause.

24.5 During the Garden Leave Period, the Executive will be entitled to receive his/her salary and all contractual benefits in accordance with the terms of this Agreement. Any unused holiday accrued at the commencement of the Garden Leave Period and any holiday accrued during any such period will be deemed to be taken by the Executive during the Garden Leave Period.

24.6 At the end of the Garden Leave Period, the Company may, at its sole and absolute discretion, pay the Executive salary and compensation for contractual benefits such as pension payments, private health, disability insurance and death in service policy in lieu of the balance of any period of notice given by the Company or the Executive (less any deductions the Company is required by law to make).

24.7 All the duties of the Employment (whether express or implied), including without limitation the Executive's duties of fidelity, good faith and exclusive service, shall continue throughout the Garden Leave Period save as expressly varied by this clause. The Executive will continue to be employed to be employed by the Company and must not be employed or provide services to a third party.

25. DIRECTORSHIPS

25.1 The Executive agrees that upon the termination of his/her employment for whatever reason he/she will resign all Company directorships in the Company or any Group company and will sign all necessary forms for such purpose.

25.2 If the Executive does not resign as an officer of the Company or any Group Company, having been requested to do so in accordance with the clause the Company will be appointed as his/her attorney at effect his/her resignation. By entering into this Agreement, the Executive irrevocably appoints the Company as his/her attorney to act on his/her behalf to execute any document or do anything in his/her name necessary to effect his/her resignation in accordance with this clause. If

there is any doubt as to whether such a document (or other thing) has been carried out within the authority conferred by this clause, a certificate in writing (signed by any director or other secretary of the Company) will be sufficient to prove that the act or thing falls within that authority.

- 25.3 The termination of any directorship or other office held by the Executive will not terminate the Executive's employment or amount to a breach of terms of this agreement by the Company.
- 25.4 During the Employment the Executive will not do anything which could cause him/her to be disqualified from continuing to act as a director of any Group Company. The Executive must not resign his/her office as a director of any Group Company without the Agreement of the Company.

26. DATA PROTECTION

- 26.1 The Company or its Group Companies will hold personal information about the Executive that will include details such as his/her name, address, age, bank details and emergency contact details. The Company or its Group Companies may also hold sensitive personal information (i.e. sensitive personal data as defined in the Data Protection Act 1998) about the Executive, for example, health and sickness information.
- 26.2 Personal information may be obtained from various sources including the Executive's application form, references, medical assessments, appraisals, other performance assessments, appropriate personnel within the Company, customers, suppliers and other third parties.
- 26.3 The Company will process the Executive's personal information, including any sensitive personal information, for purposes connected with his/her employment, including, but not limited to, for example, salary and payroll, pension/life assurance, holiday entitlement, health and sickness records and assessments, disciplinary purposes, performance and references and the Company may disclose the Executive's personal data to third parties for these purposes.
- 26.4 Given the international nature of the Group's activities, a Group company may need to transfer personal data to another Group company, to governmental, regulatory or judicial authorities, auditors, legal advisors and agents as well as sub-contractors such as third party payroll, benefit or personnel administrators who may be located in countries outside the EEA (European Economic Area) including in the US whose data protection laws may not be equivalent to those in the EEA. Where there is such a transfer the Group company maintains appropriate measures to safeguard such personal data. The Executive has a right to access personal data that the Group holds about him.
- 26.5 By signing this Agreement the Executive will explicitly consent to the processing of his/her personal information as described.
- 26.6 The Executive agrees to comply with all legal requirements in relation to such data and to abide by the Company's and any applicable Group company data protection policy issued from time to time.

27. EXECUTIVE'S REPRESENTATIONS AND UNDERTAKINGS

- 27.1 The Executive represents and warrants that:
- (a) he is permitted to live and work in the United Kingdom and if these circumstances change he will immediately inform the Company thereof;
 - (b) he is not a party to any restrictions agreement, contract (whether of employment or otherwise), court order or understanding or subject to any prohibition or restraint imposed by

any regulatory body which would in any way restrict or prohibit him from undertaking or performing any of the duties of his employment in accordance with this Agreement;

- (c) there are not matters or circumstances which, if known to the Company at the date of this Agreement, would entitle the Company to terminate the Executive's employment;
- (d) as far as the Executive is aware, there is not threatened or pending, any action, suit or proceeding, investigation or inquiry before or by any court or other governmental or self-regulatory authority to which the Executive is a party or which concerns the Executive and the Executive is not aware of any circumstances which are likely to give rise to any such action, suit, proceeding, investigation or inquiry. The Executive agrees that he will report to the Company promptly in writing any pending or threatened regulatory or legal actions or, litigation or investigations involving the Executive, the Company or the Group or the reputation of the Executive or the Executive's ability to continue to fulfil his responsibilities with respect to the Company or the Group and such actions will be reported no later than five calendar days following the date on which the Executive becomes aware of the action and determines that it may have such effect;
- (e) has not used or disclosed, and will not use or disclose, any confidential or proprietary information of any prior employer, partnership or business (save for information obtained during his time as a member of the Company) in connection with his duties for the Company and Group;
- (f) he does not have any interest or engagement of a commercial, consultative, managerial or employment nature, including as principal, shareholder, investor, director, executive, agent, consultant, partner or any similar role or position, in or with any company, firm, business entity or other undertaking outside the Group;
- (g) all information supplied by the Executive to the Company as to his background, employment history, work experience and academic record are correct, accurate and not misleading, with no material omissions; and
- (h) he has completed any background check or consent form as requested and the information provided in such background check or consent form is true, accurate and not misleading and that there are not material omissions.

27.2 If at any time the representations and warranties set out above are not fulfilled, the Executive's employment may be terminated without notice, payment in lieu of notice or any other compensation thereof. For the avoidance of any doubt, the Company shall not be permitted to terminate the Executive's employment without notice for a breach of the warranty set out at clause 27.1(d) as a result of a routine proceeding, investigation or inquiry before or by any court or other governmental or self-regulatory authority that is carried out in the ordinary course of business. Nothing in the clause 27.2 shall affect the Company's rights of termination as set out in clause 20.2 of this Agreement.

27.3 The Executive undertakes not to disclose or communicate any terms of this Agreement to any other Executive of the Company (except for his line manager or any representative of the HR department) or to any third party (other than for the purpose of obtaining professional advice).

28. MONITORING

In signing this Agreement, the Executive expressly agrees to the Company monitoring his/her performance at work, his/her conformity with Company rules, standard of conduct and policies in force from time to time and to ensure he/she is not using the Company's facilities for any unlawful purposes subject to any applicable restrictions under applicable law. Such monitoring may take the form of interception of communications, for example opening and reviewing post

addressed to or sent by him/her (including faxes and corresponding marked private and confidential but addressed to him/her at his/her place of work) on daily basis. The Executive's use of Company facilities such as e-mail, the Internet, photocopying and telephones may also be monitored and/or recorded, where applicable, in accordance with lawful business practice from time to time. Disciplinary action, up to and including summary dismissal, may be taken where there has been inappropriate use of the Company's facilities.

29. COLLECTIVE AGREEMENTS

The Company is not a party to any Collective Agreements that affect the Executive's employment.

30. GOVERNING LAW

This Agreement shall be governed by and constructed by laws of England and each of the parties hereto shall submit to the jurisdiction of the Courts of England.

31. NOTICES

- 31.1 Any notices to be given under this Agreement shall be in writing. Notice to the Executive shall be sufficiently served by being delivered personally to him/her or by being sent by registered post addressed to him/her at his/her usual or last known address.
- 31.2 Notice to the Company shall be sufficiently served by being delivered to the Company Secretary or by being sent by registered post to the registered office of the Company. Any notice so posted shall be deemed served upon the third day following that on which it was posted.

32. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

To the extent permitted by law, no person other than the parties to this Agreement and the Group Companies shall have the right to enforce any term of this Agreement under the Contracts (Rights of Third Parties) Act 1999. For the avoidance of doubt, save as expressly provided in this clause the application of the Contracts (Rights of Third Parties) Act 1999 is specifically excluded from this Agreement, although this does not affect any other right or remedy of any third party which exists or is available other than under this Act.

33. WHOLE AGREEMENT

- 33.1 This Agreement supersedes and replaces any previous written or oral agreement between the parties with respect to the Executive's employment including, but not limited to the employment agreement dated 1 August 2008 which shall be replaced in its entirety. It contains the whole agreement between the parties relating to the Employment at the date the Agreement was entered into (except for those terms implied by law which cannot be excluded by the agreement of the parties). The Executive acknowledges that he/she has not been induced to enter into this Agreement by nor is he relying on any understanding, representation, warranty, promise, or undertaking (whether innocently or negligently made) not expressly incorporated into it in entering into this Agreement. The Executive agrees and acknowledges that his/her only rights and remedies in relation to any representation, warranty, promise, or undertaking made or given in connection with this Agreement (unless such representation, warranty or undertaking was made fraudulently) will be for breach of the terms of the Agreement, to the exclusion of all other rights and remedies (including those in tort or arising under statute).
- 33.2 Neither party's rights or powers under this Agreement will be affected if:
- (a) one party delays in enforcing any provision of this Agreement; or
 - (b) one party grants time to the other party.

33.3 If either of the party agrees to waive his/her rights under a provision of this Agreement, that waiver will only be effective if it is in writing and is signed by him/her. A party's agreement to waive any breach of any term or condition of this Agreement will not be regarded as a waiver of any subsequent breach of the same term or condition or a different term or condition.

34. MISCELLANEOUS

34.1 This Agreement may only be modified by the agreement of the parties.

34.2 References in this Agreement to rules, regulations, policies, handbooks or other similar documents which supplement it, are referred to in it or describe any pensions or other benefits arrangement are references to the versions or forms of the relevant documents as amended or updated from time to time.

35. ASSIGNMENT

The Company or any other Group company as applicable from time to time may transfer or assign its rights under this Agreement to its successor in title. The Executive may not assign his rights and obligations under this Agreement.

IN WITNESS WHEREOF, this Agreement is executed as a DEED and is delivered on the date of this Agreement by:

Executed as a deed by **AKTIV KAPITAL UK LTD**

Acting by **GEIR OLSEN**

a Director, /s/ Geir Olsen

in presence of:

Witness signature: /s/ May Engebretsen

Witness name: May Engebretsen

Witness occupation: Personal Assistant

Witness address: Street name #

Post code, City
Norway

Executed as a deed by

Acting by **TIKENDRA PATEL** /s/ Tikendra Patel

in presence of:

Witness signature: /s/ Henning Lauritsen

Witness name: Henning Lauritsen

Witness occupation: Group Tax Manager

Witness address: Street name #

Post code, London

Exhibit 31.1

I, Kevin P. Stevenson, certify that:

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

August 7, 2018

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

Exhibit 31.2

I, Peter M. Graham, certify that:

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

August 7, 2018

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

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

In connection with the Quarterly Report of PRA Group, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin P. Stevenson, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

August 7, 2018

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

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

In connection with the Quarterly Report of PRA Group, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter M. Graham, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

August 7, 2018

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

