# 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 September 30, 2020**

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

**For the transition period from ________ to ________**

**Commission File Number: 000-50058**

# PRA Group, Inc.

*(Exact name of registrant as specified in its charter)*

| | |
|---|---|
| **Delaware** | **75-3078675** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |

**120 Corporate Boulevard**
**Norfolk, Virginia 23502**
**(Address of principal executive offices)**

**(888) 772-7326**
**(Registrant's Telephone No., including area code)**

**Not Applicable**
**(Former name, former address and former fiscal year, if changed since last report)**

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **Common Stock, $0.01 par value per share** | **PRAA** | **NASDAQ Global Select Market** |

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

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

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

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

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

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

The number of shares of the registrant's common stock outstanding as of November 3, 2020 was 45,579,983.

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## Part I. Financial Information

### Item 1. Financial Statements (Unaudited)

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

| | (unaudited) September 30, 2020 | December 31, 2019 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 92,779 | $ 119,774 |
| Investments | 37,821 | 56,176 |
| Finance receivables, net | 3,332,748 | 3,514,165 |
| Other receivables, net | 12,575 | 10,606 |
| Income taxes receivable | 27,554 | 17,918 |
| Deferred tax assets, net | 79,121 | 63,225 |
| Property and equipment, net | 57,826 | 56,501 |
| Right-of-use assets | 51,606 | 68,972 |
| Goodwill | 456,308 | 480,794 |
| Intangible assets, net | 3,392 | 4,497 |
| Other assets | 45,519 | 31,263 |
| Total assets | $ 4,197,249 | $ 4,423,891 |
| **Liabilities and Equity** | | |
| Liabilities: | | |
| Accounts payable | $ 4,285 | $ 4,258 |
| Accrued expenses | 81,913 | 88,925 |
| Income taxes payable | 18,885 | 4,046 |
| Deferred tax liabilities, net | 48,144 | 85,390 |
| Lease liabilities | 55,987 | 73,377 |
| Interest-bearing deposits | 119,834 | 106,246 |
| Borrowings | 2,524,429 | 2,808,425 |
| Other liabilities | 71,600 | 26,211 |
| Total liabilities | 2,925,077 | 3,196,878 |
| Equity: | | |
| Preferred stock, $0.01 par value, 2,000 shares authorized, no shares issued and outstanding | — | — |
| Common stock, $0.01 par value, 100,000 shares authorized, 45,579 shares issued and outstanding at September 30, 2020; 100,000 shares authorized, 45,416 shares issued and outstanding at December 31, 2019 | 456 | 454 |
| Additional paid-in capital | 70,036 | 67,321 |
| Retained earnings | 1,482,172 | 1,362,631 |
| Accumulated other comprehensive loss | (313,560) | (261,018) |
| Total stockholders' equity - PRA Group, Inc. | 1,239,104 | 1,169,388 |
| Noncontrolling interest | 33,068 | 57,625 |
| Total equity | 1,272,172 | 1,227,013 |
| Total liabilities and equity | $ 4,197,249 | $ 4,423,891 |

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

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Revenues: | | | | |
| Portfolio income | $ 240,250 | $ — | $ 750,556 | $ — |
| Changes in expected recoveries | 25,403 | — | 32,388 | — |
| Income recognized on finance receivables | — | 247,471 | — | 735,526 |
| Fee income | 1,978 | 2,391 | 6,826 | 11,472 |
| Other revenue | 233 | 152 | 1,788 | 950 |
| Total revenues | 267,864 | 250,014 | 791,558 | 747,948 |
| | | | | |
| Net allowance charges | — | (4,136) | — | (11,427) |
| | | | | |
| Operating expenses: | | | | |
| Compensation and employee services | 71,974 | 75,317 | 217,617 | 234,770 |
| Legal collection fees | 13,661 | 14,083 | 41,975 | 41,439 |
| Legal collection costs | 26,043 | 31,395 | 79,997 | 99,745 |
| Agency fees | 14,900 | 12,788 | 38,619 | 39,833 |
| Outside fees and services | 22,719 | 16,733 | 60,796 | 48,274 |
| Communication | 9,379 | 10,310 | 31,702 | 34,335 |
| Rent and occupancy | 4,460 | 4,414 | 13,415 | 13,268 |
| Depreciation and amortization | 4,301 | 4,046 | 12,494 | 13,341 |
| Other operating expenses | 11,761 | 12,102 | 34,457 | 34,613 |
| Total operating expenses | 179,198 | 181,188 | 531,072 | 559,618 |
| Income from operations | 88,666 | 64,690 | 260,486 | 176,903 |
| Other income and (expense): | | | | |
| Interest expense, net | (33,692) | (35,864) | (106,319) | (105,872) |
| Foreign exchange gains | 61 | 5,406 | 3,027 | 11,359 |
| Other | 291 | (19) | (1,367) | (123) |
| Income before income taxes | 55,326 | 34,213 | 155,827 | 82,267 |
| Income tax expense | 7,497 | 6,665 | 24,734 | 15,607 |
| Net income | 47,829 | 27,548 | 131,093 | 66,660 |
| Adjustment for net income attributable to noncontrolling interests | 5,337 | 2,577 | 11,552 | 7,843 |
| Net income attributable to PRA Group, Inc. | $ 42,492 | $ 24,971 | $ 119,541 | $ 58,817 |
| Net income per common share attributable to PRA Group, Inc.: | | | | |
| Basic | $ 0.93 | $ 0.55 | $ 2.63 | $ 1.30 |
| Diluted | $ 0.92 | $ 0.55 | $ 2.60 | $ 1.29 |
| Weighted average number of shares outstanding: | | | | |
| Basic | 45,579 | 45,410 | 45,526 | 45,378 |
| Diluted | 46,140 | 45,645 | 45,971 | 45,520 |

*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 nine months ended September 30, 2020 and 2019**
**(unaudited)**
**(Amounts in thousands)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Net income | $ 47,829 | $ 27,548 | $ 131,093 | $ 66,660 |
| Other comprehensive income/(loss), net of tax: | | | | |
| Currency translation adjustments | 30,705 | (50,542) | (48,448) | (46,975) |
| Cash flow hedges | 1,394 | (5,832) | (22,927) | (19,549) |
| Debt securities available-for-sale | (30) | (1) | 191 | 81 |
| Other comprehensive income/(loss) | 32,069 | (56,375) | (71,184) | (66,443) |
| Total comprehensive income/(loss) | 79,898 | (28,827) | 59,909 | 217 |
| Less comprehensive income/(loss) attributable to noncontrolling interests | 3,753 | 34 | (7,091) | 5,247 |
| Comprehensive income/(loss) attributable to PRA Group, Inc. | $ 76,145 | $ (28,861) | $ 67,000 | $ (5,030) |

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

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

| | Common Stock | | | | | | |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive (Loss) | Noncontrolling Interest | Total Equity |
| Balance at December 31, 2019 | 45,416 | $ 454 | $ 67,321 | $ 1,362,631 | $ (261,018) | $ 57,625 | $ 1,227,013 |
| Components of comprehensive income, net of tax: | | | | | | | |
| Net income | — | — | — | 19,135 | — | 3,301 | 22,436 |
| Currency translation adjustments | — | — | — | — | (94,201) | (13,875) | (108,076) |
| Cash flow hedges | — | — | — | — | (20,568) | — | (20,568) |
| Debt securities available-for-sale | — | — | — | — | 170 | — | 170 |
| Vesting of restricted stock | 124 | 1 | — | — | — | — | 1 |
| Share-based compensation expense | — | — | 2,857 | — | — | — | 2,857 |
| Employee stock relinquished for payment of taxes | — | — | (3,157) | — | — | — | (3,157) |
| Balance at March 31, 2020 | 45,540 | $ 455 | $ 67,021 | $ 1,381,766 | $ (375,617) | $ 47,051 | $ 1,120,676 |
| Components of comprehensive income, net of tax: | | | | | | | |
| Net income | — | — | — | 57,914 | — | 2,914 | 60,828 |
| Currency translation adjustments | — | — | — | — | 32,107 | (3,184) | 28,923 |
| Cash flow hedges | — | — | — | — | (3,753) | — | (3,753) |
| Debt securities available-for-sale | — | — | — | — | 51 | — | 51 |
| Distributions to noncontrolling interest | — | — | — | — | — | (14,908) | (14,908) |
| Vesting of restricted stock | 39 | 1 | (1) | — | — | — | — |
| Share-based compensation expense | — | — | 3,063 | — | — | — | 3,063 |
| Employee stock relinquished for payment of taxes | — | — | (18) | — | — | — | (18) |
| Balance at June 30, 2020 | 45,579 | $ 456 | $ 70,065 | $ 1,439,680 | $ (347,212) | $ 31,873 | $ 1,194,862 |
| Components of comprehensive income, net of tax: | | | | | | | |
| Net income | — | — | — | 42,492 | — | 5,337 | 47,829 |
| Currency translation adjustments | — | — | — | — | 32,288 | (1,583) | 30,705 |
| Cash flow hedges | — | — | — | — | 1,394 | — | 1,394 |
| Debt securities available-for-sale | — | — | — | — | (30) | — | (30) |
| Distributions to noncontrolling interest | — | — | — | — | — | (3,677) | (3,677) |
| Contributions from noncontrolling interest | — | — | — | — | — | 1,118 | 1,118 |
| Share-based compensation expense | — | — | 3,097 | — | — | — | 3,097 |
| Other | — | — | (3,126) | — | — | — | (3,126) |
| Balance at September 30, 2020 | 45,579 | $ 456 | $ 70,036 | $ 1,482,172 | $ (313,560) | $ 33,068 | $ 1,272,172 |

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

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

| | Common Stock | | | | | | |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive (Loss) | Noncontrolling Interest | Total Equity |
| Balance at December 31, 2018 | 45,304 | $ 453 | $ 60,303 | $ 1,276,473 | $ (242,109) | $ 28,849 | $ 1,123,969 |
| Components of comprehensive income, net of tax: | | | | | | | |
| Net income | — | — | — | 15,227 | — | 1,685 | 16,912 |
| Currency translation adjustments | — | — | — | — | (742) | (431) | (1,173) |
| Cash flow hedges | — | — | — | — | (5,715) | — | (5,715) |
| Debt securities available-for-sale | — | — | — | — | 45 | — | 45 |
| Distributions to noncontrolling interest | — | — | — | — | — | (6,877) | (6,877) |
| Contributions from noncontrolling interest | — | — | — | — | — | 89 | 89 |
| Vesting of restricted stock | 80 | 1 | (1) | — | — | — | — |
| Share-based compensation expense | — | — | 2,314 | — | — | — | 2,314 |
| Employee stock relinquished for payment of taxes | — | — | (1,437) | — | — | — | (1,437) |
| Other | — | — | (2,088) | — | — | — | (2,088) |
| Balance at March 31, 2019 | 45,384 | $ 454 | $ 59,091 | $ 1,291,700 | $ (248,521) | $ 23,315 | $ 1,126,039 |
| Components of comprehensive income, net of tax: | | | | | | | |
| Net income | — | — | — | 18,619 | — | 3,581 | 22,200 |
| Currency translation adjustments | — | — | — | — | 4,362 | 378 | 4,740 |
| Cash flow hedges | — | — | — | — | (8,002) | — | (8,002) |
| Debt securities available-for-sale | — | — | — | — | 37 | — | 37 |
| Contributions from noncontrolling interest | — | — | — | — | — | 3,229 | 3,229 |
| Vesting of restricted stock | 25 | — | — | — | — | — | — |
| Share-based compensation expense | — | — | 2,620 | — | — | — | 2,620 |
| Employee stock relinquished for payment of taxes | — | — | (6) | — | — | — | (6) |
| Balance at June 30, 2019 | 45,409 | $ 454 | $ 61,705 | $ 1,310,319 | $ (252,124) | $ 30,503 | $ 1,150,857 |
| Components of comprehensive income, net of tax: | | | | | | | |
| Net income | — | — | — | 24,971 | — | 2,577 | 27,548 |
| Currency translation adjustments | — | — | — | — | (47,999) | (2,543) | (50,542) |
| Cash flow hedges | — | — | — | — | (5,832) | — | (5,832) |
| Debt securities available-for-sale | — | — | — | — | (1) | — | (1) |
| Distributions to noncontrolling interest | — | — | — | — | — | — | — |
| Contributions from noncontrolling interest | — | — | — | — | — | 21,357 | 21,357 |
| Vesting of restricted stock | 2 | — | — | — | — | — | — |
| Share-based compensation expense | — | — | 2,974 | — | — | — | 2,974 |
| Employee stock relinquished for payment of taxes | — | — | (48) | — | — | — | (48) |
| Balance at September 30, 2019 | 45,411 | $ 454 | $ 64,631 | $ 1,335,290 | $ (305,956) | $ 51,894 | $ 1,146,313 |

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

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

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2020 | 2019 |
| Cash flows from operating activities: | | |
| Net income | $ 131,093 | $ 66,660 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Share-based compensation expense | 9,017 | 7,908 |
| Depreciation and amortization | 12,494 | 13,341 |
| Amortization of debt discount and issuance costs | 16,711 | 17,180 |
| Changes in expected recoveries | (32,388) | — |
| Deferred income taxes | (44,905) | (24,900) |
| Net unrealized foreign currency transactions | 34,060 | (3,622) |
| Fair value in earnings for equity securities | 1,159 | (6,921) |
| Net allowance charges | — | 11,427 |
| Other | (449) | — |
| Changes in operating assets and liabilities: | | |
| Other assets | 1,466 | 2,651 |
| Other receivables, net | (1,686) | 1,019 |
| Accounts payable | 45 | (2,888) |
| Income taxes payable, net | 5,664 | (21,823) |
| Accrued expenses | (5,315) | 13,888 |
| Other liabilities | 4,408 | (3,484) |
| Right of use asset/lease liability | (15) | — |
| Other, net | — | 257 |
| Net cash provided by operating activities | 131,359 | 70,693 |
| Cash flows from investing activities: | | |
| Net, purchases of property and equipment | (12,906) | (14,890) |
| Purchases of finance receivables | (613,050) | (832,995) |
| Recoveries applied to negative allowance | 784,056 | — |
| Collections applied to principal on finance receivables | — | 649,136 |
| Purchase of investments | (27,565) | (82,670) |
| Proceeds from sales and maturities of investments | 41,932 | 74,771 |
| Business acquisition, net of cash acquired | — | (57,610) |
| Proceeds from sale of subsidiaries, net | — | 31,177 |
| Net cash provided by/(used in) investing activities | 172,467 | (233,081) |
| Cash flows from financing activities: | | |
| Proceeds from lines of credit | 998,088 | 885,318 |
| Principal payments on lines of credit | (1,331,303) | (458,566) |
| Payments on convertible senior notes | (287,442) | — |
| Proceeds from senior notes | 300,000 | — |
| Proceeds from long-term debt | 55,000 | — |
| Principal payments on long-term debt | (7,500) | (310,665) |
| Payments of origination cost and fees | (16,998) | — |
| Tax withholdings related to share-based payments | (3,176) | (1,492) |
| Distributions paid to noncontrolling interest | (18,585) | (6,877) |
| Contributions from noncontrolling interest | 1,118 | 24,675 |
| Purchase of noncontrolling interest | — | (1,255) |
| Net increase in interest-bearing deposits | 8,115 | 38,581 |
| Other financing activities | (3,183) | (2,088) |
| Net cash (used in)/provided by financing activities | (305,866) | 167,631 |
| Effect of exchange rate on cash | (16,610) | (7,043) |
| Net decrease in cash and cash equivalents | (18,650) | (1,800) |
| Cash and cash equivalents, beginning of period | 123,807 | 98,695 |
| Cash and cash equivalents, end of period | $ 105,157 | $ 96,895 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | $ 88,003 | $ 89,100 |
| Cash paid for income taxes | 64,719 | 61,942 |
| Cash, cash equivalents and restricted cash reconciliation: | | |
| Cash and cash equivalents per Consolidated Balance Sheets | $ 92,779 | $ 90,000 |
| Restricted cash included in Other assets per Consolidated Balance Sheets | 12,378 | 6,895 |
| Total cash, cash equivalents and restricted cash | $ 105,157 | $ 96,895 |

*The accompanying notes are an integral part of these 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.

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

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

**Basis of presentation**: The consolidated financial statements of the Company are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The accompanying interim financial statements have been prepared in accordance with the instructions for Quarterly Reports on Form 10-Q and, therefore, do not include all information and Notes to the Consolidated Financial Statements necessary for a complete presentation of financial position, results of operations, comprehensive income/(loss) and cash flows in conformity with GAAP. In the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair presentation of the Company's Consolidated Balance Sheets as of September 30, 2020, its Consolidated Income Statements, and its Consolidated Statements of Comprehensive Income/(Loss) for the three and nine months ended September 30, 2020 and 2019, and its Consolidated Statements of Changes in Equity and Consolidated Statements of Cash Flows for the nine months ended September 30, 2020 and 2019, have been included. The Consolidated Income Statements of the Company for the three and nine months ended September 30, 2020 may not be indicative of future results.

These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 (the "2019 Form 10-K").

**Consolidation**: The consolidated financial statements include the accounts of PRA Group and other entities in which the Company has a controlling interest. All significant intercompany accounts and transactions have been eliminated.

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

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

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

**Restricted cash**: Cash that is subject to legal restrictions or is unavailable for general operating purposes is classified as restricted cash and is included within other assets on the Company's Consolidated Balance Sheets.

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

The following table shows the amount of revenue generated for the three and nine months ended September 30, 2020 and 2019, and long-lived assets held at September 30, 2020 and 2019, both for the U.S., the Company's country of domicile, and outside of the U.S. (amounts in thousands):

| | As of and for the Three Months Ended September 30, 2020 | | As of and for the Three Months Ended September 30, 2019 | |
|---|---|---|---|---|
| | Revenues [2] | Long-Lived Assets | Revenues [2] | Long-Lived Assets |
| United States | $ 172,286 | $ 98,049 | $ 166,284 | $ 114,595 |
| United Kingdom | 34,387 | 2,578 | 28,446 | 3,586 |
| Other [1] | 61,191 | 8,805 | 55,284 | 9,389 |
| Total | $ 267,864 | $ 109,432 | $ 250,014 | $ 127,570 |

| | As of and for the Nine Months Ended September 30, 2020 | | As of and for the Nine Months Ended September 30, 2019 | |
|---|---|---|---|---|
| | Revenues [2] | Long-Lived Assets | Revenues [2] | Long-Lived Assets |
| United States | $ 517,914 | $ 98,049 | $ 501,783 | $ 114,595 |
| United Kingdom | 98,768 | 2,578 | 86,494 | 3,586 |
| Other [1] | 174,876 | 8,805 | 159,671 | 9,389 |
| Total | $ 791,558 | $ 109,432 | $ 747,948 | $ 127,570 |

(1) None of the countries included in "Other" comprise greater than 10% of the Company's consolidated revenues or long-lived assets.
(2) Based on the Company’s financial statement information used to produce the Company's general-purpose financial statements, it is impracticable to report further breakdowns of revenues from external customers by product or service.

Revenues are attributed to countries based on the location of the related operations. Long-lived assets consist of net property and equipment and right-of-use assets. The Company reports revenues earned from collection activities on nonperforming loans, fee-based services and investments. For additional information on the Company's investments, see Note 4.

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

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

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

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

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

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

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

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

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

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

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

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

## 2. Change in Accounting Principle:

*Financial Instruments - Credit Losses*

In June 2016, FASB issued ASU 2016-13, which introduced a new methodology requiring the measurement of expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. ASU 2016-13 utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans, held-to-maturity debt securities and other receivables measured at amortized cost. The new methodology requires an entity to present on the balance sheet the net amount expected to be collected. This methodology replaces the multiple impairment methods under prior GAAP, including for purchased credit impaired ("PCI") assets, and introduces the concept of PCD assets. The Company's PCI assets previously accounted for under ASC 310-30 are now accounted for as PCD assets upon adoption. ASU 2016-13 requires PCD assets to be recognized at their purchase price plus the allowance for credit losses expected at the time of acquisition. ASU 2016-13 also requires that financial assets should be written off when they are deemed uncollectible.

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

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

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

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

**3. Finance Receivables, net:**

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

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

| | | |
|---|---|---|
| Amortized cost | $ | — |
| Negative allowance for expected recoveries [1] | | 3,332,748 |
| Balance at end of period | $ | 3,332,748 |

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

***Three Months Ended September 30, 2020***

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

| | For the Three Months Ended September 30, 2020 | | |
|---|---|---|---|
| | Core | Insolvency | Total |
| Balance at beginning of period | $ 2,908,136 | $ 443,396 | $ 3,351,532 |
| Initial negative allowance for expected recoveries - portfolio acquisitions [1] | 159,069 | 18,531 | 177,600 |
| Foreign currency translation adjustment | 53,934 | 6,752 | 60,686 |
| Recoveries applied to negative allowance [2] | (246,738) | (35,735) | (282,473) |
| Changes in expected recoveries [3] | 23,744 | 1,659 | 25,403 |
| Balance at end of period | $ 2,898,145 | $ 434,603 | $ 3,332,748 |

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

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

| | For the Three Months Ended September 30, 2020 | | |
|---|---|---|---|
| | Core | Insolvency | Total |
| Face value | $ 1,106,910 | $ 91,793 | $ 1,198,703 |
| Noncredit discount | (159,766) | (8,522) | (168,288) |
| Allowance for credit losses at acquisition | (788,075) | (64,740) | (852,815) |
| Purchase price | $ 159,069 | $ 18,531 | $ 177,600 |

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

| | For the Three Months Ended September 30, 2020 | | |
|---|---|---|---|
| | Core | Insolvency | Total |
| Allowance for credit losses at acquisition | $ (788,075) | $ (64,740) | $ (852,815) |
| Writeoffs, net | 788,075 | 64,740 | 852,815 |
| Expected recoveries | 159,069 | 18,531 | 177,600 |
| Initial negative allowance for expected recoveries | $ 159,069 | $ 18,531 | $ 177,600 |

*(2) Recoveries applied to negative allowance*

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

| | For the Three Months Ended September 30, 2020 | | |
|---|---|---|---|
| | Core | Insolvency | Total |
| Recoveries [a] | $ 470,056 | $ 52,667 | $ 522,723 |
| Less - amounts reclassified to portfolio income [b] | 223,318 | 16,932 | 240,250 |
| Recoveries applied to negative allowance | $ 246,738 | $ 35,735 | $ 282,473 |

(a) Recoveries includes cash collections, buybacks and other adjustments.
(b) For more information, refer to the Company's discussion of portfolio income within finance receivables and income recognition in Note 1.

*(3) Changes in expected recoveries*

Changes in expected recoveries for the three months ended September 30, 2020 were as follows (amounts in thousands):

| | For the Three Months Ended September 30, 2020 | | |
|---|---|---|---|
| | Core | Insolvency | Total |
| Changes in expected future recoveries | $ (62,999) | $ (588) | $ (63,587) |
| Recoveries received in excess of forecast | 86,743 | 2,247 | 88,990 |
| Changes in expected recoveries | $ 23,744 | $ 1,659 | $ 25,403 |

***Nine Months Ended September 30, 2020***

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

| | For the Nine Months Ended September 30, 2020 | | |
|---|---|---|---|
| | Core | Insolvency | Total |
| Balance at beginning of period | $ 3,051,426 | $ 462,739 | $ 3,514,165 |
| Initial negative allowance for expected recoveries - portfolio acquisitions (1) | 537,477 | 77,859 | 615,336 |
| Foreign currency translation adjustment | (42,065) | (3,020) | (45,085) |
| Recoveries applied to negative allowance (2) | (677,211) | (106,845) | (784,056) |
| Changes in expected recoveries (3) | 28,518 | 3,870 | 32,388 |
| Balance at end of period | $ 2,898,145 | $ 434,603 | $ 3,332,748 |

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

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

| | For the Nine Months Ended September 30, 2020 | | |
|---|---|---|---|
| | Core | Insolvency | Total |
| Face value | $ 4,286,296 | $ 366,211 | $ 4,652,507 |
| Noncredit discount | (533,465) | (29,533) | (562,998) |
| Allowance for credit losses at acquisition | (3,215,354) | (258,819) | (3,474,173) |
| Purchase price | $ 537,477 | $ 77,859 | $ 615,336 |

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

| | For the Nine Months Ended September 30, 2020 | | |
|---|---|---|---|
| | Core | Insolvency | Total |
| Allowance for credit losses at acquisition | $ (3,215,354) | $ (258,819) | $ (3,474,173) |
| Writeoffs, net | 3,215,354 | 258,819 | 3,474,173 |
| Expected recoveries | 537,477 | 77,859 | 615,336 |
| Initial negative allowance for expected recoveries | $ 537,477 | $ 77,859 | $ 615,336 |

*(2) Recoveries applied to negative allowance*

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

| | For the Nine Months Ended September 30, 2020 | | |
|---|---|---|---|
| | Core | Insolvency | Total |
| Recoveries [(a)] | $ 1,371,988 | $ 162,624 | $ 1,534,612 |
| Less - amounts reclassified to portfolio income [(b)] | 694,777 | 55,779 | 750,556 |
| Recoveries applied to negative allowance | $ 677,211 | $ 106,845 | $ 784,056 |

(a) Recoveries includes cash collections, buybacks and other adjustments.
(b) For more information, refer to the Company's discussion of portfolio income within finance receivables and income recognition in Note 1.

*(3) Changes in expected recoveries*

Changes in expected recoveries for the nine months ended September 30, 2020 were as follows (amounts in thousands):

| | For the Nine Months Ended September 30, 2020 | | |
|---|---|---|---|
| | Core | Insolvency | Total |
| Changes in expected future recoveries | $ (181,433) | $ (2,478) | $ (183,911) |
| Recoveries received in excess of forecast | 209,951 | 6,348 | 216,299 |
| Changes in expected recoveries | $ 28,518 | $ 3,870 | $ 32,388 |

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

For the three months ended September 30, 2020, changes in expected recoveries were $25.4 million. This reflects $89.0 million in recoveries received during the quarter in excess of forecast, partially offset by a $63.6 million decrease to the present value of expected future recoveries. The majority of the decrease reflects the Company's assumption that the overperformance was acceleration in cash collections rather than an increase to total expected collections. Additionally, the Company made forecast adjustments deemed appropriate given the current environment in which the Company operates.

For the nine months ended September 30, 2020, changes in expected recoveries were $32.4 million. This reflects $216.3 million in recoveries in excess of forecast, which was largely due to significant cash collections overperformance during the second and third quarters. This was mostly offset by a $183.9 million decrease in the present value of expected future recoveries. The decrease reflects the Company's assumption that the majority of the current year overperformance was primarily due to acceleration in the timing of cash collections rather than an increase to total expected collections. Additionally, the Company made forecast adjustments in all quarters deemed appropriate given the current environment in which the Company operates.

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

**Finance Receivables, net prior to adoption of ASC 326**

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

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

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| Balance at beginning of period | $ 3,230,949 | $ 3,084,777 |
| Acquisitions of finance receivables (1) | 276,918 | 874,812 |
| Foreign currency translation adjustment | (59,172) | (60,213) |
| Cash collections | (453,217) | (1,384,662) |
| Income recognized on finance receivables | 247,471 | 735,526 |
| Net allowance charges | (4,136) | (11,427) |
| Balance at end of period | $ 3,238,813 | $ 3,238,813 |

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

During the three months ended September 30, 2019, the Company acquired finance receivable portfolios with a face value of $2.4 billion for $279.0 million. During the nine months ended September 30, 2019, the Company acquired finance receivables portfolios with a face value of $8.9 billion for $887.0 million. At September 30, 2019, the ERC on the receivables acquired during the three and nine months ended September 30, 2019 were $494.8 million and $1.4 billion, respectively.

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

| | |
|---|---|
| 2020 | $ 864,692 |
| 2021 | 692,946 |
| 2023 | 507,491 |
| 2024 | 378,679 |
| 2025 | 259,808 |
| 2026 | 171,873 |
| 2027 | 110,078 |
| 2028 | 84,212 |
| 2029 | 61,656 |
| 2030 | 47,347 |
| Thereafter | 60,031 |
| Total ERC expected to be applied to principal | $ 3,238,813 |

At September 30, 2019, the Company had aggregate net finance receivables balances in pools accounted for under the cost recovery method of $36.2 million.

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

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

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| Balance at beginning of period | $ 3,173,013 | $ 3,058,445 |
| Income recognized on finance receivables | (247,471) | (735,526) |
| Net allowance charges | 4,136 | 11,427 |
| Additions from portfolio acquisitions | 228,443 | 693,053 |
| Reclassifications from nonaccretable difference | 59,694 | 191,756 |
| Foreign currency translation adjustment | (60,944) | (62,284) |
| Balance at end of period | $ 3,156,871 | $ 3,156,871 |

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

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| Beginning balance | $ 264,591 | $ 257,148 |
| Allowance charges | 8,087 | 21,596 |
| Reversal of previously recorded allowance charges | (3,951) | (10,169) |
| Net allowance charges | 4,136 | 11,427 |
| Foreign currency translation adjustment | (1,192) | (1,040) |
| Ending balance | $ 267,535 | $ 267,535 |

**4. Investments:**

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

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Debt securities | | |
| Available-for-sale | $ 4,890 | $ 5,052 |
| Equity securities | | |
| Exchange traded funds | 19,132 | — |
| Private equity funds | 5,818 | 7,218 |
| Mutual funds | 639 | 33,677 |
| Equity method investments | 7,342 | 10,229 |
| Total investments | $ 37,821 | $ 56,176 |

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.

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

| | September 30, 2020 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Aggregate Fair Value |
| Available-for-sale | | | | |
| Government bonds | $ 4,742 | $ 148 | $ — | $ 4,890 |

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

Equity Securities

**Exchange traded funds:** The Company invests in certain exchange traded funds, which are carried at fair value. Gains and losses from these investments are included within other income and (expense) in the Company's Consolidated Income Statements.

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

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

Equity Method Investments

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

**5. Goodwill and Intangible Assets, net:**

In connection with the Company's business acquisitions, the Company acquired certain tangible and intangible assets. Intangible assets resulting from these acquisitions include client and customer relationships, non-compete agreements, trademarks and technology. The Company performs an annual review of goodwill as of October 1 of each year or more frequently if indicators of impairment exist. The Company performed its most recent annual review as of October 1, 2019 and concluded that no goodwill impairment was necessary. The Company performed its quarterly assessment by evaluating whether any triggering events had occurred as of September 30, 2020, which included considering current market conditions resulting from the global COVID-19 pandemic. The Company concluded that no triggering event had occurred as of September 30, 2020 and will continue to monitor the market for any adverse conditions.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Balance at beginning of period | $ 444,507 | $ 489,293 | $ 480,794 | $ 464,116 |
| Changes: | | | | |
| Acquisition [(1)] | — | 467 | — | 18,831 |
| Foreign currency translation adjustment | 11,801 | (24,188) | (24,486) | (17,375) |
| Net change in goodwill | 11,801 | (23,721) | (24,486) | 1,456 |
| Balance at end of period | $ 456,308 | $ 465,572 | $ 456,308 | $ 465,572 |

(1) The $0.5 million and $18.8 million additions to goodwill during the three and nine months ended September 30, 2019 respectively, were related to the acquisition of a business in Canada.

**6. Leases:**

The Company's operating lease portfolio primarily includes corporate offices and call centers. The majority of its leases have remaining lease terms of one year to 20 years, some of which include options to extend the leases for five years, and others include options to terminate the leases within one year. Exercises of lease renewal options are typically at the Company's sole discretion and are included in its right-of-use ("ROU") assets and lease liabilities based upon whether the Company is reasonably certain of exercising the renewal options. The Company has lease agreements with lease and non-lease components, which are generally accounted for separately. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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

The components of lease expense for the three and nine months ended September 30, 2020 and 2019, were as follows (amounts in thousands):

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Operating lease expense | $ 3,035 | $ 3,018 | $ 9,072 | $ 8,948 |
| Short-term lease expense | 661 | 657 | 2,030 | 2,219 |
| Total lease expense | $ 3,696 | $ 3,675 | $ 11,102 | $ 11,167 |

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

| | Nine Months Ended September 30 | |
|---|---|---|
| | 2020 | 2019 |
| Cash paid for amounts included in the measurement of operating lease liabilities | $ 9,179 | $ 8,597 |
| ROU assets obtained in exchange for operating lease obligations | (10,465) | 80,581 |

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

| | September 30, | |
|---|---|---|
| | 2020 | 2019 |
| Weighted-average remaining lease term (years) | 9.5 | 11.0 |
| Weighted-average discount rate | 4.82 % | 4.97 % |

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

| | Operating Leases |
|---|---|
| For the three months ending December 31, 2020 | $ 3,005 |
| For the year ending December 31, 2021 | 11,011 |
| For the year ending December 31, 2022 | 8,750 |
| For the year ending December 31, 2023 | 6,520 |
| For the year ending December 31, 2024 | 5,683 |
| Thereafter | 35,154 |
| Total lease payments | $ 70,123 |
| Less imputed interest | 14,136 |
| Total | $ 55,987 |

**7. Borrowings:**

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

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Americas revolving credit | $ 414,803 | $ 772,037 |
| Europe revolving credit | 1,025,948 | 1,017,465 |
| Term loan | 472,500 | 425,000 |
| Senior notes | 300,000 | — |
| Convertible senior notes | 345,000 | 632,500 |
| | 2,558,251 | 2,847,002 |
| Less: Debt discount and issuance costs | (33,822) | (38,577) |
| Total | $ 2,524,429 | $ 2,808,425 |

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

| | |
|---|---|
| 2021 | $ 10,937 |
| 2022 | 10,937 |
| 2023 | 1,381,120 |
| 2024 | 855,257 |
| Thereafter | 300,000 |
| Total | $ 2,558,251 |

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

***North American Revolving Credit and Term Loan***

On May 5, 2017, the Company amended and restated its existing credit agreement (as amended, and modified from time to time, the "North American Credit Agreement") with Bank of America, N.A., as administrative agent, Bank of America, National Association, acting through its Canada branch, as the Canadian administrative agent, and a syndicate of lenders named therein. On August 26, 2020, the Company entered into the Third Amendment to the North American Credit Agreement which, among other things, increased the term loan by $55.0 million, reduced the aggregate commitments under the domestic revolving credit facility by $68.0 million, increased the Canadian revolving credit facility by $25.0 million, and extended the maturity date by two years.

The total credit facility under the North American Credit Agreement includes an aggregate principal amount of $1,547.5 million (subject to compliance with a borrowing base and applicable debt covenants), which consists of (i) a fully-funded $472.5 million term loan, (ii) a $1,000.0 million domestic revolving credit facility, and (iii) a $75.0 million Canadian revolving credit facility. The facility includes an accordion feature for up to $500.0 million in additional commitments (at the option of the lender) and also provides for up to $25.0 million of letters of credit and a $25.0 million swingline loan sub-limit that would reduce amounts available for borrowing. The term and revolving loans accrue interest, at the option of the Company, at either the base rate or the Eurodollar rate (as defined in the North American Credit Agreement), for the applicable term plus 2.50% per annum in the case of the Eurodollar rate loans and 1.50% in the case of the base rate loans (unless the ERC Advance Rate Increase Period event, as defined in the North American Credit Agreement, triggers an additional 55 basis points that would be added to the margin). The base rate is the highest of (a) the Federal Funds Rate (as defined in the North American Credit Agreement) plus 0.50%, (b) Bank of America's prime rate, or (c) the one-month Eurodollar rate plus 1.00%. Canadian Prime Rate Loans bear interest at a rate per annum equal to the Canadian Prime Rate plus 1.50% (unless the ERC Advance Rate Increase Period event, as defined in the North American Credit Agreement, triggers an additional 55 basis points that would be added to the margin). The revolving loans within the credit facility are subject to a 0.75% floor. The revolving credit facilities also bear an unused line fee of 0.375% per annum, payable quarterly in arrears. The loans under the North American Credit Agreement mature May 5, 2024. As of September 30, 2020, the unused portion of the North American Credit Agreement was $662.2 million. Considering borrowing base restrictions, as of September 30, 2020, the amount available to be drawn was $353.7 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 borrowing base calculations and may not exceed 35% of the ERC on all eligible Core asset pools. After July 31, 2020, the ERC borrowing base limit on the domestic revolving loan facility can be increased to 40% until January 31, 2021. If the ERC advance rate is increased to 40% and then subsequently decreases back to 35% or below during this period, the ERC borrowing base will return to 35%;
- borrowings under each of the domestic revolving loan facility and the Canadian revolving loan facility are subject to separate borrowing base calculations and may not exceed 55% of the ERC of all domestic or Canadian, as applicable, insolvency eligible asset pools, plus 75% of domestic or Canadian, as applicable, eligible accounts receivable;
- the consolidated total leverage ratio cannot exceed 3.50 to 1.0;
- investments by any loan party in any entity are permitted in an amount not to exceed 75% of the aggregate principal amount of any indebtedness in the form of additional convertible notes and/or certain unsecured financings incurred after August 1, 2020;
- Subsidiary indebtedness, excluding PRA Europe (as defined below), are permitted in an amount not to exceed the greater of $200.0 million or 5% of consolidated total assets;
- the consolidated senior secured leverage ratio cannot exceed 2.75 to 1.0 as of the end of any fiscal quarter until March 31, 2021. On March 31, 2021, the senior secured leverage ratio will decrease to 2.25 to 1.0 until maturity;
- subject to no default or event of default, cash dividends and distributions during any fiscal year cannot exceed $20.0 million;
- subject to no default or event of default, equity interests and permitted convertible note repurchases during any fiscal year cannot exceed $100.0 million plus 50% of the prior year's consolidated net income;
- permitted acquisitions during any fiscal year cannot exceed $250.0 million (with a $50.0 million per year sublimit for permitted acquisitions by non-loan parties);
- the Company must maintain positive income from operations during any fiscal quarter; and
- restrictions on changes in control.

***European Revolving Credit Facility***

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"). On March 27, 2020, the Company entered into the Sixth Amendment and Restatement Agreement to its European Credit Agreement which, among other things, increased the total commitments by $200.0 million, extended the majority of the facility by two years and includes an accordion feature of no less than $50.0 million not to exceed $500.0 million, to allow for future increases. Any new lender must participate with a commitment of at least $100.0 million.

Under the terms of the European Credit Agreement, the credit facility includes an aggregate amount of $1,300.0 million (subject to the borrowing base), accrues interest at the Interbank Offered Rate ("IBOR") plus 2.70% - 3.80% (as determined by the estimated remaining collections ratio ("ERC Ratio") as defined in the European Credit Agreement), bears an unused line fee, currently 1.23% per annum, or 35% of the margin, is payable monthly in arrears, and matures February 19, 2023. The European Credit Agreement also includes an overdraft facility in the aggregate amount of $40.0 million (subject to the borrowing base), which accrues interest (per currency) at the daily rates as published by the facility agent, bears a facility line fee of 0.125% per quarter, payable quarterly in arrears, and matures February 19, 2023. As of September 30, 2020, the unused portion of the European Credit Agreement (including the overdraft facility) was $314.1 million. Considering borrowing base restrictions and other covenants, as of September 30, 2020, the amount available to be drawn under the European Credit Agreement (including the overdraft facility) was $118.1 million.

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

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

***Colombian Revolving Credit Facility***

PRA Group Colombia Holding SAS, a subsidiary of the Company in Colombia, has a credit agreement that provides for borrowings in an aggregate amount of approximately $5.1 million. As of September 30, 2020, the outstanding balance under the credit agreement was $2.0 million, with a weighted average interest rate of 7.13%. The outstanding balance accrues interest at the Indicador Bancario de Referencia rate ("IBR") plus a weighted average spread of 2.74%, is payable quarterly in arrears, amortizes quarterly, and matures on October 17, 2022 (per the credit agreement, maturity represents three years from the last draw). This credit facility is fully collateralized using time deposits with the lender. As of September 30, 2020, the unused portion of the Colombia Credit Agreement was approximately $3.1 million.

***Senior Notes due 2025***

On August 27, 2020, the Company completed the private offering of $300.0 million in aggregate principal amount of its 7.375% Senior Notes due September 1, 2025 (the "2025 Notes" or "senior notes"). The 2025 Notes were issued pursuant to an Indenture dated August 27, 2020 (the "2020 Indenture"), between the Company and Regions Bank, as a trustee. The 2020 Indenture contains customary terms and covenants, including certain events of default after which the 2025 Notes may be due and payable immediately. The 2025 Notes are senior unsecured obligations of the Company. Interest on the 2025 Notes is payable semi-annually, in arrears, on September 1 and March 1 of each year, beginning March 1, 2021. On or after September 1, 2022, the 2025 Notes may be redeemed, in whole or in part, at a price equal to 103.688% of the aggregate principal amount of the 2025 Notes being redeemed. The applicable redemption price changes if redeemed during the 12-months beginning September 1 of each year to, 101.844% for 2023 and then 100% for 2024 and thereafter.

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

In the event of a Change of Control (as defined in the 2020 Indenture), the Company must offer to repurchase all of the 2025 Notes (unless otherwise redeemed) at a price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest. If the Company sells assets under certain circumstances and does not use the proceeds for specified purposes, the Company will be required to make an offer to repurchase the 2025 Notes at 100% of their principal amount, plus accrued and unpaid interest.

***Convertible Senior Notes due 2020***

On August 13, 2013, the Company completed the private offering of $287.5 million in aggregate principal amount of its 3.00% Convertible Senior Notes due August 1, 2020 (the "2020 Notes"). In the third quarter of 2020, the Company repaid the 2020 Notes in full using borrowings under the domestic revolving loan facility in the North American Credit Agreement and available cash.

***Convertible Senior Notes due 2023***

On May 26, 2017, the Company completed the private offering of $345.0 million in aggregate principal amount of its 3.50% Convertible Senior Notes due June 1, 2023 (the "2023 Notes" and, together with the 2020 Notes, the "Convertible Notes"). The 2023 Notes were issued pursuant to an Indenture, dated May 26, 2017 (the "2017 Indenture"), between the

Company and Regions Bank, as trustee. The 2017 Indenture contains customary terms and covenants, including certain events of default after which the 2023 Notes may be due and payable immediately. The 2023 Notes are senior unsecured obligations of the Company. Interest on the 2023 Notes is payable semi-annually, in arrears, on June 1 and December 1 of each year. 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 September 30, 2020, the Company does not believe that any of the conditions allowing holders of the 2023 Notes to convert their notes have occurred.

The conversion rate for the 2023 Notes is initially 21.6275 shares per $1,000 principal amount of 2023 Notes, which is equivalent to an initial conversion price of approximately $46.24 per share of the Company's common stock, and is subject to adjustment in certain circumstances pursuant to the 2017 Indenture. Upon conversion, holders of the 2023 Notes will receive cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election. The Company's intent is to settle conversions through combination settlement (i.e., the 2023 Notes would be converted into cash up to the aggregate principal amount, and shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election, for the remainder). As a result and in accordance with authoritative guidance related to derivatives and hedging and earnings per share, only the conversion spread is included in the diluted earnings per share calculation, if dilutive. Under such method, the settlement of the conversion spread has a dilutive effect when the average share price of the Company's common stock during any quarter exceeds $46.24.

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

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

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Liability component - principal amount | $ 345,000 | $ 632,500 |
| Unamortized debt discount | (22,562) | (31,414) |
| Liability component - net carrying amount | $ 322,438 | $ 601,086 |
| Equity component | $ 44,910 | $ 76,216 |

The debt discount is amortized into interest expense over the remaining life of the Convertible Notes. The 2020 Notes were using the effective interest rate of 4.92% through August 1, 2020. The 2023 Notes are using an effective interest rate of 6.20%.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Interest expense - stated coupon rate | $ 3,695 | $ 5,175 | $ 14,045 | $ 15,525 |
| Interest expense - amortization of debt discount | 2,388 | 3,128 | 8,852 | 9,241 |
| Total interest expense - Convertible Notes | $ 6,083 | $ 8,303 | $ 22,897 | $ 24,766 |

**8. Derivatives:**

The Company periodically enters into derivative financial instruments, typically interest rate swap agreements, interest rate caps, and foreign currency contracts to reduce its exposure to fluctuations in interest rates on variable-rate debt and foreign currency exchange rates. The Company does not utilize derivative financial instruments with a level of complexity or with a risk greater than the exposure to be managed nor does it enter into or hold derivatives for trading or speculative purposes. The Company periodically reviews the creditworthiness of the counterparty to assess the counterparty's ability to honor its obligation. Counterparty default would expose the Company to fluctuations in interest and currency rates. Derivative financial instruments are recognized at fair value in the Consolidated Balance Sheets, in accordance with the guidance of ASC Topic 815 "Derivatives and Hedging" ("ASC 815").

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

| | September 30, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Derivatives designated as hedging instruments: | | | | |
| Interest rate contracts | Other assets | $ — | Other assets | $ 323 |
| Interest rate contracts | Other liabilities | 46,570 | Other liabilities | 17,807 |
| Derivatives not designated as hedging instruments: | | | | |
| Foreign currency contracts | Other assets | 2,877 | Other assets | 552 |
| Foreign currency contracts | Other liabilities | 17,690 | Other liabilities | 5,856 |

*Derivatives Designated as Hedging Instruments:*

Changes in fair value of derivative contracts designated as cash flow hedging instruments are recognized in other comprehensive income ("OCI"). As of September 30, 2020 and December 31, 2019, the notional amount of interest rate contracts designated as cash flow hedging instruments was $932.3 million and $959.0 million, respectively. Derivatives designated as cash flow hedging instruments were evaluated and remain highly effective at September 30, 2020 and have initial terms of one to six years. The Company estimates that approximately $10.1 million of net derivative loss included in OCI will be reclassified into earnings within the next 12 months.

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

| | Loss recognized in OCI, net of tax | | | |
|---|---|---|---|---|
| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| **Derivatives designated as cash flow hedging instruments** | 2020 | 2019 | 2020 | 2019 |
| Interest rate contracts | $ (1,089) | $ (6,245) | $ (27,953) | $ (20,160) |

| | Loss reclassified from OCI into income | | | |
|---|---|---|---|---|
| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| **Location of loss reclassified from OCI into income** | 2020 | 2019 | 2020 | 2019 |
| Interest expense, net | $ (3,175) | $ (413) | $ (6,488) | $ (611) |

*Derivatives Not Designated as Hedging Instruments:*

Changes in fair value of derivative contracts not designated as hedging instruments are recognized in earnings. The Company also enters into foreign currency contracts to economically hedge the foreign currency re-measurement exposure related to certain balances that are denominated in currencies other than the functional currency of the entity. As of September 30, 2020 and December 31, 2019, the notional amount of foreign currency contracts that are not designated as hedging instruments was $466.2 million and $469.9 million, respectively.

The following table summarizes the effects of derivatives not designated as hedging instruments on the Company's Consolidated Income Statements for the three and nine months ended September 30, 2020 and 2019 (amounts in thousands):

| | | Amount of gain or (loss) recognized in income | |
|---|---|---|---|
| | | Three Months Ended September 30, | |
| Derivatives not designated as hedging instruments | Location of gain or (loss) recognized in income | 2020 | 2019 |
| Foreign currency contracts | Foreign exchange gains | $ 2,280 | $ 4,270 |
| Foreign currency contracts | Interest expense, net | (322) | (1,141) |
| Interest rate contracts | Interest expense, net | — | 15 |

| | | Amount of gain or (loss) recognized in income | |
|---|---|---|---|
| | | Nine Months Ended September 30, | |
| Derivatives not designated as hedging instruments | Location of gain or (loss) recognized in income | 2020 | 2019 |
| Foreign currency contracts | Foreign exchange gains | $ 27,437 | $ (3,401) |
| Foreign currency contracts | Interest expense, net | (2,135) | (2,628) |
| Interest rate contracts | Interest expense, net | — | (492) |

**9. Fair Value:**

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

Those levels of input are summarized as follows:

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

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

Financial Instruments Not Required To Be Carried at Fair Value

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

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

| | September 30, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| Financial assets: | | | | |
| Cash and cash equivalents | $ 92,779 | $ 92,779 | $ 119,774 | $ 119,774 |
| Finance receivables, net | 3,332,748 | 3,408,353 | 3,514,165 | 3,645,610 |
| Financial liabilities: | | | | |
| Interest-bearing deposits | 119,834 | 119,834 | 106,246 | 106,246 |
| Revolving lines of credit | 1,440,751 | 1,440,751 | 1,789,502 | 1,789,502 |
| Term loan | 472,500 | 472,500 | 425,000 | 425,000 |
| Senior Notes | 300,000 | 313,104 | — | — |
| Convertible Notes | 322,438 | 378,720 | 601,086 | 648,968 |

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

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

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

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

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

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

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

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 September 30, 2020 and December 31, 2019 (amounts in thousands):

| | Fair Value Measurements as of September 30, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Available-for-sale investments | | | | |
| Government bonds | $ 4,890 | $ — | $ — | $ 4,890 |
| Fair value through net income | | | | |
| Exchange traded funds | 19,132 | — | — | 19,132 |
| Mutual funds | 639 | — | — | 639 |
| Derivative contracts (recorded in other assets) | — | 2,877 | — | 2,877 |
| Liabilities: | | | | |
| Derivative contracts (recorded in other liabilities) | — | 64,260 | — | 64,260 |

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

*Available-for-sale investments*

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

*Fair value through net income investments*

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

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

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

*Investments measured using net asset value*

**Private equity funds:** This class of investments consists of private equity funds that invest primarily in loans and securities including single-family residential debt; corporate debt products; and financially-oriented, real-estate-rich and other operating companies in the Americas, Western Europe, and Japan. These investments are subject to certain restrictions regarding transfers and withdrawals. The investments cannot be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund. The investments are expected to be returned through distributions as a result of liquidations of the funds' underlying assets over one to five years.

The fair value of these private equity funds following the application of the Net Asset Value ("NAV") practical expedient was $5.8 million and $7.2 million as of September 30, 2020 and December 31, 2019, respectively.

## 10. Accumulated Other Comprehensive Loss:

The following table provides details about the reclassifications from accumulated other comprehensive loss for the three and nine months ended September 30, 2020 and 2019 (amounts in thousands):

| | Three Months Ended September 30, | | |
|---|---|---|---|
| **Gains and losses on cash flow hedges** | **2020** | **2019** | **Affected line in the consolidated income statement** |
| Interest rate swaps | $ (3,175) | $ (413) | Interest expense, net |
| Income tax effect of item above | 692 | — | Income tax expense |
| Total losses on cash flow hedges | $ (2,483) | $ (413) | Net of tax |

| | Nine Months Ended September 30, | | |
|---|---|---|---|
| **Gains and losses on cash flow hedges** | **2020** | **2019** | **Affected line in the consolidated income statement** |
| Interest rate swaps | $ (6,488) | $ (611) | Interest expense, net |
| Income tax effect of item above | 1,461 | — | Income tax expense |
| Total losses on cash flow hedges | $ (5,027) | $ (611) | Net of tax |

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

| | Three Months Ended September 30, 2020 | | | |
|---|---|---|---|---|
| | **Debt Securities Available-for-sale** | **Cash Flow Hedges** | **Currency Translation Adjustments** | **Accumulated Other Comprehensive Loss (1)** |
| Balance at beginning of period | $ 177 | $ (37,409) | $ (309,980) | $ (347,212) |
| Other comprehensive (loss)/income before reclassifications | (30) | (1,089) | 32,288 | 31,169 |
| Reclassifications, net | — | 2,483 | — | 2,483 |
| Net current period other comprehensive (loss)/income | (30) | 1,394 | 32,288 | 33,652 |
| Balance at end of period | $ 147 | $ (36,015) | $ (277,692) | $ (313,560) |

| | Three Months Ended September 30, 2019 | | | |
|---|---|---|---|---|
| | **Debt Securities Available-for-sale** | **Cash Flow Hedges** | **Currency Translation Adjustments** | **Accumulated Other Comprehensive Loss (1)** |
| Balance at beginning of period | $ (1) | $ (13,673) | $ (238,450) | $ (252,124) |
| Other comprehensive income/(loss) before reclassifications | (1) | (6,245) | (47,999) | (54,245) |
| Reclassifications, net | — | 413 | — | 413 |
| Net current period other comprehensive loss | (1) | (5,832) | (47,999) | (53,832) |
| Balance at end of period | $ (2) | $ (19,505) | $ (286,449) | $ (305,956) |

(1) For the three months ended September 30, 2020 and 2019, net deferred taxes for unrealized gains/(losses) from cash flow hedges were $0.5 million and $(2.0) million, respectively.

| | Nine Months Ended September 30, 2020 | | | |
|---|---|---|---|---|
| | Debt Securities Available-for-sale | Cash Flow Hedges | Currency Translation Adjustments | Accumulated Other Comprehensive Loss (2) |
| Balance at beginning of period | $ (44) | $ (13,088) | $ (247,886) | $ (261,018) |
| Other comprehensive income/(loss) before reclassifications | 191 | (27,954) | (29,806) | (57,569) |
| Reclassifications, net | — | 5,027 | — | 5,027 |
| Net current period other comprehensive income/(loss) | 191 | (22,927) | (29,806) | (52,542) |
| Balance at end of period | $ 147 | $ (36,015) | $ (277,692) | $ (313,560) |

| | Nine Months Ended September 30, 2019 | | | |
|---|---|---|---|---|
| | Debt Securities Available-for-sale | Cash Flow Hedges | Currency Translation Adjustments | Accumulated Other Comprehensive Loss (2) |
| Balance at beginning of period | $ (83) | $ 44 | $ (242,070) | $ (242,109) |
| Other comprehensive income/(loss) before reclassifications | 81 | (20,160) | (44,379) | (64,458) |
| Reclassifications, net | — | 611 | — | 611 |
| Net current period other comprehensive income/(loss) | 81 | (19,549) | (44,379) | (63,847) |
| Balance at end of period | $ (2) | $ (19,505) | $ (286,449) | $ (305,956) |

(2) For the nine months ended September 30, 2020 and 2019, net deferred taxes for unrealized losses from cash flow hedges were $10.2 million and $6.4 million, respectively.

**11. Earnings per Share:**

Basic earnings per share ("EPS") are computed by dividing net income available to common stockholders of PRA Group, Inc. by weighted average common shares outstanding. Diluted EPS are computed using the same components as basic EPS with the denominator adjusted for the dilutive effect of the Convertible Notes and nonvested share awards, if dilutive. There has been no dilutive effect of the Convertible Notes since issuance through September 30, 2020. Share-based awards that are contingent upon the attainment of performance goals are included in the computation of diluted EPS if the effect is dilutive. The dilutive effect of nonvested shares is computed using the treasury stock method, which assumes any proceeds that could be obtained upon the vesting of nonvested shares would be used to purchase common shares at the average market price for the period.

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

| | For the Three Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| | Net Income Attributable to PRA Group, Inc. | Weighted Average Common Shares | EPS | Net Income Attributable to PRA Group, Inc. | Weighted Average Common Shares | EPS |
| Basic EPS | $ 42,492 | 45,579 | $ 0.93 | $ 24,971 | 45,410 | $ 0.55 |
| Dilutive effect of nonvested share awards | | 561 | (0.01) | | 235 | — |
| Diluted EPS | $ 42,492 | 46,140 | $ 0.92 | $ 24,971 | 45,645 | $ 0.55 |

| | For the Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| | Net income attributable to PRA Group, Inc. | Weighted Average Common Shares | EPS | Net income attributable to PRA Group, Inc. | Weighted Average Common Shares | EPS |
| Basic EPS | $ 119,541 | 45,526 | $ 2.63 | $ 58,817 | 45,378 | $ 1.30 |
| Dilutive effect of nonvested share awards | | 445 | (0.03) | | 142 | (0.01) |
| Diluted EPS | $ 119,541 | 45,971 | $ 2.60 | $ 58,817 | 45,520 | $ 1.29 |

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

**12. Income Taxes:**

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

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

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

At September 30, 2020, the tax years subject to examination by the major federal, state and international taxing jurisdictions are 2013 and subsequent years.

The Company intends for predominantly all international earnings to be indefinitely reinvested in its international operations; therefore, the recording of deferred tax liabilities for such unremitted earnings is not required. If international earnings were repatriated, the Company may need to accrue and pay taxes, although foreign tax credits may be available to partially reduce U.S. income taxes. The amount of cash on hand related to international operations with indefinitely reinvested earnings was $81.6 million and $109.7 million as of September 30, 2020 and December 31, 2019, respectively.

**13. Commitments and Contingencies:**

*Employment Agreements:*

The Company has entered into employment agreements, most of which expire on December 31, 2020, with all of its U.S. executive officers and with several members of its U.S. senior management group. Such agreements provide for base salary payments as well as potential discretionary bonuses that take into consideration the Company’s overall performance against its short and long-term financial and strategic objectives. At September 30, 2020, estimated future compensation under these agreements was approximately $2.0 million. The agreements also contain confidentiality and non-compete provisions. Outside the U.S., employment agreements are in place with employees pursuant to local country regulations. Generally, these agreements do not have expiration dates and therefore it is impractical to estimate the amount of future compensation under these agreements. Accordingly, the future compensation under these agreements is not included in the $2.0 million total above.

*Forward Flow Agreements:*

The Company is party to several forward flow agreements that allow for the purchase of nonperforming loans at pre-established prices. The maximum remaining amount to be purchased under forward flow agreements at September 30, 2020, was approximately $395.6 million.

*Finance Receivables:*

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

*Litigation and Regulatory Matters:*

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

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

The Company believes that the estimate of the aggregate range of reasonably possible losses in excess of the amount accrued for its legal proceedings outstanding at September 30, 2020, where the range of loss can be estimated, was not material.

In certain legal proceedings, the Company may have recourse to insurance or third-party contractual indemnities to cover all or portions of its litigation expenses, judgments, or settlements. Loss estimates and accruals for potential liability related to legal proceedings are typically exclusive of potential recoveries, if any, under the Company's insurance policies or third-party indemnities. At September 30, 2020 and December 31, 2019, the Company recorded $1.8 million and $1.0 million in recoveries receivable under the Company's insurance policies or third-party indemnities, respectively. These amounts are included in other receivables, net in the Consolidated Balance Sheets.

Matters that are not considered routine legal proceedings were disclosed previously in the 2019 Form 10-K and in Note 13 to the Company's Consolidated Financial Statements included in Part 1. Item 1 to its Quarterly Report on Form 10-Q for the period ended June 30, 2020.

## 14. Recently Issued Accounting Standards:

*Recently issued accounting standards adopted:*

*Financial Instruments - Credit Losses*

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

*Intangibles - Goodwill and Other*

In January 2017, FASB issued ASU 2017-04 which eliminates Step 2 of the goodwill impairment test. Instead, an entity performs its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The Company adopted ASU 2017-04 on January 1, 2020 which had no impact on its consolidated financial statements.

*Fair Value Measurement*

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

*Recently issued accounting standards not yet adopted:*

*Income Taxes*

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

*Investments-Equity Securities*

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

*Reference Rate Reform*

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting” (“ASU 2020-04”). ASU 2020-04 provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference London Inter-bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued. ASU 2020-04 is effective immediately for a limited time through December 31, 2022. The Company is evaluating the impact of ASU 2020-04 but does not expect it to have a material impact on its financial statements.

*Accounting for Convertible Instruments*

In August 2020, the FASB issued ASU 2020-06, "Debt —Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging —Contracts in Entity 's Own Equity (Subtopic 815-40) —Accounting for Convertible Instruments and Contracts in an Entity 's Own Equity" ("ASU 2020-06"). ASU 2020-06 reduces the number of accounting models for convertible debt instruments and convertible preferred stock. Additionally, ASU 2020-06 removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception and simplifies the diluted earnings per share calculation in certain areas. ASU 2020-06 is effective for public entities for financial statements issued for fiscal years and interim periods beginning after December 15, 2021 with early adoption permitted at the beginning of a fiscal year. The Company is currently evaluating the impact of ASU 2020-06 including the likelihood of early adoption.

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, operating cost trends, liquidity and capital needs and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. The risks, uncertainties and assumptions referred to above may include the following:

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

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

You should assume that the information appearing in this Quarterly Report is accurate only as of the date it was issued. Our business, financial condition, results of operations and prospects may have changed since that date.

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

Our forward-looking statements could be wrong in light of these and other risks, uncertainties and assumptions. The future events, developments or results described in, or implied by, this Quarterly Report could turn out to be materially different. Except as required by law, we assume no obligation to publicly update or revise our forward-looking statements after the date of this Quarterly Report and you should not expect us to do so.

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

**Frequently Used Terms**

We may use the following terminology throughout this document:

- "Amortization rate" refers to cash collections applied to principal on finance receivables as a percentage of total cash collections.
- "Buybacks" refers to purchase price refunded by the seller due to the return of ineligible accounts.
- "Cash collections" refers to collections on our owned finance receivables portfolios.
- "Cash receipts" refers to cash collections on our owned finance receivables portfolios plus fee income.
- "Change in expected recoveries" refers to the differences of actual recoveries received when compared to expected recoveries and the net present value of changes in ERC.
- "Core" accounts or portfolios refer to accounts or portfolios that are nonperforming loans and are not in an insolvent status upon acquisition. These accounts are aggregated separately from insolvency accounts.
- "Estimated remaining collections" or "ERC" refers to the sum of all future projected cash collections on our owned finance receivables portfolios.
- "Insolvency" accounts or portfolios refer to accounts or portfolios of receivables that are in an insolvent status when we purchase them and as such are purchased as a pool of insolvent accounts. These accounts include Individual Voluntary Arrangements ("IVAs"), Trust Deeds in the UK, Consumer Proposals in Canada and bankruptcy accounts in the U.S., Canada, Germany and the UK.
- "Negative Allowance" refers to the present value of cash flows expected to be collected on our finance receivables, carried as an asset on the balance sheet.
- "Portfolio acquisitions" refers to all portfolios added as a result of a purchase, but also includes portfolios added as a result of a business acquisition.
- "Portfolio purchases" refers to all portfolios purchased in the normal course of business and excludes those purchased via business acquisitions.
- "Portfolio income" reflects revenue recorded due to the passage of time using the effective interest rate calculated based on the purchase price of portfolios and estimated remaining collections.
- "Principal amortization" refers to cash collections applied to principal on finance receivables.
- "Purchase price" refers to the cash paid to a seller to acquire nonperforming loans. Prior to the adoption of ASC 326 purchase price also included certain capitalized costs and adjustments for buybacks.
- "Purchase price multiple" refers to the total estimated collections (as defined below) on owned finance receivables portfolios divided by purchase price.

- "Recoveries" refers to cash collections plus buybacks and other adjustments.
- "Total estimated collections" or "TEC" refers to actual cash collections, including cash sales, plus estimated remaining collections on our finance receivables portfolios.

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

**Overview**

We are a global financial and business services company with operations in the Americas, Europe and Australia. Our primary business is the purchase, collection and management of portfolios of nonperforming loans.

We are headquartered in Norfolk, Virginia, and as of September 30, 2020, employed 3,811 full time equivalents. Our shares of common stock are traded on the NASDAQ Global Select Market under the symbol "PRAA".

**COVID-19 Update**

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

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

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

Our analysis of the current and future impact of COVID-19 on our operations is based on management’s constant monitoring of key data and information, including (1) changes in laws, regulations and governmental actions, (2) trends in the macroeconomic environment, consumer behavior and key operational metrics such as cash collections and (3) conditions in the nonperforming loan market. However, we cannot predict the full extent to which COVID-19 will impact our business, results of operations and financial condition due to the numerous evolving factors associated with the pandemic. See the "Risk Factors" in section in Part II, Item 1A of our 2020 First Quarter Form 10-Q.

**Results of Operations**

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

| | For the Three Months Ended September 30, | | | | For the Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | 2020 | | 2019 | |
| Revenues: | | | | | | | | |
| Portfolio income | $ 240,250 | 89.7 % | $ — | — % | $ 750,556 | 94.8 % | $ — | — % |
| Changes in expected recoveries | 25,403 | 9.5 | — | — | 32,388 | 4.1 | — | — |
| Income recognized on finance receivables | — | — | 247,471 | 99.0 | — | — | 735,526 | 98.4 |
| Fee income | 1,978 | 0.7 | 2,391 | 1.0 | 6,826 | 0.9 | 11,472 | 1.5 |
| Other revenue | 233 | 0.1 | 152 | — | 1,788 | 0.2 | 950 | 0.1 |
| Total revenues | 267,864 | 100.0 | 250,014 | 100.0 | 791,558 | 100.0 | 747,948 | 100.0 |
| | | | | | | | | |
| Net allowance charges | — | — | (4,136) | (1.7) | — | — | (11,427) | (1.5) |
| | | | | | | | | |
| Operating expenses: | | | | | | | | |
| Compensation and employee services | 71,974 | 26.9 | 75,317 | 30.1 | 217,617 | 27.5 | 234,770 | 31.4 |
| Legal collection fees | 13,661 | 5.1 | 14,083 | 5.6 | 41,975 | 5.3 | 41,439 | 5.5 |
| Legal collection costs | 26,043 | 9.7 | 31,395 | 12.6 | 79,997 | 10.1 | 99,745 | 13.3 |
| Agency fees | 14,900 | 5.6 | 12,788 | 5.1 | 38,619 | 4.9 | 39,833 | 5.3 |
| Outside fees and services | 22,719 | 8.4 | 16,733 | 6.7 | 60,796 | 7.7 | 48,274 | 6.5 |
| Communication | 9,379 | 3.5 | 10,310 | 4.1 | 31,702 | 4.0 | 34,335 | 4.6 |
| Rent and occupancy | 4,460 | 1.7 | 4,414 | 1.8 | 13,415 | 1.7 | 13,268 | 1.8 |
| Depreciation and amortization | 4,301 | 1.6 | 4,046 | 1.6 | 12,494 | 1.6 | 13,341 | 1.8 |
| Other operating expenses | 11,761 | 4.4 | 12,102 | 4.8 | 34,457 | 4.3 | 34,613 | 4.6 |
| Total operating expenses | 179,198 | 66.9 | 181,188 | 72.4 | 531,072 | 67.1 | 559,618 | 74.8 |
| Income from operations | 88,666 | 33.1 | 64,690 | 25.9 | 260,486 | 32.9 | 176,903 | 23.7 |
| Other income and (expense): | | | | | | | | |
| Interest expense, net | (33,692) | (12.5) | (35,864) | (14.4) | (106,319) | (13.4) | (105,872) | (14.2) |
| Foreign exchange gains | 61 | — | 5,406 | 2.2 | 3,027 | 0.4 | 11,359 | 1.5 |
| Other | 291 | 0.1 | (19) | — | (1,367) | (0.2) | (123) | — |
| Income before income taxes | 55,326 | 20.7 | 34,213 | 13.7 | 155,827 | 19.7 | 82,267 | 11.0 |
| Income tax expense | 7,497 | 2.8 | 6,665 | 2.7 | 24,734 | 3.1 | 15,607 | 2.1 |
| Net income | 47,829 | 17.9 | 27,548 | 11.0 | 131,093 | 16.6 | 66,660 | 8.9 |
| Adjustment for net income attributable to noncontrolling interests | 5,337 | 2.0 | 2,577 | 1.0 | 11,552 | 1.5 | 7,843 | 1.0 |
| Net income attributable to PRA Group, Inc. | $ 42,492 | 15.9 % | $ 24,971 | 10.0 % | $ 119,541 | 15.1 % | $ 58,817 | 7.9 % |

***Three Months Ended September 30, 2020 Compared To Three Months Ended September 30, 2019***

**Cash Collections**

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

| | For the Three Months Ended September 30, | | Changes |
|---|---|---|---|
| | 2020 | 2019 | 2020 vs. 2019 |
| Americas Core | $ 336,322 | $ 279,902 | $ 56,420 |
| Americas Insolvency | 37,344 | 45,759 | (8,415) |
| Europe Core | 131,702 | 118,917 | 12,785 |
| Europe Insolvency | 13,971 | 8,639 | 5,332 |
| Total cash collections | $ 519,339 | $ 453,217 | $ 66,122 |
| Cash collections adjusted (1) | $ 519,339 | $ 453,594 | $ 65,745 |

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

Cash collections were $519.3 million for the three months ended September 30, 2020, an increase of $66.1 million, or 14.6%, compared to $453.2 million for the three months ended September 30, 2019. The increase was largely due to our U.S. call center and other collections, including higher level of collections through our digital channel, increasing $55.5 million, or 37.0%, primarily due to what we believe to be various circumstances that have provided U.S. consumers with additional discretionary funds and a willingness to voluntarily resolve their debts. Additionally, Europe cash collections increased $18.1 million, or 14.2%, reflecting the impact of record 2019 purchases. These increases were partially offset by an $8.4 million, or 18.4%, decrease in cash collections for Americas Insolvency, mainly as a result of investment levels not offsetting the runoff of older portfolios.

**Revenues**

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

| | For the Three Months Ended September 30, | |
|---|---|---|
| | 2020 | 2019 |
| Portfolio income | $ 240,250 | $ — |
| Changes in expected recoveries | 25,403 | — |
| Income recognized on finance receivables | — | 247,471 |
| Fee income | 1,978 | 2,391 |
| Other revenue | 233 | 152 |
| Total revenues | $ 267,864 | $ 250,014 |

Total revenues were $267.9 million for the three months ended September 30, 2020, an increase of $17.9 million, or 7.2%, compared to $250.0 million for the three months ended September 30, 2019. The increase is largely due to significant cash collections overperformance in the quarter, partially offset by adjustments to our estimated remaining collections to reflect our assumption that the majority of the current quarter overperformance was primarily due to acceleration in the timing of cash collections rather than an increase to total expected collections. We believe this to be an appropriate assumption as we have continued to generate unprecedented cash collections, primarily in the Americas call center and digital channels, with two consecutive record cash collections quarters following the record first quarter of 2020, deviating from typical seasonal patterns. We have assumed that these collections are accelerated due to current circumstances providing consumers with additional discretionary funds and a willingness to voluntarily repay their debts. If we observe sustained performance over time supporting an increase in our total expected collections, there may be additional revenue in the future. Additionally, we made forecast adjustments deemed appropriate given the current environment in which we are operating.

**Net Allowance Charges**

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

**Operating Expenses**

Total operating expenses were $179.2 million for the three months ended September 30, 2020, a decrease of $2.0 million, or 1.1%, compared to $181.2 million for the three months ended September 30, 2019.

*Compensation and Employee Services*

Compensation and employee services expenses were $72.0 million for the three months ended September 30, 2020, a decrease of $3.3 million, or 4.4%, compared to $75.3 million for the three months ended September 30, 2019. The decrease in compensation expense was primarily attributable to a reduction in the U.S. call center workforce due to efficiencies realized through technology and data and analytics. Total full-time equivalents decreased to 3,811 as of September 30, 2020, from 4,525 as of September 30, 2019.

*Legal Collection Fees*

Legal collection fees represent contingent fees incurred for the cash collections generated by our independent third-party attorney network. Legal collection fees were $13.7 million for the three months ended September 30, 2020, which compared to $14.1 million for the three months ended September 30, 2019.

*Legal Collection Costs*

Legal collection costs primarily consist of costs paid to courts where a lawsuit is filed for the purpose of attempting to collect on an account. Legal collection costs were $26.0 million for the three months ended September 30, 2020, a decrease of $5.4 million, or 17.2%, compared to $31.4 million for the three months ended September 30, 2019. The decrease is primarily due to a reduced number of accounts placed into the U.S. legal channel. This was the result of our voluntary decision to pause moving accounts into a legal eligible status for a period of time earlier in the year and a shift in collections from the legal channel to the call center and digital channels.

*Agency Fees*

Agency fees primarily represent third-party collection fees. Agency fees were $14.9 million for the three months ended September 30, 2020, an increase of $2.1 million, or 16.4%, compared to $12.8 million for the three months ended September 30, 2019. The increase was due to higher cash collections in locations outside the U.S. where we utilize third-party collection agencies.

*Outside Fees and Services*

Outside fees and services expenses were $22.7 million for the three months ended September 30, 2020, an increase of $6.0 million, or 35.9%, compared to $16.7 million for the three months ended September 30, 2019. The increase was primarily due to higher corporate legal expenses, consulting fees and higher fees associated with processing an increased number of debit card transactions due to the increase in cash collections.

**Interest Expense, Net**

Interest expense, net was $33.7 million during the three months ended September 30, 2020, a decrease of $2.2 million, or 6.1%, compared to $35.9 million for the three months ended September 30, 2019. The decrease was primarily related to lower average interest rates.

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

| | For the Three Months Ended September 30, | | |
|---|---|---|---|
| | 2020 | 2019 | Change |
| Interest on debt obligations and unused line fees | $ 25,282 | $ 25,447 | $ (165) |
| Coupon interest on convertible debt | 3,695 | 5,175 | (1,480) |
| Amortization of convertible debt discount | 2,388 | 3,128 | (740) |
| Amortization of loan fees and other loan costs | 2,476 | 2,649 | (173) |
| Interest income | (149) | (536) | 387 |
| Interest expense, net | $ 33,692 | $ 35,864 | $ (2,172) |

**Net Foreign Currency Transaction Gains**

Foreign currency transaction gains were $0.1 million for the three months ended September 30, 2020, compared to $5.4 million for the three months ended September 30, 2019. In any given period, we may incur foreign currency transaction gains or losses from transactions in currencies other than the functional currency. The decrease was primarily related to lower gains on U.S. dollar linked investments held in Brazil.

**Income Tax Expense**

Income tax expense was $7.5 million for the three months ended September 30, 2020, an increase of $0.8 million, or 11.9%, compared to $6.7 million for the three months ended September 30, 2019. The increase was primarily due to higher income before taxes which increased $21.1 million, or 61.7%, partially offset by the impact of foreign tax rates, return to provision adjustments and the mix of earnings between jurisdictions. During the three months ended September 30, 2020, our effective tax rate was 13.6%, compared to 19.5% for the three months ended September 30, 2019.

*Nine Months Ended September 30, 2020 Compared To Nine Months Ended September 30, 2019*

**Cash Collections**

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

| | For the Nine Months Ended September 30, | | Change |
|---|---|---|---|
| | 2020 | 2019 | 2020 vs. 2019 |
| Americas Core | $ 985,371 | $ 864,868 | $ 120,503 |
| Americas Insolvency | 119,239 | 140,142 | (20,903) |
| Europe Core | 378,187 | 353,410 | 24,777 |
| Europe Insolvency | 41,055 | 26,242 | 14,813 |
| Total cash collections | $ 1,523,852 | $ 1,384,662 | $ 139,190 |
| Cash collections adjusted (1) | $ 1,523,852 | $ 1,367,796 | $ 156,056 |

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

Cash collections were $1,523.9 million for the nine months ended September 30, 2020, an increase of $139.2 million, or 10.1%, compared to $1,384.7 million for the nine months ended September 30, 2019. The increase was largely due to our U.S. call center and other collections, including higher level of collections through our digital channel, increasing $113.3 million, or 23.6%, primarily due to what we believe to be various circumstances that have provided U.S. consumers with additional discretionary funds and a willingness to voluntarily resolve their debts. Other Americas Core also increased $7.4 million, or 8.4%. These increases were partially offset by a decline of $20.9 million, or 14.9%, in Americas Insolvency cash collections mainly reflecting investment levels not offsetting the runoff of older portfolios. Additionally, Europe cash collections increased $39.6 million, or 10.4%, reflecting the impact of record 2019 purchases.

**Revenues**

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

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | 2020 | 2019 |
| Portfolio income | $ 750,556 | $ — |
| Changes in expected recoveries | 32,388 | — |
| Income recognized on finance receivables | — | 735,526 |
| Fee income | 6,826 | 11,472 |
| Other revenue | 1,788 | 950 |
| Total revenues | $ 791,558 | $ 747,948 |

Total revenues were $791.6 million for the nine months ended September 30, 2020, an increase of $43.7 million, or 5.8%, compared to $747.9 million for the nine months ended September 30, 2019. The increase is largely due to record level of portfolio purchases in 2019 and significant cash collections overperformance in the last two quarters, partially offset by adjustments to our estimated remaining collections to reflect our assumption that the majority of the second and third quarter overperformance was primarily due to acceleration in the timing of cash collections rather than an increase to total expected collections. We believe this to be an appropriate assumption as we have continued to generate unprecedented cash collections, primarily in the Americas call center and digital channels, with two consecutive record cash collections quarters following the record first quarter of 2020, deviating from typical seasonal patterns. We have assumed that these collections are accelerated due to current circumstances providing consumers with additional discretionary funds and a willingness to voluntarily repay their debts. If we observe sustained performance over time supporting an increase in our total expected collections, there may be additional revenue in the future. Additionally, we made forecast adjustments deemed appropriate given the current environment in which we are operating.

**Net Allowance Charges**

In 2019, under ASC 310-30, net allowance charges were recorded for significant decreases in expected cash flows or a change in timing of cash flows which would otherwise require a reduction in the stated yield on a pool of accounts. Effective

January 1, 2020, under ASC 326, changes to expected cash flows are recorded in changes in expected recoveries within revenues.

**Operating Expenses**

Operating expenses were $531.1 million for the nine months ended September 30, 2020, a decrease of $28.5 million, or 5.1%, compared to $559.6 million for the nine months ended September 30, 2019.

*Compensation and Employee Services*

Compensation and employee services expenses were $217.6 million for the nine months ended September 30, 2020, a decrease of $17.2 million, or 7.3%, compared to $234.8 million for the nine months ended September 30, 2019. The decrease in compensation expense was primarily attributable to a reduction in U.S. call center workforce due to efficiencies realized through technology and data and analytics. Total full-time equivalents decreased to 3,811 as of September 30, 2020, compared to 4,525 as of September 30, 2019.

*Legal Collection Fees*

Legal collection fees were $42.0 million for the nine months ended September 30, 2020, which compared to $41.4 million for the nine months ended September 30, 2019.

*Legal Collection Costs*

Legal collection costs were $80.0 million for the nine months ended September 30, 2020, a decrease of $19.7 million, or 19.8%, compared to $99.7 million for the nine months ended September 30, 2019. The decrease is primarily due to a reduced number of accounts placed into the U.S. legal channel. This was the result of our voluntary decision to pause moving accounts into a legal eligible status for a period of time earlier in the year and a shift in collections from the legal channel to the call center and digital channels.

*Agency Fees*

Agency fees were $38.6 million for the nine months ended September 30, 2020, compared to $39.8 million for the nine months ended September 30, 2019.

*Outside Fees and Services*

Outside fees and services expenses were $60.8 million for the nine months ended September 30, 2020, an increase of $12.5 million, or 25.9%, compared to $48.3 million for the nine months ended September 30, 2019. The increase was primarily the result of higher corporate legal expenses, consulting fees and higher fees associated with processing an increased number of debit card transactions due to the increase in cash collections.

*Communication*

Communication expense primarily represents postage and telephone related expenses incurred as a result of our collection efforts. Communication expenses were $31.7 million for the nine months ended September 30, 2020, a decrease of $2.6 million, or 7.6%, compared to $34.3 million for the nine months ended September 30, 2019. The decrease mainly reflects lower postage costs due to mailing decisions made during the COVID-19 pandemic and, to a lesser extent, telephone expenses as a result of improvements in data and analytics that drove efficiencies.

**Interest Expense, Net**

Interest expense, net was $106.3 million for the nine months ended September 30, 2020, which compared to $105.9 million for the nine months ended September 30, 2019 as higher levels of outstanding borrowings were offset by lower average interest rates.

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

| | For the Nine Months Ended September 30, | | |
|---|---|---|---|
| | 2020 | 2019 | Change |
| Interest on debt obligations and unused line fees | $ 76,345 | $ 74,839 | $ 1,506 |
| Coupon interest on convertible debt | 14,045 | 15,525 | (1,480) |
| Amortization of convertible debt discount | 8,852 | 9,241 | (389) |
| Amortization of loan fees and other loan costs | 7,859 | 7,940 | (81) |
| Interest income | (782) | (1,673) | 891 |
| Interest expense, net | $ 106,319 | $ 105,872 | $ 447 |

**Net Foreign Currency Transaction Gains**

Foreign currency transaction gains were $3.0 million for the nine months ended September 30, 2020, compared to $11.4 million for the nine months ended September 30, 2019. The decrease was primarily related to lower foreign currency gains in Europe and slightly lower gains on U.S. dollar linked investments held in Brazil during the first quarter. In any given period, we may incur foreign currency transaction gains or losses from transactions in currencies other than the functional currency.

**Income Tax Expense**

Income tax expense was $24.7 million for the nine months ended September 30, 2020, an increase of $9.1 million, or 58.3%, compared to $15.6 million for the nine months ended September 30, 2019. The increase was primarily due to higher income before income taxes which increased $73.5 million, or 89.3%. The increase was partially offset by changes in foreign tax rates, return to provision adjustments and the mix of earnings between jurisdictions. During the nine months ended September 30, 2020, our effective tax rate was 15.9%, compared to 19.0% for the nine months ended September 30, 2019.

**Supplemental Performance Data**

*Finance Receivables Portfolio Performance*

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

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

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

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

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

Revenue recognition under ASC 310-10 and ASC 326 is driven by estimates of the amount and timing of collections. We record new portfolio acquisitions at the purchase price which reflects the amount we expect to collect discounted at an effective interest rate. During the year of acquisition, the annual pool is aggregated and the blended effective interest rate will change to reflect new buying and new cash flow estimates until the end of the year. At that time, the effective interest rate is fixed at the amount we expect to collect discounted at the rate to equate purchase price to the recovery estimate. During the first year of purchase, we typically do not allow purchase price multiples to expand. Subsequent to the initial year, as we gain collection experience and confidence with a pool of accounts, we regularly update ERC. As a result, our estimate of total collections has often increased as pools have aged. These processes have tended to cause the ratio of ERC to purchase price for any given year of buying to gradually increase over time. Thus, all factors being equal in terms of pricing, one would typically tend to see a higher collection to purchase price ratio from a pool of accounts that was six years from acquisition than a pool that was just two years from acquisition.

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

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

*Amounts in thousands*

| Purchase Period | Purchase Price [1][2] | ERC-Historical Period Exchange Rates [3] | Total Estimated Collections [4] | ERC-Current Period Exchange Rates [5] | Current Estimated Purchase Price Multiple | Original Estimated Purchase Price Multiple[6] |
|---|---|---|---|---|---|---|
| **Americas Core** | | | | | | |
| 1996-2009 | $ 930,026 | $ 23,046 | $ 2,877,116 | $ 23,046 | 309% | 238% |
| 2010 | 148,193 | 14,122 | 526,052 | 14,122 | 355% | 247% |
| 2011 | 209,602 | 26,186 | 725,498 | 26,186 | 346% | 245% |
| 2012 | 254,076 | 31,217 | 660,403 | 31,217 | 260% | 226% |
| 2013 | 390,826 | 57,085 | 912,068 | 57,085 | 233% | 211% |
| 2014 | 404,117 | 91,301 | 891,499 | 89,353 | 221% | 204% |
| 2015 | 443,114 | 149,049 | 933,513 | 148,585 | 211% | 205% |
| 2016 | 455,767 | 273,495 | 1,101,186 | 260,392 | 242% | 201% |
| 2017 | 532,851 | 406,451 | 1,209,406 | 402,103 | 227% | 193% |
| 2018 | 653,975 | 587,961 | 1,348,402 | 576,414 | 206% | 202% |
| 2019 | 581,476 | 812,641 | 1,234,909 | 784,614 | 212% | 206% |
| 2020 | 367,050 | 688,459 | 770,975 | 688,459 | 210% | 210% |
| Subtotal | 5,371,073 | 3,161,013 | 13,191,027 | 3,101,576 | | |
| **Americas Insolvency** | | | | | | |
| 1996-2009 | 397,453 | 578 | 835,901 | 578 | 210% | 178% |
| 2010 | 208,942 | 737 | 546,812 | 737 | 262% | 184% |
| 2011 | 180,432 | 649 | 370,158 | 649 | 205% | 155% |
| 2012 | 251,395 | 356 | 392,527 | 356 | 156% | 136% |
| 2013 | 227,834 | 1,093 | 354,914 | 1,093 | 156% | 133% |
| 2014 | 148,420 | 1,660 | 217,699 | 1,649 | 147% | 124% |
| 2015 | 63,170 | 2,633 | 87,590 | 2,633 | 139% | 125% |
| 2016 | 91,442 | 11,549 | 116,138 | 11,554 | 127% | 123% |
| 2017 | 275,257 | 73,636 | 347,183 | 73,636 | 126% | 125% |
| 2018 | 97,879 | 73,500 | 130,542 | 73,500 | 133% | 127% |
| 2019 | 123,077 | 124,052 | 160,344 | 123,982 | 130% | 128% |
| 2020 | 49,626 | 63,719 | 68,018 | 63,719 | 137% | 137% |
| Subtotal | 2,114,927 | 354,162 | 3,627,826 | 354,086 | | |
| Total Americas | 7,486,000 | 3,515,175 | 16,818,853 | 3,455,662 | | |
| **Europe Core** | | | | | | |
| 2012 | 20,409 | 121 | 40,963 | 96 | 201% | 187% |
| 2013 | 20,334 | 65 | 25,294 | 51 | 124% | 119% |
| 2014 | 773,811 | 698,195 | 2,223,673 | 628,800 | 287% | 208% |
| 2015 | 411,340 | 293,515 | 733,024 | 272,301 | 178% | 160% |
| 2016 | 333,090 | 288,132 | 558,471 | 290,464 | 168% | 167% |
| 2017 | 252,174 | 207,615 | 358,335 | 195,887 | 142% | 144% |
| 2018 | 341,775 | 360,283 | 527,239 | 362,163 | 154% | 148% |
| 2019 | 518,610 | 632,065 | 777,563 | 627,204 | 150% | 152% |
| 2020 | 172,494 | 289,657 | 306,357 | 289,657 | 178% | 178% |
| Subtotal | 2,844,037 | 2,769,648 | 5,550,919 | 2,666,623 | | |
| **Europe Insolvency** | | | | | | |
| 2014 | 10,876 | 377 | 18,190 | 333 | 167% | 129% |
| 2015 | 18,973 | 3,432 | 29,036 | 2,996 | 153% | 139% |
| 2016 | 39,338 | 11,064 | 56,719 | 11,709 | 144% | 130% |
| 2017 | 39,235 | 22,247 | 48,969 | 21,292 | 125% | 128% |
| 2018 | 44,908 | 38,230 | 54,791 | 38,778 | 122% | 123% |
| 2019 | 77,218 | 80,148 | 101,336 | 78,302 | 131% | 130% |
| 2020 | 28,221 | 36,180 | 38,249 | 36,180 | 136% | 136% |
| Subtotal | 258,769 | 191,678 | 347,290 | 189,590 | | |
| Total Europe | 3,102,806 | 2,961,326 | 5,898,209 | 2,856,213 | | |
| Total PRA Group | $ 10,588,806 | $ 6,476,501 | $ 22,717,062 | $ 6,311,875 | | |

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

**Portfolio Financial Information**
**Year-to-date as of September 30, 2020**

*Amounts in thousands*

| Purchase Period | Cash Collections [1] | Portfolio Income [1] | Changes in Expected Recoveries [1] | Total Portfolio Revenue [1] [2] | Net Finance Receivables as of September 30, 2020 [3] |
|---|---|---|---|---|---|
| **Americas Core** | | | | | |
| 1996-2009 | $ 10,283 | $ 7,623 | $ (942) | $ 6,681 | $ 5,632 |
| 2010 | 4,915 | 4,815 | (1,249) | 3,566 | 2,135 |
| 2011 | 8,705 | 8,080 | (2,493) | 5,587 | 4,587 |
| 2012 | 9,544 | 8,200 | (4,924) | 3,276 | 9,732 |
| 2013 | 18,522 | 13,507 | (8,147) | 5,360 | 20,420 |
| 2014 | 25,834 | 19,101 | (15,624) | 3,477 | 32,450 |
| 2015 | 46,778 | 27,520 | (13,397) | 14,123 | 60,495 |
| 2016 | 84,173 | 46,641 | 2,896 | 49,537 | 104,052 |
| 2017 | 156,140 | 72,319 | 17,633 | 89,952 | 174,974 |
| 2018 | 269,287 | 108,426 | 14,505 | 122,931 | 308,890 |
| 2019 | 268,687 | 137,243 | 24,458 | 161,701 | 406,209 |
| 2020 | 82,503 | 46,636 | 13,745 | 60,381 | 344,306 |
| Subtotal | 985,371 | 500,111 | 26,461 | 526,572 | 1,473,882 |
| **Americas Insolvency** | | | | | |
| 1996-2009 | 282 | 339 | (42) | 297 | — |
| 2010 | 383 | 444 | (59) | 385 | — |
| 2011 | 379 | 324 | 57 | 381 | — |
| 2012 | 746 | 597 | 429 | 1,026 | — |
| 2013 | 1,041 | 1,050 | (7) | 1,043 | — |
| 2014 | 1,841 | 2,193 | (850) | 1,343 | 190 |
| 2015 | 7,101 | 3,572 | (538) | 3,034 | 1,708 |
| 2016 | 11,196 | 2,793 | 280 | 3,073 | 9,292 |
| 2017 | 46,234 | 12,563 | (1,726) | 10,837 | 60,022 |
| 2018 | 22,905 | 6,801 | 2,804 | 9,605 | 61,150 |
| 2019 | 22,832 | 8,657 | 3,103 | 11,760 | 102,671 |
| 2020 | 4,299 | 2,366 | (737) | 1,629 | 46,617 |
| Subtotal | 119,239 | 41,699 | 2,714 | 44,413 | 281,650 |
| Total Americas | 1,104,610 | 541,810 | 29,175 | 570,985 | 1,755,532 |
| **Europe Core** | | | | | |
| 2012 | 920 | 589 | 331 | 920 | — |
| 2013 | 510 | 281 | 230 | 511 | — |
| 2014 | 109,979 | 80,855 | 5,230 | 86,085 | 165,812 |
| 2015 | 40,402 | 23,441 | (1,084) | 22,357 | 142,366 |
| 2016 | 35,954 | 20,203 | (1,431) | 18,772 | 167,280 |
| 2017 | 26,862 | 10,270 | (2,975) | 7,295 | 135,303 |
| 2018 | 53,388 | 19,851 | 4,565 | 24,416 | 234,456 |
| 2019 | 93,784 | 32,805 | (5,338) | 27,467 | 414,706 |
| 2020 | 16,388 | 6,371 | 2,529 | 8,900 | 164,342 |
| Subtotal | 378,187 | 194,666 | 2,057 | 196,723 | 1,424,265 |
| **Europe Insolvency** | | | | | |
| 2014 | 640 | 434 | 41 | 475 | 141 |
| 2015 | 2,241 | 1,099 | 44 | 1,143 | 1,887 |
| 2016 | 5,970 | 2,418 | (324) | 2,094 | 8,382 |
| 2017 | 7,207 | 1,527 | 357 | 1,884 | 18,575 |
| 2018 | 7,436 | 2,244 | (517) | 1,727 | 33,282 |
| 2019 | 15,521 | 5,059 | 1,215 | 6,274 | 62,948 |
| 2020 | 2,040 | 1,299 | 340 | 1,639 | 27,736 |
| Subtotal | 41,055 | 14,080 | 1,156 | 15,236 | 152,951 |
| Total Europe | 419,242 | 208,746 | 3,213 | 211,959 | 1,577,216 |
| Total PRA Group | $ 1,523,852 | $ 750,556 | $ 32,388 | $ 782,944 | $ 3,332,748 |

(1) For our non-U.S. amounts, amounts are presented using the average exchange rates during the current reporting period.
(2) Total Portfolio Revenue refers to portfolio income and changes in expected recoveries combined.
(3) For our non-U.S. amounts, net finance receivables are presented at the September 30, 2020 exchange rate.

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

## Cash Collections by Year, By Year of Purchase (1) as of September 30, 2020

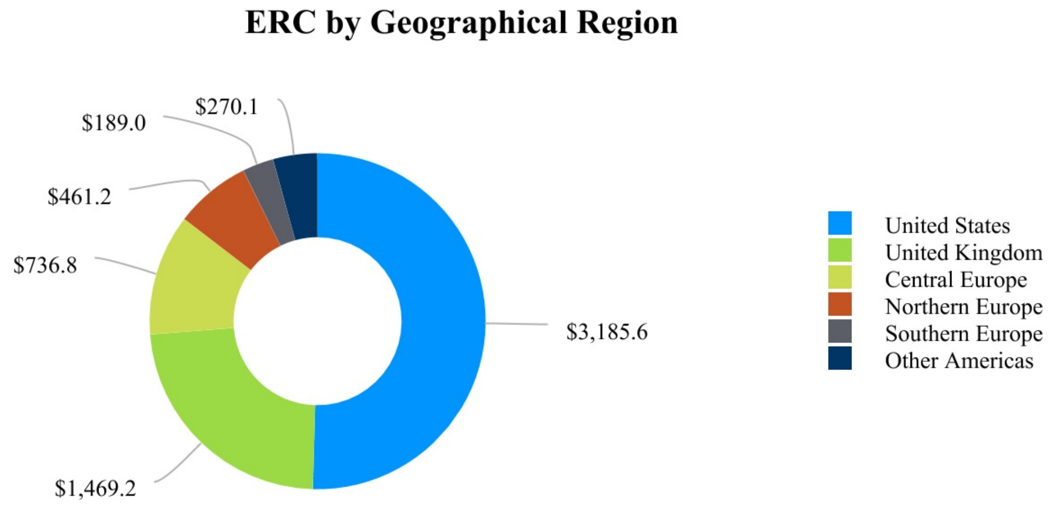
*Amounts in millions*

| Purchase Period | Purchase Price (2)(3) | Cash Collections 1996-2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Americas Core** | | | | | | | | | | | | | | |
| 1996-2009 | $ 930.0 | $ 1,647.7 | $ 295.7 | $ 253.5 | $ 201.6 | $ 146.4 | $ 101.8 | $ 71.2 | $ 45.7 | $ 30.5 | $ 23.3 | $ 19.2 | $ 10.3 | $ 2,846.9 |
| 2010 | 148.2 | — | 47.1 | 113.6 | 109.9 | 82.0 | 55.9 | 38.1 | 24.5 | 15.6 | 11.1 | 9.2 | 4.9 | 511.9 |
| 2011 | 209.6 | — | — | 62.0 | 174.5 | 152.9 | 108.5 | 73.8 | 48.7 | 32.0 | 21.6 | 16.6 | 8.7 | 699.3 |
| 2012 | 254.1 | — | — | — | 56.9 | 173.6 | 146.2 | 97.3 | 60.0 | 40.0 | 27.8 | 17.9 | 9.5 | 629.2 |
| 2013 | 390.8 | — | — | — | — | 101.6 | 247.8 | 194.0 | 120.8 | 78.9 | 56.4 | 36.9 | 18.6 | 855.0 |
| 2014 | 404.1 | — | — | — | — | — | 92.7 | 253.4 | 170.3 | 114.2 | 82.2 | 55.3 | 25.8 | 793.9 |
| 2015 | 443.1 | — | — | — | — | — | — | 117.0 | 228.4 | 185.9 | 126.6 | 83.6 | 46.8 | 788.3 |
| 2016 | 455.8 | — | — | — | — | — | — | — | 138.7 | 256.5 | 194.6 | 140.6 | 84.2 | 814.6 |
| 2017 | 532.9 | — | — | — | — | — | — | — | — | 107.3 | 278.7 | 256.5 | 156.1 | 798.6 |
| 2018 | 654.0 | — | — | — | — | — | — | — | — | — | 122.7 | 361.9 | 269.3 | 753.9 |
| 2019 | 581.5 | — | — | — | — | — | — | — | — | — | — | 143.8 | 268.7 | 412.5 |
| 2020 | 367.0 | — | — | — | — | — | — | — | — | — | — | — | 82.5 | 82.5 |
| Subtotal | 5,371.1 | 1,647.7 | 342.8 | 429.1 | 542.9 | 656.5 | 752.9 | 844.8 | 837.1 | 860.9 | 945.0 | 1,141.5 | 985.4 | 9,986.6 |
| **Americas Insolvency** | | | | | | | | | | | | | | |
| 1996-2009 | 397.5 | 204.3 | 147.1 | 156.7 | 145.4 | 109.3 | 57.0 | 7.6 | 3.6 | 2.2 | 1.1 | 0.7 | 0.2 | 835.2 |
| 2010 | 208.9 | — | 39.5 | 104.5 | 125.0 | 121.7 | 101.9 | 43.6 | 5.0 | 2.4 | 1.4 | 0.7 | 0.4 | 546.1 |
| 2011 | 180.4 | — | — | 15.2 | 66.4 | 82.8 | 85.8 | 76.9 | 36.0 | 3.7 | 1.6 | 0.7 | 0.4 | 369.5 |
| 2012 | 251.4 | — | — | — | 17.4 | 103.6 | 94.1 | 80.1 | 60.7 | 29.3 | 4.3 | 1.9 | 0.8 | 392.2 |
| 2013 | 227.8 | — | — | — | — | 52.5 | 82.6 | 81.7 | 63.4 | 47.8 | 21.9 | 2.9 | 1.0 | 353.8 |
| 2014 | 148.4 | — | — | — | — | — | 37.0 | 50.9 | 44.3 | 37.4 | 28.8 | 15.8 | 1.8 | 216.0 |
| 2015 | 63.2 | — | — | — | — | — | — | 3.4 | 17.9 | 20.1 | 19.8 | 16.7 | 7.1 | 85.0 |
| 2016 | 91.4 | — | — | — | — | — | — | — | 18.9 | 30.4 | 25.0 | 19.9 | 11.2 | 105.4 |
| 2017 | 275.3 | — | — | — | — | — | — | — | — | 49.1 | 97.3 | 80.9 | 46.2 | 273.5 |
| 2018 | 97.9 | — | — | — | — | — | — | — | — | — | 6.7 | 27.4 | 22.9 | 57.0 |
| 2019 | 123.1 | — | — | — | — | — | — | — | — | — | — | 13.4 | 22.9 | 36.3 |
| 2020 | 49.6 | — | — | — | — | — | — | — | — | — | — | — | 4.3 | 4.3 |
| Subtotal | 2,114.9 | 204.3 | 186.6 | 276.4 | 354.2 | 469.9 | 458.4 | 344.2 | 249.8 | 222.4 | 207.9 | 181.0 | 119.2 | 3,274.3 |
| Total Americas | 7,486.0 | 1,852.0 | 529.4 | 705.5 | 897.1 | 1,126.4 | 1,211.3 | 1,189.0 | 1,086.9 | 1,083.3 | 1,152.9 | 1,322.5 | 1,104.6 | 13,260.9 |
| **Europe Core** | | | | | | | | | | | | | | |
| 2012 | 20.4 | — | — | — | 11.6 | 9.0 | 5.6 | 3.2 | 2.2 | 2.0 | 2.0 | 1.5 | 0.9 | 38.0 |
| 2013 | 20.3 | — | — | — | — | 7.1 | 8.5 | 2.3 | 1.3 | 1.2 | 1.3 | 0.9 | 0.5 | 23.1 |
| 2014 | 773.8 | — | — | — | — | — | 153.2 | 292.0 | 246.4 | 220.8 | 206.3 | 172.9 | 109.9 | 1,401.5 |
| 2015 | 411.3 | — | — | — | — | — | — | 45.8 | 100.3 | 86.2 | 80.9 | 66.1 | 40.3 | 419.6 |
| 2016 | 333.1 | — | — | — | — | — | — | — | 40.4 | 78.9 | 72.6 | 58.0 | 35.9 | 285.8 |
| 2017 | 252.2 | — | — | — | — | — | — | — | — | 17.9 | 56.0 | 44.1 | 27.0 | 145.0 |
| 2018 | 341.8 | — | — | — | — | — | — | — | — | — | 24.3 | 88.7 | 53.4 | 166.4 |
| 2019 | 518.6 | — | — | — | — | — | — | — | — | — | — | 48.0 | 93.8 | 141.8 |
| 2020 | 172.5 | — | — | — | — | — | — | — | — | — | — | — | 16.4 | 16.4 |
| Subtotal | 2,844.0 | — | — | — | 11.6 | 16.1 | 167.3 | 343.3 | 390.6 | 407.0 | 443.4 | 480.2 | 378.1 | 2,637.6 |
| **Europe Insolvency** | | | | | | | | | | | | | | |
| 2014 | 10.9 | — | — | — | — | — | — | 4.3 | 3.9 | 3.2 | 2.6 | 1.5 | 0.6 | 16.1 |
| 2015 | 19.0 | — | — | — | — | — | — | 3.0 | 4.4 | 5.0 | 4.8 | 3.9 | 2.2 | 23.3 |
| 2016 | 39.3 | — | — | — | — | — | — | — | 6.2 | 12.7 | 12.9 | 10.7 | 6.0 | 48.5 |
| 2017 | 39.2 | — | — | — | — | — | — | — | — | 1.2 | 7.9 | 9.2 | 7.2 | 25.5 |
| 2018 | 44.9 | — | — | — | — | — | — | — | — | — | 0.6 | 8.4 | 7.5 | 16.5 |
| 2019 | 77.2 | — | — | — | — | — | — | — | — | — | — | 5.0 | 15.5 | 20.5 |
| 2020 | 28.3 | — | — | — | — | — | — | — | — | — | — | — | 2.1 | 2.1 |
| Subtotal | 258.8 | — | — | — | — | — | — | 7.3 | 14.5 | 22.1 | 28.8 | 38.7 | 41.1 | 152.5 |
| Total Europe | 3,102.8 | — | — | — | 11.6 | 16.1 | 167.3 | 350.6 | 405.1 | 429.1 | 472.2 | 518.9 | 419.2 | 2,790.1 |
| Total PRA Group | $ 10,588.8 | $ 1,852.0 | $ 529.4 | $ 705.5 | $ 908.7 | $ 1,142.5 | $ 1,378.6 | $ 1,539.6 | $ 1,492.0 | $ 1,512.4 | $ 1,625.1 | $ 1,841.4 | $ 1,523.8 | $ 16,051.0 |

(1) For our non-U.S. amounts, cash collections are presented using the average exchange rates during the cash collection period.
(2) Includes the acquisition date finance receivables portfolios that were acquired through our business acquisitions.
(3) For our non-US amounts, purchase price is presented at the exchange rate at the end of the year in which the pool was purchased. In addition, any purchase price adjustments that occur throughout the life of the pool are presented at the year-end exchange rate for the respective year of purchase.

*Estimated remaining collections*

The following chart shows our ERC of $6,311.9 million at September 30, 2020 by geographical region (amounts in millions).




*Seasonality*

Cash collections in the Americas tend to be higher in the first half of the year due to the high volume of income tax refunds received by individuals in the U.S., and trend lower as the year progresses. Customer payment patterns in all of the countries in which we operate can be affected by seasonal employment trends, income tax refunds, and holiday spending habits.

*Cash Collections*

The following table displays our quarterly cash collections by geography and portfolio type, for the periods indicated.

**Cash Collections by Geography and Type**
*Amounts in thousands*

| | 2020 | | | 2019 | | | | 2018 |
|---|---|---|---|---|---|---|---|---|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| Americas Core | $ 336,322 | $ 343,269 | $ 305,780 | $ 276,639 | $ 279,902 | $ 294,243 | $ 290,723 | $ 233,937 |
| Americas Insolvency | 37,344 | 38,685 | 43,210 | 40,801 | 45,759 | 49,770 | 44,613 | 48,000 |
| Europe Core | 131,702 | 115,145 | 131,340 | 126,649 | 118,917 | 117,635 | 116,858 | 113,154 |
| Europe Insolvency | 13,971 | 12,841 | 14,243 | 12,520 | 8,639 | 8,626 | 8,977 | 7,618 |
| Total Cash Collections | $ 519,339 | $ 509,940 | $ 494,573 | $ 456,609 | $ 453,217 | $ 470,274 | $ 461,171 | $ 402,709 |

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*

| | 2020 | | | 2019 | | | | 2018 |
|---|---|---|---|---|---|---|---|---|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| Call Center and Other Collections | $ 205,257 | $ 219,856 | $ 168,166 | $ 139,399 | $ 149,782 | $ 160,479 | $ 169,753 | $ 134,543 |
| External Legal Collections | 60,569 | 62,792 | 66,190 | 58,831 | 64,301 | 63,490 | 57,419 | 47,410 |
| Internal Legal Collections | 33,653 | 34,467 | 38,111 | 33,944 | 35,679 | 38,065 | 37,018 | 30,724 |
| Total U.S. Core Cash Collections | $ 299,479 | $ 317,115 | $ 272,467 | $ 232,174 | $ 249,762 | $ 262,034 | $ 264,190 | $ 212,677 |

*Collections Productivity (U.S. Portfolio)*

The following tables display certain collections productivity measures:

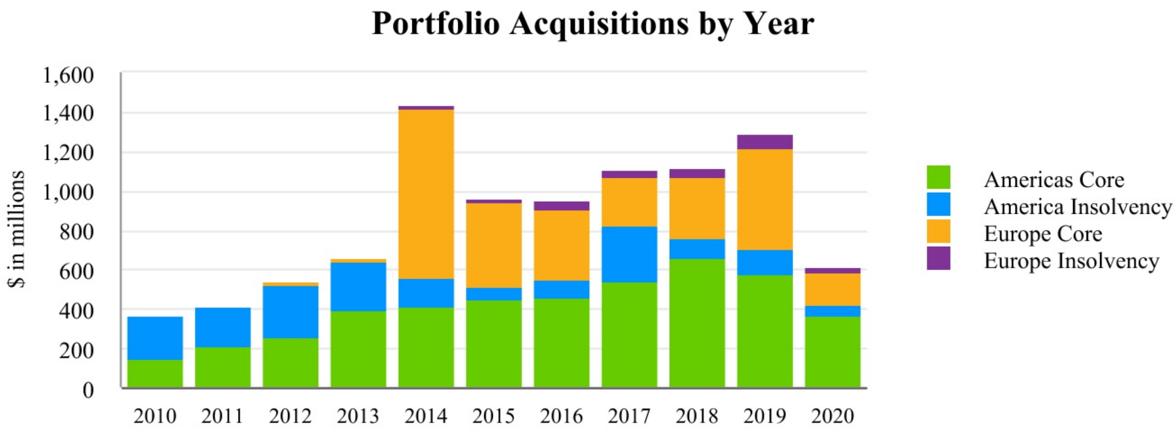
**Cash Collections per Collector Hour Paid**
**U.S. Portfolio**

| | Call center and other cash collections (1) | | | | |
|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| First Quarter | $ 172 | $ 139 | $ 121 | $ 161 | $ 168 |
| Second Quarter | 263 | 139 | 101 | 129 | 167 |
| Third Quarter | 246 | 124 | 107 | 125 | 177 |
| Fourth Quarter | — | 128 | 104 | 112 | 153 |

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

*Portfolio Acquisitions*

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



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

**Portfolio Acquisitions by Geography and Type**
*Amounts in thousands*

| | 2020 | | | 2019 | | | | 2018 |
|---|---|---|---|---|---|---|---|---|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| Americas Core | $ 84,139 | $ 110,474 | $ 172,697 | $ 118,153 | $ 168,185 | $ 121,996 | $ 169,189 | $ 172,511 |
| Americas Insolvency | 14,328 | 14,527 | 20,772 | 22,650 | 26,311 | 26,092 | 48,243 | 52,871 |
| Europe Core | 74,930 | 34,247 | 60,990 | 218,919 | 64,728 | 136,344 | 94,283 | 231,810 |
| Europe Insolvency | 4,203 | 5,251 | 18,778 | 42,613 | 19,772 | 4,715 | 7,134 | 33,661 |
| Total Portfolio Acquisitions | $ 177,600 | $ 164,499 | $ 273,237 | $ 402,335 | $ 278,996 | $ 289,147 | $ 318,849 | $ 490,853 |

*Portfolio Acquisitions by Stratification (U.S. Only)*

The following table categorizes our quarterly U.S. portfolio acquisitions for the periods indicated into major asset type and delinquency category. Since our inception in 1996, we have acquired more than 56 million customer accounts in the U.S.

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

| | 2020 | | | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q3 | | Q2 | | Q1 | | Q4 | | Q3 | |
| Major Credit Cards | $ 23,322 | 25.7 % | $ 50,270 | 40.9 % | $ 71,225 | 38.3 % | $ 30,337 | 24.3 % | $ 50,500 | 40.1 % |
| Private Label Credit Cards | 60,331 | 66.5 | 69,651 | 56.7 | 104,300 | 56.0 | 85,351 | 68.4 | 72,714 | 57.7 |
| Consumer Finance | 6,333 | 7.0 | 2,430 | 2.0 | 2,109 | 1.1 | 2,046 | 1.7 | 2,090 | 1.7 |
| Auto Related | 680 | 0.8 | 460 | 0.4 | 8,510 | 4.6 | 6,991 | 5.6 | 638 | 0.5 |
| Total | $ 90,666 | 100.0 % | $ 122,811 | 100.0 % | $ 186,144 | 100.0 % | $ 124,725 | 100.0 % | $ 125,942 | 100.0 % |

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

| | 2020 | | | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q3 | | Q2 | | Q1 | | Q4 | | Q3 | |
| Fresh (1) | $ 25,236 | 33.1 % | $ 28,847 | 26.6 % | $ 51,126 | 30.9 % | $ 35,330 | 34.6 % | $ 27,600 | 27.1 % |
| Primary (2) | 5,187 | 6.8 | 9,887 | 9.1 | 18,152 | 11.0 | 5,796 | 5.7 | 17,658 | 17.3 |
| Secondary (3) | 44,534 | 58.3 | 67,609 | 62.5 | 92,855 | 56.1 | 52,899 | 51.8 | 50,082 | 49.2 |
| Tertiary (3) | 1,381 | 1.8 | 1,941 | 1.8 | 3,239 | 2.0 | 4,409 | 4.3 | 6,483 | 6.4 |
| Other (4) | — | — | — | — | — | — | 3,641 | 3.6 | — | — |
| Total Core | 76,338 | 100.0 % | 108,284 | 100.0 % | 165,372 | 100.0 % | 102,075 | 100.0 % | 101,823 | 100.0 % |
| Insolvency | 14,328 | | 14,527 | | 20,772 | | 22,650 | | 24,119 | |
| Total | $ 90,666 | | $ 122,811 | | $ 186,144 | | $ 124,725 | | $ 125,942 | |

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

## Liquidity and Capital Resources

We actively manage our liquidity to help provide access to sufficient funding to meet our business needs and financial obligations. As of September 30, 2020, cash and cash equivalents totaled $92.8 million, of which, $81.6 million consisted of cash on hand related to international operations with indefinitely reinvested earnings. See the "Undistributed Earnings of International Subsidiaries" section below for more information.

At September 30, 2020, we had the following borrowings outstanding and availability under our credit facilities (amounts in thousands):

| | Outstanding | Available without Restrictions | Available with Restrictions (1) |
|---|---|---|---|
| Americas revolving credit | $ 414,803 | $ 665,355 | $ 356,791 |
| European revolving credit | 1,025,948 | 314,052 | 118,052 |
| Term loan | 472,500 | — | — |
| Senior Notes | 300,000 | — | — |
| Convertible Notes | 345,000 | — | — |
| Less: Debt discounts and issuance costs | (33,822) | — | — |
| Total | $ 2,524,429 | $ 979,407 | $ 474,843 |

(1) Available borrowings after calculation of current borrowing base and debt covenants.

For more information, see Note 7 to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report.

An additional funding source for our Europe operations is interest-bearing deposits. Per the terms of our European credit facility, we are permitted to obtain interest-bearing deposit funding of up to SEK 1.2 billion (approximately $133.6 million as of September 30, 2020). Interest-bearing deposits as of September 30, 2020 were $119.8 million.

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

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

Contractual obligations over the next year are primarily related to debt maturities and purchase commitments. Of our $472.5 million in long-term debt outstanding at September 30, 2020, $10.0 million in principal is due within one year. Our European credit facility expires in February of 2023. Our North American credit facility expires in May 2024.

In the third quarter of 2020, we retired $287.5 million aggregate principal amount of 3.00% Convertible Senior Notes due August 1, 2020 in full. Additionally, we completed the private offering of $300.0 million in aggregate principal amount of its 7.375% Senior Notes due September 1, 2025. For more information, see Note 7 to our Consolidated Financial Statements included in Part. 1 Item 1 of this Quarterly Report.

Additionally, we have in place forward flow commitments for the purchase of nonperforming loans primarily over the next 12 months with a maximum purchase price of $395.3 million as of September 30, 2020. The $395.3 million is comprised of $343.5 million for the Americas and $51.8 million for Europe. We may also enter into new or renewed forward flow commitments and close on spot transactions in addition to the aforementioned forward flow agreements.

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

We continue to monitor the recent outbreak of COVID-19 on our operations and how that may impact our cash flows and our ability to settle debt. As a result of COVID-19, global financial markets have experienced overall volatility and disruptions to capital and credit markets. We believe that funds generated from operations and from cash collections on finance receivables, together with existing cash, available borrowings under our revolving credit facilities, including recent modifications to the terms of those facilities, and access to the capital markets will be sufficient to finance our operations, planned capital expenditures, forward flow purchase commitments, debt maturities and additional portfolio purchases during the next 12 months. We may, however, seek to access the debt or equity capital markets as as we deem appropriate, market permitting. Business acquisitions, adverse outcomes in pending litigation or higher than expected levels of portfolio purchasing could require additional financing from other sources.

***Cash Flows Analysis***

The following table summarizes our cash flow activity for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 (amounts in thousands):

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2020 | 2019 |
| Total cash provided by (used in): | | |
| Operating activities | $ 131,359 | $ 70,693 |
| Investing activities | 172,467 | (233,081) |
| Financing activities | (305,866) | 167,631 |
| Effect of exchange rate on cash | (16,610) | (7,043) |
| Net decrease in cash and cash equivalents | $ (18,650) | $ (1,800) |

*Operating Activities*

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

Net cash provided by operating activities increased $60.7 million during the nine months ended September 30, 2020, mainly driven by higher cash collections, lower operating expenses and the impact of unrealized foreign currency transactions.

*Investing Activities*

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

Net cash provided by investing activities increased $405.5 million during the nine months ended September 30, 2020, primarily from a $219.9 million decrease in purchases of nonperforming loans, a $134.9 million increase in recoveries applied to negative allowance in the current year versus collections applied to principal in the prior year, a $22.3 million decrease in net purchases of investments and $57.6 million of cash used related to a business acquisition during the first quarter of 2019. These changes were partially offset by $31.2 million of cash received during the first quarter of 2019 related to the sale of a subsidiary in the fourth quarter of 2018.

*Financing Activities*

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

Cash used in financing activities increased $473.5 million during the nine months ended September 30, 2020, primarily from an $872.7 million increase in payments on our lines of credit, a $287.4 million payment on convertible senior notes related to the settlement of our 2020 Notes and a $30.5 million decrease in cash provided by interest-bearing deposits. These changes were partially offset by a $303.2 million decrease in payments on notes payable and long term debt, $300.0 million of proceeds related to our senior notes, and a $112.8 million increase in proceeds from our lines of credit.

***Undistributed Earnings of International Subsidiaries***

We intend to use predominantly all of our accumulated and future undistributed earnings of international subsidiaries to expand operations outside the U.S.; therefore, such undistributed earnings of international subsidiaries are considered to be indefinitely reinvested outside the U.S. Accordingly, no provision for income tax and withholding tax has been provided thereon. If management's intentions change and eligible undistributed earnings of international subsidiaries are repatriated, we could be subject to additional income taxes and withholding taxes. This could result in a higher effective tax rate in the period in which such a decision is made to repatriate accumulated or future undistributed international earnings. The amount of cash on hand related to international operations with indefinitely reinvested earnings was $81.6 million and $109.7 million as of September 30, 2020 and December 31, 2019, respectively. Refer to Note 12 to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report for further information related to our income taxes and undistributed international earnings.

**Off-Balance Sheet Arrangements**

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

**Recent Accounting Pronouncements**

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

**Critical Accounting Policies and Estimates**

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

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

We base our estimates on historical experience, current trends and various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. If these estimates differ significantly from actual results, the impact on our Consolidated Financial Statements may be material.

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

*Revenue Recognition - Finance Receivables*

We account for the majority of our investment in finance receivables under the guidance of ASC Topic 310 “Receivables” (“ASC 310”) and ASC Topic 326-20 “Financial Instruments - Credit Losses - Measured at Amortized Cost” (“ASC 326-20”). Revenue recognition for finance receivables involves the use of estimates and the exercise of judgment on the part of management. These estimates include projections of the quantity and timing of future cash flows and economic lives of our pools of finance receivables. Significant changes in such estimates could result in increased or decreased revenue as we immediately recognize the discounted value of such changes using the constant effective interest rate of the pool.

We account for our finance receivables as follows:

We create each annual accounting pool using our projections of estimated cash flows and expected economic life. We then compute a constant effective interest rate based on the net carrying amount of the pool and reasonable projections of estimated cash flows and expectation of its economic life. As actual cash flow results are received we record the time value of the expected cash as portfolio income and over and under performance and changes in expected future cash flows from expected cash as changes in expected recoveries. We review each pool watching for trends, actual performance versus projections and curve shape (a graphical depiction of the timing of cash flows). We then re-forecast future cash flows by applying discounted cash flow methodologies to our ERC and recognize income over the estimated life of the pool at the constant effective interest rate of the pool.

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

*Valuation of Acquired Intangibles and Goodwill*

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

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

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

*Income Taxes*

We are subject to the income tax laws of the various jurisdictions in which we operate, including U.S. federal, state, local, and international jurisdictions. These tax laws are complex and are subject to different interpretations by the taxpayer and the relevant government taxing authorities. When determining our domestic and international income tax expense, we must make judgments about the application of these inherently complex laws.

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

In the event that all or part of the deferred tax assets are determined not to be realizable in the future, a valuation allowance would be established and charged to earnings in the period such determination is made. If we subsequently realize deferred tax assets that were previously determined to be unrealizable, the respective valuation allowance would be reversed, resulting in a positive adjustment to earnings in the period such determination is made. The establishment or release of a valuation allowance does not have an impact on cash, nor does such an allowance preclude the use of loss carryforwards or other deferred tax assets in future periods. The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws. Resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our results of operations and financial position.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

### Interest Rate Risk

We are subject to interest rate risk from outstanding borrowings on our variable rate credit facilities. As such, our consolidated financial results are subject to fluctuations due to changes in the market rate of interest. We assess this interest rate risk by estimating the increase or decrease in interest expense that would occur due to a change in short-term interest rates. The borrowings on our variable rate credit facilities were approximately $1.9 billion as of September 30, 2020. Based on our debt structure at September 30, 2020, assuming a 50 basis point decrease in interest rates, for example, interest expense over the following 12 months would decrease by an estimated $2.3 million. Assuming a 50 basis point increase in interest rates, interest expense over the following 12 months would increase by an estimated $4.0 million.

To reduce the exposure to changes in the market rate of interest and to be in compliance with the terms of our European credit facility, we have entered into interest rate derivative contracts for a portion of our borrowings under our floating rate financing arrangements. We apply hedge accounting to certain of our interest rate derivative contracts. By applying hedge accounting, changes in market value are reflected as adjustments in Other Comprehensive Income. All derivatives to which we have applied hedge accounting were evaluated and remained highly effective at September 30, 2020. Terms of the interest rate derivative contracts require us to receive a variable interest rate and pay a fixed interest rate. The sensitivity calculations above consider the impact of our interest rate derivative contracts.

### Currency Exchange Risk

We operate internationally and enter into transactions denominated in various foreign currencies. During the three months ended September 30, 2020, we generated $95.6 million of revenues from operations outside the U.S. and used eleven functional currencies, excluding the U.S. dollar. Weakness in one particular currency might be offset by strength in other currencies over time.

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

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

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

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

## Item 4. Controls and Procedures

*Evaluation of Disclosure Controls and Procedures.* We maintain disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. We conducted an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. Based on this evaluation, the principal executive officer and principal financial officer have concluded that, as of September 30, 2020, our disclosure controls and procedures were effective.

*Changes in Internal Control over Financial Reporting.* There was no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## Part II. Other Information

### Item 1. Legal Proceedings

For information regarding legal proceedings as of September 30, 2020, refer to Note 13 to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report.

### Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of our 2019 Form 10-K and in Part II, Item 1A of our 2020 First Quarter Form 10-Q.

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

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

None.

### Item 6. Exhibits

| | |
|---|---|
| 3.1 | Fifth Amended and Restated Certificate of Incorporation of PRA Group, Inc. (Incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K (File No. 000-50058) filed on June 17, 2020). |
| 3.2 | Amended and Restated By-Laws of PRA Group, Inc. (Incorporated by reference to Exhibit 3.2 of the Current Report on Form 8-K (File No. 000-50058) filed on June 17, 2020). |
| 4.1 | Form of Common Stock Certificate (Incorporated by reference to Exhibit 4.1 of Amendment No. 1 to the Registration Statement on Form S-1 (Registration No. 333-99225) filed on October 15, 2002). |
| 4.2 | Form of Warrant (Incorporated by reference to Exhibit 4.2 of Amendment No. 2 to the Registration Statement on Form S-1 (Registration No. 333-99225) filed on October 30, 2002). |
| 4.3 | Indenture dated May 26, 2017 between PRA Group, Inc. and Regions Bank, as trustee (Incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K (File No. 000-50058) filed on May 26, 2017). |
| 4.4 | Indenture dated as of August 27,2020 among PRA Group Inc., the domestic subsidiaries of PRA Group Inc., party thereto and Regions Bank, or Trustee (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 000-50058) filed on September 1, 2020). |
| 4.5 | Description of the Registrant's Securities Registered pursuant to Section 12 of the Securities Exchange Act of 1934 (Incorporated by reference to Exhibit 4.5 of the Current Report on Form 10-K (File No. 000-50058) filed on March 2, 2020). |
| 10.1 | Third Amendment to the Credit Agreement dated August 26,2020, by and among PRA Group Inc. and PRA Group Canada Inc., the Guarantors, the Lenders party thereto, Bank of America, N.A., as Administrative Agent and Bank of America, N.A., acting through its Canada Branch, as Canadian Administrative Agent (filed herewith). |
| 31.1 | Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith). |
| 31.2 | Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith). |
| 32.1 | Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (filed herewith). |
| 101.INS | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkable Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkable Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkable Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |

| | |
|---|---|
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

## SIGNATURES

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

PRA Group, Inc.
(Registrant)

November 5, 2020

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

November 5, 2020

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

**Exhibit 10.1**

**THIRD AMENDMENT TO**

**CREDIT AGREEMENT**

Dated as of August 26, 2020

among

PRA GROUP, INC.
as a Borrower and a Guarantor,

PRA GROUP CANADA INC.,
as a Borrower
and
A DESIGNATED SUBSIDIARY OF PRA GROUP, INC.
from time to time party hereto as a Borrower,

THE DOMESTIC SUBSIDIARIES OF PRA GROUP, INC.,
as the Guarantors,

THE CANADIAN SUBSIDIARIES OF PRA GROUP CANADA INC.,
as Canadian Guarantors,

BANK OF AMERICA, N.A.,
as Administrative Agent, Swing Line Lender and an L/C Issuer,

BANK OF AMERICA, NATIONAL ASSOCIATION, acting through its Canada branch, as Canadian Administrative Agent,

CAPITAL ONE, N.A.,
DNB CAPITAL LLC,
FIFTH THIRD BANK,
TRUIST BANK
and
MUFG BANK, LTD. f/k/a THE BANK OF TOKYO MITSUBISHI UFJ, LTD.
as Co-Syndication Agents,

CITIZENS BANK, N.A.,
and
REGIONS BANK
as Co-Senior Managing Agents
and
THE OTHER LENDERS PARTY HERETO

BOFA SECURITIES, INC.,
CAPITAL ONE, N.A.,
DNB CAPITAL LLC,
FIFTH THIRD BANK,
Truist Securities INC. and
MUFG BANK, LTD. f/k/a THE BANK OF TOKYO MITSUBISHI UFJ, LTD.
as Joint Lead Arrangers and Joint Bookrunners

**THIRD AMENDMENT TO CREDIT AGREEMENT**

This THIRD AMENDMENT TO CREDIT AGREEMENT (this "Agreement") is entered into as of August 26, 2020, among PRA GROUP, INC. (f/k/a Portfolio Recovery Associates, Inc.), a Delaware corporation ("PRA", or the "Company"), PRA GROUP CANADA INC., a Canadian corporation amalgamated under the Canada Business Corporations Act (the "Canadian Borrower", and, together with PRA, the "Borrowers") the Guarantors party hereto, the Lenders party hereto, BANK OF AMERICA, N.A., as Administrative Agent and BANK OF AMERICA, N.A., acting through its Canada branch, as Canadian Administrative Agent.

**RECITALS**

The Borrowers, the Guarantors, the Lenders, BANK OF AMERICA, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer and BANK OF AMERICA, N.A., acting through its Canada branch, as Canadian Administrative Agent, are party to that certain Amended and Restated Credit Agreement dated as of May 5, 2017 (as amended, supplemented, modified and in effect from time to time, the "Credit Agreement"), pursuant to which the Lenders agreed to provide senior credit facilities to the Borrowers. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Credit Agreement.

The Borrowers and the Guarantors have requested that the Administrative Agent and the Lenders agree to certain amendments to the Credit Agreement as set forth herein. The Administrative Agent, the Canadian Administrative Agent and the Lenders are willing to agree to such amendments to the Credit Agreement on the terms and subject to the conditions hereinafter set forth.

In consideration of the foregoing recitals and the mutual covenants herein set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the Borrowers, the Guarantors, the Lenders party hereto and the Administrative Agent hereby acknowledge and agree as follows:

ARTICLE I

AMENDMENTS

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

1. The following definition is hereby added to Section 1.01 of the Credit Agreement in the appropriate alphabetical order:

"Third Amendment Effective Date" means August 26, 2020.

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

"Aggregate Canadian Revolving Commitments" means the Canadian Revolving Commitments of all the Canadian Revolving Lenders. The aggregate principal amount of the Aggregate Canadian Revolving Commitments in effect on the Third Amendment Effective Date is SEVENTY-FIVE MILLION DOLLARS ($75,000,000).

"Aggregate Domestic Revolving Commitments" means the Domestic Revolving Commitments of all the Domestic Revolving Lenders. The aggregate principal amount of the Aggregate Domestic Revolving Commitments in effect on the Third Amendment Effective Date is ONE BILLION DOLLARS ($1,000,000,000).

"Consolidated EBITDA" means, for any period, for PRA and its Subsidiaries on a consolidated basis, an amount equal to Consolidated Net Income for such period plus the following, without duplication, to the extent deducted in calculating such Consolidated Net Income: (a) Consolidated Interest Charges for such period, (b) the provision for federal, state, local and foreign income taxes payable by PRA and its Subsidiaries for such period, (c) depreciation and amortization expense, (d) Recoveries Applied to Negative Allowance, net of changes in expected recoveries, (e) fees, costs and expenses incurred in respect of this Agreement or in connection with any disposition, incurrence of Consolidated Funded Indebtedness, Acquisition, Investment or offering of Equity Interests, in each case as permitted under the Loan Documents and (f) all other non-cash charges for such period, to the extent such charges do not represent a cash charge in such period or any future period, all as determined in accordance with GAAP.

"Existing Permitted Convertible Notes" means Indebtedness of PRA in the form of senior, unsecured convertible notes in an aggregate amount not to exceed $345,000,000, issued pursuant to that certain Indenture dated as of May 26, 2017, and due June 1, 2023 with Regions Bank, as trustee.

"Fundamental Change" has the meaning given to such term (or analogous term) in the definitive documentation for the Permitted Convertible Notes or other unsecured Indebtedness permitted pursuant to Section 8.03(o).

"Maturity Date" means May 5, 2024.

"Term Loan Commitment" means, as to each Lender, its obligation to make its portion of the Term Loan to PRA pursuant to Section 2.01(d), in the principal amount set forth opposite such Lender's name on Schedule 2.01. The aggregate principal amount of the Term Loan Commitments of all of the Lenders as in effect on the Third Amendment Effective Date is FOUR HUNDRED SEVENTY-FIVE MILLION DOLLARS ($475,000,000).

3. Clause (e) of the definition of "Change of Control" in Section 1.01 of the Credit Agreement is hereby amended to read as follows:

(e) the occurrence of any Fundamental Change under any Permitted Convertible Notes or other unsecured Indebtedness permitted pursuant to Section 8.03(o).

4. The final sentence of the defined term "Eurodollar Base Rate" in Section 1.01 of the Credit Agreement is hereby amended to read as follows:

Notwithstanding the foregoing, from and after the Third Amendment Effective Date, with respect to Revolving Loans, if the Eurodollar Base Rate shall be less than 0.75%, such rate shall be deemed to be 0.75% for purposes of this Agreement; provided, that any change in the Eurodollar Base Rate with respect to the Eurodollar Rate Loans outstanding on the Third Amendment Effective Date shall not take effect until the end of the Interest Period for such Loan.

5. Section 2.01(d) of the Credit Agreement is hereby amended to read as follows:

(d) Term Loan. Subject to the terms and conditions set forth herein, each Lender with a Term Loan Commitment severally agrees to make its portion of a term loan (the "Term Loan") to PRA in Dollars on the Third Amendment Effective Date in an amount not to exceed such Lender's Term Loan Commitment. Amounts repaid on the Term Loan may not be reborrowed. The Term Loan may consist of Base Rate Loans or Eurodollar Rate Loans or a combination thereof, as further provided herein.

6. Section 2.07(e) of the Credit Agreement is hereby amended in its entirety to read as follows:

(e) Term Loan. PRA shall repay the outstanding principal amount of the Term Loan in installments on the dates and in the amounts set forth in the table below (as such installments may hereafter be adjusted as a result of prepayments made pursuant to Section 2.05), unless accelerated sooner pursuant to Section 9.02:

| Payment Dates | Principal Amortization Payment |
|---|---|
| September 30, 2020 | $2,500,000 |
| December 31, 2020 | $2,500,000 |
| March 31, 2021 | $2,500,000 |
| June 30, 2021 | $2,500,000 |
| September 30, 2021 | $2,500,000 |
| December 31, 2021 | $2,500,000 |
| March 31, 2022 | $2,500,000 |
| June 30, 2022 | $2,500,000 |
| September 30, 2022 | $2,500,000 |
| December 31, 2022 | $2,500,000 |
| March 31, 2023 | $2,500,000 |
| June 30, 2023 | $2,500,000 |
| September 30, 2023 | $2,500,000 |
| December 31, 2023 | $2,500,000 |
| March 31, 2024 | $2,500,000 |
| Maturity Date | Outstanding Principal Balance of Term Loan |

7. In Section 3.02 of the Credit Agreement, the final sentence of the penultimate paragraph thereof is hereby amended to read as follows:

Notwithstanding the foregoing, from and after the Third Amendment Effective Date, with respect to Revolving Loans, in no event shall the LIBOR Successor Rate be less than 0.75% for purposes of this Agreement.

8. Section 7.02(g) of the Credit Agreement is hereby amended to (i) delete the reference to "and" prior to "(ii)" and (ii) add the following clause (iii) immediately following clause (ii):

and (iii) listing all Indebtedness currently outstanding pursuant to Section 8.03(r) of this Agreement, including the amount of such Indebtedness attributable to each country outside the United States.

9. Section 8.01 of the Credit Agreement is hereby amended to (i) delete the "and" at the end of clause (y), (ii) renumber clause (z) to be clause (aa) and (iii) add a new clause (z) to read as follows:

(z) Liens securing accounts payable owed to PRA as a result of intercompany Investments made by PRA in any of its Subsidiaries (so long as such entity is not a Loan Party), pursuant to Section 8.02(v); and

10. In Section 8.02(c)(ii)(B) of the Credit Agreement, the reference to "2.5 to 1.0" is hereby amended to read "3.25 to 1.0".

11. Section 8.02 of the Credit Agreement is hereby amended to (i) delete the "and" at the end of clause (t), (ii) replace the "." at the end of clause (v) with "; and" and (iii) add a new clause (v) immediately following clause (u) to read as follows:

(v) Investments by a Loan Party in any Person that is not a Loan Party (but including the Canadian Borrower, the Canadian Guarantors and any Designated Borrower), provided, that (i) the aggregate amount of all Investments made pursuant to this clause (v) does not exceed 75% of the aggregate principal amount of any Indebtedness in the form of (A) Add-On Permitted Convertible Notes and/or (B) other unsecured financings permitted hereunder, in each case, incurred after August 1, 2020 in the aggregate at any time outstanding and (ii) after giving effect to such Investment on a Pro Forma Basis, the Loan Parties would be in compliance with the financial covenants set forth in Section 8.11 as of the most recent fiscal quarter for which PRA was required to deliver financial statements pursuant to Section 7.01(a) or (b).

12. Section 8.03(o) of the Credit Agreement is hereby amended to read as follows:

(o) Indebtedness of PRA in the form of (i) Add-On Permitted Convertible Notes and/or (ii) other unsecured financings, in each case, which does not contain any financial covenants that are more restrictive than those financial covenants set forth herein or negative covenants that are more restrictive in any material respect than those negative covenants set forth herein (and any renewals, amendments or replacements of any such unsecured financings, so long as the aggregate principal amount of any such Indebtedness is not increased at the time of such renewal, amendment or replacement thereof, except by an amount equal to a premium or other amount paid, and fees and expenses reasonably incurred, in connection with such refinancing); provided, that, in each case, (x) no Default or Event of Default has occurred or is continuing, or would result from the issuance of such Indebtedness, (y) such Indebtedness shall not have a maturity date or be subject to any form of mandatory redemption on or prior to 180 days following the Maturity Date, other than pursuant to conversion of the Add-On Permitted Convertible Notes, customary provisions requiring redemption upon a "change of control" (as defined in the documentation relating to the Add-On Permitted Convertible Notes or such other unsecured Indebtedness, which definition shall be no more restrictive than the corresponding definition set forth herein), an "asset sale" (as defined in the documentation for such other unsecured Indebtedness), the occurrence of a Fundamental Change (as defined in the documentation relating to the Add-On Permitted Convertible Notes or such other unsecured Indebtedness), or acceleration upon an event of default and (z) the Consolidated Total Leverage Ratio immediately after giving effect to any such Indebtedness pursuant to this clause (o) on a Pro Forma Basis shall not be greater than 3.50 to 1.0;

13. Section 8.03(r) of the Credit Agreement is hereby amended to read as follows:

(r) Indebtedness of direct or indirect Subsidiaries of PRA organized under the laws of foreign jurisdictions in an aggregate principal amount not to exceed the greater of (i) $200,000,000 or (ii) five percent (5%) of the consolidated total assets of PRA and its Subsidiaries, as set forth in the most recent financial statements provided pursuant to Section 7.01(a) or (b) at any time outstanding; provided that after giving effect to the incurrence of any such Indebtedness on a Pro Forma Basis, the Loan Parties would be in compliance with the financial covenants set forth in Section 8.11 as of the most recent fiscal quarter for which PRA was required to deliver financial statements pursuant to Section 7.01(a) or (b) (it being agreed that with respect to a revolving facility, such pro forma compliance certificate shall only be required upon the entry into such facility, provided such pro forma calculation assumes the revolving commitments under such facility are using the initial draw);

14. Section 8.11(a) of the Credit Agreement is hereby amended to read in substantially the form set forth below:

(a) Consolidated Total Leverage Ratio. Permit the Consolidated Total Leverage Ratio as of the end of any fiscal quarter of PRA to be greater than 3.50 to 1.0.

15. Section 8.13(b) of the Credit Agreement is hereby amended by (i) replacing the "and" immediately before clause (vi) with "," and (ii) adding the following text immediately after clause (vi) to read as follows:

and (vii) voluntary or optional redemptions of unsecured Indebtedness permitted under Section 8.03(o) so long as, in the case of this clause (b)(vii), (x) no Default or Event of Default has occurred or is continuing, or would result from the redemption of such Indebtedness and (y) the Consolidated Senior Secured Leverage Ratio immediately after giving effect to the redemption of such Indebtedness pursuant to this clause (b)(vii) on a Pro Forma Basis shall not be greater than 1.90 to 1.0).

16. Schedule 2.01 to the Credit Agreement is hereby amended and restated in its entirety to read as set forth on Schedule 2.01 attached hereto.

17. Exhibit F to the Credit Agreement is hereby amended and restated in its entirety to read as set forth on Exhibit F attached hereto.

## ARTICLE II

## CONDITIONS TO EFFECTIVENESS

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

1. Counterparts. Receipt by the Administrative Agent of counterparts of this Agreement executed on behalf of the Borrowers, the Guarantors, the Administrative Agent, the Canadian Administrative Agent and each Lender.

2. Opinions of Counsel. Receipt by the Administrative Agent of opinions of legal counsel to the Loan Parties, addressed to the Administrative Agent and each Lender, dated as of the Third Amendment Effective Date, and in form and substance reasonably satisfactory to the Administrative Agent.

3. Organization Documents, Resolutions, Etc. Receipt by the Administrative Agent of the following, each of which shall be originals or facsimiles (followed promptly by originals), in form and substance reasonably satisfactory to the Administrative Agent and its legal counsel:

a. (i) copies of the Organization Documents of each Loan Party certified to be true and complete as of a recent date by the appropriate Governmental Authority of the state or other jurisdiction of its incorporation or organization, where applicable, and certified by a secretary or assistant secretary (or, in the case of the Canadian Borrower or a Canadian Guarantor, an officer) of such Loan Party to be true and correct as of the Third Amendment Effective Date or (ii) certificates of a secretary of assistant secretary (or, in the case of the Canadian Borrower or a Canadian Guarantor, an officer) of each Loan Party certifying that no changes, amendments or other modifications have been made to the Organization Documents of such Loan Party since the Restatement Date or the date such Loan Party became a Loan Party, as applicable;

b. such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may reasonably require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party; and

c. such documents and certifications as the Agents may reasonably require to evidence that each Loan Party is duly organized or formed, and is validly existing, in good standing and qualified to engage in business in its state of organization or formation.

4. Perfection and Priority of Liens. Receipt by the Agents of the following:

a. searches of UCC filings and, with respect to the Canadian Borrower, the personal property registry, in the jurisdiction of formation of each Loan Party or where a filing would need to be made in order to perfect the applicable Agent’s security interest in the Collateral, copies of the financing statements on file in such jurisdictions and evidence that no Liens exist other than Permitted Liens;

b. UCC and/or PPSA financing statements, as applicable, for each appropriate jurisdiction as is necessary, in the applicable Agent’s sole discretion, to perfect the Administrative Agent’s security interest in the Collateral;

c. to the extent not already in possession of the applicable Agent, all certificates evidencing any certificated Equity Interests pledged to the applicable Agent pursuant to the Pledge Agreement and/or Canadian Security Agreement, together with duly executed in blank and undated stock powers attached thereto;

d. searches of ownership of, and Liens on, intellectual property of each Loan Party in the U.S. Patent and Trademark Office, U.S. Copyright Office and the Canadian Intellectual Property Office; and

e. duly executed notices of grant of security interest in the form required by the Security Agreement as are necessary, in the Administrative Agent's sole discretion, to perfect the Administrative Agent's security interest in the intellectual property of the Loan Parties.

5. Evidence of Insurance. Receipt by the Agents of copies of insurance policies or certificates of insurance of the Loan Parties evidencing liability and casualty insurance meeting the requirements set forth in the Loan Documents, including, but not limited to, naming the applicable Agent as additional insured (in the case of liability insurance) or Lender's loss payee (in the case of hazard insurance) on behalf of the Lenders.

6. Beneficial Ownership Certification. To the extent any Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, for any Lender that has made a written request of the Borrowers at least ten days prior to the Third Amendment Effective Date for a Beneficial Ownership Certification, receipt by such Lenders of Beneficial Ownership Certifications for each such Borrower, in each case in form and substance reasonably acceptable to each such Lender.

7. Officer's Certificate. Receipt by the Administrative Agent of a certificate of PRA dated as of the date hereof signed by a Responsible Officer of PRA certifying that (a) the representations and warranties contained in Article VI of the Credit Agreement and the other Loan Documents are true and correct in all material respects on and as of the date hereof, except to the extent that such representations and warranties refer to an earlier date, in which case they are true and correct in all material respects as of such earlier date, and except that for purposes hereof, the representations and warranties contained in subsections (a) and (b) of Section 6.05 of the Credit Agreement shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 7.01 of the Credit Agreement, and (b) no Default or Event of Default exists.

8. Fees. Receipt by the Administrative Agent of all reasonable fees and expenses due and owing in connection with this Agreement, including, without limitation, the reasonable and documented legal fees and expenses of Moore & Van Allen PLLC, counsel to the Administrative Agent.

ARTICLE III

MISCELLANEOUS

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

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

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

4. Full Force and Effect; Limited Waiver. All of the representations, warranties, terms, covenants, conditions and other provisions of the Credit Agreement and the other Loan Documents shall remain unchanged and shall continue to be, and shall remain, in full force and effect in accordance with their respective terms and each Borrower and each Guarantor confirms, reaffirms and ratifies all such documents and agrees to perform and comply with the

terms and conditions of the Credit Agreement and the other Loan Documents. The waivers set forth herein shall be limited precisely as provided for herein to the provisions expressly affected hereby and shall not be deemed to be an amendment to, waiver of, consent to or modification of any other term or provision of the Credit Agreement or any other Loan Document or of any transaction or further or future action on the part of any Loan Party which would require the consent of the Lenders under the Credit Agreement or any of the Loan Documents. This Agreement shall constitute a Loan Document.

5. Representations and Warranties. To induce the Administrative Agent and the Lenders to execute and deliver this Agreement, each Borrower hereby represents and warrants to the Administrative Agent and the Lenders on the Third Amendment Effective Date that no Default or Event of Default exists and all statements set forth in Section 5.02(a) of the Credit Agreement are true and correct in all material respects as of such date, except to the extent that any such statement expressly relates to an earlier date (in which case such statement was true and correct in all material respects on and as of such earlier date).

6. Aggregate Domestic Revolving Commitments. Effective as of the Third Amendment Effective Date and pursuant to Section 2.06(a) of the Credit Agreement, PRA permanently reduces the Aggregate Domestic Revolving Commitments to $1,000,000,000. The Domestic Revolving Commitment of each Domestic Revolving Lender after giving effect to such reduction is set forth on Schedule 2.01 attached hereto.

7. Aggregate Canadian Revolving Commitments. Effective as of the Third Amendment Effective Date (a) the Aggregate Canadian Revolving Commitments are being increased from $50,000,000 to $75,000,000, (b) each Lender identified as an “Increasing Canadian Revolving Lender” on the signature pages hereto hereby agrees that the Canadian Revolving Commitment of such Increasing Canadian Revolving Lender is hereby increased to the amount identified in Schedule 2.01 attached hereto opposite such Increasing Canadian Revolving Lender’s name and (c) the Canadian Revolving Commitment of each Lender after giving effect to the increase in clauses (a) and (b) above shall be as set forth on Schedule 2.01 attached hereto.

8. Exiting Lender. Woodforest National Bank, in its capacity as a Lender under the Credit Agreement (as in effect prior to giving effect to this Agreement) (the “Exiting Lender”), is signing this Agreement for the sole purposes of terminating its Commitments under the Credit Agreement (as in effect prior to giving effect to this Agreement). As of the date hereof, (a) the Commitments of the Exiting Lender shall be reduced to zero and the Exiting Lender shall cease to have any rights or duties as a Lender under the Credit Agreement and the other Loan Documents except for rights or duties in respect of expense reimbursement and indemnification provisions in the Credit Agreement in favor of the Exiting Lender which by their express terms would survive termination of the Credit Agreement, (b) PRA shall pay (or cause to be paid) to the Exiting Lender all outstanding Obligations owing to it substantially contemporaneously with the effectiveness of this Agreement and thereafter shall have no obligations or liabilities to the Exiting Lender in its capacity as a Lender other than obligations in respect of indemnity and reimbursement which by their express terms would survive termination of the Credit Agreement and (c) each Lender (other than the Exiting Lender) agrees that, after giving effect to this Agreement, that it shall have the Commitment as reflected on the amended and restated Schedule 2.01 attached hereto.

9. Affirmation of Liens. Each Loan Party affirms the liens and security interests created and granted by it in the Loan Documents (including, but not limited to, the Security Agreement, the Pledge Agreement, the Canadian Security Agreement and each other Collateral Document) and agrees that this Agreement shall in no manner adversely affect or impair such liens and security interests.

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

**BORROWERS: PRA GROUP, INC.**
By: /s/ Peter M. Graham
Name: Peter M. Graham
Title: Executive VP and Chief Financial Officer

**PRA GROUP CANADA INC.**

By**:** /s/ Dennis Hunter
Name: Dennis Hunter
Title: Vice President

**GUARANTORS: PORTFOLIO RECOVERY ASSOCIATES, LLC**

By /s/ Christopher B. Graves_________________
Name: Christopher B. Graves
Title: President, Treasurer and Secretary
**PRA HOLDINGS I, LLC**
**PRA HOLDING II, LLC**
**PRA HOLDING III, LLC**
**PRA HOLDING IV, LLC**
**PRA HOLDING V, LLC**
**PRA HOLDING VI, LLC**
**PRA HOLDING VII, LLC**

By: /s/ Peter M. Graham
Name: Peter M. Graham
Title: Executive VP and Chief Financial Officer

**PRA FINANCIAL SERVICES, LLC**
**PRA AUTO FUNDING, LLC**
By: /s/ Christopher D. Lagow
Name: Christopher D. Lagow
Title: Manager

**PRA RECEIVABLES MANAGEMENT, LLC**

By**:/s/** Andrew Berardi_
Name: Andrew Berardi
Title: President

**CLAIMS COMPENSATION BUREAU, LLC**

By**:**/s/ Robert J. Rey
Name: Robert J. Rey
Title: President

**BANK OF AMERICA, N.A.,**
as Administrative Agent

By**:**/s/ Felicia Brinson
Name: Felicia Brinson
Title: Assistant Vice President

**BANK OF AMERICA, N.A.**,
acting through its Canada branch, as Canadian Administrative Agent

By: /s/ Medina Sales de Andrade
Name: Medina Sales de Andrade
Title: Vice President

**BANK OF AMERICA, N.A.**, ,
as a Lender

By: Moinca Sevila
Name: Monica Sevila
Title: Senior Vice President

**BANK OF AMERICA, N.A.**,
acting through its Canada branch, as a Lender and an Increasing Canadian Revolving Lender

By: /s/Medina Sales de Andrade
Name: Medina Sales de Andrade
Title: Vice President

**TRUIST bank**,
as successor by merger to SunTrust Bank and as Lender and an Increasing Canadian Reolving Lender

By:/s/ Andrew Johnson
Name: Andrew Johnson
Title: Managing Director

**DNB CAPITAL LLC,**
as a Lender
By: /s/ Mita Zalavadia
Name: Mita Zalavadia
Title: Assistant Vice President

By: /s/Ahelia Singh
Name: Ahelia Singh
Title: Assistant Vice President

**MUFG BANK, LTD. f/k/a THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,**
as a Lender

By: /s/ George Stoecklein
Name: George Stoecklein
Title: Managing Director

**CAPITAL ONE, N.A.,**
**as a Lender**

By: /s/ Dan Scheinberg
Name: Dan Scheinberg
Title: Duly Authorized Signatory

**FIFTH THIRD BANK, NATIONAL ASSOCIATION**

By: /s/ David Izard
Name: David Izard
Title: Managing Director

**FIFTH THIRD BANK, NATIONAL ASSOCIATION, acting through its Canada Branch, as a Lender and an Increasing Canadian Revolving Lender**

By: /s/ Michael Woo
Name: Michael Woo
Title: AVP

**CITIZENS BANKS, N.A.,**
as a Lender and an Increasing Canadian Revolving Lender

By: /s/ Karmyn Paul
Name: Karmyn Paul
Title: Vice President

**REGIONS BANK,**
as a Lender
By: /s/ Hichem Kerma
Name: Hichem Kerma
Title: Managing Director

**FIRST HORIZON BANK**
as a Lender

By: /s/ Liz Febles
Name: Liz Febles
Title: Vice President

**ATLANTIC UNION BANK**
as a Lender

By: /s/ P. Craig Moore
Name: P. Craig Moore

Title: Sr. Vice President

**ING CAPITAL LLC**
as a Lender

By: /s/ Jonathan Banks
Name: Jonathan Banks
Title: Managing Director

**ING CAPITAL LLC**
as a Lender

By: /s/ Alexander Kreissman
Name: Alexander Kreissman
Title: Vice President

**KEYBANK NATIONAL ASSOCIATION**
as a Lender and an Increasing Canadian Revolving Lender

By: /s/ Ashley Braniecki
Name: Ashley Braniecki
Title: Vice President

**UMPQUA BANK**
as a Lender

By: /s/ Emily Brayfield
Name: Emily Brayfield
Title: Senior Vice President

**FARMERS BANK**
as a Lender

By: /s/ Jeffrey S. Creekmore
Name: Jeffrey S. Creekmore
Title: Senior Vice President

**RAYMOND JAMES BANK, N.A.,**
as a Lender
By: /s/ Kathy Bennett
Name: Kathy Bennett
Title: SVP

**WOODFOREST NATIONAL BANK,**
as an Exiting Lender
By: /s/ Sean Walker
Name: Sean Walker
Title: SVP

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.

November 5, 2020 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.

| | | |
|---|---|---|
| November 5, 2020 | By: | /s/ Peter M. Graham |
| | | Peter M. Graham<br>Executive Vice President and Chief Financial Officer<br>(Principal Financial and Accounting Officer) |

Exhibit 32.1

**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 September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin P. Stevenson, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

| | | |
|---|---|---|
| November 5, 2020 | 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 September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter M. Graham, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

| | | |
|---|---|---|
| November 5, 2020 | By: | /s/ Peter M. Graham |
| | | Peter M. Graham |
| | | Executive Vice President and Chief Financial Officer |
| | | (Principal Financial and Accounting Officer) |