

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2021

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

For the transition period from _____ to _____

Commission File Number: 000-50058

PRA Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

75-3078675

(I.R.S. Employer Identification No.)

120 Corporate Boulevard

Norfolk, Virginia 23502

(Address of principal executive offices)

(888) 772-7326

(Registrant's Telephone No., including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value per share	PRAA	NASDAQ Global Select Market

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

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

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

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

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

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

The number of shares of the registrant's common stock outstanding as of May 5, 2021 was 45,799,855.

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Part I. Financial Information

Item 1. Financial Statements (Unaudited)

PRA Group, Inc.
Consolidated Balance Sheets
March 31, 2021 and December 31, 2020
(Amounts in thousands)

	(unaudited) March 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents	\$ 92,798	\$ 108,613
Restricted cash	16,057	12,434
Investments	54,682	55,759
Finance receivables, net	3,372,666	3,514,788
Other receivables, net	3,223	13,194
Income taxes receivable	27,246	21,928
Deferred tax assets, net	72,523	83,205
Right-of-use assets	50,839	52,951
Property and equipment, net	56,825	58,356
Goodwill	492,751	492,989
Other assets	38,920	38,844
Total assets	<u>\$ 4,278,530</u>	<u>\$ 4,453,061</u>
Liabilities and Equity		
Liabilities:		
Accounts payable	\$ 4,817	\$ 5,294
Accrued expenses	76,684	97,320
Income taxes payable	31,853	29,692
Deferred tax liabilities, net	39,739	40,867
Lease liabilities	55,322	57,348
Interest-bearing deposits	124,998	132,739
Borrowings	2,501,133	2,661,289
Other liabilities	40,755	54,986
Total liabilities	<u>2,875,301</u>	<u>3,079,535</u>
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, 45,799 shares issued and outstanding at March 31, 2021; 100,000 shares authorized, 45,585 shares issued and outstanding at December 31, 2020	458	456
Additional paid-in capital	47,236	75,282
Retained earnings	1,582,384	1,511,970
Accumulated other comprehensive loss	(253,576)	(245,791)
Total stockholders' equity - PRA Group, Inc.	<u>1,376,502</u>	<u>1,341,917</u>
Noncontrolling interest	26,727	31,609
Total equity	<u>1,403,229</u>	<u>1,373,526</u>
Total liabilities and equity	<u>\$ 4,278,530</u>	<u>\$ 4,453,061</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

PRA Group, Inc.
Consolidated Income Statements
For the three months ended March 31, 2021 and 2020
(unaudited)
(Amounts in thousands, except per share amounts)

	Three Months Ended March 31,	
	2021	2020
Revenues:		
Portfolio income	\$ 231,672	\$ 262,022
Changes in expected recoveries	50,136	(12,816)
Fee income	2,181	2,209
Other revenue	5,480	369
Total revenues	289,469	251,784
Operating expenses:		
Compensation and employee services	73,984	75,171
Legal collection fees	12,926	14,572
Legal collection costs	21,312	34,447
Agency fees	15,591	13,376
Outside fees and services	20,760	19,394
Communication	12,663	13,511
Rent and occupancy	4,480	4,484
Depreciation and amortization	3,981	4,084
Other operating expenses	13,018	12,205
Total operating expenses	178,715	191,244
Income from operations	110,754	60,540
Other income and (expense):		
Interest expense, net	(31,552)	(37,211)
Foreign exchange (loss)/gain	(26)	2,283
Other	26	(76)
Income before income taxes	79,202	25,536
Income tax expense	17,322	3,100
Net income	61,880	22,436
Adjustment for net income attributable to noncontrolling interests	3,474	3,301
Net income attributable to PRA Group, Inc.	\$ 58,406	\$ 19,135
Net income per common share attributable to PRA Group, Inc.:		
Basic	\$ 1.28	\$ 0.42
Diluted	\$ 1.27	\$ 0.42
Weighted average number of shares outstanding:		
Basic	45,669	45,452
Diluted	46,045	45,784

The accompanying notes are an integral part of these Consolidated Financial Statements.

PRA Group, Inc.
Consolidated Statements of Comprehensive Income/(Loss)
For the three months ended March 31, 2021 and 2020
(unaudited)
(Amounts in thousands)

	Three Months Ended March 31,	
	2021	2020
Net income	\$ 61,880	\$ 22,436
Other comprehensive income/(loss), net of tax:		
Currency translation adjustments	(24,531)	(108,076)
Cash flow hedges	12,323	(20,568)
Debt securities available-for-sale	—	170
Other comprehensive loss	(12,208)	(128,474)
Total comprehensive income/(loss)	49,672	(106,038)
Less comprehensive loss attributable to noncontrolling interests	(950)	(10,574)
Comprehensive income/(loss) attributable to PRA Group, Inc.	\$ 50,622	\$ (95,464)

The accompanying notes are an integral part of these Consolidated Financial Statements.

PRA Group, Inc.
Consolidated Statements of Changes in Equity
For the three months ended March 31, 2021 and 2020
(unaudited)
(Amounts in thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Noncontrolling Interest	Total Equity
	Shares	Amount					
Balance at December 31, 2020	45,585	\$ 456	\$ 75,282	\$ 1,511,970	\$ (245,791)	\$ 31,609	\$ 1,373,526
Effect of change in accounting principle ⁽¹⁾	—	—	(26,697)	12,008	—	—	(14,689)
Balance at January 1, 2021	45,585	456	48,585	1,523,978	(245,791)	31,609	1,358,837
Components of comprehensive income, net of tax:							
Net income	—	—	—	58,406	—	3,474	61,880
Currency translation adjustments	—	—	—	—	(20,108)	(4,423)	(24,531)
Cash flow hedges	—	—	—	—	12,323	—	12,323
Distributions to noncontrolling interest	—	—	—	—	—	(3,933)	(3,933)
Vesting of restricted stock	214	2	(2)	—	—	—	—
Share-based compensation expense	—	—	4,113	—	—	—	4,113
Employee stock relinquished for payment of taxes	—	—	(5,460)	—	—	—	(5,460)
Balance at March 31, 2021	45,799	\$ 458	\$ 47,236	\$ 1,582,384	\$ (253,576)	\$ 26,727	\$ 1,403,229

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Noncontrolling Interest	Total Equity
	Shares	Amount					
Balance at December 31, 2019	45,416	\$ 454	\$ 67,321	\$ 1,362,631	\$ (261,018)	\$ 57,625	\$ 1,227,013
Components of comprehensive income, net of tax:							
Net income	—	—	—	19,135	—	3,301	22,436
Currency translation adjustments	—	—	—	—	(94,201)	(13,875)	(108,076)
Cash flow hedges	—	—	—	—	(20,568)	—	(20,568)
Debt securities available-for-sale	—	—	—	—	170	—	170
Vesting of restricted stock	124	1	—	—	—	—	1
Share-based compensation expense	—	—	2,857	—	—	—	2,857
Employee stock relinquished for payment of taxes	—	—	(3,157)	—	—	—	(3,157)
Balance at March 31, 2020	45,540	\$ 455	\$ 67,021	\$ 1,381,766	\$ (375,617)	\$ 47,051	\$ 1,120,676

(1) Refer to [Note 2](#) for further detail.

The accompanying notes are an integral part of these Consolidated Financial Statements.

PRA Group, Inc.
Consolidated Statements of Cash Flows
For the three months ended March 31, 2021 and 2020
(unaudited)
(Amounts in thousands)

	Three Months Ended March 31,	
	2021	2020
Cash flows from operating activities:		
Net income	\$ 61,880	\$ 22,436
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation expense	4,113	2,857
Depreciation and amortization	3,981	4,084
Amortization of debt discount and issuance costs	2,256	5,857
Changes in expected recoveries	(50,136)	12,816
Deferred income taxes	10,371	(12,755)
Net unrealized foreign currency transactions	2,134	24,873
Fair value in earnings for equity securities	(107)	(7,566)
Other	(419)	(135)
Changes in operating assets and liabilities:		
Other assets	670	(1,242)
Other receivables, net	10,043	(545)
Accounts payable	(431)	221
Income taxes payable, net	(3,669)	3,835
Accrued expenses	(20,227)	(8,990)
Other liabilities	(336)	994
Right of use asset/lease liability	85	66
Net cash provided by operating activities	20,208	46,806
Cash flows from investing activities:		
Purchases of property and equipment, net	(2,366)	(7,639)
Purchases of finance receivables	(159,328)	(271,845)
Recoveries applied to negative allowance	328,559	236,656
Proceeds from sales and maturities of investments	764	648
Business acquisition, net of cash acquired	(647)	—
Net cash provided by/(used in) investing activities	166,982	(42,180)
Cash flows from financing activities:		
Proceeds from lines of credit	45,369	315,118
Principal payments on lines of credit	(226,621)	(227,459)
Principal payments on long-term debt	(2,500)	(2,500)
Payments of origination cost and fees	(113)	(8,203)
Tax withholdings related to share-based payments	(5,460)	(3,156)
Distributions paid to noncontrolling interest	(3,933)	—
Net increase/(decrease) in interest-bearing deposits	303	(1,658)
Net cash (used in)/provided by financing activities	(192,955)	72,142
Effect of exchange rate on cash	(6,427)	(16,575)
Net (decrease)/increase in cash, cash equivalents and restricted cash	(12,192)	60,193
Cash, cash equivalents and restricted cash beginning of period	121,047	123,807
Cash, cash equivalents and restricted cash, end of period	\$ 108,855	\$ 184,000
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 32,622	\$ 30,502
Cash paid for income taxes	10,463	12,100

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.").

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 March 31, 2021 and its Consolidated Income Statements, Statements of Comprehensive Income/(Loss), Statements of Changes in Equity and Statements of Cash Flows for the three months ended March 31, 2021 and 2020, have been included. The Company's Consolidated Income Statements for the three months ended March 31, 2021 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, 2020 (the "2020 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 of whether changes in the facts and circumstances regarding the Company's involvement with an entity cause the Company's consolidation conclusion to change.

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 months ended March 31, 2021 and 2020, and long-lived assets held at March 31, 2021 and 2020, 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 March 31, 2021		As of and for the Three Months Ended March 31, 2020	
	Revenues ⁽²⁾	Long-Lived Assets	Revenues ⁽²⁾	Long-Lived Assets
United States	\$ 178,181	\$ 96,630	\$ 153,335	\$ 115,053
United Kingdom	48,177	2,269	36,340	3,076
Other ⁽¹⁾	63,111	8,765	62,109	8,408
Total	<u>\$ 289,469</u>	<u>\$ 107,664</u>	<u>\$ 251,784</u>	<u>\$ 126,537</u>

(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](#).

2. Change in Accounting Principle:

In August 2020, the FASB issued Accounting Standards Update ("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 ("EPS") calculation in certain areas.

The Company accounts for its 3.50% Convertible Notes due 2023 (the "2023 Notes" or the "Convertible Notes") in accordance with ASC 470-20, "Debt with Conversion and Other Options" ("ASC 470"). Under ASU 2020-06, the embedded conversion features are no longer separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives under ASC Topic 815 "Derivatives and Hedging" ("ASC 815"), or that do not result in substantial premiums accounted for as paid-in capital. Consequently, a convertible debt instrument will be accounted for as a single liability measured at its amortized cost. The Company adopted the standard using a modified retrospective method, with adjustments which increased retained earnings by \$12.0 million, reduced additional paid-in capital by \$26.7 million and increased the net carrying amount of the 2023 Notes by \$19.8 million at January 1, 2021. Additionally, the effect of adoption reduced interest expense for the three months ended March 31, 2021 by \$2.0 million, increased net income by \$1.6 million and increased earnings per share by \$0.04 per share. For more information on the 2023 Notes, see [Note 7](#).

3. Finance Receivables, net:

Finance receivables, net consisted of the following at March 31, 2021 and December 31, 2020 (amounts in thousands):

	March 31, 2021	December 31, 2020
Amortized cost	\$ —	\$ —
Negative allowance for expected recoveries ⁽¹⁾	3,372,666	3,514,788
Balance at end of period	<u>\$ 3,372,666</u>	<u>\$ 3,514,788</u>

(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.

Changes in the negative allowance for expected recoveries by portfolio segment for the three months ended March 31, 2021 and 2020 were as follows (amounts in thousands):

	March 31, 2021		
	Core	Insolvency	Total
Balance at beginning of period	\$ 3,019,477	\$ 495,311	\$ 3,514,788
Initial negative allowance for expected recoveries - portfolio acquisitions ⁽¹⁾	133,007	25,954	158,961
Foreign currency translation adjustment	(24,249)	1,589	(22,660)
Recoveries applied to negative allowance ⁽²⁾	(285,171)	(43,388)	(328,559)
Changes in expected recoveries ⁽³⁾	48,410	1,726	50,136
Balance at end of period	<u>\$ 2,891,474</u>	<u>\$ 481,192</u>	<u>\$ 3,372,666</u>

PRA Group, Inc.
Notes to Consolidated Financial Statements

	March 31, 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⁾	233,687	39,550	273,237
Foreign currency translation adjustment	(120,214)	(9,642)	(129,856)
Recoveries applied to negative allowance ⁽²⁾	(199,038)	(37,618)	(236,656)
Changes in expected recoveries ⁽³⁾	(16,477)	3,661	(12,816)
Balance at end of period	<u>\$ 2,949,384</u>	<u>\$ 458,690</u>	<u>\$ 3,408,074</u>

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

Portfolio acquisitions for the three months ended March 31, 2021 and 2020 were as follows (amounts in thousands):

	March 31, 2021		
	Core	Insolvency	Total
Face value	\$ 1,088,655	\$ 134,811	\$ 1,223,466
Noncredit discount	(132,532)	(7,498)	(140,030)
Allowance for credit losses at acquisition	(823,116)	(101,359)	(924,475)
Purchase price	<u>\$ 133,007</u>	<u>\$ 25,954</u>	<u>\$ 158,961</u>

	March 31, 2020		
	Core	Insolvency	Total
Face value	\$ 1,891,142	\$ 177,454	\$ 2,068,596
Noncredit discount	(213,289)	(13,032)	(226,321)
Allowance for credit losses at acquisition	(1,444,166)	(124,872)	(1,569,038)
Purchase price	<u>\$ 233,687</u>	<u>\$ 39,550</u>	<u>\$ 273,237</u>

The initial negative allowance recorded on portfolio acquisitions for the three months ended March 31, 2021 and 2020 were as follows (amounts in thousands):

	March 31, 2021		
	Core	Insolvency	Total
Allowance for credit losses at acquisition	\$ (823,116)	\$ (101,359)	\$ (924,475)
Writeoffs, net	823,116	101,359	924,475
Expected recoveries	133,007	25,954	158,961
Initial negative allowance for expected recoveries	<u>\$ 133,007</u>	<u>\$ 25,954</u>	<u>\$ 158,961</u>

	March 31, 2020		
	Core	Insolvency	Total
Allowance for credit losses at acquisition	\$ (1,444,166)	\$ (124,872)	\$ (1,569,038)
Writeoffs, net	1,444,166	124,872	1,569,038
Expected recoveries	233,687	39,550	273,237
Initial negative allowance for expected recoveries	<u>\$ 233,687</u>	<u>\$ 39,550</u>	<u>\$ 273,237</u>

(2) Recoveries applied to negative allowance

Recoveries applied to the negative allowance were computed as follows for the three months ended March 31, 2021 and 2020 (amounts in thousands):

	March 31, 2021		
	Core	Insolvency	Total
Recoveries ^(a)	\$ 500,332	\$ 59,899	\$ 560,231
Less - amounts reclassified to portfolio income ^(b)	215,161	16,511	231,672
Recoveries applied to negative allowance	<u>\$ 285,171</u>	<u>\$ 43,388</u>	<u>\$ 328,559</u>

	March 31, 2020		
	Core	Insolvency	Total
Recoveries ^(a)	\$ 440,694	\$ 57,984	\$ 498,678
Less - amounts reclassified to portfolio income ^(b)	241,656	20,366	262,022
Recoveries applied to negative allowance	<u>\$ 199,038</u>	<u>\$ 37,618</u>	<u>\$ 236,656</u>

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

(b) For more information, refer to the Company's discussion of portfolio income within finance receivables and income recognition within Note 1 of the Company's Consolidated Financial Statements included in Item 8 of the 2020 Form 10-K.

(3) Changes in expected recoveries

Changes in expected recoveries consisted of the following for the three months ended March 31, 2021 and 2020 (amounts in thousands):

	March 31, 2021		
	Core	Insolvency	Total
Changes in expected future recoveries	\$ (46,502)	\$ (6,350)	\$ (52,852)
Recoveries received in excess of forecast	94,912	8,076	102,988
Changes in expected recoveries	<u>\$ 48,410</u>	<u>\$ 1,726</u>	<u>\$ 50,136</u>

	March 31, 2020		
	Core	Insolvency	Total
Changes in expected future recoveries	\$ (20,524)	\$ (102)	\$ (20,626)
Recoveries received in excess of forecast	4,047	3,763	7,810
Changes in expected recoveries	<u>\$ (16,477)</u>	<u>\$ 3,661</u>	<u>\$ (12,816)</u>

In order to make estimates of future cash collections, the Company considered historical performance, current economic forecasts, short-term and long-term growth in the various geographies in which the Company operates and consumer habits. The Company considered recent collection activity in its determination to adjust assumptions related to near-term estimated remaining collections ("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 March 31, 2021, changes in expected recoveries were a positive \$50.1 million. This reflects \$103.0 million in recoveries received in excess of forecast, which was largely due to significant cash collections overperformance, reduced by a \$52.9 million negative adjustment to changes in expected future recoveries. The changes in expected future recoveries reflect the Company's assumption that the majority of the current quarter overperformance was due to acceleration in the timing of cash collections rather than an increase to total expected collections resulting in a present value adjustment.

For the three months ended March 31, 2020, changes in expected recoveries were a negative \$12.8 million. This reflected a \$20.6 million negative adjustment to the present value of expected future recoveries primarily related to an expected delay in cash collections from the impact of the novel coronavirus ("COVID-19") pandemic, partially offset by \$7.8 million in recoveries received in excess of forecast in the quarter.

4. Investments:

Investments consisted of the following at March 31, 2021 and December 31, 2020 (amounts in thousands):

	March 31, 2021	December 31, 2020
Debt securities		
Available-for-sale	\$ 5,308	\$ 5,368
Equity securities		
Exchange traded funds	34,841	34,847
Private equity funds	6,155	6,123
Mutual funds	896	1,023
Equity method investments	7,482	8,398
Total investments	<u>\$ 54,682</u>	<u>\$ 55,759</u>

Debt Securities

Available-for-sale

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

The amortized cost and estimated fair value of investments in debt securities at March 31, 2021 and December 31, 2020 were as follows (amounts in thousands):

	March 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
Available-for-sale				
Government bonds	\$ 5,179	\$ 129	\$ —	\$ 5,308
	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
Available-for-sale				
Government bonds	\$ 5,239	\$ 129	\$ —	\$ 5,368

Equity Securities

Exchange traded funds: The Company invests in certain treasury bill exchange traded funds, which are accounted for as equity securities and carried at fair value. Gains and losses from these investments are included within Other income and (expense) in the Company's Consolidated Income Statements.

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

Mutual funds: Mutual funds represent 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:

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, 2020 and concluded that no goodwill

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impairment was necessary. The Company performed its quarterly assessment by evaluating whether any triggering events had occurred as of March 31, 2021, which included considering current market conditions. The Company concluded that no triggering event had occurred as of March 31, 2021 and will continue to monitor the market for any adverse conditions.

The changes in goodwill for the three months ended March 31, 2021 and 2020, were as follows (amounts in thousands):

	Three Months Ended March 31,	
	2021	2020
Balance at beginning of period	\$ 492,989	\$ 480,794
Change in foreign currency translation adjustment	(238)	(62,229)
Balance at end of period	<u>\$ 492,751</u>	<u>\$ 418,565</u>

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 15 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 months ended March 31, 2021 and 2020, were as follows (amounts in thousands):

	Three Months Ended March 31,	
	2021	2020
Operating lease expense	\$ 2,981	\$ 3,063
Short-term lease expense	676	693
Total lease expense	<u>\$ 3,657</u>	<u>\$ 3,756</u>

Supplemental cash flow information and non-cash activity related to leases for the three months ended March 31, 2021 and 2020 were as follows (amounts in thousands):

	Three Months Ended March 31,	
	2021	2020
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 2,865	\$ 2,991
ROU assets obtained in exchange for operating lease obligations	304	531

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

	Three Months Ended March 31,	
	2021	2020
Weighted-average remaining lease term (years)	9.0	10.6
Weighted-average discount rate	4.72 %	4.89 %

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Maturities of lease liabilities at March 31, 2021 are as follows for the following periods (amounts in thousands):

	Operating Leases
For the nine months ending December 31, 2021	\$ 8,821
For the year ending December 31, 2022	9,745
For the year ending December 31, 2023	7,421
For the year ending December 31, 2024	6,374
For the year ending December 31, 2025	6,178
Thereafter	29,877
Total lease payments	\$ 68,416
Less: imputed interest	13,094
Total	\$ 55,322

7. Borrowings:

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

	March 31, 2021	December 31, 2020
Americas revolving credit ⁽¹⁾	\$ 376,392	\$ 405,706
Europe revolving credit	1,023,039	1,171,890
Term loan	467,500	470,000
Senior Notes	300,000	300,000
Convertible Notes	345,000	345,000
	2,511,931	2,692,596
Less: Debt discount and issuance costs	(10,798)	(31,307)
Total	\$ 2,501,133	\$ 2,661,289

(1) Includes North American revolver and Colombian revolver.

The following principal payments are due on the Company's borrowings as of March 31, 2021 for the 12-month periods ending March 31, (amounts in thousands):

2022	\$ 10,979
2023	1,033,708
2024	355,000
2025	812,244
2026	300,000
Total	\$ 2,511,931

The Company determined that it was in compliance with the covenants of its financing arrangements as of March 31, 2021.

North American Revolving Credit and Term Loan

The Company has a credit agreement with Bank of America, N.A., as administrative agent, Bank of America, National Association, acting through its Canada branch, as the Canadian administrative agent, and a syndicate of lenders named therein, (the "North American Credit Agreement").

The total credit facility under the North American Credit Agreement includes an aggregate principal amount of \$1.5 billion (subject to compliance with a borrowing base and applicable debt covenants), which consists of (i) a fully-funded \$467.5 million term loan, (ii) a \$1.0 billion 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. 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 March 31, 2021, the unused portion of the North American Credit Agreement was \$700.3 million. Considering borrowing base restrictions, as of March 31, 2021, the amount available to be drawn was \$251.0 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:

- the ERC borrowing base is 35% for all eligible core asset pools and 55% for all insolvency eligible asset pools;
- the consolidated total leverage ratio cannot exceed 3.50 to 1.0 as of the end of any fiscal quarter;
- the consolidated senior secured leverage ratio cannot exceed 2.25 to 1.0 as of the end of any fiscal quarter;
- subject to no default or event of default, cash dividends and distributions during any fiscal year cannot exceed \$20.0 million; and
- the Company must maintain positive consolidated income from operations during any fiscal quarter.

European Revolving Credit Facility

European subsidiaries of the Company ("PRA Europe") are parties to a credit agreement with DNB Bank ASA and a syndicate of lenders named therein, for a Multicurrency Revolving Credit Facility (such agreement as later amended or modified, the "European Credit Agreement"). On March 12, 2021, the Company entered into the Seventh Amendment and Restatement to its European Credit Agreement that, among other things, increased borrowings by \$50.0 million through the accordion feature.

The European Credit Agreement provides borrowings for an aggregate amount of approximately \$1.35 billion (subject to the borrowing base), accrues interest at the Interbank Offered Rate 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 March 31, 2021, the unused portion of the European Credit Agreement (including the overdraft facility) was \$367.0 million. Considering borrowing base restrictions and other covenants as of March 31, 2021, the amount available to be drawn under the European Credit Agreement (including the overdraft facility) was \$237.0 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, is party to a credit agreement with Bancolombia in an aggregate amount of approximately \$5.3 million. As of March 31, 2021, the outstanding balance under the credit agreement was approximately \$1.6 million, with a weighted average interest rate of 7.13%. The outstanding balance accrues interest at the Indicador Bancario de Referencia rate 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 March 31, 2021, the unused portion of the credit agreement was approximately \$3.7 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 and are guaranteed on a senior unsecured basis by all of the Company's existing and future domestic restricted subsidiaries that guarantee the North American Credit Agreement, subject to certain exceptions. Interest on the 2025 Notes is payable semi-annually, in arrears, on March 1 and September 1 of each year.

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 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 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.

The holders of the 2023 Notes have the right to convert all, or a portion of, the 2023 Notes upon occurrence of specific events prior to the close of business on the business day immediately preceding prior to March 1, 2023 including:

- if during any calendar quarter, the last reported sales price of the Company's common stock is greater than 130% of the conversion price for at least 20 trading days during the period of 30 consecutive trading days;
- if the trading price of the 2023 Notes is less than 98% of the product of the last reported sales price of the Company's common stock and the conversion rate for a 10 consecutive trading day period;
- the Company elects to issue to all, or substantially all, holders of its common stock any rights, options or warrants entitling them, for a period of more than 45 calendar days, to subscribe for or purchase shares at a price per share that is less than the average of the last reported sales price (as defined in the 2017 Indenture) for the 10 consecutive trading day-period ending on the trading day immediately preceding the date of announcement of such issuance;
- the Company elects to distribute to all, or substantially all, holders of its common stock the Company's assets, debt securities or rights to purchase securities of the Company, which distribution has a share value exceeding 10% of the last reported sale price (as defined in the 2017 Indenture) on the trading day preceding the announcement of such distribution; or
- a transaction occurs that constitutes a fundamental change (as defined in the 2017 Indenture) or, the Company is party to a consolidation, merger, binding share exchange, or transfer or lease of all, or substantially all, of the Company's assets.

On or after March 1, 2023, the 2023 Notes will be convertible at any time. As of March 31, 2021, the Company does not believe that any of the conditions allowing holders of the 2023 Notes to convert their notes has occurred.

Furthermore, 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) of the Company's common stock 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.

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The conversion rate for the 2023 Notes is 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 has made an irrevocable election to settle conversions by paying holders of the 2023 Notes cash up to the aggregate principal amount of the 2023 Notes 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 remaining amounts owed, if any.

In accordance with authoritative guidance related to derivatives and hedging and earnings per share, only the conversion spread is included in the diluted EPS calculation, if dilutive. Under such method, the settlement of the conversion spread has a dilutive effect when the market conversion criteria is met.

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. Upon adoption of ASU 2020-06, the equity classification model was eliminated, resulting in an adjustment to retained earnings and an increase to the 2023 Notes. Refer to [Note 2](#), Change in Accounting Principle, for further information.

The balances of the liability and equity components of the Company's convertible notes outstanding as of March 31, 2021 and December 31, 2020, were as follows (amounts in thousands):

	March 31, 2021	December 31, 2020
Liability component - principal amount	\$ 345,000	\$ 345,000
Unamortized debt discount	—	(20,603)
Unamortized debt issuance costs	(3,732)	(3,335)
Liability component - net carrying amount	\$ 341,268	\$ 321,062
Equity component	\$ —	\$ 44,910

The Company amortizes debt issuance costs over the life of the debt using the effective interest method. Upon adoption of ASU 2020-06 the debt discount was eliminated and the debt issuance costs were remeasured, resulting in an effective interest rate of 4.00%.

Interest expense related to the Company's convertible notes for the three months ended March 31, 2021 and 2020, was as follows (amounts in thousands):

	Three Months Ended March 31,	
	2021	2020 ⁽¹⁾
Interest expense - stated coupon rate	\$ 3,019	\$ 5,175
Interest expense - amortization of debt discount	—	3,217
Interest expense - amortization of debt issuance costs	\$ 404	\$ 606
Total interest expense - convertible notes	\$ 3,423	\$ 8,998

(1) 2020 amounts include interest expense related to the 3.00% Convertible Senior Notes due August 1, 2020, which were repaid in the third quarter of 2020. Refer to Note 7 of the Company's Consolidated Financial Statements included in Item 8 of the 2020 Form 10-K.

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 815. In 2020, the Company adopted ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effect of Reference Rate Reform on Financial Reporting" ("ASU 2020-04"). ASU 2020-04 allows the Company to elect certain expedients to continue accounting for its interest rate swap contracts designated as cash flow hedges.

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The following table summarizes the fair value of derivative instruments in the Company's Consolidated Balance Sheets as of March 31, 2021 and December 31, 2020 (amounts in thousands):

	March 31, 2021		December 31, 2020	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate contracts	Other assets	\$ 1,413	Other assets	\$ —
Interest rate contracts	Other liabilities	29,081	Other liabilities	43,017
Derivatives not designated as hedging instruments:				
Foreign currency contracts	Other assets	3,437	Other assets	3,512
Foreign currency contracts	Other liabilities	2,369	Other liabilities	2,415

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 March 31, 2021 and December 31, 2020, the notional amount of interest rate contracts designated as cash flow hedging instruments was \$901.8 million and \$967.2 million, respectively. Derivatives designated as cash flow hedging instruments were evaluated and remain highly effective at March 31, 2021 and have initial terms of one to five years. The Company estimates that approximately \$9.1 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 months ended March 31, 2021 and 2020 (amounts in thousands):

	Gain or (loss) recognized in OCI, net of tax	
	March 31, 2021	March 31, 2020
Derivatives designated as cash flow hedging instruments		
Interest rate contracts	\$ 9,692	\$ (21,350)
	Gain or (loss) reclassified from OCI into income	
	March 31, 2021	March 31, 2020
Location of gain or (loss) reclassified from OCI into income		
Interest expense, net	\$ (3,336)	\$ (1,012)

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 March 31, 2021 and December 31, 2020, the notional amount of foreign currency contracts that are not designated as hedging instruments was \$447.2 million and \$500.8 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 months ended March 31, 2021 and 2020 (amounts in thousands):

	Location of gain or (loss) recognized in income	Amount of gain or (loss) recognized in income	
		March 31, 2021	March 31, 2020
Derivatives not designated as hedging instruments			
Foreign currency contracts	Foreign exchange (loss)/gain	\$ 2,097	\$ 26,786
Foreign currency contracts	Interest expense, net	114	(1,001)
Interest rate contracts	Interest expense, net	—	1,038

9. Fair Value:

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

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- 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 March 31, 2021 and December 31, 2020 (amounts in thousands):

	March 31, 2021		December 31, 2020	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	\$ 92,798	\$ 92,798	\$ 108,613	\$ 108,613
Restricted cash	16,057	16,057	12,434	12,434
Finance receivables, net	3,372,666	3,365,936	3,514,788	3,541,159
Financial liabilities:				
Interest-bearing deposits	124,998	124,998	132,739	132,739
Revolving lines of credit	1,399,431	1,399,431	1,577,596	1,577,596
Term loan	467,500	467,500	470,000	470,000
Senior Notes	300,000	321,495	300,000	324,408
Convertible Notes	345,000	370,627	324,397	376,012

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 and restricted cash: 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, cash equivalents and restricted cash 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, the carrying amount of December 31, 2020 represents the Convertible Notes net of the debt discount. Upon adoption of ASU 2020-06, the carrying amount of the Convertible Notes reflects face value as the debt discount was eliminated.

Financial Instruments Required To Be Carried At Fair Value

The carrying amounts in the following table are measured at fair value on a recurring basis in the accompanying Consolidated Balance Sheets at March 31, 2021 and December 31, 2020 (amounts in thousands):

	Fair Value Measurements as of March 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
<u>Available-for-sale investments</u>				
Government bonds	\$ 5,308	\$ —	\$ —	\$ 5,308
<u>Fair value through net income</u>				
Exchange traded funds	34,841	—	—	34,841
Mutual funds	896	—	—	896
Derivative contracts (recorded in other assets)	—	4,850	—	4,850
Liabilities:				
Derivative contracts (recorded in other liabilities)	—	31,450	—	31,450

	Fair Value Measurements as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
<u>Available-for-sale investments</u>				
Government bonds	\$ 5,368	\$ —	\$ —	\$ 5,368
<u>Fair value through net income</u>				
Exchange traded funds	34,847	—	—	34,847
Mutual funds	1,023	—	—	1,023
Derivative contracts (recorded in other assets)	—	3,512	—	3,512
Liabilities:				
Derivative contracts (recorded in other liabilities)	—	45,432	—	45,432

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 ("NAV")

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 NAV practical expedient was \$6.2 million and \$6.1 million as of March 31, 2021 and December 31, 2020, respectively.

10. Accumulated Other Comprehensive Loss:

The following table provides details about the reclassifications from accumulated other comprehensive loss for the three months ended March 31, 2021 and 2020 (amounts in thousands):

Gains and losses on cash flow hedges	Three Months Ended March 31,		Affected line in the Consolidated Income Statement
	2021	2020	
Interest rate swaps	\$ (3,336)	\$ (1,012)	Interest expense, net
Income tax effect of item above	705	230	Income tax expense
Total losses on cash flow hedges	\$ (2,631)	\$ (782)	Net of tax

The following table represents the changes in accumulated other comprehensive loss by component, after tax, for the three months ended March 31, 2021 and 2020 (amounts in thousands):

	Three Months Ended March 31, 2021			
	Debt Securities Available-for-sale	Cash Flow Hedges	Currency Translation Adjustments	Accumulated Other Comprehensive Loss ⁽¹⁾
Balance at beginning of period	\$ 127	\$ (33,349)	\$ (212,569)	\$ (245,791)
Other comprehensive loss before reclassifications	—	9,692	(20,108)	(10,416)
Reclassifications, net	—	2,631	—	2,631
Net current period other comprehensive loss	—	12,323	(20,108)	(7,785)
Balance at end of period	\$ 127	\$ (21,026)	\$ (232,677)	\$ (253,576)

	Three Months Ended March 31, 2020			
	Debt Securities Available-for-sale	Cash Flow Hedges	Currency Translation Adjustments	Accumulated Other Comprehensive Loss ⁽¹⁾
Balance at beginning of period	\$ (44)	\$ (13,088)	\$ (247,886)	\$ (261,018)
Other comprehensive loss before reclassifications	170	(21,350)	(94,201)	(115,381)
Reclassifications, net	—	782	—	782
Net current period other comprehensive loss	170	(20,568)	(94,201)	(114,599)
Balance at end of period	\$ 126	\$ (33,656)	\$ (342,087)	\$ (375,617)

(1) Net of deferred taxes for unrealized losses from cash flow hedges of \$6.4 million and \$10.0 million for the three months ended March 31, 2021 and 2020, 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 March 31, 2021. 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

PRA Group, Inc.
Notes to Consolidated Financial Statements

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 months ended March 31, 2021 and 2020 (amounts in thousands, except per share amounts):

	For the Three Months Ended March 31,					
	2021			2020		
	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	\$ 58,406	45,669	\$ 1.28	\$ 19,135	45,452	\$ 0.42
Dilutive effect of nonvested share awards	—	376	(0.01)	—	332	—
Diluted EPS	\$ 58,406	46,045	\$ 1.27	\$ 19,135	45,784	\$ 0.42

There were no options outstanding, antidilutive or otherwise, as of March 31, 2021 and 2020.

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.

At March 31, 2021, 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 \$62.2 million and \$97.0 million as of March 31, 2021 and December 31, 2020, respectively.

13. Commitments and Contingencies:

Employment Agreements:

The Company has entered into employment agreements with each of its U.S. executive officers, which expire on December 31, 2023. Such agreements provide for base salary payments as well as potential discretionary bonuses that consider the Company's overall performance against its short and long-term financial and strategic objectives. The agreements also contain customary confidentiality and non-compete provisions. At March 31, 2021, estimated future compensation under these agreements was approximately \$17.8 million. Outside the U.S., the Company has entered into employment agreements with certain employees pursuant to local country regulations. Generally, these agreements do not have expiration dates. As a result 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 \$17.8 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 March 31, 2021, was approximately \$640.7 million.

Finance Receivables:

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

Litigation and Regulatory Matters:

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

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

The Company believes that the estimate of the aggregate range of reasonably possible losses in excess of the amount accrued for its legal proceedings outstanding at March 31, 2021, 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.

Matters that are not considered routine legal proceedings were disclosed previously in the 2020 Form 10-K.

14. Recently Issued Accounting Standards:

Recently issued accounting standards 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, the standard 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 adopted ASU 2019-12 on January 1, 2021 with no material impact to its financial statements upon adoption.

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. The Company adopted ASU 2020-01 on January 1, 2021 with no impact to its financial statements upon adoption.

Accounting for Convertible Instruments

Effective January 1, 2021, the Company early adopted ASU 2020-06. Refer to [Note 2](#) for details.

Reference Rate Reform

In January 2021, the FASB issued ASU 2021-01, "Reference Rate Reform (Topic 848): Overall" ("ASU 2021-01"). ASU 2021-01 expands the scope of ASC 848 to include derivatives affected by the discounting transition for certain optional expedients and exceptions. ASU 2021-01 is effective immediately for a limited time through December 31, 2022. The Company is evaluating the impact of ASU 2021-01 but does not expect it to have a material impact on its financial statements.

Recently issued accounting standards not yet adopted:

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

All references in this Quarterly Report on Form 10-Q (this "Quarterly Report") to "PRA Group," "we," "us," "the Company" or similar terms are to PRA Group, Inc. and its subsidiaries.

Forward-Looking Statements:

This Quarterly Report contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. 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, strategies and anticipated events or trends. Our results could differ materially from those expressed or implied by such forward-looking statements, or our forward looking statements could be wrong, as a result of risks, uncertainties and assumptions including the following:

- the impact of the novel coronavirus ("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;
- our inability to successfully manage the challenges associated with a disease outbreak, including epidemics, pandemics or similar widespread public health concerns, including the COVID-19 pandemic;
- a deterioration in the economic or inflationary environment in the markets in which we operate;
- our inability to replace our portfolios of nonperforming loans with additional portfolios sufficient to operate efficiently and profitably and/or purchase nonperforming loans at appropriate prices;
- our inability to collect sufficient amounts on our nonperforming loans to fund our operations, including as a result of restrictions imposed by federal, state and international laws and regulations;
- changes in accounting standards and their interpretations;
- the recognition of significant decreases in our estimate of future recoveries on nonperforming loans;
- the occurrence of goodwill impairment charges;
- loss contingency accruals that are inadequate to cover actual losses;
- our inability to manage risks associated with our international operations;
- adverse effects from the exit of the United Kingdom ("UK") from the European Union ("EU");
- changes in federal, state, local or international laws or the interpretation of these laws, including tax, bankruptcy and collection laws;
- changes in the administrative practices of various bankruptcy courts;
- our inability to comply with existing and new regulations of the collection industry;
- investigations, reviews, or enforcement actions by governmental authorities, including the Consumer Financial Protection Bureau ("CFPB");
- our inability to comply with data privacy regulations such as the General Data Protection Regulation ("GDPR");
- adverse outcomes in pending litigation or administrative proceedings;
- our inability to retain, expand, renegotiate or replace our credit facilities and our ability to comply with the covenants under our financing arrangements;
- our inability to manage effectively our capital and liquidity needs, including as a result of changes in credit or capital markets;
- changes in interest or exchange rates;
- default by or failure of one or more of our counterparty financial institutions;
- uncertainty about the future of the London Inter-Bank Offer Rate;
- disruptions of business operations caused by cybersecurity incidents or the underperformance or failure of information technology infrastructure, networks or communication systems; and
- the "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020 ("2020 Form 10-K") and in other filings with the Securities and Exchange Commission.

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. Except as required by law, we assume no obligation to publically update or revise our forward-looking statements after the date of this Quarterly Report and you should not expect us to do so.

Frequently Used Terms

We may use the following terminology throughout this Quarterly Report:

- "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 estimated remaining collections.
- "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 added as a result of 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.
- "Purchase price" refers to the cash paid to a seller to acquire nonperforming loans.
- "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 plus estimated remaining collections on our finance receivables portfolios.

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 March 31, 2021, employed 3,822 full time equivalents. Our shares of common stock are traded on the NASDAQ Global Select Market under the symbol "PRAA."

COVID-19

The COVID-19 pandemic has continued to adversely impact all countries in which we operate. We have taken steps to modify our operations to mitigate adverse effects where possible while conforming with various COVID-19 protocols within the countries in which we operate. We continue to enable employees to work remotely and follow social distancing in the workplaces that remain open. These actions have allowed us to operate our business while minimizing disruption and complying with country-specific, federal, state and local laws, regulations, guidelines and governmental actions related to the pandemic. Additional information regarding the impact of COVID-19 on our business can be found in Part II, Item 7 to our 2020 Form 10-K.

Results of Operations

The results of operations include the financial results of the Company and all of our subsidiaries. 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 March 31,			
	2021		2020	
Revenues:				
Portfolio income	\$ 231,672	80.0 %	\$ 262,022	104.1 %
Changes in expected recoveries	50,136	17.3	(12,816)	(5.1)
Fee income	2,181	0.8	2,209	0.9
Other revenue	5,480	1.9	369	0.1
Total revenues	289,469	100.0	251,784	100.0
Operating expenses:				
Compensation and employee services	73,984	25.6	75,171	29.9
Legal collection fees	12,926	4.5	14,572	5.8
Legal collection costs	21,312	7.4	34,447	13.7
Agency fees	15,591	5.4	13,376	5.3
Outside fees and services	20,760	7.1	19,394	7.7
Communication	12,663	4.4	13,511	5.4
Rent and occupancy	4,480	1.5	4,484	1.8
Depreciation and amortization	3,981	1.4	4,084	1.6
Other operating expenses	13,018	4.5	12,205	4.8
Total operating expenses	178,715	61.8	191,244	76.0
Income from operations	110,754	38.2	60,540	24.0
Other income and (expense):				
Interest expense, net	(31,552)	(10.9)	(37,211)	(14.8)
Foreign exchange (loss)/gain	(26)	—	2,283	0.9
Other	26	—	(76)	—
Income before income taxes	79,202	27.3	25,536	10.1
Income tax expense	17,322	5.9	3,100	1.2
Net income	61,880	21.4	22,436	8.9
Adjustment for net income attributable to noncontrolling interests	3,474	1.2	3,301	1.3
Net income attributable to PRA Group, Inc.	\$ 58,406	20.2 %	\$ 19,135	7.6 %

Three Months Ended March 31, 2021 Compared To Three Months Ended March 31, 2020

Cash Collections

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

	For the Three Months Ended March 31,		
	2021	2020	Change
Americas and Australia Core	\$ 347,638	\$ 305,780	\$ 41,858
Americas Insolvency	35,253	43,210	(7,957)
Europe Core	149,486	131,340	18,146
Europe Insolvency	23,510	14,243	9,267
Total cash collections	\$ 555,887	\$ 494,573	\$ 61,314
Cash collections adjusted ⁽¹⁾	\$ 555,887	\$ 502,305	\$ 53,582

(1) Cash collections adjusted refers to 2020 cash collections remeasured using 2021 exchange rates.

Cash collections were \$555.9 million for the three months ended March 31, 2021, an increase of \$61.3 million, or 12.4%, compared to \$494.6 million for the three months ended March 31, 2020. Cash collections increased in Americas and Australia Core largely due to our U.S. call center and other collections, including higher level of collections through our digital platforms, increasing \$54.3 million, or 32.3%. This was 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. This increase was partly offset by a \$10.8 million, or 10.4%, decrease in legal collections due to a lower volume of accounts in the legal channel primarily as a result of a shift in collections from the legal channel to our call centers and digital platforms. Cash collections in Americas Insolvency also decreased \$8.0 million, or 18.4%, mainly due to the runoff of older portfolios. While cash collections in Other Americas Core decreased \$1.6 million, or 4.8%, the primary driver of the decrease was foreign exchange rates. Europe cash collections increased \$27.4 million, or 18.8%, primarily reflecting the impact of 2020 purchases.

Revenues

A summary of our revenue generation during the three months ended March 31, 2021 and 2020 is as follows (amounts in thousands):

	For the Three Months Ended March 31,		
	2021	2020	Change
Portfolio income	\$ 231,672	\$ 262,022	\$ (30,350)
Changes in expected recoveries	50,136	(12,816)	62,952
Fee income	2,181	2,209	(28)
Other revenue	5,480	369	5,111
Total revenues	\$ 289,469	\$ 251,784	\$ 37,685

Portfolio Income

Portfolio income was \$231.7 million for the three months ended March 31, 2021, a decrease of \$30.3 million, or 11.6%, compared to \$262.0 million for the three months ended March 31, 2020. The decrease was mainly due to our assumption that the significant cash overperformance in 2020 was largely acceleration versus an increase in total estimated collections combined with recent purchases not offsetting runoff, primarily in Americas Insolvency and Other Americas.

Changes in Expected Recoveries

Changes in expected recoveries for the three months ended March 31, 2021, were a positive \$50.1 million. The change was the net result of recoveries received in excess of forecast of \$103.0 million from significant cash collection overperformance reduced by a \$52.9 million negative adjustment to changes in expected future recoveries. The changes in expected future recoveries reflect our assumption that the majority of the current quarter overperformance was due to acceleration in the timing of cash collections rather than an increase to total expected collections resulting in a present value adjustment. This compares to a negative \$12.8 million for the three months ended March 31, 2020. The change was the net result of recoveries in excess of forecast of \$7.8 million reduced by a \$20.6 million negative adjustment to changes in expected future recoveries due to an expected delay in cash collections from the impact of COVID-19.

Other Revenue

Other revenue was \$5.5 million for the three months ended March 31, 2021, an increase of \$5.1 million compared to \$0.4 million for the three months ended March 31, 2020 reflecting a gain on sale from certain other assets.

Operating Expenses

Total operating expenses were \$178.7 million for the three months ended March 31, 2021, a decrease of \$12.5 million, or 6.5%, compared to \$191.2 million for the three months ended March 31, 2020.

Compensation and Employee Services

Compensation and employee services expenses were \$74.0 million for the three months ended March 31, 2021, a decrease of \$1.2 million, or 1.6%, compared to \$75.2 million for the three months ended March 31, 2020. The slight decrease in compensation expense was primarily attributable to a reduction in the U.S. call center workforce due to efficiencies realized mostly offset by higher headcount in Europe. Total full-time equivalents decreased to 3,822 as of March 31, 2021, from 4,014 as of March 31, 2020.

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 \$12.9 million for the three months ended March 31, 2021, a decrease of \$1.7 million, or 11.6%, compared to \$14.6 million for the three months ended March 31, 2020. The decrease was due to lower external legal cash collections in the U.S.

Legal Collection Costs

Legal collection costs primarily consist of costs paid to courts where a lawsuit is filed for the purpose of attempting to collect on an account. Legal collection costs were \$21.3 million for the three months ended March 31, 2021, a decrease of \$13.1 million, or 38.1%, compared to \$34.4 million for the three months ended March 31, 2020. The decrease was primarily due to lower levels of accounts placed in the legal channel in the U.S. primarily reflecting a shift in collections from the legal channel to our call centers and digital platforms partially offset by higher levels of accounts placed in the legal channel in Europe.

Agency Fees

Agency fees primarily represent third-party collection fees. Agency fees were \$15.6 million for the three months ended March 31, 2021, an increase of \$2.2 million, or 16.4%, compared to \$13.4 million for the three months ended March 31, 2020 primarily reflecting an increase in agency fees primarily outside of the U.S.

Outside Fees and Services

Outside fees and services expenses were \$20.8 million for the three months ended March 31, 2021, an increase of \$1.4 million, or 7.2%, compared to \$19.4 million for the three months ended March 31, 2020 primarily due to higher fees related to an increased number of debit card transactions.

Interest Expense, Net

Interest expense, net was \$31.6 million during the three months ended March 31, 2021, a decrease of \$5.6 million, or 15.1%, compared to \$37.2 million for the three months ended March 31, 2020 primarily reflecting the 2021 change in accounting related to our convertible notes (see [Note 2](#) to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report for further information) and lower levels of average outstanding borrowings on our debt obligations.

Interest expense, net consisted of the following for the three months ended March 31, 2021 and 2020 (amounts in thousands):

	For the Three Months Ended March 31,		
	2021	2020	Change
Interest on debt obligations and unused line fees	\$ 20,910	\$ 26,498	\$ (5,588)
Interest on senior notes	5,531	—	5,531
Coupon interest on convertible debt	3,019	5,175	(2,156)
Amortization of convertible debt discount	—	3,217	(3,217)
Amortization of loan fees and other loan costs	2,256	2,640	(384)
Interest income	(164)	(319)	155
Interest expense, net	<u>\$ 31,552</u>	<u>\$ 37,211</u>	<u>\$ (5,659)</u>

Foreign Exchange (Loss)/Gain

Foreign currency transaction losses were near zero for the three months ended March 31, 2021, compared to foreign currency gains of \$2.3 million for the three months ended March 31, 2020. 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 \$17.3 million for the three months ended March 31, 2021, an increase of \$14.2 million, or 458.1%, compared to \$3.1 million for the three months ended March 31, 2020. The increase was primarily due to higher income before taxes, which increased \$53.7 million, or 210.6%, and the mix of earnings between jurisdictions. During the three months ended March 31, 2021, our effective tax rate was 21.9%, compared to 12.1% for the three months ended March 31, 2020. The increase in rate was primarily due to an estimated provision to return adjustment recorded in the prior year and a change in mix of income between countries of operation.

Supplemental Performance Data

Finance Receivables Portfolio Performance

We purchase nonperforming loans from a variety of credit originators and segregate them into two main portfolio segments: Core or Insolvency, based on the status of the account upon acquisition. In addition, the accounts are further segregated into geographical regions based upon where the account was purchased. The accounts represented in the Insolvency tables below 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 pool. 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 Accounting Standards Codification ("ASC") Topic 326 "Financial Instruments-Credit Losses" ("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 March 31, 2021**
Amounts in thousands

Purchase Period	Purchase Price ⁽¹⁾⁽²⁾	Total Estimated Collections	Estimated Remaining Collections ⁽⁴⁾	Current Purchase Price Multiple	Original Estimated Purchase Price Multiple ⁽⁵⁾
Americas and Australia Core					
1996-2010	\$ 1,078,219	\$ 3,397,952	\$ 24,585	315%	240%
2011	209,602	719,618	15,897	343%	245%
2012	254,076	652,293	18,061	257%	226%
2013	390,826	894,640	30,051	229%	211%
2014	404,117	859,775	45,345	213%	204%
2015	443,114	913,857	106,551	206%	205%
2016	455,767	1,098,295	207,608	241%	201%
2017	532,851	1,211,584	325,675	227%	193%
2018	653,975	1,368,879	447,682	209%	202%
2019	581,476	1,239,777	622,713	213%	206%
2020	435,668	931,493	717,342	214%	213%
2021	88,822	188,644	184,196	212%	212%
Subtotal	5,528,513	13,476,807	2,745,706		
Americas Insolvency					
1996-2010	606,395	1,382,677	920	228%	180%
2011	180,432	370,183	493	205%	155%
2012	251,395	392,723	184	156%	136%
2013	227,834	354,943	651	156%	133%
2014	148,420	218,432	1,695	147%	124%
2015	63,170	87,087	876	138%	125%
2016	91,442	117,159	6,736	128%	123%
2017	275,257	349,209	51,318	127%	125%
2018	97,879	131,461	58,999	134%	127%
2019	123,077	158,692	105,361	129%	128%
2020	62,130	84,972	75,489	137%	136%
2021	9,486	13,185	13,168	139%	139%
Subtotal	2,136,917	3,660,723	315,890		
Total Americas and Australia	7,665,430	17,137,530	3,061,596		
Europe Core					
2012	20,409	41,543	—	204%	187%
2013	20,334	25,653	—	126%	119%
2014	773,811	2,240,653	586,113	290%	208%
2015	411,340	725,713	250,732	176%	160%
2016	333,090	562,194	285,405	169%	167%
2017	252,174	354,024	184,108	140%	144%
2018	341,775	529,154	346,370	155%	148%
2019	518,610	776,604	587,133	150%	152%
2020	324,119	557,506	491,301	172%	172%
2021	43,635	77,780	76,397	178%	178%
Subtotal	3,039,297	5,890,824	2,807,559		
Europe Insolvency					
2014	10,876	18,228	130	168%	129%
2015	18,973	29,018	1,997	153%	139%
2016	39,338	56,926	8,784	145%	130%
2017	39,235	49,255	17,707	126%	128%
2018	44,908	52,080	32,060	116%	123%
2019	77,218	101,866	72,242	132%	130%
2020	105,440	135,896	121,891	129%	129%
2021	16,621	20,786	20,151	125%	125%
Subtotal	352,609	464,055	274,962		
Total Europe	3,391,906	6,354,879	3,082,521		
Total PRA Group	\$ 11,057,336	\$ 23,492,409	\$ 6,144,117		

- (1) Includes the acquisition date finance receivables portfolios that were acquired through our business acquisitions.
- (2) For our non-U.S. amounts, purchase price is presented at the exchange rate at the end of the year in which the portfolio was purchased. In addition, any purchase price adjustments that occur throughout the life of the portfolio are presented at the year-end exchange rate for the respective year of purchase.
- (3) For our non-U.S. amounts, TEC is presented at the year-end exchange rate for the respective year of purchase.
- (4) For our non-U.S. amounts, ERC is presented at the March 31, 2021 exchange rate.
- (5) 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 March 31, 2021

Amounts in thousands

Purchase Period	Cash Collections ⁽¹⁾	Portfolio Income ⁽¹⁾	Changes in Expected Recoveries ⁽¹⁾	Total Portfolio Revenue ⁽¹⁾	Net Finance Receivables as of March 31, 2021 ⁽³⁾
Americas and Australia Core					
1996-2010	\$ 3,726	\$ 2,319	\$ 447	\$ 2,766	\$ 5,178
2011	2,259	1,405	309	1,714	2,596
2012	2,786	1,286	375	1,661	5,638
2013	4,968	2,526	(351)	2,175	13,495
2014	6,937	3,494	(2,154)	1,340	19,677
2015	11,958	6,355	(4,961)	1,394	45,306
2016	24,893	11,990	3,908	15,898	84,015
2017	41,722	18,236	3,937	22,173	145,799
2018	75,462	25,404	10,591	35,995	245,467
2019	88,246	35,129	6,417	41,546	331,169
2020	80,231	35,446	16,613	52,059	369,418
2021	4,450	2,728	838	3,566	87,902
Subtotal	347,638	146,318	35,969	182,287	1,355,660
Americas Insolvency					
1996-2010	181	186	(5)	181	—
2011	76	73	3	76	—
2012	190	72	120	192	—
2013	201	181	20	201	—
2014	298	355	(90)	265	190
2015	446	247	(202)	45	497
2016	2,727	491	241	732	5,429
2017	11,752	2,621	468	3,089	43,107
2018	7,812	1,778	751	2,529	50,368
2019	8,594	2,488	(1,786)	702	89,380
2020	2,960	1,897	535	2,432	57,174
2021	16	101	(14)	87	9,553
Subtotal	35,253	10,490	41	10,531	255,698
Total Americas and Australia	382,891	156,808	36,010	192,818	1,611,358
Europe Core					
2012	283	—	283	283	—
2013	171	—	171	171	—
2014	37,843	25,589	7,184	32,773	159,401
2015	13,464	7,427	(6,091)	1,336	130,541
2016	11,956	6,431	(649)	5,782	164,228
2017	9,565	3,191	(1,076)	2,115	127,233
2018	18,365	6,289	4,576	10,865	226,773
2019	32,020	10,111	2,450	12,561	390,892
2020	24,425	9,595	4,578	14,173	293,315
2021	1,394	210	1,015	1,225	43,431
Subtotal	149,486	68,843	12,441	81,284	1,535,814
Europe Insolvency					
2014	88	48	6	54	55
2015	530	225	5	230	1,335
2016	1,762	546	118	664	6,487
2017	2,484	398	140	538	15,696
2018	2,967	640	(764)	(124)	27,919
2019	6,222	1,554	183	1,737	59,244
2020	8,817	2,410	850	3,260	98,227
2021	640	200	1,147	1,347	16,531
Subtotal	23,510	6,021	1,685	7,706	225,494
Total Europe	172,996	74,864	14,126	88,990	1,761,308
Total PRA Group	\$ 555,887	\$ 231,672	\$ 50,136	\$ 281,808	\$ 3,372,666

(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 March 31, 2021 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 March 31, 2021

Amounts in millions

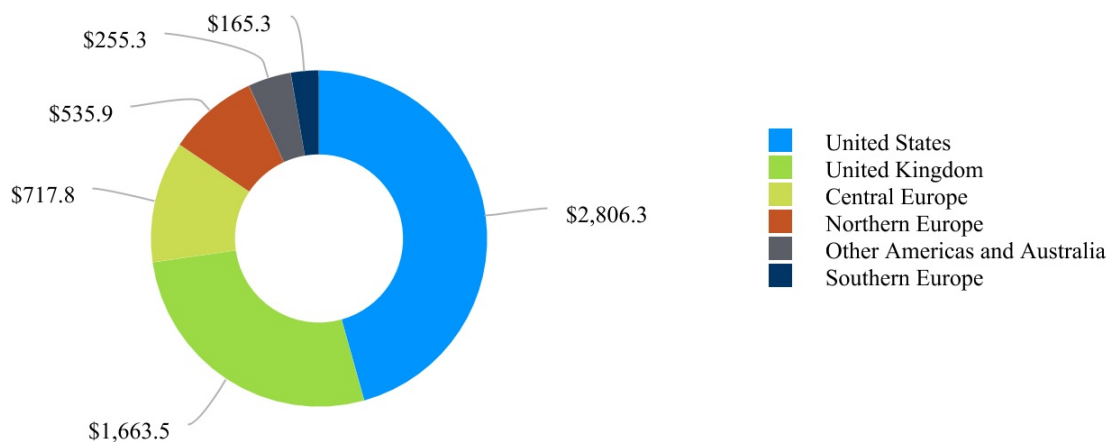
Purchase Period	Purchase Price (2)(5)	Cash Collections													Total
		1996-2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		
Americas and Australia Core															
1996-2010	\$ 1,078.2	\$ 1,990.5	\$ 367.1	\$ 311.5	\$ 228.4	\$ 157.7	\$ 109.3	\$ 70.2	\$ 46.0	\$ 34.4	\$ 28.4	\$ 18.8	\$ 3.7	\$ 3,366.0	
2011	209.6	—	62.0	174.5	152.9	108.5	73.8	48.7	32.0	21.6	16.6	10.9	2.3	703.8	
2012	254.1	—	—	56.9	173.6	146.2	97.3	60.0	40.0	27.8	17.9	11.8	2.8	634.3	
2013	390.8	—	—	—	101.6	247.8	194.0	120.8	78.9	56.4	36.9	23.2	5.0	864.6	
2014	404.1	—	—	—	—	92.7	253.4	170.3	114.2	82.2	55.3	31.9	6.9	806.9	
2015	443.1	—	—	—	—	—	117.0	228.4	185.9	126.6	83.6	57.2	12.0	810.7	
2016	455.8	—	—	—	—	—	—	138.7	256.5	194.6	140.6	105.9	24.9	861.2	
2017	532.9	—	—	—	—	—	—	—	107.3	278.7	256.5	192.5	41.7	876.7	
2018	654.0	—	—	—	—	—	—	—	—	122.7	361.9	337.7	75.5	897.8	
2019	581.5	—	—	—	—	—	—	—	—	—	143.8	349.0	88.2	581.0	
2020	435.7	—	—	—	—	—	—	—	—	—	—	133.0	80.2	213.2	
2021	88.8	—	—	—	—	—	—	—	—	—	—	—	4.4	4.4	
Subtotal	5,528.6	1,990.5	429.1	542.9	656.5	752.9	844.8	837.1	860.8	945.0	1,141.5	1,271.9	347.6	10,620.6	
Americas Insolvency															
1996-2010	606.4	390.9	261.2	270.4	231.0	158.9	51.2	8.6	4.6	2.5	1.4	0.8	0.2	1,381.7	
2011	180.4	—	15.2	66.4	82.8	85.8	76.9	36.0	3.7	1.6	0.7	0.5	0.1	369.7	
2012	251.4	—	—	17.4	103.6	94.1	80.1	60.7	29.3	4.3	1.9	0.9	0.2	392.5	
2013	227.8	—	—	—	52.5	82.6	81.7	63.4	47.8	21.9	2.9	1.3	0.2	354.3	
2014	148.4	—	—	—	—	37.0	50.9	44.3	37.4	28.8	15.8	2.2	0.3	216.7	
2015	63.2	—	—	—	—	—	3.4	17.9	20.1	19.8	16.7	7.9	0.4	86.2	
2016	91.4	—	—	—	—	—	—	18.9	30.4	25.0	19.9	14.4	2.7	111.3	
2017	275.3	—	—	—	—	—	—	—	49.1	97.3	80.9	58.8	11.8	297.9	
2018	97.9	—	—	—	—	—	—	—	—	6.7	27.4	30.5	7.8	72.4	
2019	123.1	—	—	—	—	—	—	—	—	—	13.3	31.4	8.6	53.3	
2020	62.1	—	—	—	—	—	—	—	—	—	—	6.6	3.0	9.6	
2021	9.5	—	—	—	—	—	—	—	—	—	—	—	—	—	
Subtotal	2,136.9	390.9	276.4	354.2	469.9	458.4	344.2	249.8	222.4	207.9	180.9	155.3	35.3	3,345.6	
Total Americas and Australia	7,665.5	2,381.4	705.5	897.1	1,126.4	1,211.3	1,189.0	1,086.9	1,083.2	1,152.9	1,322.4	1,427.2	382.9	13,966.2	
Europe Core															
2012	20.4	—	—	11.6	9.0	5.6	3.2	2.2	2.0	2.0	1.5	1.2	0.3	38.6	
2013	20.3	—	—	—	7.1	8.5	2.3	1.3	1.2	1.3	0.9	0.7	0.2	23.5	
2014	773.8	—	—	—	—	153.2	292.0	246.4	220.8	206.3	172.9	149.8	37.8	1,479.2	
2015	411.3	—	—	—	—	—	45.8	100.3	86.2	80.9	66.1	54.3	13.4	447.0	
2016	333.1	—	—	—	—	—	—	40.4	78.9	72.6	58.0	48.3	12.0	310.2	
2017	252.2	—	—	—	—	—	—	—	17.9	56.0	44.1	36.1	9.6	163.7	
2018	341.8	—	—	—	—	—	—	—	—	24.3	88.7	71.2	18.4	202.6	
2019	518.6	—	—	—	—	—	—	—	—	—	47.9	125.7	32.0	205.6	
2020	324.1	—	—	—	—	—	—	—	—	—	—	32.4	24.4	56.8	
2021	43.6	—	—	—	—	—	—	—	—	—	—	—	1.4	1.4	
Subtotal	3,039.2	—	—	11.6	16.1	167.3	343.3	390.6	407.0	443.4	480.1	519.7	149.5	2,928.6	
Europe Insolvency															
2014	10.9	—	—	—	—	—	4.3	3.9	3.2	2.6	1.5	0.8	0.1	16.4	
2015	19.0	—	—	—	—	—	3.0	4.4	5.0	4.8	3.9	2.9	0.5	24.5	
2016	39.3	—	—	—	—	—	—	6.2	12.7	12.9	10.7	7.9	1.8	52.2	
2017	39.2	—	—	—	—	—	—	—	1.2	7.9	9.2	9.8	2.5	30.6	
2018	44.9	—	—	—	—	—	—	—	—	0.6	8.4	10.3	3.0	22.3	
2019	77.2	—	—	—	—	—	—	—	—	—	5.1	21.1	6.2	32.4	
2020	105.4	—	—	—	—	—	—	—	—	—	—	6.1	8.8	14.9	
2021	16.7	—	—	—	—	—	—	—	—	—	—	—	0.6	0.6	
Subtotal	352.6	—	—	—	—	—	7.3	14.5	22.1	28.8	38.8	58.9	23.5	193.9	
Total Europe	3,391.8	—	—	11.6	16.1	167.3	350.6	405.1	429.1	472.2	518.9	578.6	173.0	3,122.5	
Total PRA Group	\$ 11,057.3	\$ 2,381.4	\$ 705.5	\$ 908.7	\$ 1,142.5	\$ 1,378.6	\$ 1,539.6	\$ 1,492.0	\$ 1,512.3	\$ 1,625.1	\$ 1,841.3	\$ 2,005.8	\$ 555.9	\$ 17,088.7	

- (1) For our non-U.S. amounts, cash collections are presented using the average exchange rates during the cash collection period.
- (2) Includes the finance receivables portfolios that were acquired through our business acquisitions.
- (3) For our non-U.S. amounts, purchase price is presented at the exchange rate at the end of the year in which the portfolio 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

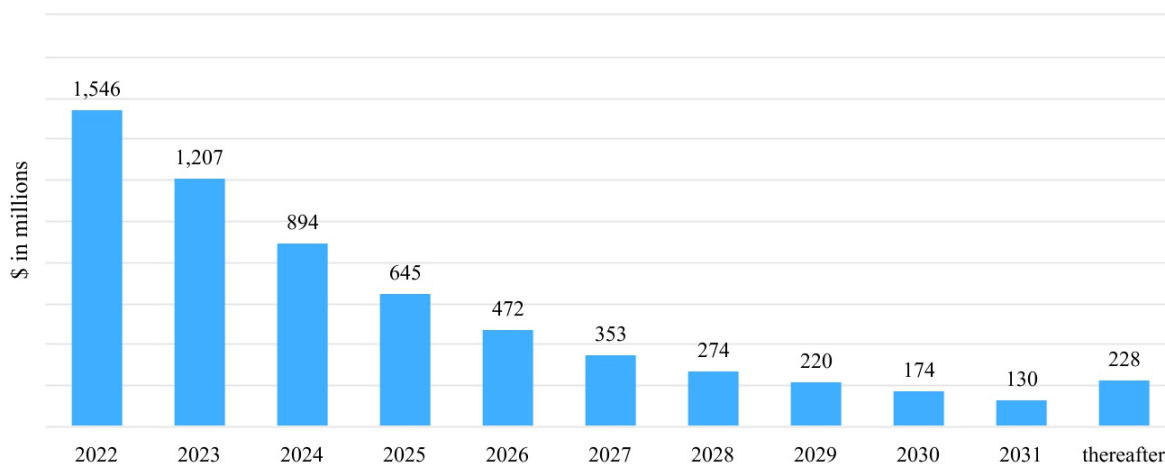
The following chart shows our ERC of \$6,144.1 million at March 31, 2021 by geographical region (amounts in millions).

ERC by Geographical Region



The following chart shows our ERC by year for the 12 month periods ending March 31 in each of the years represented below. The forecast amounts reflect our estimate at March 31, 2021 of how much we expect to collect on our portfolios. These estimates are translated to U.S. dollar at the March 31, 2021 exchange rate (amounts in millions).

ERC by Year



Seasonality

Although 2020 deviated from usual seasonal patterns due to the impact of COVID-19, typically 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 (amounts in thousands).

	Cash Collections by Geography and Type							
	2021		2020				2019	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Americas and Australia Core	\$ 347,638	\$ 286,524	\$ 336,322	\$ 343,269	\$ 305,780	\$ 276,639	\$ 279,902	\$ 294,243
Americas Insolvency	35,253	36,048	37,344	38,685	43,210	40,801	45,759	49,770
Europe Core	149,486	141,471	131,702	115,145	131,340	126,649	118,917	117,635
Europe Insolvency	23,510	17,830	13,971	12,841	14,243	12,520	8,639	8,626
Total Cash Collections	\$ 555,887	\$ 481,873	\$ 519,339	\$ 509,940	\$ 494,573	\$ 456,609	\$ 453,217	\$ 470,274

The following table provides additional details on the composition of our Core cash collections for the periods indicated (amounts in thousands).

	Cash Collections by Source - Core Portfolios Only							
	2021		2020				2019	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Call Center and Other Collections	\$ 355,043	\$ 296,865	\$ 325,898	\$ 319,236	\$ 288,596	\$ 262,570	\$ 254,798	\$ 264,478
External Legal Collections	65,613	58,481	68,861	70,310	75,699	70,867	75,082	75,624
Internal Legal Collections	76,468	72,649	73,265	68,868	72,825	69,851	68,939	71,776
Total Core Cash Collections	\$ 497,124	\$ 427,995	\$ 468,024	\$ 458,414	\$ 437,120	\$ 403,288	\$ 398,819	\$ 411,878

Collections Productivity (U.S. Portfolio)

The following tables displays a collections productivity measure for our U.S. Portfolios for the periods indicated.

	Cash Collections per Collector Hour Paid U.S. Portfolio									
	Call center and other cash collections ⁽¹⁾									
	2021		2020		2019		2018		2017	
First Quarter	\$	279	\$	172	\$	139	\$	121	\$	161
Second Quarter		—		263		139		101		129
Third Quarter		—		246		124		107		125
Fourth Quarter		—		204		128		104		112

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

Cash Efficiency Ratio

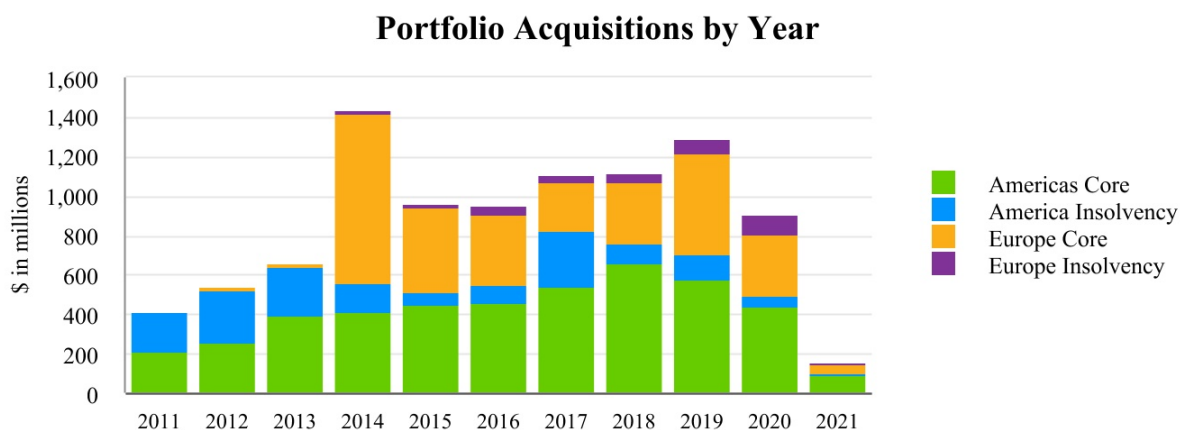
The following table displays our cash efficiency for the periods indicated.

	Cash Efficiency Ratio ⁽¹⁾		
	2021	2020	2019
First Quarter	68.0%	61.5%	59.2%
Second Quarter	—	68.7	60.4
Third Quarter	—	65.6	60.2
Fourth Quarter	—	61.9	59.7
Full Year	—	64.5	59.9

(1) Calculated by dividing cash receipts less operating expenses by cash receipts.

Portfolio Acquisitions

The following graph shows the purchase price of our portfolios by year since 2011. It includes the acquisition date finance receivable portfolios that were acquired through our business acquisitions. The 2021 totals represent portfolio acquisitions through the three months ended March 31, 2021 while the prior year totals are for the full year.



The following table displays our quarterly portfolio acquisitions for the periods indicated (amounts in thousands).

	Portfolio Acquisitions by Geography and Type								
	2021		2020				2019		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Americas and Australia Core	\$ 88,912	\$ 67,460	\$ 84,139	\$ 110,474	\$ 172,697	\$ 118,153	\$ 168,185	\$ 121,996	
Americas Insolvency	9,486	12,504	14,328	14,527	20,772	22,650	26,311	26,092	
Europe Core	44,095	137,647	74,930	34,247	60,990	218,919	64,728	136,344	
Europe Insolvency	16,468	72,171	4,203	5,251	18,778	42,613	19,772	4,715	
Total Portfolio Acquisitions	\$ 158,961	\$ 289,782	\$ 177,600	\$ 164,499	\$ 273,237	\$ 402,335	\$ 278,996	\$ 289,147	

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 57 million customer accounts in the U.S (amounts in thousands).

	U.S. Portfolio Acquisitions by Major Asset Type									
	2021		2020							
	Q1		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Major Credit Cards	\$ 28,230	31.1 %	\$ 22,500	28.9 %	\$ 23,322	25.7 %	\$ 50,270	40.9 %	\$ 71,225	38.3 %
Private Label Credit Cards	50,180	55.4	48,335	62.1	60,331	66.5	69,651	56.7	104,300	56.0
Consumer Finance	11,861	13.1	5,978	7.6	6,333	7.0	2,430	2.0	2,109	1.1
Auto Related	381	0.4	1,081	1.4	680	0.8	460	0.4	8,510	4.6
Total	\$ 90,652	100.0 %	\$ 77,894	100.0 %	\$ 90,666	100.0 %	\$ 122,811	100.0 %	\$ 186,144	100.0 %

U.S. Portfolio Acquisitions by Delinquency Category

	2021				2020					
	Q1		Q4		Q3		Q2		Q1	
Fresh ⁽¹⁾	\$ 21,502	26.4 %	\$ 21,985	33.6 %	\$ 25,236	33.1 %	\$ 28,847	26.6 %	\$ 51,126	30.9 %
Primary ⁽²⁾	1,360	1.7	1,002	1.5	5,187	6.8	9,887	9.1	18,152	11.0
Secondary ⁽³⁾	50,546	62.1	41,164	63.0	44,534	58.3	67,609	62.5	92,855	56.1
Other ⁽⁴⁾	8,050	9.8	1,239	1.9	1,381	1.8	1,941	1.8	3,239	2.0
Total Core	81,458	100.0 %	65,390	100.0 %	76,338	100.0 %	108,284	100.0 %	165,372	100.0 %
Insolvency	9,194		12,504		14,328		14,527		20,772	
Total	\$ 90,652		\$ 77,894		\$ 90,666		\$ 122,811		\$ 186,144	

(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 accounts are typically more than 660 days past due and charged-off and have been placed with two 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 three or more contingent fee servicers.

Non-GAAP Financial Measures

We report financial results in accordance with U.S. generally accepted accounting principles ("GAAP"). However, management uses certain non-GAAP financial measures including adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), to evaluate our operating and financial performance as well as to set performance goals. We present Adjusted EBITDA because we consider it an important supplemental measure of operations and financial performance. Management believes Adjusted EBITDA helps provide enhanced period-to-period comparability of operations and financial performance, as it excludes certain items whose fluctuations from period to period do not necessarily correspond to changes in the operations of our business, and is useful to investors as other companies in the industry report similar financial measures. Adjusted EBITDA should not be considered as an alternative to net income determined in accordance with GAAP. In addition, our calculation of Adjusted EBITDA may not be comparable to the calculation of similarly titled measures presented by other companies.

Adjusted EBITDA is calculated starting with our GAAP financial measure, net income attributable to PRA Group, Inc. and is adjusted for:

- income tax expense (or less income tax benefit);
- foreign exchange loss (or less foreign exchange gain);
- interest expense, net (or less interest income, net);
- other expense (or less other income);
- depreciation and amortization;
- net income attributable to noncontrolling interests; and
- recoveries applied to negative allowance less changes in expected recoveries.

The following table is a reconciliation of net income, as reported in accordance with GAAP, to Adjusted EBITDA for the last 12 months ("LTM") as of March 31, 2021 and for the year ended December 31, 2020 (amounts in thousands):

Reconciliation of Non-GAAP Financial Measures

	LTM March 31, 2021	For the Year Ended December 31, 2020
Net income attributable to PRA Group, Inc.	\$ 188,610	\$ 149,339
Adjustments:		
Income tax expense	55,425	41,203
Foreign exchange losses/(gains)	304	(2,005)
Interest expense, net	136,053	141,712
Other expense ⁽¹⁾	947	1,049
Depreciation and amortization	18,362	18,465
Adjustment for net income attributable to noncontrolling interests	18,576	18,403
Recoveries applied to negative allowance less Changes in expected recoveries	997,313	968,362
Adjusted EBITDA	<u>\$ 1,415,590</u>	<u>\$ 1,336,528</u>

(1) Other expense reflects non-operating expenses.

Additionally, we evaluate our business using certain ratios that use Adjusted EBITDA. Debt to Adjusted EBITDA is calculated by dividing borrowings by Adjusted EBITDA. The following table reflects our Debt to Adjusted EBITDA for the LTM as of March 31, 2021 and for the year ended December 31, 2020 (amounts in thousands):

Debt to Adjusted EBITDA

	LTM March 31, 2021	For the Year Ended December 31, 2020
Borrowings	\$ 2,501,133	\$ 2,661,289
Adjusted EBITDA	\$ 1,415,590	\$ 1,336,528
Debt to Adjusted EBITDA	1.77 x	1.99 x

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 March 31, 2021, cash and cash equivalents totaled \$92.8 million. Of the cash and cash equivalent balance as of March 31, 2021, \$62.2 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 March 31, 2021, 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 ⁽²⁾	\$ 376,392	\$ 703,995	\$ 254,772
European revolving credit	1,023,039	366,961	236,961
Term loan	467,500	—	—
Senior Notes	300,000	—	—
Convertible Notes	345,000	—	—
Less: Debt discounts and issuance costs	(10,798)	—	—
Total	\$ 2,501,133	\$ 1,070,956	\$ 491,733

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

(2) Includes North American revolver and Colombian revolver.

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 \$137.4 million as of March 31, 2021). Interest-bearing deposits as of March 31, 2021 were \$125.0 million.

We determined that we were in compliance with the covenants of our financing arrangements as of March 31, 2021.

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 purchase commitments. As of March 31, 2021, we have forward flow commitments in place for the purchase of nonperforming loans with a maximum purchase price of \$640.7 million, of which \$621.2 million is due within the next 12 months. The \$640.7 million is comprised of \$452.7 million for the Americas and Australia and \$188.0 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.

Additionally, of our \$2.5 billion borrowings at March 31, 2021, estimated interest, unused fees and principal payments for the next 12 months are approximately \$106.7 million, of which, \$11.0 million relates to principal. Our principal payment obligations related to debt maturities occur within three to five years as our European credit facility expires in February 2023, our convertible notes mature in June 2023, our North American credit facility expires in May 2024 and our senior notes mature in September 2025.

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, 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 we deem appropriate, market permitting. Business acquisitions or higher than expected levels of portfolio purchasing could require additional financing from other sources.

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

Cash Flows Analysis

The following table summarizes our cash flow activity for the three months ended March 31, 2021 compared to the three months ended March 31, 2020 (amounts in thousands):

	Three Months Ended March 31,		
	2021	2020	Change
Total cash provided by (used in):			
Operating activities	\$ 20,208	\$ 46,806	\$ (26,598)
Investing activities	166,982	(42,180)	209,162
Financing activities	(192,955)	72,142	(265,097)
Effect of exchange rate on cash	(6,427)	(16,575)	10,148
Net (decrease)/increase in cash and cash equivalents	\$ (12,192)	\$ 60,193	\$ (72,385)

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 decreased \$26.6 million during the three months ended March 31, 2021, mainly driven by lower cash collections recognized as revenue and other various offsetting noncash items.

Investing Activities

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

Net cash provided by investing activities increased \$209.2 million during the three months ended March 31, 2021 primarily driven by a \$112.5 million decrease in purchases of nonperforming loans and a \$91.9 million increase in recoveries applied to our negative allowance.

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.

Changes in net cash flow related to financing activities was driven primarily by a \$269.7 million decrease 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 \$62.2 million and \$97.0 million as of March 31, 2021 and December 31, 2020, 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 2020 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 326. 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 Goodwill

In accordance with ASC Topic 350, "Intangibles-Goodwill and Other" ("ASC 350"), we evaluate Goodwill for impairment annually and more frequently if indicators of potential impairment exist. Goodwill is reviewed for potential impairment at the reporting unit level.

Goodwill is evaluated for impairment either under the qualitative assessment option or using a quantitative forecast approach depending on facts and circumstances of a reporting unit, including the excess of fair value over carrying amount in the last valuation, changes in the business environment and changes of the reporting unit or its composition. If upon evaluation of the qualitative factors, we determine it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, there is no impairment loss to record and a quantitative assessment is not required. If the carrying amount exceeds the reporting unit's fair value, then we are required to determine the reporting unit's fair value and record as an impairment loss the amount the carrying value exceeds fair value, not to exceed the total amount of goodwill allocated to the respective reporting unit.

We determine the fair value of a reporting unit by applying the approaches prescribed under ASC Topic 820 "Fair Value Measurements and Disclosures": 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 income taxes throughout the U.S. and in numerous 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 make judgments about the application of these inherently complex laws.

We follow the guidance of 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. The provision for income taxes is estimated using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities, and for operating losses and tax credit carry-forwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled.

We exercise significant judgment in estimating the potential exposure to unresolved tax matters and apply a more-likely-than-not criteria approach for recording tax benefits related to uncertain tax positions in the application of the complex tax laws. While actual results could vary, we believe we have adequate tax accruals with respect to the ultimate outcome of such unresolved tax matters. We record interest and penalties related to unresolved tax matters as a component of income tax expense when the more-likely-than-not standards are met.

In the event that all or part of the deferred tax assets are determined not to be realizable in the future, we would establish a valuation allowance and charge to earnings the impact in the period such a 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. 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 March 31, 2021. Based on our debt structure at March 31, 2021, assuming a 50 basis point decrease in interest rates, for example, interest expense over the following 12 months would decrease by an estimated \$1.8 million. Assuming a 50 basis point increase in interest rates, interest expense over the following 12 months would increase by an estimated \$3.7 million.

To reduce the exposure to changes in the market rate of interest and to be in compliance with the terms of our European credit facility, we have entered into interest rate 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 March 31, 2021. 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 and a 75 basis point floor on revolving loans in our North American credit facility.

Currency Exchange Risk

We operate internationally and enter into transactions denominated in various foreign currencies. During the three months ended March 31, 2021, we generated \$111.3 million of revenues from operations outside the U.S. and used 12 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 March 31, 2021, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting. There was no change in our internal control over financial reporting that occurred during the quarter ended March 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

For information regarding legal proceedings as of March 31, 2021, 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 2020 Form 10-K.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

3.1	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 filed June 17, 2020 (File No. 000-50058)).
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 filed June 17, 2020 (File No. 000-50058)).
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 filed October 15, 2002 (Registration No. 333-99225)).
4.2	Form of Warrant (Incorporated by reference to Exhibit 4.2 of Amendment No. 2 to the Registration Statement on Form S-1 filed October 30, 2002 (Registration No. 333-99225)).
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 filed May 26, 2017 (File No. 000-50058)).
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 filed September 1, 2020 (File No. 000-50058)).
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 4.3 of the Annual Report on Form 10-K filed February 26, 2021 (File No. 000-50058)).
10.1	Form of Performance Stock Unit Agreement (filed herein).
10.2	Seventh Amendment and Restatement Agreement to the Multicurrency Revolving Credit Facility Agreement, dated as of March 12, 2021 by and among PRA Group Europe Holding S.à.r.l., PRA Group Europe Holding S.à.r.l., Luxembourg, Zug Branch and DNB Bank ASA (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)

May 6, 2021

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

May 6, 2021

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

PRA GROUP, INC.**PERFORMANCE STOCK UNIT AGREEMENT**

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

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

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

Grantee Name %%FIRST_NAME_MIDDLE_NAME_LAST_NAME%-%
 Grantee Id %%EMPLOYEE_IDENTIFIER%-%
 Target Number of Units Granted %%TOTAL_SHARES_GRANTED,'999,999,999'%-%
 Grant Date %%OPTION_DATE,'MONTH DD, YYYY'%-%

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

PRA GROUP, INC.



By: Executive Vice President, General Counsel By: President and Chief Executive Officer

1. Performance-based LTI Awards - PSUs

A. Performance Categories

(a) The number and extent to which any PSUs granted herein may be delivered to the Grantee pursuant to this Agreement shall be based upon the extent to which any or all of the performance categories (the "Performance Categories") below are met. The total number of target PSUs granted herein and eligible for vesting shall be divided equally among the following three Performance Categories:

- (i) **Performance Category 1: 2021-2023 Revenue**. 1/3rd of the PSUs will be based on the extent to which the Company achieves a three-year Revenue target, which shall be calculated for the period beginning on January 1, 2021 and ending on December 31, 2023 (the “Performance Period”).
- (ii) **Performance Category 1: 2021-2023 Adjusted EBITDA**. 1/3rd of the PSUs will be based on the extent to which the Company achieves a three-year Adjusted EBITDA target, which shall be calculated for the Performance Period.
- (iii) **Performance Category 3: 2021-2023 Net Income**. 1/3rd of the PSUs will be based on the extent to which the Company achieves a three-year Net Income target, which shall be calculated for the Performance Period.
- (b) The percentage of PSUs which shall become vested at the end of the Performance Period shall be as set forth in the tables in Section B below.
- (c) At the end of the Performance Period, the Committee shall certify the Company’s performance and determine the extent to which any PSUs have been earned, if at all.
- (d) If, at the end of the Performance Period, stated performance targets have been met, except as otherwise provided herein, including in Section 21, the Grantee shall be entitled to receive fully paid Shares equal to the applicable percentage of the PSUs as determined in accordance with Section B below, and such Shares shall be delivered to the Grantee as soon as administratively feasible after the Committee certifies the actual performance of the Company during the Performance Period and the extent to which the Company’s performance objectives have been met (and in all events within two and one half (2 1/2) months after the end of the Performance Period or after such earlier vesting date as may be provided under this Agreement). Such determination shall be final and binding upon the Grantee.
- (e) Except as provided in Section 2, 3 and 4 below, vesting of the PSUs is contingent on the Grantee providing continuous service to the Company or any Subsidiary or affiliate of the Company as an Employee or on the Board Directors of the Company (a “Business Relationship”) through the end of the Performance Period. Therefore, except as provided in Sections 2, 3 and 4 below, if prior to the end of the Performance Period, the Grantee ceases to be in a Business Relationship, including, without limitation, that the Grantee: (i) ceases active employment by, and service to, the Company or any Subsidiary or affiliate of the Company (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee’s employment or service contract, if any), or (ii) gives or receives notice of the termination of the Grantee’s employment and service for any reason and either (A) is placed on garden leave pursuant to the Grantee’s contract of employment (if applicable) or, (B) ceases to perform his or her duties and responsibilities during the Grantee’s notice period in accordance with the Grantee’s contract of employment prior to the applicable vesting date, all rights of the Grantee hereunder shall thereupon terminate, no PSUs granted hereunder shall be determined to have been earned, the unvested PSUs shall be immediately and automatically forfeited and neither the Grantee, nor any successors, heirs, assigns or legal representatives of the Grantee, shall thereafter have any further rights or interest in any unvested PSUs. The vesting and settlement of the PSUs shall not be affected by any change in the type of Business Relationship the Grantee has with or among the Company or any Subsidiary or affiliate so long as the Grantee continuously maintains a Business Relationship.
- (f) The Committee shall have the exclusive discretion to determine whether the Grantee’s service has been interrupted in the case of any leave of absence approved by the Company, Subsidiary or affiliate of the Company, including sick leave, military leave or any other personal leave. Nothing contained herein shall be construed to confer on the Grantee any right to be retained in the employ or service of the Company or any Subsidiary or affiliate of the Company or to derogate from any right of the Company or any Subsidiary or affiliate thereof to terminate the Grantee’s employment or service, free from any liability, or any claim under this Agreement, unless otherwise expressly provided in this Agreement.

B. Determining the Number of PSUs Earned

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

(a) **Performance Category 1: 2021-2023 Revenue.** One-third of the Grantee’s PSUs will be determined as of December 31, 2023, based upon achievement of a three-year Revenue goal, calculated as described in Annex A, during the Performance Period in accordance with the table below. To the extent that actual Revenue falls between any two of the values indicated in the table below, the number of PSUs earned and vested will be determined by the Committee based on an interpolation between the applicable ranges in the table below. Any earned PSUs shall be settled in Shares of common stock of the Company at the time set forth in Section 1.A(d) above.

2021-2023 Revenue

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

(b) **Performance Category 2: 2021-2023 Adjusted EBITDA.** One-third of the Grantee’s PSUs will be determined as of December 31, 2023, based upon achievement of a three-year Adjusted EBITDA goal, calculated as described in Annex A, during the Performance Period in accordance with the table below. To the extent that actual Adjusted EBITDA falls between any two of the values indicated in the table below, the number of PSUs earned and vested will be determined by the Committee based on an interpolation between the applicable ranges in the table below. Any earned PSUs shall be settled in Shares of common stock of the Company at the time set forth in Section 1.A(d) above.

2021-2023 Adjusted EBITDA

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

(c) **Performance Category 3: 2021-2023 Net Income.** One-third of the Grantee’s PSUs will be determined as of December 31, 2023, based upon achievement of a three-year Net Income goal, calculated as described in Annex A, during the Performance Period in accordance with the table below. To the extent that actual Net Income falls between any two of the values indicated in the table below, the number of PSUs earned and vested will be determined by the Committee based on an interpolation between the applicable ranges in the table below. Any earned PSUs shall be settled in Shares of common stock of the Company at the time set forth in Section 1.A(d) above.

2021-2023 Net Income

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

(d) **APPLICATION OF TSR CAP.** IF THE COMPANY’S TOTAL SHAREHOLDER RETURN (“TSR”) FOR THE PERFORMANCE PERIOD IS NEGATIVE, THEN THE AVERAGE PERCENTAGE OF THE TARGET PSUS EARNED UNDER PARAGRAPHS (A) - (C) ABOVE SHALL NOT EXCEED 100% (THE “TSR CAP”); HOWEVER, THE TSR CAP SHALL NOT APPLY IF A CHANGE OF

CONTROL OCCURS PRIOR TO THE COMPLETION OF THE PERFORMANCE PERIOD. THE BEGINNING AND ENDING SHARE PRICE FOR PURPOSES OF THE TSR CALCULATION WILL BE BASED ON AN ANNUAL AVERAGING PERIOD TO MITIGATE THE EFFECT OF SHARE PRICE VOLATILITY; ACCORDINGLY, THE BEGINNING SHARE PRICE WILL BE THE AVERAGE CLOSING PRICE FOR ALL THE TRADING DAYS IN 2020 AND THE ENDING SHARE PRICE WILL BE THE AVERAGE CLOSING PRICE FOR ALL THE TRADING DAYS IN 2023. THE TSR CALCULATION WILL ASSUME REINVESTMENT OF DIVIDENDS AS OF THE EX DIVIDEND DATE.

2. Death or Disability

(a) In the event of the termination of the Grantee's Business Relationship due to death or Disability (as defined below) while employed by, or providing service to, the Company or any of its Subsidiaries or affiliates, the target number of PSUs shall become immediately and fully vested.

(b) For purposes of this Agreement, "Disability" means that the Grantee is unable to render the services or perform the duties of Grantee's employment by reason of illness, injury or incapacity (whether physical, mental, emotional or psychological) for a period of either (i) 90 consecutive days or (ii) a total of 180 days, whether or not consecutive, within the preceding 365-day period.

3. Retirement

(a) In the event of the Grantee's termination of (i) employment due to Retirement (as defined below) or (ii) service on the Board of Directors of the Company, if applicable, and in each case provided that the Grantee does not then continue in a Business Relationship, the PSUs shall remain outstanding and capable of vesting in the normal course subject to actual performance, provided that the PSUs shall be prorated based on a fraction, the numerator of which is the number of full months during the Performance Period which the Grantee was employed by the Company or any of its Subsidiaries or affiliates and/or served on the Board (without duplicative counting of any days during which the Grantee was both employed by the Company or any of its Subsidiaries or affiliates and serving on the Board) and the denominator of which is 36.

(b) For purposes of this Agreement, "Retirement" means the Grantee's voluntary termination of employment with the Company and its Subsidiaries or affiliates (without "Cause") on or after his or her 55th birthday with at least ten years of service with the Company and its Subsidiaries or affiliates.

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

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

4. Effect of a Change in Control

(a) **CIC During First Year of Performance Period:** In the event of a Change in Control (and subject to the Grantee's being in a Business Relationship as of the date of the Change in Control) during the first year of the Performance Period, the target number of PSUs will automatically convert into, and represent the right to receive, an equivalent number of time-based Restricted Stock Units ("Assumed PSUs") which will continue to vest in accordance with Section 1 but without regard to achievement of any Performance Categories.

(b) **CIC After First Year of Performance Period:** In the event of a Change in Control (and subject to the Grantee's being in a Business Relationship as of the date of the Change in Control) after the first year of the Performance Period, the number of PSUs deemed earned based on actual performance vs. target as of the

most recent year end for Adjusted EBITDA, Revenue and Net Income, will automatically convert into, and represent the right to receive, an equivalent number of time-based Restricted Stock Units (“Assumed PSUs”) which will continue to vest in accordance with Section 1 but without regard to achievement of any Performance Categories.

© **Accelerated Vesting if Awards not Assumed:** In the event of a Change in Control (and subject to the Grantee’s being in a Business Relationship as of the date of the Change in Control), if the successor company does not equitably assume, continue or substitute the outstanding LTI Awards in connection with a Change in Control, such LTI Awards shall become fully vested (for the avoidance of doubt, in the case of PSUs based on clauses (a) or (b) above) as of the date of the Change in Control and the Grantee shall be eligible to receive (at the same time and in the same form) the equivalent per share consideration offered to common shareholders generally.

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

5. Non-assignability

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

6. Responsibility for Taxes

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

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

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

commit to and are under no obligation to structure the terms of the LTI Award or any aspect of the PSUs to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. Further, if the Grantee becomes subject to Tax-Related Items in more than one jurisdiction, the Grantee acknowledges that the Company and/or any Subsidiary or affiliate may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

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

In the event that such withholding in Shares is not feasible under applicable tax or securities law or has materially adverse accounting consequences, the Grantee authorizes the Company and/or any Subsidiary or affiliate to satisfy the aggregate withholding obligation for Tax-Related Items as the Company determines to be appropriate by (i) selling, on the Grantee's behalf, a whole number of shares from those Shares issued to the Grantee, (ii) cash payment, (iii) withholding from the Grantee's wages or other cash compensation paid to the Grantee, or (iv) such other means as the Committee deems appropriate.

(c) Depending on the withholding method, the Company or the Subsidiary or affiliate may withhold or account for Tax-Related Items by considering statutory withholding rates or other applicable withholding rates, including minimum or maximum rates applicable in the Grantee's jurisdiction, in which case the Grantee may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Shares. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Grantee is deemed to have been issued the full number of Shares subject to the vested PSUs, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Tax-Related Items.

(d) Finally, the Grantee shall pay to the Company or any Subsidiary or affiliate any amount of Tax-Related Items that the Company or any Subsidiary or affiliate may be required to withhold as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of the Shares, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items as described in this Section 6. The Grantee shall have no further rights with respect to any Shares that are retained by the Company or sold by the Company or its designated broker pursuant to this Section 6, and under no circumstances will the Company be required to issue any fractional Shares.

7. Nature of Grant

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

(a) the Plan is established voluntarily by the Company, is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) all decisions with respect to future LTI Award grants, if any, will be at the sole discretion of the Company;

(c) the grant of the LTI Award and the Grantee's participation in the Plan shall not create a right to continued employment or service or be interpreted as forming an employment or services contract with the Company or any Subsidiary or affiliate and shall not interfere with the ability of the Company or any Subsidiary or affiliate to terminate the Grantee's employment relationship at any time;

(d) the Grantee's participation in the Plan is voluntary;

(e) the LTI Award and the Shares subject to the LTI Award, and the income and value of the same, are not intended to replace any pension rights or compensation;

(f) the LTI Award and the Shares subject to the LTI Award, and the income and value of the same, are extraordinary items outside the scope of the Grantee's employment or services contract, if any, and are not part of normal or expected compensation or salary of any kind for services of any kind rendered to the Company, any Subsidiary or any affiliate or for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(g) the future value of the underlying Shares is unknown, indeterminable, and cannot be predicted with certainty;

(h) unless otherwise agreed with the Company, the LTI Award and the Shares subject to the LTI Award, and the income and value of same, are not granted as consideration for, or in connection with, the service the Grantee may provide as a director of the Company or any Subsidiary or affiliate;

(i) no claim or entitlement to compensation or damages shall arise from forfeiture of the LTI Award resulting from termination of the Grantee's termination of employment by the Company or any Subsidiary or affiliate (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment or services contract, if any);

(j) the PSUs and the benefits under the Plan, if any, will not necessarily transfer to another company in the case of a merger, takeover or transfer of liability;

(k) the Grantee acknowledges and agrees that neither the Company nor any Subsidiary or affiliate shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency (if not the United States Dollar) and the United States Dollar that may affect the value of the LTI Award or of any amounts due to the Grantee pursuant to the settlement of the LTI Award or the subsequent sale of any Shares acquired upon settlement.

8. No Advice Regarding Grant

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

9. Data Privacy

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

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

Stock Plan Administration, Data Transfer, Retention and Data Subject Rights. *The Grantee understands that Personal Data will be transferred to E*TRADE Financial Corporate Services, Inc. and/or its*

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

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

(a) **Confidentiality.** Grantee covenants and agrees that Grantee will not at any time use, disclose or make accessible or available to any other person, firm, partnership, corporation or any other entity any Confidential Information (as defined below) pertaining to the business of the Company or any of its Subsidiaries or affiliates, except (i) while employed by the Company or any of its Subsidiaries or affiliates, in the business of and for the benefit of the Company or any of its Subsidiaries or affiliates, or (ii) when required to do so by a subpoena, by any court of competent jurisdiction, by any governmental agency having supervisory authority over the business of the Company or any of its Subsidiaries or affiliates, or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order the Company or any of its Subsidiaries or affiliates to divulge, disclose or make accessible such information. For purposes of this agreement, “**Confidential Information**” shall mean non-public information concerning the Company’s or any of its Subsidiaries’ or affiliates’ financial data, statistical data, strategic business plans, product development (or other proprietary product data), customer and supplier lists, customer and supplier information, information relating to practices, processes, methods, trade secrets, marketing plans and other non-public, proprietary and confidential information of the Company or any of its Subsidiaries or affiliates; provided, however, that Confidential Information shall not include any information which (x) is known generally to the public other than as a result of unauthorized disclosure by Grantee, (y) becomes available to Grantee on a non-confidential basis from a source other than the Company or any of its Subsidiaries or affiliates that lawfully obtained such information or (z) was available to Grantee on a non-confidential basis prior to its disclosure to Grantee by the Company or any of its Subsidiaries or affiliates. In addition to and not in limitation of anything in the foregoing, it is specifically understood and agreed by Grantee that any and all Confidential Information received by Grantee during his/her employment by the Company or any Subsidiary or affiliate is deemed Confidential Information. In the event Grantee’s employment is terminated hereunder for any reason, he/she immediately shall return to the Company or any of its Subsidiaries or affiliates all tangible Confidential Information (including any and all copies thereof) in his/her possession.

(b) **Non-Competition Covenant.** Grantee agrees that during the period of Grantee’s employment with the Company or any of its Subsidiaries and for a period of twelve (12) months after the effective date of

termination of employment (the "Restricted Period"), without the prior written consent of the Company's CEO (or if Grantee is the CEO, without the prior written consent of the Committee), Grantee shall not, except in furtherance of his employment duties, directly or indirectly (whether as a sole proprietor, owner, partner, principal, manager, officer, director, agent, consultant, executive or management employee, or otherwise), engage in, assist or enable any other person to engage in, or directly or indirectly own more than 1% of any class or series of equity securities in, any business activity competitive (directly or indirectly) with the Business (as defined below) (a "Competing Entity") anywhere in the world (the "Territory"), it being understood and agreed that the Company or any of its Subsidiaries or affiliates conducts and will conduct the Business throughout the Territory and that the Business effectively may be engaged in from any location throughout the Territory. As used in this Agreement, the term "**Business**" means the business of the Company and its Subsidiaries or affiliates, including (i) the purchase, collection, and/or management of portfolios of defaulted consumer receivables, (ii) claims filing, administration, or related services pertaining to securities or antitrust class action or similar litigation, (iii) the acquisition of claims or accounts related to securities or antitrust class action or similar litigation, or (iv) the administration, management, auditing or collection of state, federal or municipal taxes or other government accounts receivable. Notwithstanding the foregoing, an entity will not be deemed to be a Competing Entity, and Grantee and other persons assisted by Grantee will not be deemed to be engaged in the Business in violation of the terms of this Section 10(b) if (A) Grantee is employed by an entity that is meaningfully engaged in one or more enterprises whose principal business is other than the Business (the "Non-Competing Businesses"), (B) such entity's relationship with Grantee relates solely to the Non-Competing Businesses, and (C) if requested by the Company or any of its Subsidiaries or affiliates, such entity and Grantee provide the Company or any of its Subsidiaries or affiliates with reasonable assurances that Grantee will have no direct or indirect involvement in the Business on behalf of such entity.

(c) **Non-Solicitation Covenant.** Grantee agrees that during the Restricted Period, without the prior written consent of the Company, Grantee shall not, on his own behalf or on behalf of any person or entity (other than on behalf of the Company or any of its Subsidiaries or affiliates), directly or indirectly, (i) solicit any Customer or Prospective Customer (as defined below) of the Company or any of its affiliates or Subsidiaries for the purpose of providing services or products relating to and competitive with the Business or facilitating the provision of such products or services; or (ii) engage, hire or solicit the employment of, whether on a full-time, part-time, consulting, advising, or any other basis, any employee who was employed by the Company or its affiliates or Subsidiaries on the effective date of Grantee's termination or at any time during the six (6) months preceding such termination date. This provision does not prohibit the solicitation of employees by means of a general advertisement. "Customer", as used in this Agreement, means any client or customer of the Company or any of its Subsidiaries or affiliates with respect to whom, at any time during the two (2) year period preceding the termination of Grantee's employment, Grantee: (i) performed services on behalf of the Company or any of its Subsidiaries or affiliates, or (ii) had substantial contact or acquired or had access to Confidential Information or other substantial information as a result of or in connection with Grantee's employment. "Prospective Customer", as used in this Agreement, means any entity other than a Customer with respect to whom, at any time during the one (1) year period preceding the termination of Grantee's employment, Grantee: (i) submitted or assisted in the submission of a presentation or proposal of any kind on behalf of the Company or any of its Subsidiaries or affiliates, or (ii) had substantial contact or acquired or had access to Confidential Information or other substantial information as a result of or in connection with Grantee's employment.

(d) Grantee agrees that the covenants of confidentiality, non-competition and non-solicitation are reasonable covenants under the circumstances and further agrees that if, in the opinion of any court of competent jurisdiction, any such covenants are not reasonable or are unenforceable in any respect, such court shall have the right, power and authority to excise or modify such provision or provisions of these covenants as appear to the court not reasonable or unenforceable and to enforce the remainder of these covenants as so amended, and to that end the provisions of this Section 10 shall be deemed severable. Grantee agrees that any breach of the covenants contained in this Section 10 will result in immediate and irreparable harm to the Company and its Subsidiaries and affiliates for which full damages cannot readily be calculated and for which damages are an inadequate remedy. Accordingly, Grantee agrees that the Company or any of its Subsidiaries or affiliates, in addition to pursuing any other remedies it may have in law or in equity, may obtain an injunction (without posting a bond or other security) against Grantee from any court having jurisdiction over the matter restraining any breach or threatened breach of this Section 10. If the Grantee breaches this Section 10 all

undelivered PSUs (whether vested or unvested) shall be immediately forfeited and cancelled and the Company may clawback (i) any PSUs delivered to Grantee in the preceding year and (ii) any other PSUs delivered in connection with, or following, Grantee's termination of employment.

(e) To the extent that the restrictive covenants at section (b) and (c) above are covered by any restrictive covenants in the Grantee's contract of employment, for the avoidance of any doubt, the restrictive covenants contained in the Grantee's contract of employment shall prevail.

(f) No particular consideration is payable for the covenants contained in this Section 10. However, if mandatory legislation is in effect or is introduced, pursuant to which consideration is a requirement for the validity and/or enforceability of the covenants in this Section 10, the Grantee shall receive the minimum compensation provided by law. The Company may waive the covenants contained in this Section 10 in whole or in parts, and the Grantee will only be entitled to such mandatory consideration for any period the covenants are invoked.

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

11. Regulatory Requirements

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

(b) The Committee may require as a condition to the right to receive any LTI Awards hereunder that the Company receive from the Grantee representations, warranties and agreements, at the time of any such grant, to the effect that the Shares are being purchased without any present intention to sell or otherwise distribute such Shares in violation of applicable securities laws and that the Shares will not be disposed of in transactions which would violate the Company's policies, including its Insider Trading Policy, or violate registration provisions of the Securities Act of 1933, as then amended, and the rules and regulations promulgated thereunder or other applicable law. If applicable, the certificate issued to evidence such Shares shall bear appropriate legends summarizing such restrictions on the disposition thereof.

(c) All certificates for Shares or other securities of the Company shall be subject to such stop transfer orders and other restrictions as the Company or the Committee may deem advisable under the Company's policies, or the rules, regulations and other restrictions of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any applicable federal or state

securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

12. Language

The Grantee acknowledges that he or she is proficient in the English language or had the opportunity to consult with an advisor who is sufficiently proficient in English, so as to allow the Grantee to understand the provisions in this Agreement and the Plan. Further, if the Grantee has received this Agreement, or any other document related to the Plan or this LTI Award translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

13. Electronic Delivery and Participation

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

14. Governing Law/Venue

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

15. Equitable Adjustments; Rights as Shareholder

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

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

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

16. Interpretation

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

17. Successors and Assigns.

The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Grantee and the Grantee's beneficiaries, executors,

administrators and the person(s) to whom the LTI Award may be transferred by will or the laws of descent or distribution.

18. Severability

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

19. Discretionary Nature

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

20. Amendment

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

21. Section 409A

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

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

22. Repayment Obligation.

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

23. Entire Agreement

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

24. Appendix

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

25. Imposition of Other Requirements

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

26. Insider Trading/Market Abuse Laws

The Grantee acknowledges that, depending on the Grantee's country, the broker's country, or the country in which Shares are listed, the Grantee may be subject to insider trading and/or market abuse laws which may affect the Grantee's ability to accept, acquire, sell or otherwise dispose of Shares, rights to such shares (e.g., the LTI Award) or rights linked to the value of Shares under the Plan during such times as the Grantee is considered to have "material nonpublic information" or "insider information" regarding the Company (as defined by the laws or regulations in the relevant jurisdiction). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Grantee places before the Grantee possessed inside information. Furthermore, the Grantee could be prohibited from (a) disclosing inside information to any third party and (b) "tipping" third parties or causing them otherwise to buy or sell securities. Note that third parties include fellow employees. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company's insider trading policy, and the requirements of applicable laws may or may not be consistent with the terms of the Company's insider trading policy. The Grantee acknowledges that it is his or her responsibility to comply with any applicable restrictions, and that the Grantee should speak to his or her personal advisor on this matter.

27. Foreign Asset/Account Reporting Notification

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

other funds received as a result of participation in the Plan to the Grantee's country through a designated bank or broker within a certain time after receipt. The Grantee acknowledges that it is the Grantee's responsibility to comply with any applicable regulations, and the Grantee should speak to the Grantee's personal advisor on this matter.

28. Waiver

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

ANNEX A

REVENUE CALCULATION

Revenue, as reported in the Company's consolidated financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP").

ADJUSTED EBITDA CALCULATION

EBITDA is defined using GAAP reported Net Operating Income adjusted to add back Depreciation and Amortization.

Adjusted EBITDA is defined as EBITDA adjusted to add back Recoveries applied to negative allowance and remove Changes in expected recoveries. Both of these items are defined using GAAP and are reported as line items in the statement of cash flows.

NET INCOME CALCULATION

Net Income is defined as GAAP Net Income

ADJUSTMENTS

The following adjustments will be made to the performance measures:

- Adjustments to neutralize the impact of actual foreign currency translation rates
 - Adjustments related to business acquisitions or divestitures:
 - o exclusion of one-time transaction costs
 - o exclusion of any gain or loss on the sale of a business
 - o the results for any divested business shall be excluded from the Company's consolidated financial results for the period of time after the divestiture and targets will be modified accordingly
 - o the results for any acquired business shall be included in the Company's consolidated financial results for the period of time after the acquisition and targets will be modified accordingly, using pro-forma numbers
 - Stock buybacks and/or dividends paid on the Company's common stock that were not included as part of the budget that was approved by the Board of Directors for the 2021-2023 performance period
 - Changes in accounting principles and tax laws
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APPENDIX

PRA GROUP, INC.

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

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

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

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

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

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

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

TERMS AND CONDITIONS

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

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

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

contractual obligations under the Plan and relevant award agreement the Grantee and for the Company's legitimate business interests of managing the Plan and generally administering employee LTI Awards.

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

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

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

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

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

AUSTRALIA

TERMS AND CONDITIONS

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

Australian Offer Document. The Company is pleased to provide the Grantee with this offer to participate in the Plan. This offer document sets out information regarding the LTI Award granted under the Plan for Australian resident employees of the Company and its Australian Subsidiaries. This information is provided

by the Company to ensure compliance of the Plan with Australian Securities and Investments Commission (“ASIC”) Class Order 14/1000 and relevant provisions of the Corporations Act 2001.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AUSTRIA

TERMS AND CONDITIONS

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

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

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

NOTIFICATIONS

Foreign Asset/Account Reporting Information. If the Grantee holds Shares acquired under the Plan or cash (including proceeds from the sale of Shares) outside of Austria, the Grantee may be subject to reporting obligations to the Austrian National Bank.

Exchange Control Information. A separate reporting requirement applies if the Grantee sells Shares acquired under the Plan or receives a cash dividend paid on such Shares. In that case, there may be exchange control obligations if the cash proceeds are held outside of Austria. If the transaction volume of all cash accounts abroad meets or exceeds a specific threshold, the movements and balances of all accounts must be reported monthly, as of the last day of the month, on or before the 15th day of the following month, on the prescribed form (Meldungen SI-Forderungen und/oder SI-Verpflichtungen).

BRAZIL

TERMS AND CONDITIONS

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

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

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

NOTIFICATIONS

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

Tax on Financial Transactions. Payments to foreign countries, repatriation of funds into Brazil, and the conversion between BRL and USD associated with such fund transfers, may be subject to the Tax on Financial Transaction. It is the Grantee's personal responsibility to comply with any applicable Tax on

Financial Transaction arising from participation in the Plan. The Grantee should consult with the Grantee's personal tax advisor for additional details.

CANADA

TERMS AND CONDITIONS

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

Termination. The following provision supplements Section 1(e) of the Agreement:

In the event of the termination of the Grantee's Business Relationship with the Company or any Subsidiary or affiliate of the Company, unless otherwise provided in the Agreement or determined by the Company, the Grantee's right to vest in the PSUs under the Plan will terminate effective as of the earlier of (i) the date the Grantee's service ends, no matter how the termination of service arises; or (ii) the date the Grantee receives written notice of termination of the Business Relationship from the Company or the Employer. In either case, the date shall exclude any period during which notice, pay in lieu of notice or related payments or damages are provided or required to be provided under local law. For greater certainty, the Grantee will not earn or be entitled to any pro-rated vesting for that portion of time before the date on which the Grantee's right to vest terminates, nor will the Grantee be entitled to any compensation for lost vesting. Notwithstanding the foregoing, if applicable employment standards legislation explicitly requires continued vesting during a statutory notice period, the Grantee's right to vest in the PSUs, if any, will terminate effective as of the last day of the Grantee's minimum statutory notice period, but the Grantee will not earn or be entitled to pro-rated vesting if the vesting date falls after the end of the Grantee's statutory notice period, nor will the Grantee be entitled to any compensation for lost vesting.

The following provisions apply if the Grantee resides in Quebec:

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

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

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

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

NOTIFICATIONS

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

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

to comply with applicable reporting obligations and the Grantee should consult with his or her personal tax advisor in this regard.

COLOMBIA

TERMS AND CONDITIONS

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

The Grantee acknowledges that pursuant to Article 128 of the Colombian Labor Code, the Plan and related benefits do not constitute a component of the Grantee's "salary" for any legal purpose. The Plan and related benefits will not be included and / or considered for purposes of calculating any and all labor benefits, such as legal / fringe benefits, vacation, indemnities, payroll taxes, social insurance contributions and / or any other labor related amounts, subject to the limitations provided in Law 1393/2010.

NOTIFICATIONS

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

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

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

FINLAND

NOTIFICATIONS

Foreign Asset/Account Reporting Information. There are no specific reporting requirements with respect to foreign assets/accounts. However, the Grantee must check his or her pre-completed tax return to confirm that the ownership of Shares and other securities (foreign or domestic) is correctly reported. If the Grantee finds any errors or omissions, the Grantee must make the necessary corrections electronically or by sending specific paper forms to the local tax authorities.

GERMANY

NOTIFICATIONS

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

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

ITALY

TERMS AND CONDITIONS

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

NOTIFICATIONS

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

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

NORWAY

No country-specific provisions apply.

POLAND

NOTIFICATIONS

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

Exchange Control Information. Transfers of funds into and out of Poland in excess of €15,000 (or PLN 15,000 if such transfer of funds is connected with business activity of an entrepreneur) must be made via a bank account held at a bank in Poland. Additionally, Polish residents are required to store all documents connected with any foreign exchange transactions that Polish residents are engaged in for a period of five years, as measured from the end of the year in which such transaction occurred.

SPAIN

TERMS AND CONDITIONS

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

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

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

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

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

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

NOTIFICATIONS

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

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

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

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

SWEDEN

TERMS AND CONDITIONS

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

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

SWITZERLAND

NOTIFICATIONS

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

UNITED KINGDOM

TERMS AND CONDITIONS

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

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

“directly or indirectly own more than 1% of any class or series of equity securities in, any entity or business which at such time has material operations that are engaged, or about to be engaged, in any business activity

competitive (directly or indirectly) with the Business (as defined below) in Europe and with which the Grantee was materially involved at any time during the last 12 months of the Grantee's employment with the Company or any Subsidiary (a "Competing Entity") anywhere in the world (the "Territory").

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

Without limitation to Section 6 of the Agreement, the Grantee agrees that he or she is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items as and when requested by the Company or the Employer or by Her Majesty's Revenue and Customs ("HMRC") (or any other tax authority or any other relevant authority). The Grantee also agrees to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on the Grantee's behalf.

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

SEVENTH AMENDMENT AND RESTATEMENT AGREEMENT

Dated ___ March 2021 to the

USD 1,350,000,000

MULTICURRENCY REVOLVING CREDIT FACILITY AGREEMENT

originally dated 23 October 2014

and

amended by an amendment letter dated 18 December 2014 and an amendment letter dated 13 January 2015, and as further amended and restated by a first amendment and restatement agreement dated 12 June 2015, a second amendment and restatement agreement dated 19 February 2016, a third amendment and restatement agreement dated 2 September 2016, a fourth amendment and restatement agreement dated 23 January 2018, a fifth amendment and restatement agreement dated 25 March 2019 and a sixth amendment and restatement agreement dated 27 March 2020

for

PRA Group Europe Holding S.à r.l.

arranged by

DNB Bank ASA, Nordea Bank Abp, filial i Norge and Swedbank AB (publ)

with

DNB Bank ASA, Nordea Bank Abp, filial i Norge and Swedbank AB (publ)
as Bookrunners

and

DNB Bank ASA, Nordea Bank Abp, filial i Norge, Swedbank AB (publ) and Skandinaviska Enskilda Banken AB (publ)
as Lenders

and

DNB Bank ASA
acting as Facility Agent and Security Agent

www.bahr.no

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SCHEDULE 1 CONDITIONS PRECEDENT

SCHEDULE 2 CONDITIONS SUBSEQUENT

SCHEDULE 3 GUARANTORS

SCHEDULE 4 SECURITY PROVIDERS

SCHEDULE 5 AMENDED FACILITY AGREEMENT

THIS SEVENTH AMENDMENT AND RESTATEMENT AGREEMENT is dated ___ March 2021 and made between:

- (1) **PRA Group Europe Holding S.à r.l.** (formerly **SHCO 54 S.à r.l.**), a private limited liability company (société à responsabilité limitée) incorporated under the laws of Luxembourg, having its registered office at 42-44, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register under number B183422 and acting through its Swiss branch office PRA Group Europe Holding S.à r.l., Luxembourg, Zug Branch (formerly SHCO 54 S.à r.l., Luxembourg, Zug Branch) (the “**Swiss Branch**”) at Bundesstrasse 5, 6300 Zug, Switzerland (registration number CHE-305.746.539) as borrowers (each a “**Borrower**”, together the “**Borrowers**”);
- (2) **THE GUARANTORS** listed in Schedule 3 hereto (the “**Guarantors**”);
- (3) **DNB Bank ASA**, of Dronning Eufemias gate 30, 0191 Oslo, Norway (registration number 984 851 006) as mandated lead arranger, **Nordea Bank Abp, filial i Norge**, of Essendrops gate 7, 0368 Oslo, Norway (the Norwegian branch of **Nordea Bank Abp**, of FI-00020 NORDEA, Finland with registration no. 2858394-9) and **Swedbank AB (publ)** of Landsvägen 40, 172 63 Sundbyberg, Sweden as mandated lead arrangers (registration number 502017-7753) (the “**Mandated Lead Arrangers**”);
- (4) **DNB Bank ASA**, of Dronning Eufemias gate 30, 0191 Oslo, Norway (registration number 984 851 006), **Nordea Bank Abp, filial i Norge**, of Essendrops gate 7, 0368 Oslo, Norway (the Norwegian branch of **Nordea Bank Abp**, of FI-00020 NORDEA, Finland with registration no. 2858394-9) and **Swedbank AB (publ)** of Landsvägen 40, 172 63 Sundbyberg, Sweden as bookrunners (the “**Bookrunners**”);
- (5) **DNB Bank ASA, Nordea Bank Abp, filial i Norge, Swedbank AB (publ)** and **Skandinaviska Enskilda Banken AB (publ)** as lenders (the “**Lenders**”); and
- (6) **DNB Bank ASA**, of Dronning Eufemias gate 30, 0191 Oslo, Norway (registration number 984 851 006) as agent on behalf of itself and the Finance Parties (the “**Facility Agent**” and the “**Security Agent**”),

collectively referred to as the “**Parties**”.

WHEREAS:

- (A) Pursuant to the Original Facility Agreement, the Original Lenders have granted to the Borrower a loan in the amount of up to USD 1,300,000,000 for the purpose described therein.
- (B) The Parties have entered into this Agreement as a consequence of the Borrower having requested the Lenders to make certain amendments to the Original Facility Agreement, inter alia, (i) to implement the exercise of an Accordion Increase in the amount of USD 50,000,000, (ii) that Skandinaviska Enskilda Banken AB (publ) accedes to the Amended Facility Agreement as a Lender and (iii) certain other additional amendments.
- (C) Subject to the terms of this agreement, the Lenders have agreed to make the contemplated amendments to the Original Facility Agreement.

NOW THEREFORE, it is hereby agreed as follows:

1. DEFINITIONS

In this Agreement, including the preamble hereto (unless the context otherwise requires), all capital terms or expressions shall have the meaning ascribed to such term in the Amended Facility Agreement unless otherwise explicitly defined herein.

“**Agreement**” means this seventh amendment and restatement agreement.

“**Amended Facility Agreement**” means the Original Facility Agreement, as amended and restated by this Agreement in the form set out in Schedule 5 (*Form of Amended Facility Agreement*).

“**Effective Date**” means the date the Agent has confirmed to the Lenders and the Borrower that the conditions pursuant to Clause 2 (*Conditions precedent*) have been satisfied and that the Effective Date has occurred.

“**German Junior Share Pledge Agreement**” means the notarial confirmation and junior share pledge agreement dated 26 March 2020 (notarial deed no. 236 2020-MCS of the notary public Dr. Martin C. Schmidt, Frankfurt am Main), relating to the shares in PRA Group Deutschland GmbH and certain rights and claims associated therewith and made between, inter alios, the Security Agent and PRA Group Europe Holding S.à r.l. as pledgor.

“**German Original Share Pledge Agreement**” means the notarial share pledge agreement (*Vertrag über die Verpfändung von GmbH-Geschäftsanteilen*) dated 16 December 2014 (notarial deed no. 563 2014-MCS of the notary public Dr. Martin C. Schmidt, Frankfurt am Main), relating to the shares in PRA Group Deutschland GmbH and certain rights and claims associated therewith and made between, inter alios, the Security Agent and PRA Group Europe Holding S.à r.l. as pledgor.

“**German Share Pledge Confirmation Agreements**” means the notarial confirmation agreements relating to the Existing Share Pledge Agreement and dated 9 June 2015 (notarial deed no. 300 2015-MCS of the notary public Dr. Martin C. Schmidt, Frankfurt am Main), 18 February 2016 (notarial deed no. 92 2016-MCS of the notary public Dr. Martin C. Schmidt, Frankfurt am Main) and 29 August 2016 (notarial deed no. 432 2016-MCS of the notary public Dr. Martin C. Schmidt, Frankfurt am Main) and each made between, *inter alios*, the Security Agent and PRA Group Europe Holding S.à r.l. as pledgor.

“**Guarantors**” means the entities listed in Schedule 3 (*Guarantors*) hereto.

«**Hedging Strategy**» means the version of the hedging strategy dated February 2021 and delivered pursuant to Schedule 1 (*Conditions Precedent*) of this Agreement.

“**New Increase Lender**” means Skandinaviska Enskilda Banken AB (publ).

“**Original Facility Agreement**” means the USD 1,300,000,000 multicurrency revolving credit facilities agreement originally dated 23 October 2014 and made between the parties hereto as amended by an amendment letter dated 18 December 2014 and an amendment letter dated 13 January 2015, and as amended and restated by a first amendment and restatement agreement dated 12 June 2015, a second amendment and restatement agreement dated 19 February 2016, a third amendment and restatement agreement dated 2 September 2016, a fourth amendment and restatement agreement dated 23 January 2018, a fifth amendment and restatement agreement dated 25 March 2019 and further amended by a sixth amendment and restatement agreement dated 27 March 2020.

“**Original Lenders**” mean DNB Bank ASA, Nordea Bank Abp, filial i Norge, and Swedbank AB (publ).

“**Polish Security Documents**” means the amendment agreements to the Polish registered pledges required under the Polish security documents and the submissions to enforcement listed in point 1 of Schedule 2 (*Conditions Subsequent*) of this Agreement.

“**Security Providers**” means the companies listed in Schedule 4 (*Security Providers*) attached hereto as security providers and any other security provider in connection with the Original Facility Agreement not being a Guarantor.

“**Spanish Share Pledge Ratification**” means the Spanish law ratification of the pledge over the quotas in PRA Iberia, S.L.U. granted by PRA Group Europe Financial Services AS and originally dated 16 December 2014 (as amended from time to time).

2. CONDITIONS PRECEDENT

The provisions of Clause 5 (*Amendment and Restatement*) shall be effective only if the Agent has received all the documents and other evidence listed in Schedule 1 (*Conditions Precedent*), each in a form and substance satisfactory to the Agent. The Agent shall notify the Borrowers promptly upon being so satisfied.

3. CONDITIONS SUBSEQUENT

- (a) The Borrowers shall procure that (i) the Spanish Share Pledge Ratification is duly executed, (ii) this Agreement and the Spanish Share Pledge Ratification shall be notarised in Spain by way of notarial deeds and (iii) that evidence of (i) and (ii) shall be provided to the Agent within the term of thirty (30) Business

Days following the Effective Date. Failure by the Borrowers to meet the deadline in (iii) shall not be capable of remedy. As a condition subsequent, on the date in which the Spanish Share Pledge Ratification is executed, Uría will issue a legal opinion in respect of Spanish law issues.

- (b) The Borrowers shall procure (i) that the Polish Security Documents are duly executed, (ii) that the relevant Obligors file motions for registration of the amendments to the pledges and (iii) that evidence of (i) and (ii) shall be provided to the Agent within the term of thirty (30) Business Days following the Effective Date. Failure by the Borrowers to meet the deadline in (iii) shall not be capable of remedy. As a condition subsequent, on the date in which the Polish Security Documents are executed, Wardynski will issue a legal opinion in respect of Polish law issues.

4. REPRESENTATIONS

- (a) Each Borrower and each Obligor signing this Agreement makes the representations and warranties set out in Clause 13 (*Representations and warranties*) of the Amended Facility Agreement with respect to itself, the other Obligors and each Security Provider (in respect of the Security Providers so that the representations and warranties in Clause 13 (*Representations and warranties*) of the Amended Facility Agreement shall be given also in respect of the Security Providers) to each Finance Party by reference to the facts and circumstances then existing:
 - (i) on the date of this Agreement; and
 - (ii) on the Effective Date.
- (b) The Borrowers confirm that:
 - (i) no Default (A) has occurred as of the date of this Agreement and as of the Effective Date nor (B) will occur as a result of the Amended Facility Agreement becoming effective on the Effective Date; and
 - (ii) pursuant to Clause 2.6 of the Original Facility Agreement, we are authorised to act and execute this Agreement on behalf of the Guarantors (other than the Guarantors signing this Agreement directly), and that the powers and authority granted to us pursuant to that Clause remain in full force and effect and have not been revoked by any Guarantor as of the date of this Agreement nor as of the Effective Date.

5. AMENDMENT AND RESTATEMENT

5.1 Amendment and restatement

With effect from the Effective Date, the Original Facility Agreement will be amended and restated in the form set out in Schedule 5 (Form of Amended Facility Agreement) and the New Increase Lender shall be deemed to have acceded as a Lender thereunder.

5.2 Accordion Option

The Parties agree that (i) the written request issued by e-mail from the Borrowers to the Agent dated 19 November 2020 requesting exercise of an Accordion Increase in the amount of USD 50,000,000 (the "Accordion Increase Amount") shall serve as an Accordion Notice, (ii) the written increase confirmation given by the New Increase Lender on 14 January 2021 and countersigned by the Agent and the Borrowers on the same date shall serve as an Increase Confirmation in respect of the Accordion Increase Amount, (iii) that the Accordion Increase Amount will be made available by the New Increase Lender with effect from the Effective Date and (iv) that each Lender, by countersigning this Agreement, confirm to have consented to the Borrowers' exercise of the Accordion Option and thereunder that the Total Commitments under the Facility will be increased from USD 1,300,000,000 to USD 1,350,000,000 on the Effective Date.

5.3 Continuing obligations

The provisions of the Amended Facility Agreement and the other Finance Documents and Security Documents shall, save as amended and restated by this Agreement, continue in full force and effect. Reference to the Facility Agreement in the Finance Documents and the Security Documents shall be construed as reference to the Amended Facility Agreement.

5.4 Confirmation of guarantee and security

(a) The Borrowers, in their capacity as security providers, the Security Providers, in their capacity as security providers, and the Guarantors, in their capacity as Guarantors under the Original Facility Agreement, confirm their agreement and acceptance to the terms and conditions in this Agreement and in the Amended Facility Agreement, and confirm that their obligations and liabilities in the Security Documents and other Finance Documents to which they are party shall continue in full force and effect for the Amended Facility Agreement, and that any security under the Security Documents and any guarantee created or given under any Finance Document (without any amendments necessary to be made to these documents) will extend to and secure the liabilities and obligations of the Obligors to the Finance Parties under the Finance Documents, as amended by this Agreement.

(b) With effect as of the Effective Date, the New Increase Lender ratifies and confirms all declarations and acts made by the Security Agent as representative without power of attorney (Vertreter ohne Vertretungsmacht) on behalf of the New Increase Lender as future pledgee in relation to the (i) German Original Share Pledge Agreement, (ii) the German Share Pledge Confirmation Agreements and (iii) the German Junior Share Pledge Agreement.

(c) PRA Group Europe Holding S.à r.l. in its capacity as debtor under the Parallel Debt Agreement and the Security Agent hereby confirm as a precautionary measure (höchstvorsorglich) their mutual understanding that the Parallel Debt Obligations (as defined in the Parallel Debt Agreement) include any sums owing by any Obligor to the New Increase Lender under any Finance Document, including, without limitation, the Amended Facility Agreement.

5.5 No Novation

For the purposes of any Security Documents governed by German law and/or granted by a German Obligor, the Parties acknowledge and agree that the amendments made pursuant to this Agreement do not constitute a novation of the Obligors' obligations under the Original Facility Agreement.

6. MISCELLANEOUS

6.1 Incorporation of terms

The provisions of Clauses 1.2 and 1.3 of the Amended Facility Agreement shall be incorporated into this Agreement as if set out in full in this Agreement and as if references in those clauses to "*this Agreement*" are references to this Agreement.

6.2 Additional Finance Document

This Agreement shall constitute a "Finance Document" for the purposes of the Amended Facility Agreement.

7. GOVERNING LAW

(a) This Agreement shall be governed by Norwegian law.

(b) Clauses 26.2 (Jurisdiction) and 26.3 (Service of process) of the Original Facility Agreement shall be incorporated into this Agreement as if set out in full herein.

* * *

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SIGNATORIES:

The Borrowers:

PRA Group Europe Holding S.à r.l.

PRA Group Europe Holding S.à r.l., Luxembourg,
Zug Branch

By: _____
By: _____
Name: _____
Title: _____

By: _____
By: _____
Name: _____
Title: _____

For the purposes of Article 1 of the Protocol annexed to the Convention on Jurisdiction and the Enforcement of Proceedings in Civil and Commercial Matters done at Lugano on 16th September 1988 the undersigned hereby expressly and specifically accepts the jurisdiction of the Norwegian Courts.

By: _____
Name: _____
Title: _____

The Guarantors:

PRA Group Europe AS

PRA Group Europe Portfolio AS

By: _____
By: _____
Name: _____
Title: _____

By: _____
By: _____
Name: _____
Title: _____

PRA GROUP EUROPE PORTFOLIO AS, Oslo,
Zweigniederlassung Zug

PRA Group Norge AS

By: _____
By: _____
Name: _____
Title: _____

By: _____
By: _____
Name: _____
Title: _____

PRA Group Europe Financial Services AS

PRA Group Sverige AB

By: _____
By: _____
Name: _____
Title: _____

By: _____
By: _____
Name: _____
Title: _____

PRA Group Switzerland Portfolio AG

By: _____
By: _____
Name:
Title:

PRA Group Österreich Inkasso GmbH

By: _____
By: _____
Name:
Title:

AK Nordic AB

By: _____
By: _____
Name:
Title:

PRA Iberia, S.L.U.

By: _____
By: _____
Name:
Title:

PRA Group Polska sp. z o.o.

By: _____
By: _____
Name:
Title:

PRA Group Deutschland GmbH

By: _____
By: _____
Name:
Title:

PRA Suomi Oy

By: _____
By: _____
Name:
Title:

PRA Group Österreich Portfolio GmbH

By: _____
By: _____
Name:
Title:

PRA Group (UK) Limited

By: _____
By: _____
Name:
Title:

PRA Group Polska Holding sp. z o.o.

By: _____
By: _____
Name:
Title:

Debt Trading Partners sp. z o.o.

By: _____
By: _____
Name:
Title:

The Security Provider:

For the purposes of confirming Clause 4, 5.3 and 5.4 of this Agreement:

PRA Group Europe Holding I S.à r.l.
(as security provider)

By: _____

By: _____

Name:

Title:

PRA Group Europe Finance S.à r.l.
(as security provider)

By: _____

Name:

Title:

PRA Group Polska Sub-Holding sp. z o.o
(as security provider)

By: _____

Name:

Title:

The Facility Agent:

DNB Bank ASA

By: _____

Name:

Title:

The Security Agent:

DNB Bank ASA

By: _____

Name:

Title:

The Original Lenders, Mandated Lead Arrangers and Bookrunners:

DNB Bank ASA

By: _____

Name:

Title:

Swedbank AB (publ)

By: _____

Name:

Title:

Nordea Bank Abp, filial i Norge

By: _____

Name:

Title:

The New Increase Lender

Skandinaviska Enskilda Banken AB (publ)

By: _____

Name:

Title:

SCHEDULE 1

CONDITIONS PRECEDENT

1. In respect of (i) each Borrower, (ii) each Obligor incorporated under the laws of Switzerland, Spain, Sweden, Germany, Austria, Poland, Finland, Norway or England, and (iii) each Security Provider incorporated under the laws of Luxembourg:

- a. Company Certificate or equivalent (as applicable);
- b. Certificate of Incorporation, Articles of Association, Memorandum or equivalent documents, inter alia:
 - i. in relation to an Obligor incorporated in Luxembourg: (a) an Excerpt from the Luxembourg Trade and Companies Register not older than one Business Day prior to the Effective Date, (b) Certificate of non-inscription of a judicial decision from the Luxembourg Trade and Companies Register not older than one Business Day prior to the Effective Date and (c) a Domiciliation Certificate issued by the domiciliation agent;
 - ii. in relation to an Obligor incorporated in Germany: (a) up to date copies of the articles of association and any by-laws (as applicable), (b) an up to date excerpt from the electronic commercial register and (c) an up to date copy of the shareholder list (*Gesellschafterliste*);
 - iii. in relation to an Obligor incorporated in Poland: (a) up to date articles of association and (b) an excerpt from the electronic National Court Register; and
 - iv. in relation to an Obligor incorporated in Spain: (a) its deed of incorporation (*escritura de constitucion*) and (b) a certificate issued by the commercial registry (*certificacion del Registro Mercantil*) evidencing that the Spanish Obligor is registered with the commercial registry and has not been dissolved, liquidated or become subject to insolvency proceedings or an informative excerpt (*nota simple informativa*) relative to such Obligor incorporated in Spain; each of them not dated earlier than 30 days before the date of the Effective Date; and
 - v. in relation to an Obligor incorporated in Switzerland: (a) a certified copy of the articles of association and (b) a certified excerpt from the commercial register.
- c. resolutions duly passed at a board meeting (or equivalent) (and/or if applicable, a shareholders meeting or supervisory board if required by lawyers of the Agent in the relevant jurisdiction), evidencing:
 - i. the approval of the terms of, and the transactions contemplated by, this Agreement and any Finance Document to which the entity is a party;
 - ii. the authorisation of its appropriate officer or officers or other representatives to execute this Agreement and any other Finance Document on its behalf; and
 - iii. confirmation that the guarantees and security granted by the respective Obligor/Security Provider remains in force notwithstanding the amendments and that such guarantees and security extend to cover the Amended Facility Agreement;
- d. (unless granted directly by the board pursuant to the resolutions referred to in item (c) above) powers of attorney to its representative(s) for the execution of the relevant Finance Documents (as required by lawyers of the Agent in the relevant jurisdiction); and
- e. specimen signatures or passport copies of the person(s) authorised in the resolutions described in item (c) above and who has signed or will sign any Finance Document, together with such identification any Lender may reasonably require to satisfy "know-your-customer" requirement applicable to such Obligor/Security Provider.

2. Finance Documents

- a. Original counterparts of this Agreement duly executed on behalf of the Parties.

3. Security Documents

- a. Austrian security documents:

- i. An Austrian law amendment agreement to the share pledge agreement in respect of the shares in PRA Group Österreich Portfolio GmbH originally dated 30 December 2014, as amended by a first amendment agreement dated 17 March 2016 and as further amended by a second amendment agreement dated 19 September 2016 and a third amendment agreement dated 27 March 2020, between PRA Group Österreich Inkasso GmbH and the Security Agent;
 - ii. an Austrian law amendment agreement to the share pledge agreement in respect of the shares in PRA Group Österreich Inkasso GmbH originally dated 30 December 2014, as amended by a first amendment agreement dated 17 March 2016 and as further amended by a second amendment agreement dated 19 September 2016 and a third amendment agreement dated 27 March 2020, between PRA Group Europe Holding S.à r.l. and the Security Agent; and
 - iii. an Austrian law amendment agreement to the debt security and receivables pledge agreement originally dated 31 December 2014, as amended by a first amendment agreement dated 17 March 2016 and as further amended by a second amendment agreement dated 19 September 2016 and a third amendment agreement dated 27 March 2020, between PRA Group Europe Holding S.à r.l. and the Security Agent.
- b. Swiss security documents:
 - i. a Swiss law security confirmation agreement in relation to the pledge over the shares in PRA Group Switzerland Portfolio AG (previously Aktiv Kapital Holding AG), originally dated 23 October 2014, as amended and confirmed by an amendment and security confirmation agreement dated 19 September 2016 and an amendment and security confirmation agreement dated March 27, 2020.
- c. Luxemburg security documents:
 - i. a Luxembourg law governed amendment agreement to the share pledge agreement originally dated 23 October 2014, amended on 12 June 2015, on 11 March 2016, on 19 September 2016 and further amended on 27 March 2020 between PRA Group Europe Holding I S.à r.l., the Security Agent and PRA Group Holding Europe S.à r.l.
- d. English security documents:

An English law governed fifth ranking security over shares deed granted by PRA Group Holding Europe S.à r.l. over shares in PRA Group (UK) Limited.

4. Miscellaneous

- a. The Hedging Strategy; and
 - b. any other documents as reasonably requested by the Agent.
5. Legal Opinions:
- a. Legal opinion from BAHR in respect of Norwegian law issues;
 - b. Legal opinion from Lenz & Staehelin in respect of Swiss law issues;
 - c. Legal opinion from Slaughter & May in respect of English law issues;
 - d. Legal opinion from Waselius & Wist in respect of Finnish law issues;
 - e. Legal opinion from DORDA Rechtsanwälte GmbH in respect of Austrian law issues;
 - f. Legal opinion from Hengeler Mueller Partnerschaft von Rechtsanwälten mbB in respect of German law issues;
6. Legal opinion from Lindahl in respect of Swedish law issues; and
- a. Any such other favourable legal opinions in form and substance satisfactory to the Agent as the Agent may require.

SCHEDULE 2

CONDITIONS SUBSEQUENT

1. Polish security documents

- a. Amendment agreement to agreement for financial and registered pledge over shares in Debt Trading Partners sp. z o.o. dated 19 September 2016;
- b. Amendment agreement to agreement for financial and registered pledge over shares in PRA Group Polska sp. z o.o. dated 19 September 2016;
- c. Amendment agreement to agreement for financial and registered pledge over shares in PRA Group Polska sp. z o.o. dated 27 March 2020;
- d. Amendment agreement to agreement for financial and registered pledge over shares in PRA Group Polska Holding sp. z o.o. dated 1 July 2015 as amended;
- e. Amendment agreement to agreement for financial and registered pledge over shares in PRA Group Polska Holding sp. z o.o. dated 21 December 2015 as amended;
- f. Amendment agreement to agreement for financial and registered pledge over shares in PRA Group Polska Holding sp. z o.o. dated 24 August 2017;
- g. Amendment agreement to agreement for financial and registered pledge over shares in PRA Group Polska Holding sp. z o.o. dated 15 May 2020;
- h. Statement on voluntary submission to enforcement issued by the Borrower in favour of the Lenders;
- i. Statement on voluntary submission to enforcement issued by Debt Trading Partners sp. z o.o. in favour of the Lenders;
- j. Statement on voluntary submission to enforcement issued by PRA Group Polska sp. z o.o. in favour of the Lenders;
- k. Statement on voluntary submission to enforcement issued by PRA Group Polska Holding sp. z o.o. in favour of the Lenders;
- l. Statement on voluntary submission to enforcement issued by PRA Group Polska Sub-Holding sp. z o.o. in favour of the Lenders.

2. Spanish documents

- a. Spanish Share Pledge Ratification; and
- b. Notarisation of this Agreement and the Spanish Share Pledge Ratification before a Spanish Notary Public by way of notarial deeds.

3. Legal Opinions

- a. Legal opinion from Wardynski in respect of Polish law issues;
- b. Legal opinion from Uría in respect of Spanish law issues.
- c. Legal opinion from Arendt& Medernach S.A. in respect of Luxembourg law issues;
- d. Legal opinion from BHR in respect of Norwegian law issues;
- e. Any such other favourable legal opinions in form and substance satisfactory to the Agent as the Agent may require.

SCHEDULE 3

GUARANTORS

Country	Company	Organisation number
Norway	PRA Group Europe AS	960 545 397
Norway	PRA Group Europe Portfolio AS (formerly Aktiv Kapital Portfolio AS)	942 464 347
Switzerland	PRA GROUP EUROPE PORTFOLIO AS, Oslo, Zweigniederlassung Zug (formerly Aktiv Kapital Portfolio AS, Oslo, Zweigniederlassung Zug)	CHE-115.187.385
Norway	PRA Group Norge AS	995 262 584
Norway	PRA Group Europe Financial Services AS (formerly Aktiv Kapital Financial Services AS)	979 112 300
Sweden	PRA Group Sverige AB	556189-4493
Sweden	AK Nordic AB	556197-8825
Switzerland	PRA Group Switzerland Portfolio AG	CHE-116.343.570
Finland	PRA Suomi Oy	1569394-6
Austria	PRA Group Österreich Inkasso GmbH	FN 207430 w
Austria	PRA Group Österreich Portfolio GmbH	FN 426567 f
Germany	PRA Group Deutschland GmbH	HRB 18837
England	PRA Group (UK) Limited	4267803
Spain	PRA Iberia, S.L.U.	B 8056 8769
Poland	PRA Group Polska Holding sp. z o.o. (formerly PRA Group Polska sp. z o.o.)	537397
Poland	PRA Group Polska sp. z o.o. (formerly Debt Trading Partners BIS sp. z o.o.)	517951
Poland	Debt Trading Partners sp. z o.o.	275441

SCHEDULE 4**SECURITY PROVIDERS**

Country	Company	Organisation number
Luxembourg	PRA Group Europe Holding I S.à r.l. a <i>société à responsabilité limitée</i> , 6, rue Eugène Ruppert, L-2453 Luxembourg, R.C.S. Luxembourg B185154	B185154
Luxembourg	PRA Group Europe Finance S.à r.l. a <i>société à responsabilité limitée</i> , 42-44, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg.	B228510
Poland	PRA Group Polska Sub-Holding sp. z o.o	537397

SCHEDULE 5

AMENDED FACILITY AGREEMENT

Exhibit 31.1

I, Kevin P. Stevenson, certify that:

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

May 6, 2021

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.

May 6, 2021

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

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

In connection with the Quarterly Report of PRA Group, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2021 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.

May 6, 2021

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 March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter M. Graham, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

May 6, 2021

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