UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2022

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

For the transition period from ________ to ________

Commission File Number: 000-50058

PRA Group, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

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

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

The number of shares of the registrant's common stock outstanding as of October 31, 2022 was 38,976,910.

Table of Contents

Part I. Financial Information

Item 1. Financial Statements (Unaudited)

PRA Group, Inc.
Consolidated Balance Sheets
September 30, 2022 and December 31, 2021
(Amounts in thousands)

	(unaudited) September 30, 2022	December 31, 2021
Assets		
Cash and cash equivalents	$ 57,991	$ 87,584
Investments	76,171	92,977
Finance receivables, net	3,037,360	3,428,285
Income taxes receivable	36,420	41,146
Deferred tax assets, net	53,949	67,760
Right-of-use assets	52,648	56,713
Property and equipment, net	52,061	54,513
Goodwill	404,474	480,263
Other assets	124,256	57,002
Total assets	$ 3,895,330	$ 4,366,243
Liabilities and Equity		
Liabilities:		
Accounts payable	$ 6,148	$ 3,821
Accrued expenses	104,059	127,802
Income taxes payable	16,412	19,276
Deferred tax liabilities, net	49,248	36,630
Lease liabilities	57,376	61,188
Interest-bearing deposits	88,155	124,623
Borrowings	2,379,614	2,608,714
Other liabilities	11,729	59,352
Total liabilities	2,712,741	3,041,406
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, 38,976 shares issued and outstanding at September 30, 2022; 100,000 shares authorized, 41,008 shares issued and outstanding at December 31, 2021	389	410
Additional paid-in capital	—	—
Retained earnings	1,557,066	1,552,845
Accumulated other comprehensive loss	(426,086)	(266,909)
Total stockholders' equity - PRA Group, Inc.	1,131,369	1,286,346
Noncontrolling interest	51,220	38,491
Total equity	1,182,589	1,324,837
Total liabilities and equity	$ 3,895,330	$ 4,366,243

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

PRA Group, Inc.
Consolidated Income Statements
For the Three and Nine Months Ended September 30, 2022 and 2021
(unaudited)
(Amounts in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	2022	2021	2022	2021
Revenues:				
Portfolio income	$ 185,853	$ 212,905	$ 587,394	$ 663,714
Changes in expected recoveries	48,336	43,820	134,817	157,504
Total portfolio revenue	234,189	256,725	722,211	821,218
Fee income	6,122	6,209	14,419	10,843
Other revenue	4,496	764	7,044	6,735
Total revenues	244,807	263,698	743,674	838,796
Operating expenses:				
Compensation and employee services	70,382	74,584	215,615	228,200
Legal collection fees	8,963	10,993	29,390	36,208
Legal collection costs	23,391	21,450	57,694	61,231
Agency fees	15,160	15,646	47,374	47,145
Outside fees and services	24,618	29,434	71,489	71,167
Communication	9,951	9,782	32,062	33,039
Rent and occupancy	4,669	4,571	14,289	13,694
Depreciation and amortization	3,741	3,724	11,384	11,520
Other operating expenses	13,144	15,935	37,885	44,045
Total operating expenses	174,019	186,119	517,182	546,249
Income from operations	70,788	77,579	226,492	292,547
Other income and (expense):				
Interest expense, net	(32,455)	(29,599)	(95,765)	(91,987)
Foreign exchange gain, net	4	1,232	791	127
Other	(83)	85	(754)	294
Income before income taxes	38,254	49,297	130,764	200,981
Income tax expense	11,072	12,627	29,828	41,870
Net income	27,182	36,670	100,936	159,111
Adjustment for net income/(loss) attributable to noncontrolling interests	2,450	2,190	(252)	10,229
Net income attributable to PRA Group, Inc.	$ 24,732	$ 34,480	$ 101,188	$ 148,882
Net income per common share attributable to PRA Group, Inc.:				
Basic	$ 0.63	$ 0.76	$ 2.54	$ 3.27
Diluted	$ 0.63	$ 0.76	$ 2.52	$ 3.24
Weighted average number of shares outstanding:				
Basic	39,018	45,305	39,858	45,594
Diluted	39,170	45,656	40,125	45,920

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

PRA Group, Inc.
Consolidated Statements of Comprehensive (Loss)/Income
For the Three and Nine Months Ended September 30, 2022 and 2021
(unaudited)
(Amounts in thousands)

	Three Months Ended		Nine Months Ended	
	2022	2021	2022	2021
Net income	$ 27,182	$ 36,670	$ 100,936	$ 159,111
Other comprehensive (loss)/income, net of tax:				
Currency translation adjustments	(91,390)	(38,238)	(194,656)	(43,682)
Cash flow hedges	19,590	5,522	44,007	19,200
Debt securities available-for-sale	133	(50)	(269)	(192)
Other comprehensive (loss)/income	(71,667)	(32,766)	(150,918)	(24,674)
Total comprehensive (loss)/income	(44,485)	3,904	(49,982)	134,437
Less comprehensive income/(loss) attributable to noncontrolling interests	9,049	(1,154)	8,008	4,544
Comprehensive (loss)/income attributable to PRA Group, Inc.	$ (53,534)	$ 5,058	$ (57,990)	$ 129,893

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

PRA Group, Inc.
Consolidated Statements of Changes in Equity
For the Nine Months Ended September 30, 2022
(unaudited)
(Amounts in thousands)

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	Noncontrolling	Total
	Shares	Amount	Capital	Earnings	(Loss)/ Income	Interest	Equity
Balance at December 31, 2021	41,008	$ 410	$ —	$ 1,552,845	$ (266,909)	$ 38,491	$ 1,324,837
Components of comprehensive income, net of tax:							
Net income	—	—	—	39,972	—	(5,354)	34,618
Currency translation adjustments	—	—	—	—	4,780	7,490	12,270
Cash flow hedges	—	—	—	—	18,580	—	18,580
Debt securities available-for-sale	—	—	—	—	(160)	—	(160)
Vesting of restricted stock	262	3	(3)	—	—	—	—
Repurchase and cancellation of common stock	(860)	(9)	4,527	(43,972)	—	—	(39,454)
Share-based compensation expense	—		3,891	—	—	—	3,891
Employee stock relinquished for payment of taxes	—	—	(8,415)	—	—	—	(8,415)
Balance at March 31, 2022	40,410	$ 404	$ —	$ 1,548,845	$ (243,709)	$ 40,627	$ 1,346,167
Components of comprehensive income, net of tax:							
Net income	—	—	—	36,484	—	2,652	39,136
Currency translation adjustments	—	—	—	—	(109,707)	(5,829)	(115,536)
Cash flow hedges	—	—	—	—	5,837	—	5,837
Debt securities available-for-sale	—	—	—	—	(242)	—	(242)
Distributions to noncontrolling interest	—	—	—	—	—	(3,494)	(3,494)
Contributions from noncontrolling interest	—	—	—	—	—	1,599	1,599
Vesting of restricted stock	37	—	—	—	—	—	—
Repurchase and cancellation of common stock	(808)	(8)	(3,835)	(31,092)	—	—	(34,935)
Share-based compensation expense	—	—	3,849	—	—	—	3,849
Employee stock relinquished for payment of taxes	—	—	(14)	—	—	—	(14)
Balance at June 30, 2022	39,639	$ 396	$ —	$ 1,554,237	$ (347,821)	$ 35,555	$ 1,242,367
Components of comprehensive income, net of tax:							
Net income	—	—	—	24,732	—	2,450	27,182
Currency translation adjustments	—	—	—	—	(97,988)	6,598	(91,390)
Cash flow hedges	—	—	—	—	19,590	—	19,590
Debt securities available-for-sale	—	—	—	—	133	—	133
Distributions to noncontrolling interest	—	—	—	—	—	(1,127)	(1,127)
Contributions from noncontrolling interest	—	—	—	—	—	7,744	7,744
Repurchase and cancellation of common stock	(663)	(7)	(3,091)	(21,903)	—	—	(25,001)
Share-based compensation expense	—	—	3,101	—	—	—	3,101
Employee stock relinquished for payment of taxes	—	—	(10)	—	—	—	(10)
Balance at September 30, 2022	38,976	$ 389	$ —	$ 1,557,066	$ (426,086)	$ 51,220	$ 1,182,589

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

PRA Group, Inc.
Consolidated Statements of Changes in Equity
For the Nine Months Ended September 30, 2021
(unaudited)
(Amounts in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)/ Income	Noncontrolling Interest	Total Equity
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
Components of comprehensive income, net of tax:							
Net income	—	—	—	55,996	—	4,565	60,561
Currency translation adjustments	—	—	—	—	17,004	2,083	19,087
Cash flow hedges	—	—	—	—	1,355	—	1,355
Debt securities available-for-sale	—	—	—	—	(142)	—	(142)
Distributions to noncontrolling interest	—	—	—	—	—	(13,120)	(13,120)
Vesting of restricted stock	38	—	—	—	—	—	—
Share-based compensation expense	—	—	4,040	—	—	—	4,040
Employee stock relinquished for payment of taxes	—	—	(70)	—	—	—	(70)
Balance at June 30, 2021	45,837	$ 458	$ 51,206	$ 1,638,380	$ (235,359)	$ 20,255	$ 1,474,940
Components of comprehensive income, net of tax:							
Net income	—	—	—	34,480	—	2,190	36,670
Currency translation adjustments	—	—	—	—	(34,894)	(3,344)	(38,238)
Cash flow hedges	—	—	—	—	5,522	—	5,522
Debt securities available-for-sale	—	—	—	—	(50)	—	(50)
Distributions to noncontrolling interest	—	—	—	—	—	(3,397)	(3,397)
Contributions from noncontrolling interest	—	—	—	—	—	22,743	22,743
Repurchase and cancellation of common stock	(1,797)	(18)	(55,513)	(18,316)	—	—	(73,847)
Share-based compensation expense	—	—	4,317	—	—	—	4,317
Employee stock relinquished for payment of taxes	—	—	(10)	—	—	—	(10)
Balance at September 30, 2021	44,040	$ 440	$ —	$ 1,654,544	$ (264,781)	$ 38,447	$ 1,428,650

(1) Reflects adjustments recorded for the January 1, 2021 adoption of an accounting update. Refer to the Company's 2021 Annual Report on Form 10-K for more information.

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

PRA Group, Inc.
Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2022 and 2021
(unaudited)
(Amounts in thousands)

	Nine Months Ended	
	2022	**2021**
Cash flows from operating activities:		
Net income	$ 100,936	$ 159,111
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation expense	10,841	12,470
Depreciation and amortization	11,384	11,520
Amortization of debt discount and issuance costs	7,653	7,053
Changes in expected recoveries	(134,817)	(157,504)
Deferred income taxes	8,710	(4,235)
Net unrealized foreign currency transactions	21,356	7,462
Fair value in earnings for equity securities	(175)	92
Other	159	91
Changes in operating assets and liabilities:		
Other assets	(2,547)	7,779
Accounts payable	3,028	201
Income taxes payable, net	(155)	(9,391)
Accrued expenses	(7,655)	3,086
Other liabilities	(22,521)	531
Right of use asset/lease liability	389	17
Net cash (used)/provided by operating activities	(3,414)	38,283
Cash flows from investing activities:		
Purchases of property and equipment, net	(10,698)	(6,772)
Purchases of finance receivables	(561,901)	(770,377)
Recoveries applied to negative allowance	765,732	934,002
Purchases of investments	(2,292)	(74,485)
Proceeds from sales and maturities of investments	4,565	42,110
Business acquisition, net of cash acquired	—	(647)
Net cash provided by investing activities	195,406	123,831
Cash flows from financing activities:		
Proceeds from lines of credit	1,343,434	426,135
Principal payments on lines of credit	(1,389,371)	(908,215)
Proceeds from senior notes	—	350,000
Principal payments on long-term debt	(7,500)	(7,500)
Repurchases of common stock	(111,371)	(73,847)
Payments of origination cost and fees	(7,798)	(8,835)
Tax withholdings related to share-based payments	(8,438)	(5,540)
Distributions paid to noncontrolling interest	(4,621)	(20,450)
Contributions from noncontrolling interest	9,343	22,743
Net (decrease)/increase in interest-bearing deposits	(13,732)	8,847
Net cash used in financing activities	(190,054)	(216,662)
Effect of exchange rate on cash	(31,927)	(5,202)
Net decrease in cash and cash equivalents	(29,989)	(59,750)
Cash and cash equivalents beginning of period	89,072	121,047
Cash and cash equivalents, end of period	$ 59,083	$ 61,297
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 87,912	$ 88,676
Cash paid for income taxes	21,086	55,234
Cash, cash equivalents and restricted cash reconciliation:		
Cash and cash equivalents per Consolidated Balance Sheets	$ 57,991	$ 56,545
Restricted cash included in Other assets per Consolidated Balance Sheets	1,092	4,752
Total cash, cash equivalents and restricted cash	$ 59,083	$ 61,297

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

1. Organization and Business:

Nature of operations: 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 September 30, 2022, its Consolidated Income Statements and Statements of Comprehensive (Loss)/Income for the three and nine months ended September 30, 2022 and 2021, and its Consolidated Statements of Changes in Equity and Statements of Cash Flows for the nine months ended September 30, 2022 and 2021 have been included. The Company's Consolidated Income Statements for the three and nine months ended September 30, 2022 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, 2021 (the "2021 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: The Company has determined that it has two operating segments that meet the aggregation criteria of Accounting Standards Codification ("ASC") 280, Segment Reporting ("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 tables show the amount of revenue generated for the three and nine months ended September 30, 2022 and 2021, and long-lived assets held at September 30, 2022 and 2021, both for the U.S., the Company's country of domicile, and outside of the U.S. (amounts in thousands):

	As of and for the Three Months Ended September 30, 2022		As of and for the Three Months Ended September 30, 2021	
	Revenues [2]	Long-Lived Assets	Revenues [2]	Long-Lived Assets
United States	$ 138,398	$ 80,496	$ 157,124	$ 90,980
United Kingdom	37,032	10,762	42,388	2,040
Other [1]	69,377	13,451	64,186	12,745
Total	$ 244,807	$ 104,709	$ 263,698	$ 105,765

	As of and for the Nine Months Ended September 30, 2022		As of and for the Nine months ended September 30, 2021	
	Revenues [2]	Long-Lived Assets	Revenues [2]	Long-Lived Assets
United States	$ 426,675	$ 80,496	$ 503,994	$ 90,980
United Kingdom	126,866	10,762	133,024	2,040
Other [1]	190,133	13,451	201,778	12,745
Total	$ 743,674	$ 104,709	$ 838,796	$ 105,765

(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 3.

2. Finance Receivables, net:

Finance receivables, net consisted of the following at September 30, 2022 and December 31, 2021 (amounts in thousands):

	September 30, 2022	December 31, 2021
Amortized cost	$ —	$ —
Negative allowance for expected recoveries [1]	3,037,360	3,428,285
Balance at end of period	$ 3,037,360	$ 3,428,285

(1) The negative allowance balance includes certain portfolios of nonperforming loans for which the Company holds a beneficial interest representing approximately 0.8% of the balance.

<u>Three Months Ended September 30, 2022 and 2021</u>

Changes in the negative allowance for expected recoveries by portfolio segment for the three months ended September 30, 2022 and 2021 were as follows (amounts in thousands):

	Three Months Ended September 30, 2022		
	Core	Insolvency	Total
Balance at beginning of period	$ 2,814,761	$ 368,871	$ 3,183,632
Initial negative allowance for expected recoveries - portfolio acquisitions [1]	160,206	22,898	183,104
Foreign currency translation adjustment	(133,263)	(14,254)	(147,517)
Recoveries applied to negative allowance [2]	(186,112)	(44,083)	(230,195)
Changes in expected recoveries [3]	38,686	9,650	48,336
Balance at end of period	$ 2,694,278	$ 343,082	$ 3,037,360

	Three Months Ended September 30, 2021		
	Core	Insolvency	Total
Balance at beginning of period	$ 2,894,963	$ 454,075	$ 3,349,038
Initial negative allowance for expected recoveries - portfolio acquisitions [1]	374,645	17,302	391,947
Foreign currency translation adjustment	(52,650)	(5,558)	(58,208)
Recoveries applied to negative allowance [2]	(230,237)	(46,421)	(276,658)
Changes in expected recoveries [3]	40,583	3,237	43,820
Balance at end of period	$ 3,027,304	$ 422,635	$ 3,449,939

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

Portfolio acquisitions for the three months ended September 30, 2022 and 2021 were as follows (amounts in thousands):

	Three Months Ended September 30, 2022		
	Core	Insolvency	Total
Face value	$ 1,482,758	$ 123,369	$ 1,606,127
Noncredit discount	(126,205)	(7,874)	(134,079)
Allowance for credit losses at acquisition	(1,196,347)	(92,597)	(1,288,944)
Purchase price	$ 160,206	$ 22,898	$ 183,104

	Three Months Ended September 30, 2021		
	Core	Insolvency	Total
Face value	$ 2,499,453	$ 82,704	$ 2,582,157
Noncredit discount	(280,213)	(6,355)	(286,568)
Allowance for credit losses at acquisition	(1,844,595)	(59,047)	(1,903,642)
Purchase price	$ 374,645	$ 17,302	$ 391,947

The initial negative allowance recorded on portfolio acquisitions for the three months ended September 30, 2022 and 2021 was as follows (amounts in thousands):

	Three Months Ended September 30, 2022		
	Core	Insolvency	Total
Allowance for credit losses at acquisition	$ (1,196,347)	$ (92,597)	$ (1,288,944)
Writeoffs, net	1,196,347	92,597	1,288,944
Expected recoveries	160,206	22,898	183,104
Initial negative allowance for expected recoveries	$ 160,206	$ 22,898	$ 183,104

	Three Months Ended September 30, 2021		
	Core	Insolvency	Total
Allowance for credit losses at acquisition	$ (1,844,595)	$ (59,047)	$ (1,903,642)
Writeoffs, net	1,844,595	59,047	1,903,642
Expected recoveries	374,645	17,302	391,947
Initial negative allowance for expected recoveries	$ 374,645	$ 17,302	$ 391,947

(2) Recoveries applied to negative allowance

Recoveries applied to the negative allowance were calculated as follows for the three months ended September 30, 2022 and 2021 (amounts in thousands):

	Three Months Ended September 30, 2022		
	Core	Insolvency	Total
Recoveries [(a)]	$ 361,089	$ 54,959	$ 416,048
Less - amounts reclassified to portfolio income	174,977	10,876	185,853
Recoveries applied to negative allowance	$ 186,112	$ 44,083	$ 230,195

	Three Months Ended September 30, 2021		
	Core	Insolvency	Total
Recoveries [(a)]	$ 429,166	$ 60,397	$ 489,563
Less - amounts reclassified to portfolio income	198,929	13,976	212,905
Recoveries applied to negative allowance	$ 230,237	$ 46,421	$ 276,658

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

(3) Changes in expected recoveries

Changes in expected recoveries consisted of the following for the three months ended September 30, 2022 and 2021 (amounts in thousands):

	Three Months Ended September 30, 2022		
	Core	Insolvency	Total
Changes in expected future recoveries	$ 17,851	$ 2,361	$ 20,212
Recoveries received in excess of forecast	20,835	7,289	28,124
Changes in expected recoveries	$ 38,686	$ 9,650	$ 48,336

	Three Months Ended September 30, 2021		
	Core	Insolvency	Total
Changes in expected future recoveries	$ 4,114	$ (6,026)	$ (1,912)
Recoveries received in excess of forecast	36,469	9,263	45,732
Changes in expected recoveries	$ 40,583	$ 3,237	$ 43,820

In order to estimate cash collections, the Company considered historical performance, current economic forecasts, short-term and long-term growth and consumer habits in the various geographies in which the Company operates. The Company considered recent collection activity in its determination to adjust assumptions related to 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.

Changes in expected recoveries for the three months ended September 30, 2022 were a net positive $48.3 million. This reflects $28.1 million in recoveries received in excess of forecast reflecting cash collections overperformance and a $20.2 million positive adjustment to changes in expected future recoveries. The changes in expected future recoveries reflects the Company's assessment of certain pools, where continued strong performance has resulted in an increase to the Company's forecasted ERC.

Changes in expected recoveries for the three months ended September 30, 2021 were a net positive $43.8 million. This reflected $45.7 million in recoveries received in excess of forecast, which was largely due to cash collections overperformance partially offset by a $1.9 million adjustment to changes in expected future recoveries. The changes in expected future recoveries included the Company's assumption that the majority of the overperformance was due to acceleration of future collections. The Company made adjustments in some geographies to increase near-term expected collections, bringing them in line with performance trends in collections, with corresponding reductions made later in the forecast period.

Nine Months Ended September 30, 2022 and 2021

Changes in the negative allowance for expected recoveries by portfolio segment for the nine months ended September 30, 2022 and 2021 were as follows (amounts in thousands):

	Nine Months Ended September 30, 2022		
	Core	Insolvency	Total
Balance at beginning of period	$ 2,989,932	$ 438,353	$ 3,428,285
Initial negative allowance for expected recoveries - portfolio acquisitions (1)	513,385	48,516	561,901
Foreign currency translation adjustment	(287,901)	(34,010)	(321,911)
Recoveries applied to negative allowance (2)	(628,293)	(137,439)	(765,732)
Changes in expected recoveries (3)	107,155	27,662	134,817
Balance at end of period	$ 2,694,278	$ 343,082	$ 3,037,360

	Nine Months Ended September 30, 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]	712,687	57,898	770,585
Foreign currency translation adjustment	(56,387)	(2,549)	(58,936)
Recoveries applied to negative allowance [2]	(797,648)	(136,354)	(934,002)
Changes in expected recoveries [3]	149,175	8,329	157,504
Balance at end of period	$ 3,027,304	$ 422,635	$ 3,449,939

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

Portfolio acquisitions for the nine months ended September 30, 2022 and 2021 were as follows (amounts in thousands):

	Nine Months Ended September 30, 2022		
	Core	Insolvency	Total
Face value	$ 3,539,705	$ 256,528	$ 3,796,233
Noncredit discount	(363,138)	(16,976)	(380,114)
Allowance for credit losses at acquisition	(2,663,182)	(191,036)	(2,854,218)
Purchase price	$ 513,385	$ 48,516	$ 561,901

	Nine Months Ended September 30, 2021		
	Core	Insolvency	Total
Face value	$ 4,863,736	$ 277,831	$ 5,141,567
Noncredit discount	(585,400)	(19,368)	(604,768)
Allowance for credit losses at acquisition	(3,565,649)	(200,565)	(3,766,214)
Purchase price	$ 712,687	$ 57,898	$ 770,585

The initial negative allowance recorded on portfolio acquisitions for the nine months ended September 30, 2022 and 2021 was as follows (amounts in thousands):

	Nine Months Ended September 30, 2022		
	Core	Insolvency	Total
Allowance for credit losses at acquisition	$ (2,663,182)	$ (191,036)	$ (2,854,218)
Writeoffs, net	2,663,182	191,036	2,854,218
Expected recoveries	513,385	48,516	561,901
Initial negative allowance for expected recoveries	$ 513,385	$ 48,516	$ 561,901

	Nine Months Ended September 30, 2021		
	Core	Insolvency	Total
Allowance for credit losses at acquisition	$ (3,565,649)	$ (200,565)	$ (3,766,214)
Writeoffs, net	3,565,649	200,565	3,766,214
Expected recoveries	712,687	57,898	770,585
Initial negative allowance for expected recoveries	$ 712,687	$ 57,898	$ 770,585

(2) Recoveries applied to negative allowance

Recoveries applied to the negative allowance were calculated as follows for the nine months ended September 30, 2022 and 2021 (amounts in thousands):

	Nine Months Ended September 30, 2022		
	Core	Insolvency	Total
Recoveries [(a)]	$ 1,179,746	$ 173,380	$ 1,353,126
Less - amounts reclassified to portfolio income	551,453	35,941	587,394
Recoveries applied to negative allowance	$ 628,293	$ 137,439	$ 765,732

	Nine Months Ended September 30, 2021		
	Core	Insolvency	Total
Recoveries [(a)]	$ 1,415,619	$ 182,097	$ 1,597,716
Less - amounts reclassified to portfolio income	617,971	45,743	663,714
Recoveries applied to negative allowance	$ 797,648	$ 136,354	$ 934,002

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

(3) Changes in expected recoveries

Changes in expected recoveries consisted of the following for the nine months ended September 30, 2022 and 2021 (amounts in thousands):

	Nine Months Ended September 30, 2022		
	Core	Insolvency	Total
Changes in expected future recoveries	$ 43,262	$ 3,894	$ 47,156
Recoveries received in excess of forecast	63,893	23,768	87,661
Changes in expected recoveries	$ 107,155	$ 27,662	$ 134,817

	Nine Months Ended September 30, 2021		
	Core	Insolvency	Total
Changes in expected future recoveries	$ (47,738)	$ (18,871)	$ (66,609)
Recoveries received in excess of forecast	196,913	27,200	224,113
Changes in expected recoveries	$ 149,175	$ 8,329	$ 157,504

Changes in expected recoveries for the nine months ended September 30, 2022 were a net positive $134.8 million. This reflects $87.7 million in recoveries received in excess of forecast reflecting cash collections overperformance and a $47.2 million net positive adjustment to changes in expected future recoveries. The changes in expected future recoveries reflects the Company's assessment of certain pools, where continued strong performance has resulted in a net increase to the Company's forecasted ERC. The Company continues to believe that the majority of the overperformance in its more recent pools was due to acceleration in the timing of cash collections rather than an increase in total expected collections. The change in expected recoveries also included a $20.5 million write down during the first quarter in 2022 on one portfolio in Brazil.

Changes in expected recoveries for the nine months ended September 30, 2021 were a net positive $157.5 million. The changes were the net result of recoveries received in excess of forecast of $224.1 million from significant cash collection overperformance reduced by a $66.6 million negative adjustment to changes in expected future recoveries. The changes in expected future recoveries included the Company's assumption that the majority of the overperformance was due to acceleration of future collections. The Company made adjustments in some geographies to increase near-term expected collections, bringing them in line with performance trends in collections, with corresponding reductions made later in the forecast period.

3. Investments:

Investments consisted of the following at September 30, 2022 and December 31, 2021 (amounts in thousands):

	September 30, 2022	December 31, 2021
Debt securities		
Available-for-sale	$ 62,507	$ 77,538
Equity securities		
Exchange traded funds	—	1,746
Private equity funds	4,985	5,137
Mutual funds	510	508
Equity method investments	8,169	8,048
Total investments	$ 76,171	$ 92,977

Debt Securities

Available-for-sale

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

The amortized cost and estimated fair value of investments in debt securities at September 30, 2022 and December 31, 2021 were as follows (amounts in thousands):

	September 30, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
Available-for-sale				
Government securities	$ 62,996	$ —	$ 489	$ 62,507

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
Available-for-sale				
Government securities	$ 77,757	$ —	$ 219	$ 77,538

Equity Securities

Exchange traded funds: The Company invested in treasury bill exchange traded funds, which were 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. The Company sold its investment in these funds in the third quarter of 2022.

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 these investments 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 contributions made and distributions received.

4. 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, 2021 and concluded that no goodwill impairment was necessary. The Company performed its quarterly assessment by evaluating whether any triggering events had occurred as of September 30, 2022, which included considering current market conditions and concluded that no such event had occurred as of September 30, 2022.

The changes in goodwill for the three and nine months ended September 30, 2022 and 2021, were as follows (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Balance at beginning of period	$ 437,032	$ 492,843	$ 480,263	$ 492,989
Change in foreign currency translation adjustment	(32,558)	(10,364)	(75,789)	(10,510)
Balance at end of period	$ 404,474	$ 482,479	$ 404,474	$ 482,479

5. 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 up to 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's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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

The components of lease expense for the three and nine months ended September 30, 2022 and 2021, were as follows (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating lease expense	$ 2,775	$ 3,072	$ 9,095	$ 9,096
Short-term lease expense	775	695	1,874	2,118
Sublease income	(118)	(81)	(348)	(81)
Total lease expense	$ 3,432	$ 3,686	$ 10,621	$ 11,133

Supplemental cash flow information and non-cash activity related to leases for the nine months ended September 30, 2022 and 2021 were as follows (amounts in thousands):

	Nine Months Ended September 30,	
	2022	2021
Cash paid for amounts included in the measurement of operating lease liabilities	$ 8,923	$ 8,946
ROU assets obtained in exchange for operating lease obligations	5,910	6,436

Lease term and discount rate information related to operating leases was as follows:

	Nine Months Ended September 30,	
	2022	2021
Weighted-average remaining lease term (years)	8.2	8.6
Weighted-average discount rate	4.48 %	4.64 %

Maturities of lease liabilities at September 30, 2022 were as follows for the following periods (amounts in thousands):

	Operating Leases
For the three months ending December 31, 2022	$ 2,688
For the year ending December 31, 2023	9,957
For the year ending December 31, 2024	9,333
For the year ending December 31, 2025	9,087
For the year ending December 31, 2026	7,991
Thereafter	30,114
Total lease payments	69,170
Less: imputed interest	11,794
Total present value of lease liabilities	$ 57,376

6. Borrowings:

The Company's borrowings consisted of the following as of September 30, 2022 and December 31, 2021 (amounts in thousands):

	September 30, 2022	December 31, 2021
Americas revolving credit (1)	$ 281,075	$ 372,119
UK revolving credit	427,050	—
Europe revolving credit	235,343	795,687
Term loan	452,500	460,000
Senior notes	650,000	650,000
Convertible notes	345,000	345,000
	2,390,968	2,622,806
Less: Debt discount and issuance costs	(11,354)	(14,092)
Total	$ 2,379,614	$ 2,608,714

(1) Includes the North American revolving credit facility and an unsecured credit agreement with Banco de Occidente (the "Colombian revolving credit facility"). As of September 30, 2022 and December 31, 2021, the outstanding balance under the Colombian revolving credit facility was approximately $0.6 million and $0.9 million, respectively, with interest rates of 13.05% and 5.85%, respectively.

The following principal payments were due on the Company's borrowings as of September 30, 2022 for the 12-month periods ending September 30, (amounts in thousands):

2023	$ 355,267
2024	245,610
2025	310,066
2026	1,130,025
2027	—
Thereafter	350,000
Total	$ 2,390,968

The Company determined that it was in compliance with the covenants of its financing arrangements as of September 30, 2022.

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

$452.5 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 lenders) 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, Canadian dollar offered rate, or the Eurodollar rate, for the applicable term plus 2.25% per annum, or 2.00% if the consolidated senior secured leverage ratio is less than or equal to 1.60 to 1.0. The revolving loans within the credit facility are subject to a 0.0% floor. The revolving credit facilities also bear an unused line fee of 0.35% per annum, or 0.30% if the consolidated senior secured leverage ratio is less than or equal to 1.60 to 1.0, payable quarterly in arrears and matures July 30, 2026. As of September 30, 2022, the unused portion of the North American Credit Agreement was $794.5 million. Considering borrowing base restrictions, as of September 30, 2022, the amount available to be drawn was $117.0 million.

Borrowings under the North American Credit Agreement are guaranteed by the Company's U.S. and Canadian subsidiaries (provided that the Canadian subsidiaries only guarantee borrowings under the Canadian revolving credit facility) and are secured by a first priority lien on substantially all of the Company's North American assets. The North American Credit Agreement contains events of default and restrictive covenants, 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.

United Kingdom ("UK") Revolving Credit Facility

On April 1, 2022, PRA Group Europe Holding I S.a r.l ("PRA Group Europe"), a wholly owned subsidiary of the Company, entered into a credit agreement (the "UK Credit Agreement") with PRA Group UK Limited ("PRA UK") and the Company, as guarantors, the lenders party thereto and MUFG Bank, Ltd., London Branch, as the administrative agent (the "Administrative Agent").

The UK Credit Agreement consists of an $800.0 million revolving credit facility (subject to a borrowing base), and an accordion feature for up to $200.0 million in additional commitments, subject to certain conditions. Borrowings, which are available in U.S. dollars, euro and pounds sterling, will accrue interest, for the applicable term at the risk free rate applicable to U.S. dollars (Secured Overnight Financing Rate) or sterling (Sterling Overnight Interbank Average Rate) or, in the case of euro borrowings, Euribor plus an applicable margin of 2.50% per annum plus a credit adjustment spread of 0.10%. If the consolidated senior secured leverage ratio is greater than 1.60 to 1.0, the applicable margin will increase to 2.75%. The UK Credit Agreement also has a commitment fee of 0.30% per annum, payable quarterly in arrears. If the consolidated senior secured leverage ratio is greater than 1.60 to 1.0, the commitment fee increases to 0.35% per annum. The UK Credit Agreement matures on July 30, 2026. As of September 30, 2022, the unused portion of the UK Credit Agreement was $373.0 million. Considering borrowing base restrictions, as of September 30, 2022, the amount available to be drawn under the UK Credit Agreement was $76.7 million.

The UK Credit Agreement is secured by substantially all of the assets of PRA UK, all of the equity interests in PRA UK and PRA Group Europe, certain bank accounts of PRA Group Europe and certain intercompany loans extended by PRA Group Europe to PRA UK. The UK Credit Agreement contains events of default and restrictive covenants, including the following:

- the borrowing base equals the sum of up to: (i) 35% of the ERC of PRA UK’s eligible asset pools; plus (ii) 55% of PRA UK’s insolvency eligible asset pools; minus (iii) certain reserves to be established by the Administrative Agent;
- the Company's consolidated leverage ratio can not exceed 3.50 to 1.0 as of the end of any fiscal quarter;
- the Company's consolidated senior secured leverage ratio cannot exceed 2.25 to 1.0 as of the end of any fiscal quarter; and
- the Company must maintain positive consolidated income from operations during any fiscal quarter.

European Revolving Credit Facility

The Company's non-UK European subsidiaries ("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 (the "European Credit Agreement"). On March 29, 2022, in connection with the refinancing of the Company's European credit facilities, PRA Group Europe Holding S.a.r.l, a wholly owned subsidiary of the Company, and its Swiss Branch, PRA Group Holding S.a.r.l., Luxembourg, Zug

Branch, executed the Eighth Amendment and Restatement to its European Credit Agreement ("Eighth Amendment"). On April 7, 2022, the Eighth Amendment was made effective and, among other things, extended the European Credit Agreement for one year to February 19, 2024, decreased the aggregate borrowing commitments by $600.0 million, removed PRA UK as a guarantor and released the shares of PRA UK that previously secured the European Credit Agreement.

The European Credit Agreement provides borrowings for an aggregate amount of approximately $750.0 million (subject to the borrowing base), accrues interest at the Interbank Offered Rate plus 2.70% - 3.80% (as determined by the ERC ratio), bears an unused line fee, currently 1.12% per annum, or 35% of the margin, is payable monthly in arrears and matures February 19, 2024. 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, 2024. As of September 30, 2022, the unused portion of the European Credit Agreement (including the overdraft facility) was $554.7 million. Considering borrowing base restrictions and other covenants as of September 30, 2022, the amount available to be drawn under the European Credit Agreement (including the overdraft facility) was $260.6 million.

Borrowings under the European Credit Agreement are guaranteed by substantially all of the Company's non-UK European subsidiaries and are secured by the shares of most of the Company's non-UK European subsidiaries and all non-UK European intercompany loans receivable in Europe. The European Credit Agreement contains events of default and restrictive covenants, 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.

Senior Notes due 2029

On September 22, 2021, the Company completed the private offering of $350.0 million in aggregate principal amount of its 5.00% Senior Notes due October 1, 2029 (the "2029 Notes"). The 2029 Notes were issued pursuant to an Indenture dated September 22, 2021 (the "2021 Indenture"), between the Company and Regions Bank, as trustee. The 2021 Indenture contains customary terms and covenants, including certain events of default after which the 2029 Notes may be due and payable immediately. The 2029 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 2029 Notes is payable semi-annually, in arrears, on October 1 and April 1 of each year.

On or after October 1, 2024, the 2029 Notes may be redeemed, at the Company's option in whole or in part at a price equal to 102.50% of the aggregate principal amount of the 2029 Notes being redeemed. The applicable redemption price changes if redeemed during the 12-months beginning October 1 of each year to 101.25% for 2025 and then 100% for 2026 and thereafter.

In addition, on or before October 1, 2024, the Company may redeem up to 40% of the aggregate principal amount of the 2029 Notes at a redemption price of 105.00% plus accrued and unpaid interest subject to the rights of holders of the 2029 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 2029 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, each holder will have the right to require the Company to repurchase all or any part of such holder's 2029 Notes at an offer price equal to 101% of the 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 2029 Notes at 100% of their principal amount.

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" and, together with the 2029 Notes, the "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 had the option to 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. The Company did not exercise this option.

In the event of a change of control, each holder will have the right to require the Company to repurchase all or any part of such holder's 2025 Notes 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.

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" or "Convertible Notes"). The 2023 Notes were issued pursuant to an Indenture, dated May 26, 2017 (the "2017 Indenture"), between the Company and Regions Bank, as trustee. The 2017 Indenture contains customary terms and covenants, including certain events of default after which the 2023 Notes may be due and payable immediately. The 2023 Notes are senior unsecured obligations of the Company. Interest on the 2023 Notes is payable semi-annually, in arrears, on June 1 and December 1 of each year.

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 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 on the trading day preceding the announcement of such distribution; or
- a transaction occurs that constitutes a fundamental change 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 September 30, 2022, 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 for cash, but only if the last reported sale price 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.

The conversion rate for the 2023 Notes is 21.6275 shares per $1,000 principal amount, 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 ("EPS"), 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 of issuance cost as debt issuance cost and the remaining $1.3 million as equity issuance cost.

The balances of the liability component of the 2023 Notes outstanding as of September 30, 2022 and December 31, 2021, were as follows (amounts in thousands):

	September 30, 2022	December 31, 2021
Liability component - principal amount	$ 345,000	$ 345,000
Unamortized debt issuance costs	(1,192)	(2,476)
Liability component - net carrying amount	$ 343,808	$ 342,524

The Company amortizes debt issuance costs over the life of the debt using an effective interest rate of 4.00%.

Interest expense related to the 2023 Notes for the three and nine months ended September 30, 2022 and 2021, were as follows (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Interest expense - stated coupon rate	$ 3,019	$ 3,019	$ 9,057	$ 9,057
Interest expense - amortization of debt issuance costs	429	412	1,284	1,234
Total interest expense - convertible notes	$ 3,448	$ 3,431	$ 10,341	$ 10,291

7. 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 Company's Consolidated Balance Sheets.

The following tables summarize the fair value of derivative instruments in the Company's Consolidated Balance Sheets as of September 30, 2022 and December 31, 2021 (amounts in thousands):

	September 30, 2022		December 31, 2021	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate contracts	Other assets	$ 44,842	Other assets	$ 6,251
Interest rate contracts	Other liabilities	—	Other liabilities	14,879
Derivatives not designated as hedging instruments:				
Foreign currency contracts	Other assets	29,299	Other assets	3,534
Foreign currency contracts	Other liabilities	1,218	Other liabilities	11,099

Derivatives Designated as Hedging Instruments:

Changes in fair value of derivative contracts designated as cash flow hedging instruments are recognized in other comprehensive income ("OCI"). As of September 30, 2022 and December 31, 2021, the notional amount of interest rate contracts designated as cash flow hedging instruments was $686.3 million and $869.1 million, respectively. Derivatives designated as cash flow hedging instruments were evaluated and remained highly effective at September 30, 2022 and have terms of one to three years. The Company estimates that approximately $17.8 million of net derivative gain included in OCI will be reclassified into earnings within the next 12 months.

The following tables summarize the effects of derivatives designated as cash flow hedging instruments on the Company's Consolidated Financial Statements for the three and nine months ended September 30, 2022 and 2021 (amounts in thousands):

	Gain or (loss) recognized in OCI, net of tax			
	Three Months Ended September 30,		Nine Months Ended September 30,	
Derivatives designated as cash flow hedging instruments	**2022**	**2021**	**2022**	**2021**
Interest rate contracts	$ 19,983	$ 3,036	$ 41,106	$ 11,588

	Gain or (loss) reclassified from OCI into income			
	Three Months Ended September 30,		Nine Months Ended September 30,	
Location of gain or (loss) reclassified from OCI into income	**2022**	**2021**	**2022**	**2021**
Interest expense, net	$ 383	$ (3,165)	$ (3,819)	$ (9,644)

Derivatives Not Designated as Hedging Instruments:

The Company 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. Changes in fair value of derivative contracts not designated as hedging instruments are recognized in earnings. As of September 30, 2022 and December 31, 2021, the notional amount of foreign currency contracts that were not designated as hedging instruments was $490.2 million and $1,061.7 million, respectively.

The following table summarizes the effects of derivatives not designated as hedging instruments on the Company's Consolidated Income Statements for the three and nine months ended September 30, 2022 and 2021 (amounts in thousands):

		Amount of gain or (loss) recognized in income	
		Three Months Ended September 30,	
Derivatives not designated as hedging instruments	**Location of gain or (loss) recognized in income**	**2022**	**2021**
Foreign currency contracts	Foreign exchange gain, net	$ 33,019	$ 8,197
Foreign currency contracts	Interest expense, net	313	130

		Amount of gain or (loss) recognized in income	
		Nine Months Ended September 30,	
Derivatives not designated as hedging instruments	**Location of gain or (loss) recognized in income**	**2022**	**2021**
Foreign currency contracts	Foreign exchange gain, net	$ 72,371	$ 10,741
Foreign currency contracts	Interest expense, net	(638)	475

8. 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.
- 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 were recorded in the Company's Consolidated Balance Sheets at September 30, 2022 and December 31, 2021 (amounts in thousands):

	September 30, 2022		December 31, 2021	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial assets:				
Cash and cash equivalents	$ 57,991	$ 57,991	$ 87,584	$ 87,584
Finance receivables, net	3,037,360	2,933,762	3,428,285	3,317,658
Financial liabilities:				
Interest-bearing deposits	88,155	88,155	124,623	124,623
Revolving lines of credit	943,468	943,468	1,167,806	1,167,806
Term loan	452,500	452,500	460,000	460,000
Senior Notes	650,000	573,849	650,000	673,366
Convertible Notes	345,000	338,980	345,000	406,607

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

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

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

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

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

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

Senior Notes 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.

Financial Instruments Required To Be Carried At Fair Value

The carrying amounts in the following tables were measured at fair value on a recurring basis in the Company's Consolidated Balance Sheets at September 30, 2022 and December 31, 2021 (amounts in thousands):

	Fair Value Measurements as of September 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Government securities	$ 62,507	$ —	$ —	$ 62,507
Mutual funds	510	—	—	510
Derivative contracts (recorded in Other assets)	—	74,141	—	74,141
Liabilities:				
Derivative contracts (recorded in Other liabilities)	—	1,218	—	1,218

	Fair Value Measurements as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Government securities	$ 77,538	$ —	$ —	$ 77,538
Exchange traded funds	1,746	—	—	1,746
Mutual funds	508	—	—	508
Derivative contracts (recorded in Other assets)	—	9,785	—	9,785
Liabilities:				
Derivative contracts (recorded in Other liabilities)	—	25,978	—	25,978

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

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 $5.0 million and $5.1 million as of September 30, 2022 and December 31, 2021, respectively.

9. Accumulated Other Comprehensive Loss:

The following tables provide details about the reclassifications from accumulated other comprehensive loss for the three and nine months ended September 30, 2022 and 2021 (amounts in thousands):

	Three Months Ended September 30,		
Gains and losses on cash flow hedges	**2022**	**2021**	**Affected line in the Consolidated Income Statement**
Interest rate swaps	$ 383	$ (3,165)	Interest expense, net
Income tax effect of item above	10	679	Income tax expense
Total losses/(gains) on cash flow hedges	$ 393	$ (2,486)	Net of tax

	Nine Months Ended September 30,		
Gains and losses on cash flow hedges	**2022**	**2021**	**Affected line in the Consolidated Income Statement**
Interest rate swaps	$ (3,819)	$ (9,644)	Interest expense, net
Income tax effect of item above	918	2,032	Income tax expense
Total gains on cash flow hedges	$ (2,901)	$ (7,612)	Net of tax

The following table represents the changes in accumulated other comprehensive loss by component, after tax, for the three and nine months ended September 30, 2022 and 2021 (amounts in thousands):

	Three Months Ended September 30, 2022			
	Debt Securities Available-for-sale	**Cash Flow Hedges**	**Currency Translation Adjustments**	**Accumulated Other Comprehensive Loss (1)**
Balance at beginning of period	$ (623)	$ 19,046	$ (366,244)	$ (347,821)
Other comprehensive gain/(loss) before reclassifications	133	19,983	(97,988)	(77,872)
Reclassifications, net	—	(393)	—	(393)
Net current period other comprehensive gain/(loss)	133	19,590	(97,988)	(78,265)
Balance at end of period	$ (490)	$ 38,636	$ (464,232)	$ (426,086)

	Three Months Ended September 30, 2021			
	Debt Securities Available-for-sale	**Cash Flow Hedges**	**Currency Translation Adjustments**	**Accumulated Other Comprehensive Loss (1)**
Balance at beginning of period	$ (15)	$ (19,671)	$ (215,673)	$ (235,359)
Other comprehensive (loss)/gain before reclassifications	(50)	3,036	(34,894)	(31,908)
Reclassifications, net	—	2,486	—	2,486
Net current period other comprehensive (loss)/gain	(50)	5,522	(34,894)	(29,422)
Balance at end of period	$ (65)	$ (14,149)	$ (250,567)	$ (264,781)

(1) Net of deferred taxes for unrealized gains from cash flow hedges of $3.5 million and $1.0 million for the three months ended September 30, 2022 and 2021, respectively.

	Nine Months Ended September 30, 2022			
	Debt Securities Available-for-sale	Cash Flow Hedges	Currency Translation Adjustments	Accumulated Other Comprehensive Loss (1)
Balance at beginning of period	$ (221)	$ (5,371)	$ (261,317)	$ (266,909)
Other comprehensive (loss)/gain before reclassifications	(269)	41,106	(202,915)	(162,078)
Reclassifications, net	—	2,901	—	2,901
Net current period other comprehensive (loss)/gain	(269)	44,007	(202,915)	(159,177)
Balance at end of period	$ (490)	$ 38,636	$ (464,232)	$ (426,086)

	Nine Months Ended September 30, 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)/gain before reclassifications	(192)	11,588	(37,998)	(26,602)
Reclassifications, net	—	7,612	—	7,612
Net current period other comprehensive (loss)/gain	(192)	19,200	(37,998)	(18,990)
Balance at end of period	$ (65)	$ (14,149)	$ (250,567)	$ (264,781)

(1) Net of deferred taxes for unrealized (gains)/losses from cash flow hedges of $(6.1) million and $5.0 million for the nine months ended September 30, 2022 and 2021, respectively.

10. Earnings per Share:

Basic EPS are computed by dividing net income available to common stockholders of PRA Group, Inc. by weighted average common shares outstanding. Diluted EPS are computed using the same components as basic EPS with the denominator adjusted for the dilutive effect of the Convertible Notes and nonvested share awards, if dilutive. There has been no dilutive effect of the Convertible Notes since issuance through September 30, 2022. Share-based awards that are contingent upon the attainment of performance goals are included in the computation of diluted EPS if the effect is dilutive. The dilutive effect of nonvested shares is computed using the treasury stock method, which assumes any proceeds that could be obtained upon the vesting of nonvested shares would be used to purchase common shares at the average market price for the period.

On July 29, 2021, the Board of Directors of the Company ("Board of Directors") approved a share repurchase program to purchase up to $150.0 million of the Company's outstanding shares of common stock. On October 28, 2021, the Board of Directors authorized an increase of $80.0 million to the existing program for a total of $230.0 million. On February 25, 2022, the Company completed its $230.0 million share repurchase program. Also on February 25, 2022, the Board of Directors approved a new share repurchase program under which the Company is authorized to repurchase up to $150.0 million of its outstanding common stock.

For the three months ended September 30, 2022, the Company repurchased 663,005 shares of its common stock for approximately $25.0 million, at an average price of $37.71 per share. For the nine months ended September 30, 2022, the Company repurchased 2,331,364 shares of its common stock for approximately $99.4 million, at an average price of $42.63 per share. As of September 30, 2022, there was $67.7 million remaining for share repurchases under the new program. The Company's practice is to retire the shares it repurchases.

The following tables provide a reconciliation between the computation of basic EPS and diluted EPS for the three and nine months ended September 30, 2022 and 2021 (amounts in thousands, except per share amounts):

	Three Months Ended September 30,					
	2022			2021		
	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	$ 24,732	39,018	$ 0.63	$ 34,480	45,305	$ 0.76
Dilutive effect of nonvested share awards		152	—		351	—
Diluted EPS	$ 24,732	39,170	$ 0.63	$ 34,480	45,656	$ 0.76

	Nine Months Ended September 30,					
	2022			2021		
	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	$ 101,188	39,858	$ 2.54	$ 148,882	45,594	$ 3.27
Dilutive effect of nonvested share awards		267	(0.02)		326	(0.03)
Diluted EPS	$ 101,188	40,125	$ 2.52	$ 148,882	45,920	$ 3.24

There were no options outstanding, antidilutive or otherwise, as of September 30, 2022 and 2021.

11. Income Taxes:

The Company accounts for income taxes in accordance with Financial Accounting Standards Board ("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 September 30, 2022, 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 $51.9 million and $61.9 million as of September 30, 2022 and December 31, 2021, respectively.

12. 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 September 30, 2022, estimated future compensation under these agreements was approximately $8.5 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 $8.5 million total above.

Forward Flow Agreements:

The Company is party to several forward flow agreements that allow for the purchase of nonperforming loans at pre-established prices. The maximum remaining amount to be purchased under forward flow agreements at September 30, 2022, was $1,034.6 million.

Finance Receivables:

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

Litigation and Regulatory Matters:

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

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

The Company believes that the estimate of the aggregate range of reasonably possible losses in excess of the amount accrued for its legal proceedings outstanding at September 30, 2022, 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 in nature were disclosed previously in the 2021 Form 10-K.

13. Recently Issued Accounting Standards:

Recently issued accounting standards adopted:

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 Reference Rate Reform ("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 assessed whether amendments and modifications to its swap agreements and borrowing agreements qualify for any optional expedients. During the first quarter of 2022, the Company elected certain optional expedients under ASC 848 to maintain cash flow hedge accounting for swap agreements with a combined notional amount of $422.8 million after interest rate swaps that were indexed to GDP-LIBOR converted to the Sterling Overnight Index Average ("SONIA"), effective January 1, 2022. In the second quarter of 2022, the Company exited the relief provisions under ASC 848 after updating the hedged risk on these cash flow hedges to reflect SONIA-based cash flows expected to occur under the UK Credit Agreement.

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," "our," "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 local, state, federal 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;
- changes in local, state, federal 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 inability 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 transition from 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, 2021 ("2021 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 publicly 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 nonperforming loan portfolios.
- "Cash receipts" refers to cash collections on our nonperforming loan 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 nonperforming loan portfolios.
- "Finance receivables" or "receivables" refers to the negative allowance for expected recoveries recorded on our balance sheet as an asset.
- "Insolvency" accounts or portfolios refer to accounts or portfolios of nonperforming loans 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.
- "Portfolio acquisitions" refers to all nonperforming loan 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 nonperforming loan 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 nonperforming loan 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 our nonperforming loan 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 nonperforming loan 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 September 30, 2022, employed 3,285 full-time equivalents. Our shares of common stock are traded on the NASDAQ Global Select Market under the symbol "PRAA."

Macroeconomic Update

We continue to monitor developments related to the COVID-19 pandemic, and to date, have been able to mitigate the effects on our overall operations. During 2022, the trends we experienced in the latter part of 2021 have largely continued with the easing or lifting of COVID-19 restrictions leading to increased consumer spending and travel. Leading financial industry publications have indicated that excess consumer liquidity has resulted in lower levels of charge offs across most lending institutions. As a result, this has caused a decrease in the supply of fresh portfolios available for purchase in the U.S. resulting in a lower level of portfolio purchases and pricing pressures. We expect these trends to continue in the near-term; however, consistent with our experience during previous economic cycles, we believe charge offs will increase leading to a greater level of supply, which we anticipate could occur in the coming months. For additional information regarding our response to COVID-19, see Part I, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" to our 2021 Form 10-K.

Furthermore, the combination of robust demand for goods and services and supply chain constraints lingering from the prior year continues to contribute to elevated levels of inflation, rising interest rates, and foreign exchange rate fluctuations. The Russian invasion of Ukraine, including the resulting sanctions on Russia, continues to shock the energy markets, increasing the inflationary pressure on energy costs. We cannot predict the full extent to which the COVID-19 pandemic, the inflationary environment or the Russian invasion of Ukraine will impact our business, results of operations and financial condition due to numerous evolving factors. See Part I, Item 1A "Risk Factors" of our 2021 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 our Consolidated Income Statement amounts as a percentage of Total revenues for the periods indicated (dollars in thousands):

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2022		2021		2022		2021	
Revenues:								
Portfolio income	$ 185,853	75.9 %	$ 212,905	80.7 %	$ 587,394	79.0 %	$ 663,714	79.1 %
Changes in expected recoveries	48,336	19.8	43,820	16.6	134,817	18.1	157,504	18.8
Total portfolio revenue	234,189	95.7	256,725	97.3	722,211	97.1	821,218	97.9
Fee income	6,122	2.6	6,209	2.4	14,419	1.9	10,843	1.3
Other revenue	4,496	1.7	764	0.3	7,044	1.0	6,735	0.8
Total revenues	244,807	100.0	263,698	100.0	743,674	100.0	838,796	100.0
Operating expenses:								
Compensation and employee services	70,382	28.8	74,584	28.3	215,615	29.0	228,200	27.2
Legal collection fees	8,963	3.7	10,993	4.2	29,390	4.0	36,208	4.3
Legal collection costs	23,391	9.5	21,450	8.1	57,694	7.8	61,231	7.3
Agency fees	15,160	6.2	15,646	5.9	47,374	6.4	47,145	5.6
Outside fees and services	24,618	10.0	29,434	11.2	71,489	9.6	71,167	8.5
Communication	9,951	4.1	9,782	3.7	32,062	4.3	33,039	3.9
Rent and occupancy	4,669	1.9	4,571	1.7	14,289	1.9	13,694	1.6
Depreciation and amortization	3,741	1.5	3,724	1.4	11,384	1.5	11,520	1.4
Other operating expenses	13,144	5.4	15,935	6.1	37,885	5.1	44,045	5.3
Total operating expenses	174,019	71.1	186,119	70.6	517,182	69.6	546,249	65.1
Income from operations	70,788	28.9	77,579	29.4	226,492	30.4	292,547	34.9
Other income and (expense):								
Interest expense, net	(32,455)	(13.3)	(29,599)	(11.3)	(95,765)	(12.9)	(91,987)	(11.0)
Foreign exchange gain, net	4	—	1,232	0.5	791	0.1	127	—
Other	(83)	—	85	—	(754)	(0.1)	294	—
Income before income taxes	38,254	15.6	49,297	18.6	130,764	17.5	200,981	23.9
Income tax expense	11,072	4.5	12,627	4.7	29,828	3.9	41,870	5.0
Net income	27,182	11.1	36,670	13.9	100,936	13.6	159,111	18.9
Adjustment for net income/(loss) attributable to noncontrolling interests	2,450	1.0	2,190	0.8	(252)	—	10,229	1.2
Net income attributable to PRA Group, Inc.	$ 24,732	10.1 %	$ 34,480	13.1 %	$ 101,188	13.6 %	$ 148,882	17.7 %

Three Months Ended September 30, 2022 Compared To Three Months Ended September 30, 2021

Cash Collections

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

	For the Three Months Ended September 30,			
	2022	2021	$ Change	% Change
Americas and Australia Core	$ 225,775	$ 276,691	$ (50,916)	(18.4)%
Americas Insolvency	31,911	37,464	(5,553)	(14.8)
Europe Core	132,072	151,625	(19,553)	(12.9)
Europe Insolvency	22,586	22,574	12	0.1
Total cash collections	$ 412,344	$ 488,354	$ (76,010)	(15.6)%
Cash collections adjusted (1)	$ 412,344	$ 462,001	$ (49,657)	(10.7)%

(1) Cash collections adjusted refers to 2021 cash collections remeasured using 2022 exchange rates.

Cash collections were $412.3 million for the three months ended September 30, 2022, a decrease of $76.0 million, or 15.6%, compared to $488.4 million for the three months ended September 30, 2021. The decrease was primarily due to lower cash collections of $49.9 million, or 29.3%, in U.S. call center and other collections reflecting lower levels of portfolio purchasing. Additionally, U.S. legal cash collections decreased $5.1 million, or 6.7%, mainly reflecting the impact from the lower volume of accounts placed in the legal channel in the last few years. Europe cash collections decreased by $19.5 million, or 11.2%, primarily reflecting a $25.7 million impact from the strengthening of the U.S. dollar.

Revenues

A summary of our revenue generation during the three months ended September 30, 2022 and 2021 is as follows (amounts in thousands):

	For the Three Months Ended September 30,			
	2022	2021	$ Change	% Change
Portfolio income	$ 185,853	$ 212,905	$ (27,052)	(12.7)%
Changes in expected recoveries	48,336	43,820	4,516	10.3
Total portfolio revenue	234,189	256,725	(22,536)	(8.8)
Fee income	6,122	6,209	(87)	(1.4)
Other revenue	4,496	764	3,732	488.5
Total revenues	$ 244,807	$ 263,698	$ (18,891)	(7.2)%

Total Portfolio Revenue

Total portfolio revenue was $234.2 million for the three months ended September 30, 2022, a decrease of $22.5 million, or 8.8%, compared to $256.7 million for the three months ended September 30, 2021. The decrease was driven by lower levels of portfolio purchasing, lower levels of cash overperformance and the impact of foreign exchange. These decreases were partially offset by an increase to our forecasted ERC in certain pools.

Other Revenue

Other revenue was $4.5 million for the three months ended September 30, 2022, an increase of $3.7 million, compared to $0.8 million for the three months ended September 30, 2021, primarily driven by the timing of settlements of purchased claims.

Operating Expenses

Total operating expenses were $174.0 million for the three months ended September 30, 2022, a decrease of $12.1 million, or 6.5%, compared to $186.1 million for the three months ended September 30, 2021.

Compensation and Employee Services

Compensation and employee services expenses were $70.4 million for the three months ended September 30, 2022, a decrease of $4.2 million, or 5.6%, compared to $74.6 million for the three months ended September 30, 2021. The decrease was primarily attributable to the level and timing of compensation accruals in the prior year and lower collector compensation expenses in the U.S. call centers. Total full-time equivalents decreased to 3,285 as of September 30, 2022, from 3,521 as of September 30, 2021.

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 $9.0 million for the three months ended September 30, 2022, a decrease of $2.0 million, or 18.2%, compared to $11.0 million for the three months ended September 30, 2021, primarily reflecting 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 $23.4 million for the three months ended September 30, 2022, an increase of $1.9 million, or 8.8%, compared to $21.5 million for the three months ended September 30, 2021. The increase reflects the higher volume of accounts placed into the legal channel in the U.S during the three months ended September 30, 2022.

Agency Fees

Agency fees primarily represent third-party collection fees. Agency fees were $15.2 million for the three months ended September 30, 2022, compared to $15.6 million for the three months ended September 30, 2021.

Outside Fees and Services

Outside fees and services expenses were $24.6 million for the three months ended September 30, 2022, a decrease of $4.8 million, or 16.3%, compared to $29.4 million for the three months ended September 30, 2021. The decrease was primarily due to the timing of corporate legal expenses.

Other

Other expenses were $13.1 million for the three months ended September 30, 2022, a decrease of $2.8 million, or 17.6%, compared to $15.9 million for the three months ended September 30, 2021. The decrease primarily reflects lower advertising costs.

Interest Expense, Net

Interest expense, net was $32.5 million for the three months ended September 30, 2022, an increase of $2.9 million, or 9.6%, compared to $29.6 million for the three months ended September 30, 2021, primarily reflecting increased interest rates.

Interest expense, net consisted of the following for the three months ended September 30, 2022 and 2021 (amounts in thousands):

	For the Three Months Ended September 30,			
	2022	2021	$ Change	% Change
Interest on debt obligations and unused line fees	$ 17,635	$ 18,541	$ (906)	(4.9)%
Interest on senior notes	9,906	5,920	3,986	67.3
Coupon interest on convertible notes	3,019	3,019	—	—
Amortization of loan fees and other loan costs	2,555	2,406	149	6.2
Interest income	(660)	(287)	(373)	130.0
Interest expense, net	$ 32,455	$ 29,599	$ 2,856	9.6 %

Foreign Exchange Gain/(Loss)

Foreign exchange gains for the three months ended September 30, 2022 were essentially zero compared to $1.2 million for the three months ended September 30, 2021. In any given period, we may incur foreign currency exchange gains or losses from transactions in currencies other than the functional currency.

Income Tax Expense

Income tax expense was $11.1 million for the three months ended September 30, 2022, a decrease of $1.5 million, or 11.9%, compared to $12.6 million for the three months ended September 30, 2021. During the three months ended September 30, 2022, our effective tax rate was 28.9%, compared to 25.6% for the three months ended September 30, 2021. The decrease in income tax expense was primarily due to lower income before taxes during the three months ended September 30, 2022, which decreased $11.0 million, or 22.3%. The increase in our effective tax rate was mainly due to a change in total discrete items and changes in the mix of income from different taxing jurisdictions.

Nine Months Ended September 30, 2022 Compared To Nine Months Ended September 30, 2021

Cash Collections

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

	For the Nine Months Ended September 30,			
	2022	2021	$ Change	% Change
Americas and Australia Core	$ 740,436	$ 949,174	$ (208,738)	(22.0)%
Americas Insolvency	101,398	110,485	(9,087)	(8.2)
Europe Core	425,704	458,748	(33,044)	(7.2)
Europe Insolvency	69,846	69,663	183	0.3
Total cash collections	$ 1,337,384	$ 1,588,070	$ (250,686)	(15.8)
Cash collections adjusted (1)	$ 1,337,384	$ 1,535,825	$ (198,441)	(12.9)%

(1) Cash collections adjusted refers to 2021 cash collections remeasured using 2022 exchange rates.

Cash collections were $1,337.4 million for the nine months ended September 30, 2022, a decrease of $250.7 million, or 15.8%, compared to $1,588.1 million for the nine months ended September 30, 2021. The decrease was largely due to a decrease of $177.7 million, or 29.7%, in cash collections in U.S. call center and other collections, which we believe was mainly due to higher collections driven by excess consumer liquidity during 2021 coupled with lower levels of portfolio purchasing. Additionally, U.S. legal cash collections decreased $32.2 million, or 12.5%, mainly reflecting the impact from the lower volume of accounts placed in the legal channel in the last few years. Europe cash collections decreased by $32.9 million, or 6.2%, reflecting a $53.5 million impact from the strengthening of the U.S. dollar partially offset by higher levels of portfolio purchases in the last few years.

A summary of our revenue generation during the nine months ended September 30, 2022 and 2021 is as follows (amounts in thousands):

	For the Nine Months Ended September 30,			
	2022	2021	$ Change	% Change
Portfolio income	$ 587,394	$ 663,714	$ (76,320)	(11.5)%
Changes in expected recoveries	134,817	157,504	(22,687)	(14.4)
Total portfolio revenue	722,211	821,218	(99,007)	(12.1)
Fee income	14,419	10,843	3,576	33.0
Other revenue	7,044	6,735	309	4.6
Total revenues	$ 743,674	$ 838,796	$ (95,122)	(11.3)%

Total Portfolio Revenue

Total portfolio revenue was $722.2 million for nine months ended September 30, 2022, a decrease of $99.0 million, or 12.1%, compared to $821.2 million for the nine months ended September 30, 2021. The decrease was primarily driven by lower levels of portfolio purchasing, lower levels of cash overperformance, the impact of foreign exchange, and our first quarter $20.5 million write down on one portfolio in Brazil. These decreases were partially offset by an increase to our forecasted ERC in certain pools.

Fee Income

Fee income was $14.4 million for nine months ended September 30, 2022, an increase of $3.6 million, compared to $10.8 million for the nine months ended September 30, 2021. The increase was primarily attributable to settlement timing in our claims processing company, Claims Compensation Bureau, LLC.

Operating Expenses

Operating expenses were $517.2 million for the nine months ended September 30, 2022, a decrease of $29.0 million, or 5.3%, compared to $546.2 million for the nine months ended September 30, 2021.

Compensation and Employee Services

Compensation and employee services expenses were $215.6 million for the nine months ended September 30, 2022, a decrease of $12.6 million, or 5.5%, compared to $228.2 million for the nine months ended September 30, 2021. The decrease was primarily attributable to lower levels of compensation accruals and a decrease in collector compensation expenses in the U.S. call centers.

Legal Collection Fees

Legal collection fees were $29.4 million for the nine months ended September 30, 2022, a decrease of $6.8 million, or 18.8%, compared to $36.2 million for the nine months ended September 30, 2021. The decrease was mainly due to lower external legal cash collections in the U.S.

Legal Collection Costs

Legal collection costs were $57.7 million for the nine months ended September 30, 2022, a decrease of $3.5 million, or 5.7%, compared to $61.2 million for the nine months ended September 30, 2021. The decrease was primarily due to the impact from lower levels of accounts placed into the legal channel in the U.S. as a result of the prior year shift in cash collections from the legal channel to the call centers.

Agency Fees

Agency fees were $47.4 million for the nine months ended September 30, 2022, compared to $47.1 million for the nine months ended September 30, 2021.

Other

Other expenses were $37.9 million for the nine months ended September 30, 2022, a decrease of $6.1 million, or 13.9%, compared to $44.0 million for the nine months ended September 30, 2021. The decrease primarily reflects lower advertising costs.

Interest Expense, Net

Interest expense, net was $95.8 million for the nine months ended September 30, 2022, an increase of $3.8 million, or 4.1%, compared to $92.0 million for the nine months ended September 30, 2021, primarily reflecting increased interest rates.

Interest expense, net consisted of the following for the nine months ended September 30, 2022 and 2021 (amounts in thousands):

	For the Nine Months Ended September 30,			
	2022	2021	$ Change	% Change
Interest on debt obligations and unused line fees	$ 51,150	$ 59,645	$ (8,495)	(14.2)%
Interest on senior notes	29,719	16,982	12,737	75.0
Coupon interest on convertible notes	9,057	9,057	—	—
Amortization of loan fees and other loan costs	7,653	7,053	600	8.5
Interest income	(1,814)	(750)	(1,064)	141.9
Interest expense, net	$ 95,765	$ 91,987	$ 3,778	4.1 %

Foreign Exchange Gain/(Loss)

Foreign exchange gains were $0.8 million for the nine months ended September 30, 2022, compared to $0.1 million for the nine months ended September 30, 2021. In any given period, we may incur foreign currency exchange gains or losses from transactions in currencies other than the functional currency.

Income Tax Expense

Income tax expense was $29.8 million for the nine months ended September 30, 2022, a decrease of $12.1 million, or 28.9%, compared to $41.9 million for the nine months ended September 30, 2021. During the nine months ended September 30, 2022, our effective tax rate was 22.8%, compared to 20.8% for the nine months ended September 30, 2021. The decrease in income tax expense was primarily due to lower income before taxes during the nine months ended September 30, 2022, which decreased $70.2 million, or 34.9%. The increase in effective tax rate was mainly due to a change in total discrete items and change in the mix of income from different taxing jurisdictions.

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 accounts 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 variance 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 effective interest rates 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 accounts, which impact the cost to collect those accounts. Fresher accounts, for example, typically carry lower associated collection costs, 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 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 following 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 may 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 categories of portfolio segments and related geographies.

Purchase Price Multiples
as of September 30, 2022
Amounts in thousands

Purchase Period	Purchase Price [2][3]	Total Estimated Collections [4]	Estimated Remaining Collections [5]	Current Purchase Price Multiple	Original Purchase Price Multiple [6]
Americas and Australia Core					
1996-2011	$ 1,287,821	$ 4,131,141	$ 26,086	321%	240%
2012	254,076	659,669	13,453	260%	226%
2013	390,826	904,736	18,529	231%	211%
2014	404,117	870,923	28,317	216%	204%
2015	443,114	909,486	62,917	205%	205%
2016	455,767	1,095,092	112,073	240%	201%
2017	532,851	1,217,840	179,774	229%	193%
2018	653,975	1,464,063	250,068	224%	202%
2019	581,476	1,287,770	314,269	221%	206%
2020	435,668	948,148	374,739	218%	213%
2021	435,846	819,353	599,229	188%	191%
2022	285,725	509,846	475,780	178%	178%
Subtotal	6,161,262	14,818,067	2,455,234		
Americas Insolvency					
1996-2011	786,827	1,752,754	367	223%	174%
2012	251,395	393,385	24	156%	136%
2013	227,834	355,528	188	156%	133%
2014	148,420	218,903	774	147%	124%
2015	63,170	87,568	74	139%	125%
2016	91,442	116,938	460	128%	123%
2017	275,257	355,601	7,413	129%	125%
2018	97,879	137,083	21,314	140%	127%
2019	123,077	168,549	55,014	137%	128%
2020	62,130	88,093	50,152	142%	136%
2021	55,187	76,130	58,000	138%	136%
2022	24,475	33,903	32,255	139%	139%
Subtotal	2,207,093	3,784,435	226,035		
Total Americas and Australia	8,368,355	18,602,502	2,681,269		
Europe Core					
2012	20,409	43,461	—	213%	187%
2013	20,334	26,767	—	132%	119%
2014 [1]	773,811	2,344,788	385,634	303%	208%
2015	411,340	726,850	147,316	177%	160%
2016	333,090	565,943	179,084	170%	167%
2017	252,174	357,463	114,430	142%	144%
2018	341,775	533,804	207,082	156%	148%
2019	518,610	781,071	346,028	151%	152%
2020	324,119	556,213	293,408	172%	172%
2021	412,411	702,838	478,614	170%	170%
2022	199,320	364,842	304,229	183%	183%
Subtotal	3,607,393	7,004,040	2,455,825		
Europe Insolvency					
2014 [1]	10,876	18,558	1	171%	129%
2015	18,973	28,871	196	152%	139%
2016	39,338	56,951	1,811	145%	130%
2017	39,235	50,887	5,447	130%	128%
2018	44,908	52,395	12,644	117%	123%
2019	77,218	102,147	30,380	132%	130%
2020	105,440	142,743	60,582	135%	129%
2021	53,230	71,526	45,048	134%	134%
2022	21,526	29,050	27,043	135%	135%
Subtotal	410,744	553,128	183,152		
Total Europe	4,018,137	7,557,168	2,638,977		
Total PRA Group	$ 12,386,492	$ 26,159,670	$ 5,320,246		

(1) Includes finance receivables portfolios that were acquired through the acquisition of Aktiv Kapital AS in 2014 (as described in our 2021 Form 10-K).
(2) Includes the acquisition date finance receivables portfolios that were acquired through our business acquisitions.
(3) Non-U.S. amounts are 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.
(4) Non-U.S. amounts are presented at the year-end exchange rate for the respective year of purchase.
(5) Non-U.S. amounts are presented at the September 30, 2022 exchange rate.
(6) The Original Purchase Price Multiple represents the purchase price multiple at the end of the year of acquisition.

Portfolio Financial Information
Year-to-date as of September 30, 2022
Amounts in thousands

Purchase Period	Cash Collections [2]	Portfolio Income [2]	Changes in Expected Recoveries [2]	Total Portfolio Revenue [2]	Net Finance Receivables as of September 30, 2022 [3]
Americas and Australia Core					
1996-2011	$ 13,134	$ 7,292	$ 4,835	$ 12,127	$ 5,422
2012	5,724	2,423	3,188	5,611	4,334
2013	9,928	3,523	5,619	9,142	7,975
2014	11,829	4,580	6,521	11,101	11,250
2015	15,857	10,007	(1,342)	8,665	24,192
2016	31,174	22,699	(11,293)	11,406	38,183
2017	62,608	32,415	987	33,402	78,847
2018	118,715	43,169	47,990	91,159	138,982
2019	144,093	60,488	21,204	81,692	175,831
2020	154,569	69,885	(1,727)	68,158	210,540
2021	137,971	87,411	(34,705)	52,706	322,937
2022	34,834	23,347	543	23,890	273,718
Subtotal	740,436	367,239	41,820	409,059	1,292,211
Americas Insolvency					
1996-2011	405	423	(18)	405	—
2012	411	43	367	410	—
2013	439	186	255	441	—
2014	565	593	(87)	506	83
2015	478	154	165	319	58
2016	1,449	251	453	704	315
2017	18,072	2,180	2,329	4,509	6,729
2018	19,482	2,688	3,063	5,751	19,525
2019	29,637	4,706	5,303	10,009	49,692
2020	15,307	4,524	2,027	6,551	41,694
2021	13,505	5,179	1,555	6,734	46,112
2022	1,648	930	725	1,655	24,195
Subtotal	101,398	21,857	16,137	37,994	188,403
Total Americas and Australia	841,834	389,096	57,957	447,053	1,480,614
Europe Core					
2012	684	—	685	685	—
2013	380	—	380	380	—
2014 [1]	92,922	56,246	30,385	86,631	105,512
2015	31,962	14,986	6,222	21,208	79,865
2016	28,843	13,916	2,215	16,131	105,874
2017	19,486	6,797	1,868	8,665	78,211
2018	39,948	13,343	4,585	17,928	137,042
2019	69,957	21,255	8,356	29,611	237,146
2020	53,882	20,731	4,395	25,126	180,980
2021	69,485	30,813	2,453	33,266	286,915
2022	18,155	6,127	3,791	9,918	190,522
Subtotal	425,704	184,214	65,335	249,549	1,402,067
Europe Insolvency					
2014 [1]	192	13	167	180	1
2015	502	163	(66)	97	159
2016	2,218	532	65	597	1,375
2017	5,278	484	1,355	1,839	5,022
2018	7,513	971	691	1,662	11,475
2019	15,806	2,788	914	3,702	26,865
2020	25,557	4,753	6,747	11,500	52,940
2021	10,608	3,626	1,015	4,641	36,157
2022	2,172	754	637	1,391	20,685
Subtotal	69,846	14,084	11,525	25,609	154,679
Total Europe	495,550	198,298	76,860	275,158	1,556,746
Total PRA Group	$ 1,337,384	$ 587,394	$ 134,817	$ 722,211	$ 3,037,360

(1) Includes finance receivables portfolios that were acquired through the acquisition of Aktiv Kapital AS in 2014 (as described in our 2021 Form 10-K).
(2) Non-U.S. amounts are presented using the average exchange rates during the current reporting period.
(3) Non-U.S. amounts are presented at the September 30, 2022 exchange rate.

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

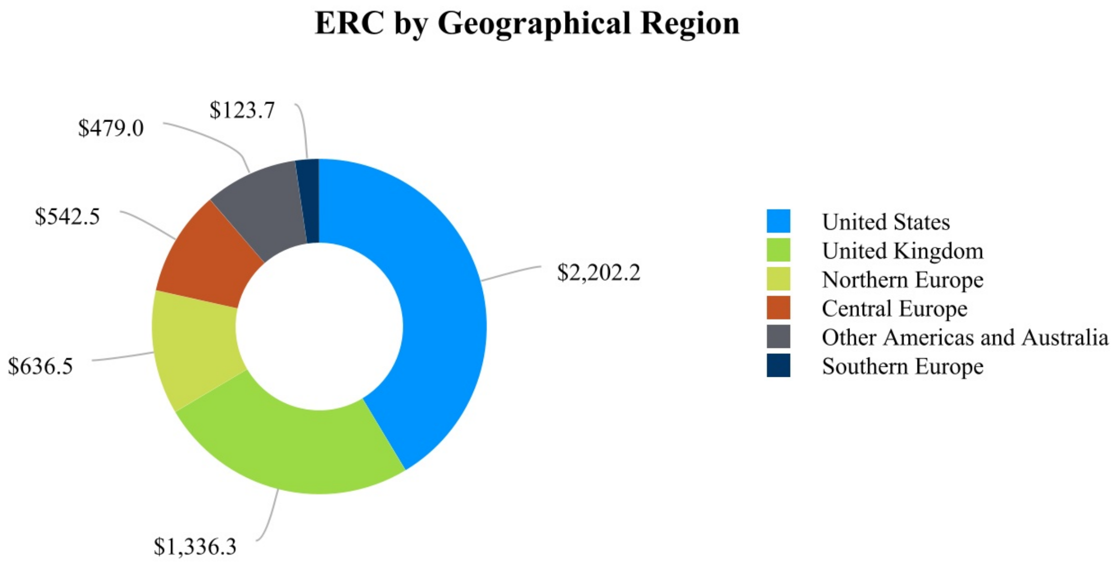
Cash Collections by Year, By Year of Purchase [(1)]
as of September 30, 2022
Amounts in millions

		Cash Collections												
Purchase Period	Purchase Price [(3)(4)]	1996-2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Americas and Australia Core														
1996-2011	$ 1,287.8	$ 2,419.5	$ 486.0	$ 381.3	$ 266.3	$ 183.1	$ 119.0	$ 78.0	$ 56.0	$ 45.0	$ 29.7	$ 20.8	$ 13.1	$ 4,097.8
2012	254.1	—	56.9	173.6	146.2	97.3	60.0	40.0	27.8	17.9	11.8	9.0	5.7	646.2
2013	390.8	—	—	101.6	247.8	194.0	120.8	78.9	56.4	36.9	23.2	16.7	9.9	886.2
2014	404.1	—	—	—	92.7	253.4	170.3	114.2	82.2	55.3	31.9	22.3	11.8	834.1
2015	443.1	—	—	—	—	117.0	228.4	185.9	126.6	83.6	57.2	34.9	15.9	849.5
2016	455.8	—	—	—	—		138.7	256.5	194.6	140.6	105.9	74.2	31.2	941.7
2017	532.9	—	—	—	—	—	—	107.3	278.7	256.5	192.5	130.0	62.6	1,027.6
2018	654.0	—	—	—	—	—	—	—	122.7	361.9	337.7	239.9	118.7	1,180.9
2019	581.5	—	—	—	—	—	—	—	—	143.8	349.0	289.8	144.1	926.7
2020	435.7	—	—	—	—	—	—	—	—	—	133.0	284.3	154.6	571.9
2021	435.8	—	—	—	—	—	—	—	—	—	—	85.0	138.0	223.0
2022	285.7	—	—	—	—	—	—	—	—	—	—	—	34.8	34.8
Subtotal	6,161.3	2,419.5	542.9	656.5	753.0	844.8	837.2	860.8	945.0	1,141.5	1,271.9	1,206.9	740.4	12,220.4
Americas Insolvency														
1996-2011	786.8	667.4	336.8	313.7	244.7	128.2	44.6	8.4	4.0	2.1	1.3	0.8	0.4	1,752.4
2012	251.4	—	17.4	103.6	94.1	80.1	60.7	29.3	4.3	1.9	0.9	0.6	0.4	393.3
2013	227.8	—	—	52.5	82.6	81.7	63.4	47.8	21.9	2.9	1.3	0.8	0.4	355.3
2014	148.4	—	—	—	37.0	50.9	44.3	37.4	28.8	15.8	2.2	1.1	0.6	218.1
2015	63.2	—	—	—	—	3.4	17.9	20.1	19.8	16.7	7.9	1.3	0.5	87.6
2016	91.4	—	—	—	—	—	18.9	30.4	25.0	19.9	14.4	7.4	1.4	117.4
2017	275.3	—	—	—	—	—	—	49.1	97.3	80.9	58.8	44.0	18.1	348.2
2018	97.9	—	—	—	—	—	—	—	6.7	27.4	30.5	31.6	19.5	115.7
2019	123.1	—	—	—	—	—	—	—	—	13.4	31.4	39.1	29.7	113.6
2020	62.1	—	—	—	—	—	—	—	—	—	6.5	16.1	15.3	37.9
2021	55.2	—	—	—	—	—	—	—	—	—	—	4.5	13.5	18.0
2022	24.5	—	—	—	—	—	—	—	—	—	—	—	1.6	1.6
Subtotal	2,207.1	667.4	354.2	469.8	458.4	344.3	249.8	222.5	207.8	181.0	155.2	147.3	101.4	3,559.1
Total Americas and Australia	8,368.4	3,086.9	897.1	1,126.3	1,211.4	1,189.1	1,087.0	1,083.3	1,152.8	1,322.5	1,427.1	1,354.2	841.8	15,779.5
Europe Core														
2012	20.4	—	11.6	9.0	5.6	3.2	2.2	2.0	2.0	1.5	1.2	1.2	0.7	40.2
2013	20.3	—	—	7.1	8.5	2.3	1.3	1.2	1.3	0.9	0.7	0.7	0.4	24.4
2014 [(2)]	773.8	—	—	—	153.2	292.0	246.4	220.8	206.3	172.9	149.8	149.2	92.9	1,683.5
2015	411.3	—	—	—	—	45.8	100.3	86.2	80.9	66.1	54.3	51.4	32.0	517.0
2016	333.1	—	—	—	—	—	40.4	78.9	72.6	58.0	48.3	46.7	28.8	373.7
2017	252.2	—	—	—	—	—	—	17.9	56.0	44.1	36.1	34.8	19.5	208.4
2018	341.8	—	—	—	—	—	—	—	24.3	88.7	71.2	69.1	39.9	293.2
2019	518.6	—	—	—	—	—	—	—	—	47.9	125.7	121.4	70.0	365.0
2020	324.1	—	—	—	—	—	—	—	—	—	32.4	91.7	53.9	178.0
2021	412.4	—	—	—	—	—	—	—	—	—	—	48.4	69.5	117.9
2022	199.4	—	—	—	—	—	—	—	—	—	—	—	18.1	18.1
Subtotal	3,607.4	—	11.6	16.1	167.3	343.3	390.6	407.0	443.4	480.1	519.7	614.6	425.7	3,819.4
Europe Insolvency														
2014 [(2)]	10.9	—	—	—	—	4.3	3.9	3.2	2.6	1.5	0.8	0.3	0.2	16.8
2015	19.0	—	—	—	—	3.0	4.4	5.0	4.8	3.9	2.9	1.6	0.5	26.1
2016	39.3	—	—	—	—	—	6.2	12.7	12.9	10.7	7.9	6.0	2.2	58.6
2017	39.2	—	—	—	—	—	—	1.2	7.9	9.2	9.8	9.4	5.3	42.8
2018	44.9	—	—	—	—	—	—	—	0.6	8.4	10.3	11.7	7.5	38.5
2019	77.2	—	—	—	—	—	—	—	—	5.1	21.1	23.9	15.8	65.9
2020	105.4	—	—	—	—	—	—	—	—	—	6.1	34.6	25.6	66.3
2021	53.3	—	—	—	—	—	—	—	—	—	—	5.4	10.6	16.0
2022	21.5	—	—	—	—	—	—	—	—	—	—	—	2.2	2.2
Subtotal	410.7	—	—	—	—	7.3	14.5	22.1	28.8	38.8	58.9	92.9	69.9	333.2
Total Europe	4,018.1	—	11.6	16.1	167.3	350.6	405.1	429.1	472.2	518.9	578.6	707.5	495.6	4,152.6
Total PRA Group	$ 12,386.5	$ 3,086.9	$ 908.7	$ 1,142.4	$ 1,378.7	$ 1,539.7	$ 1,492.1	$ 1,512.4	$ 1,625.0	$ 1,841.4	$ 2,005.7	$ 2,061.7	$ 1,337.4	$ 19,932.1

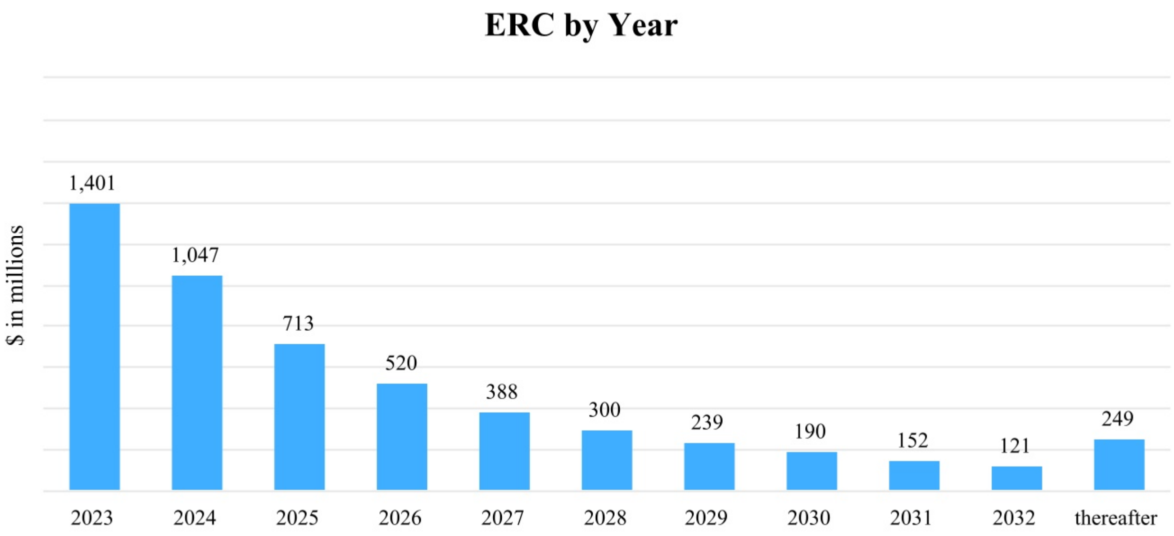
(1) Non-U.S. amounts are presented using the average exchange rates during the cash collection period.
(2) Includes finance receivables portfolios that were acquired through the acquisition of Aktiv Kapital AS in 2014 (as described in our 2021 Form 10-K).
(3) Includes the nonperforming loan portfolios that were acquired through our business acquisitions.
(4) Non-U.S. amounts are 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 $5,320.2 million at September 30, 2022 by geographical region (amounts in millions).



The following chart shows our ERC by year for the 12 month periods ending September 30 in each of the years presented below. The forecast amounts reflect our estimate at September 30, 2022 of how much we expect to collect on our portfolios. These estimates are translated to U.S. dollars at the September 30, 2022 exchange rate.



Seasonality

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. In the first half of 2022, this spike was not as pronounced. Additionally, 2021 and 2020 deviated from usual seasonal patterns due to the impact of the COVID-19 pandemic. 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

	2022			2021				2020
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Americas and Australia Core	$ 225,775	$ 244,377	$ 270,284	$ 257,705	$ 276,691	$ 324,845	$ 347,638	$ 286,524
Americas Insolvency	31,911	34,278	35,209	36,851	37,464	37,768	35,253	36,048
Europe Core	132,072	142,470	151,162	155,853	151,625	157,637	149,486	141,471
Europe Insolvency	22,586	22,935	24,325	23,262	22,574	23,579	23,510	17,830
Total Cash Collections	$ 412,344	$ 444,060	$ 480,980	$ 473,671	$ 488,354	$ 543,829	$ 555,887	$ 481,873

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

	2022			2021				2020
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Call Center and Other Collections	$ 235,832	$ 260,764	$ 291,266	$ 283,606	$ 298,717	$ 338,022	$ 355,043	$ 296,865
External Legal Collections	49,243	50,996	55,179	55,760	54,445	61,836	65,613	58,481
Internal Legal Collections	72,772	75,087	75,001	74,192	75,154	82,624	76,468	72,649
Total Core Cash Collections	$ 357,847	$ 386,847	$ 421,446	$ 413,558	$ 428,316	$ 482,482	$ 497,124	$ 427,995

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)				
	2022	2021	2020	2019	2018
First Quarter	$ 261	$ 279	$ 172	$ 139	$ 121
Second Quarter	226	270	263	139	101
Third Quarter	210	242	246	124	107
Fourth Quarter	—	232	204	128	104

(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.

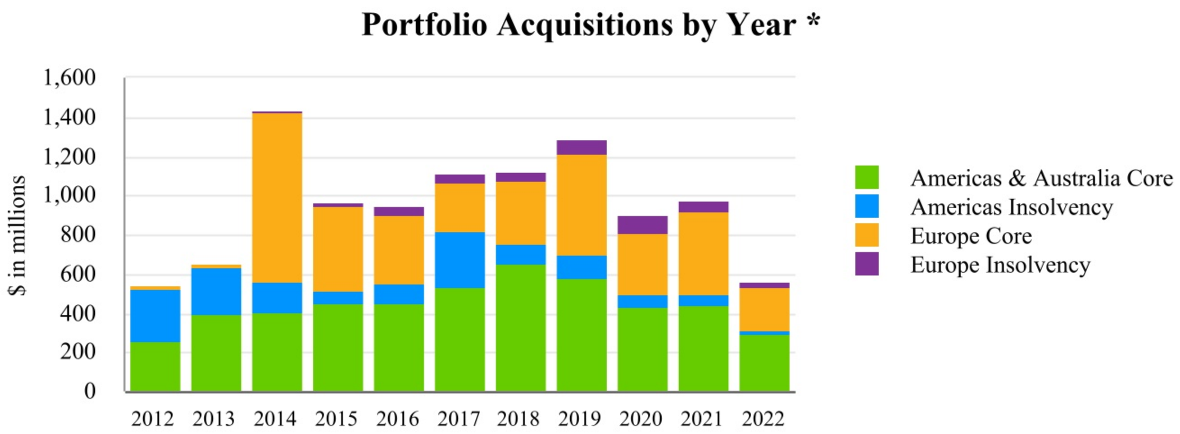
Cash Efficiency Ratio (1)

	2022	2021	2020	2019	2018
First Quarter	65.1%	68.0%	61.5%	59.2%	60.7%
Second Quarter	61.3	66.8	68.7	60.4	60.1
Third Quarter	58.4	62.4	65.6	60.2	55.7
Fourth Quarter	—	63.5	61.9	59.7	55.0
Full Year	—	65.3	64.5	59.9	58.0

(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 2012. It also includes the acquisition date nonperforming loan portfolios that were acquired through our business acquisitions. The 2022 totals represent portfolio acquisitions through the nine months ended September 30, 2022 while the prior year totals are for the full year.



* 2014 includes portfolios acquired in connections with the acquisition of Aktiv Kapital AS in 2014 (as described in our 2021 Form 10-K).

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

Portfolio Acquisitions by Geography and Type

	2022			2021				2020
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Americas and Australia Core	$ 100,780	$ 99,962	$ 90,639	$ 90,263	$ 162,451	$ 98,901	$ 88,912	$ 67,460
Americas Insolvency	8,988	6,369	9,118	21,183	9,878	14,642	9,486	12,504
Europe Core	59,426	123,814	38,764	60,430	212,194	106,134	44,095	137,647
Europe Insolvency	13,910	1,202	8,929	29,820	7,424	—	16,468	72,171
Total Portfolio Acquisitions	$ 183,104	$ 231,347	$ 147,450	$ 201,696	$ 391,947	$ 219,677	$ 158,961	$ 289,782

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

U.S Portfolio Acquisitions by Major Asset Type

	2022						2021			
	Q3		Q2		Q1		Q4		Q3	
Major Credit Cards	$ 10,236	15.8 %	$ 20,673	26.7 %	$ 18,160	23.0 %	$ 50,017	51.4 %	$ 46,888	48.9 %
Private Label Credit Cards	44,727	68.8	52,368	67.4	46,195	58.6	28,293	29.1	42,249	44.1
Consumer Finance	9,396	14.4	2,062	2.7	13,968	17.7	4,617	4.8	6,081	6.3
Auto Related	630	1.0	2,443	3.2	514	0.7	14,319	14.7	668	0.7
Total	$ 64,989	100.0 %	$ 77,546	100.0 %	$ 78,837	100.0 %	$ 97,246	100.0 %	$ 95,886	100.0 %

U.S. Portfolio Acquisitions by Delinquency Category

	2022						2021			
	Q3		Q2		Q1		Q4		Q3	
Fresh [1]	$ 30,510	54.5 %	$ 28,235	39.7 %	$ 29,077	41.7 %	$ 17,096	22.5 %	$ 21,511	25.0 %
Primary [2]	587	1.0	369	0.5	11,445	16.4	557	0.7	560	0.7
Secondary [3]	19,886	35.5	28,148	39.5	26,748	38.4	54,915	72.2	62,382	72.5
Other [4]	5,018	9.0	14,425	20.3	2,449	3.5	3,495	4.6	1,555	1.8
Total Core	56,001	100.0 %	71,177	100.0 %	69,719	100.0 %	76,063	100.0 %	86,008	100.0 %
Insolvency	8,988		6,369		9,118		21,183		9,878	
Total	$ 64,989		$ 77,546		$ 78,837		$ 97,246		$ 95,886	

(1) Fresh accounts are typically past due 120 to 270 days, charged-off by the credit originator and sold prior to any post-charge-off collection activity.
(2) Primary accounts are typically 240 to 450 days past due, charged-off and have been previously placed with one contingent fee servicer.
(3) Secondary accounts are typically 360 to 630 days past due, charged-off and have been previously placed with two contingent fee servicers.
(4) Other accounts are 480 days or more past due, charged-off and have previously been worked by three or more contingent fee servicers.

Non-GAAP Financial Measures

We report our financial results in accordance with U.S. generally accepted accounting principles ("GAAP"). However, our 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. Our 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 September 30, 2022 and for the year ended December 31, 2021 (amounts in thousands):

Reconciliation of Non-GAAP Financial Measures

	LTM September 30, 2022	For the Year Ended December 31, 2021
Net income attributable to PRA Group, Inc.	$ 135,464	$ 183,158
Adjustments:		
Income tax expense	42,775	54,817
Foreign exchange losses	145	809
Interest expense, net	127,921	124,143
Other expense (1)	766	(282)
Depreciation and amortization	15,120	15,256
Adjustment for net income attributable to noncontrolling interests	1,870	12,351
Recoveries applied to negative allowance less Changes in expected recoveries	842,467	988,050
Adjusted EBITDA	$ 1,166,528	$ 1,378,302

(1) Other expense/(income) reflects non-operating related activity.

Additionally, we evaluate our business using certain ratios that use Adjusted EBITDA, including Debt to Adjusted EBITDA, which is calculated by dividing borrowings by Adjusted EBITDA. The following table reflects our Debt to Adjusted EBITDA for the LTM as of September 30, 2022 and for the year ended December 31, 2021 (amounts in thousands):

Debt to Adjusted EBITDA

	LTM September 30, 2022	For the Year Ended December 31, 2021
Borrowings	$ 2,379,614	$ 2,608,714
Adjusted EBITDA	$ 1,166,528	$ 1,378,302
Debt to Adjusted EBITDA	2.04 x	1.89 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.

Sources of Liquidity

Cash and cash equivalents. As of September 30, 2022, cash and cash equivalents totaled $58.0 million. Of the cash and cash equivalents balance as of September 30, 2022, $51.9 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.

Borrowings. At September 30, 2022, 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]	$ 281,075	$ 794,801	$ 117,305
UK revolving credit	427,050	372,950	76,744
European revolving credit	235,343	554,656	260,569
Term loan	452,500	—	—
Senior Notes	650,000	—	—
Convertible Notes	345,000	—	—
Less: Debt discounts and issuance costs	(11,354)	—	—
Total	$ 2,379,614	$ 1,722,407	$ 454,618

(1) Available borrowings after calculation of current borrowing base and debt covenants as of September 30, 2022.

(2) Includes North American revolving credit facility and Colombian revolving credit.

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 $107.7 million as of September 30, 2022). Interest-bearing deposits as of September 30, 2022 were $88.2 million.

Furthermore, we have the ability to slow the purchase of nonperforming loans if necessary, and use the net cash flow generated from our cash collections from our portfolio of existing nonperforming loans to temporarily service our debt and fund existing operations. For example, we invested $972.3 million in portfolio acquisitions in 2021. The portfolios acquired in 2021 generated $143.3 million of cash collections, representing only 7.0% of 2021 cash collections.

Uses of Liquidity and Material Cash Requirements

Forward Flows. Contractual obligations over the next year are primarily related to portfolio purchase commitments. As of September 30, 2022, we have forward flow commitments in place for the purchase of nonperforming loans with a maximum purchase price of $1,034.6 million, of which $927.9 million is due within the next 12 months. The $1,034.6 million is comprised of $427.4 million for the Americas and Australia and $607.2 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.

Borrowings. Of our $2.4 billion borrowings at September 30, 2022, estimated interest, unused fees and principal payments for the next 12 months are approximately $474.7 million, of which, $355.3 million relates to principal, primarily reflecting our Convertible Senior Notes due 2023. Beyond 12 months our principal payment obligations related to debt maturities occur between one and seven years. Many of our financing arrangements include restrictive covenants with which we must comply. As of September 30, 2022, we determined that we were in compliance with these covenants. For more information, see Note 6 to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report.

Share Repurchases. On February 25, 2022, we completed our $230.0 million share repurchase program. Also on February 25, 2022, our Board of Directors approved a new share repurchase program under which we are authorized to repurchase up to $150.0 million of our outstanding common stock. Repurchases may be made from time-to-time in open market transactions, through privately negotiated transactions, in block transactions, through purchases made in accordance with trading plans adopted under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or other methods, subject to market and/or other conditions and applicable regulatory requirements. The new share repurchase program has no stated expiration date and does not obligate us to repurchase any specified amount of shares, remains subject to the discretion of our Board of Directors and, subject to compliance with applicable laws, may be modified, suspended or discontinued at any time. During the three months ended September 30, 2022, we repurchased 663,005 shares of our common stock for approximately $25.0 million. During the nine months ended September 30, 2022 we repurchased 2,331,364 shares of our common stock for approximately $99.4 million. As of September 30, 2022, we had $67.7 million remaining for share repurchases under the new program. For more information, see Item 2 included in Part II of this Quarterly Report.

Leases. The majority of our leases have remaining lease terms of one to 15 years. As of September 30, 2022, we had $57.4 million in lease liabilities, of which approximately $10.0 million matures within the next 12 months. For more information, see Note 5 to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report.

Employment Agreements. We have entered into employment agreements with certain executive officers for approximately $8.5 million, of which $6.8 million is payable if executed within the next 12 months. Our U.S. executive officer agreements mature in December 2023, while executive officer agreements entered into outside of the U.S. are pursuant to local country regulations and typically do not have expiration dates. For more information, see Note 12 to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report.

We believe that funds generated from operations and from cash collections on nonperforming loan portfolios, 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 and beyond. We may seek to access the debt or equity capital markets as we deem appropriate, market conditions permitting. Business acquisitions or higher than expected levels of portfolio purchasing could require additional financing from other sources.

Cash Flows Analysis

The following table summarizes our cash flow activity for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 (amounts in thousands):

	Nine Months Ended September 30,		
	2022	**2021**	**$ Change**
Net cash provided by (used in):			
Operating activities	$ (3,414)	$ 38,283	$ (41,697)
Investing activities	195,406	123,831	71,575
Financing activities	(190,054)	(216,662)	26,608
Effect of exchange rate on cash	(31,927)	(5,202)	(26,725)
Net decrease in cash and cash equivalents	$ (29,989)	$ (59,750)	$ 29,761

Operating Activities

Cash (used in) provided by operating activities mainly reflects cash collections recognized as revenue and cash paid for operating expenses, interest and income taxes. Net income was 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 used in operating activities of $3.4 million for the nine months ended September 30, 2022, decreased $41.7 million from net cash provided by operating activities of $38.3 million for the nine months ended September 30, 2021. The change was mainly driven by lower cash collections recognized as portfolio income, lower income taxes, and the impact of foreign exchange.

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 $71.6 million during the nine months ended September 30, 2022, primarily driven by a decrease of $208.5 million in purchases of finance receivables and a decrease of $72.2 million in purchases of investments reflecting the prior year purchase of additional government securities. These decreases were partially offset by a decrease of $168.3 million in recoveries applied to negative allowance and a decrease of $37.5 million in proceeds from sales and maturities of investments.

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.

Net cash used in financing activities decreased $26.6 million during the nine months ended September 30, 2022, primarily driven by a decrease of $436.1 million in net payments on our lines of credit. This decrease was partially offset by a reduction in our proceeds from senior notes of $350 million, increased purchases of common stock of $37.5 million, and a decrease in interest bearing deposits of $22.6 million.

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 $51.9 million and $61.9 million as of September 30, 2022 and December 31, 2021, respectively. Refer to Note 11 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.

Recent Accounting Pronouncements

For a summary of recent accounting pronouncements and the anticipated effects on our Consolidated Financial Statements see Note 13 to our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report.

Critical Accounting Estimates

Our Consolidated Financial Statements have been prepared in accordance with GAAP. Some of our significant accounting policies require that we use estimates, assumptions and judgments that affect the reported amounts of revenues, expenses, assets and liabilities. For a discussion of our significant accounting policies, refer to Note 1 to our Consolidated Financial Statements included in Item 8 of our 2021 Form 10-K.

We consider accounting estimates to be critical if (1) the accounting estimates made involve a significant level of estimation uncertainty and (2) has had or are reasonably likely to have a material impact on our financial condition or results of operations. 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.

We have determined that the following accounting policies involve critical estimates:

Revenue Recognition - Finance Receivables

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 amount and timing of future cash flows and economic lives of our pools of accounts. We review pools 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 a discounted cash flow methodology to our ERC.

During 2021, we made assumptions that the majority of cash collections overperformance was due to acceleration of future collections rather than an increase to total expected collections. Therefore, we adjusted the next three to six month forecast to reflect collection trends from actual results with corresponding reductions to the collection forecast later in the forecast period. During 2022, this assumption has remained relatively consistent, particularly with our more recent pools. Beginning in the second quarter of 2022 and continuing into the third quarter, we assessed certain pools, where continued strong performance and collection trends in a more normalized environment has resulted in an increase to our forecasted ERC.

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. Generally, adjustments to reduce estimated cash forecasts for overperformance experienced in the current period result in a negative adjustment to revenue at an amount less than the impact of the overperformance due to the effects of discounting. Additionally, cash flow forecast increases will generally result in more revenue being recognized. As we continue to perform against expectations, performance may vary, which could result in additional adjustments to our cash flow forecasts with a corresponding adjustment to total portfolio revenue.

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 non-U.S. income tax expense, we make judgments about the application of these inherently complex laws.

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 carryforwards. 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.

If 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. For further information regarding our uncertain tax positions, refer to Note 13 to our Consolidated Financial Statements included in Item 8 of our 2021 Form 10-K.

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 $1.4 billion as of September 30, 2022. Based on our debt structure at September 30, 2022, assuming a 50 basis point decrease in interest rates, for example, interest expense over the following 12 months would decrease by an estimated $3.9 million. Assuming a 50 basis point increase in interest rates, interest expense over the following 12 months would increase by an estimated $3.9 million.

To reduce the exposure to changes in the market rate of interest and to be in compliance with the terms of our European and our UK revolving credit facilities, we have entered into interest rate derivative contracts for a portion of our borrowings under our floating rate financing arrangements. As of September 30, 2022, we are 69% hedged on a notional basis to our international currency exposure and nearly 100% hedged to our U.S. dollar exposure. 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 (Loss)/Income. All derivatives to which we have applied hedge accounting were evaluated and remained highly effective at September 30, 2022. 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 zero interest rate floors on revolving loans under our North America, UK and European credit facilities.

Currency Exchange Risk

We operate internationally and enter into transactions denominated in various foreign currencies. During the three months ended September 30, 2022, we generated $106.4 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 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 such that portfolio ownership and collections generally occur within the same entity. Our UK and European credit facilities are multi-currency facilities, allowing us to better match funding and portfolio acquisitions by currency. We actively monitor the value of our finance receivables by currency. In the event adjustments are required to our liability composition by currency we may, from time to time, execute re-balancing foreign exchange contracts to more closely align funding and portfolio acquisitions by currency.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. We conducted an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. Based on this evaluation, the principal executive officer and principal financial officer have concluded that, as of September 30, 2022, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting. There was no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

For information regarding legal proceedings as of September 30, 2022, refer to Note 12 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 2021 Form 10-K.

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

Share Repurchase Programs

On February 25, 2022, we completed our $230.0 million share repurchase program. Also on February 25, 2022, our Board of Directors approved a new share repurchase program under which we are authorized to repurchase up to $150.0 million of our outstanding common stock. For more information, see Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" in this Quarterly Report.

The following table provides information about our common stock purchased during the third quarter of 2022.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Remaining Purchase Price for Share Repurchases Under the Program (1)
July 1, 2022 to July 31, 2022	663,005	$ 37.71	663,005	$ 67,742
August 1, 2022 to August 31, 2022	—	—	—	67,742
September 1, 2022 to September 30, 2022	—	—	—	$ 67,742
Total	663,005	$ 37.71	663,005	

(1) Dollars in thousands.

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	First Supplemental Indenture, dated as of March 31, 2021 between PRA Group, Inc. and Regions Bank, as trustee (Incorporated by reference to Exhibit 4.4 of the Quarterly Report on Form 10-Q filed August 05, 2021 (File No. 000-50058)).
4.5	Indenture, dated as of August 27, 2020 among PRA Group Inc., the domestic subsidiaries of PRA Group Inc., party thereto and Regions Bank as trustee (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed September 1, 2020 (File No. 000-50058)).
4.6	Indenture, dated as of September 22, 2021 among PRA Group Inc., the domestic subsidiaries of PRA Group Inc., party thereto and Regions Banks, as trustee (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed September 24, 2021 (File No. 000-50058)).

4.7	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)).
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith).
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith).
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (filed herewith).
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkable Document
101.LAB	XBRL Taxonomy Extension Label Linkable Document
101.PRE	XBRL Taxonomy Extension Presentation Linkable Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

PRA Group, Inc.
(Registrant)

November 3, 2022	By:	/s/ Kevin P. Stevenson
		Kevin P. Stevenson President and Chief Executive Officer (Principal Executive Officer)
November 3, 2022	By:	/s/ Peter M. Graham
		Peter M. Graham Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

I, Kevin P. Stevenson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PRA Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 3, 2022

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

Exhibit 31.2

I, Peter M. Graham, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PRA Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 3, 2022	By:	/s/ Peter M. Graham
		Peter M. Graham
		Executive Vice President and Chief Financial Officer
		(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of PRA Group, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin P. Stevenson, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

November 3, 2022	By:	/s/ Kevin P. Stevenson
		Kevin P. Stevenson President and Chief Executive Officer (Principal Executive Officer)

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

In connection with the Quarterly Report of PRA Group, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter M. Graham, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

November 3, 2022	By:	/s/ Peter M. Graham
		Peter M. Graham Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)