LETTER TO SHAREHOLDERS

Last year was an exceptional period for our company. We shattered our previous milestones for cash collections, revenue and net income, setting new records. Cash collections in 2010 grew by 44% from 2009, revenue by 33%, and net income by 66%. Additionally, we completed a successful equity offering in February; acquired a great new fee-for-service business, Claims Compensation Bureau, in March; made a record $367 million in portfolio purchases throughout the year; and closed on a new, expanded line of credit (for $407 million) in December. It was a year of accomplishment like none before.

Our success in 2010 resulted from a great deal of work and investment in people, processes and portfolios during prior years. Besides gaining operational strength, we have forged an excellent team, from our collection representatives to our statisticians, analysts and IT professionals to our managers, supervisors and executives. Our team is not only strong but deep, with an incredible bench of smart, committed employees looking to advance our performance. With these considerable assets, we expect to continue producing strong results in the future.

Our 2010 growth was strongly driven by our bankruptcy business, which increased its cash collections by $100 million, or 116%, from 2009. This success was no accident. Since entering the bankruptcy market in 2004, we have invested considerable time and resources in the business. We have made a significant commitment to building what we believe is one of the most robust systems in existence for efficiently and accurately processing bankruptcy claims. Even before starting operations in 2004, we had spent nearly two years working on our models and processes. We then began to purchase steadily larger pools of bankrupt accounts, especially after 2007. In 2008 and 2009—when the bankruptcy market was disrupted by the global financial crisis, and the disruption was exacerbated by lack of capital in the financial markets and concerns over changing rules for bankrupt assets—PRA continued to bid for bankrupt accounts by carefully analyzing and underwriting for current and potential risks. As a result, we won a significant amount of business when others feared to venture forth. That business has turned out to be very successful. Last year, repeating what we did in 2009, we invested more in bankrupt accounts ($217 million) than in charged-off accounts ($150 million).

Our core business—buying charged-off consumer debt—also performed well in 2010. We increased purchases by 19% from 2009, and achieved a 22% increase in cash collections. Despite the economy, our 2009 and 2010 investments look particularly strong, while our older pools are performing nicely, aided by ever-improving scoring and collection strategies. In both the bankruptcy and charged-off-debt markets, we did see prices move up substantially during 2010 as competition increased and available inventory remained stable. However, we continue to enjoy a significant competitive advantage because of our ability to underwrite accurately and to collect cash from portfolios efficiently.

During 2010, we began to apply to our fee-for-service businesses the advanced analytics and sophisticated operating processes developed in our debt-purchase business. Our goal is to deliver superior results to our clients while we realize more net income from every revenue dollar. Frankly, during 2010, the vehicle location and government services businesses did not meet our expectations. We have made numerous