

## **2Q 2019 Earnings Call Supplemental Presentation**

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July 31, 2019

# Safe Harbor Statement



This document contains summarized information concerning Regional Management Corp. (the “Company”) and the Company’s business, operations, financial performance, and trends. No representation is made that the information in this document is complete. For additional financial, statistical, and business information, please see the Company’s most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the U.S. Securities and Exchange Commission (the “SEC”), as well as the Company’s other reports filed with the SEC from time to time. Such reports are or will be available on the Company’s website ([www.regionalmanagement.com](http://www.regionalmanagement.com)) and on the SEC’s website ([www.sec.gov](http://www.sec.gov)).

This presentation, the related remarks, and the responses to various questions may contain various “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, which represent the Company’s expectations or beliefs concerning future events. Words such as “may,” “will,” “should,” “likely,” “anticipates,” “expects,” “intends,” “plans,” “projects,” “believes,” “estimates,” “outlook,” and similar expressions may be used to identify these forward-looking statements. Such forward-looking statements are about matters that are inherently subject to risks and uncertainties, many of which are outside of the control of the Company. Factors that could cause actual results or performance to differ from the expectations expressed or implied in such forward-looking statements include, but are not limited to, the following: changes in general economic conditions, including levels of unemployment and bankruptcies; risks associated with the Company’s transition to a new loan origination and servicing software system; risks related to opening new branches, including the ability or inability to open new branches as planned; risks inherent in making loans, including credit risk, repayment risk, and value of collateral, which risks may increase in light of adverse or recessionary economic conditions; risks associated with the implementation of new underwriting models and processes, including as to the effectiveness of new custom scorecards; risks relating to the Company’s asset-backed securitization transactions; changes in interest rates; the risk that the Company’s existing sources of liquidity become insufficient to satisfy its needs or that its access to these sources becomes unexpectedly restricted; changes in federal, state, or local laws, regulations, or regulatory policies and practices, and risks associated with the manner in which laws and regulations are interpreted, implemented, and enforced; the impact of changes in tax laws, guidance, and interpretations, including related to certain provisions of the Tax Cuts and Jobs Act; the timing and amount of revenues that may be recognized by the Company; changes in current revenue and expense trends (including trends affecting delinquencies and credit losses); changes in the Company’s markets and general changes in the economy (particularly in the markets served by the Company); changes in the competitive environment in which the Company operates or a decrease in the demand for its products; the impact of a prolonged shutdown of the federal government; risks related to acquisitions; changes in operating and administrative expenses; and the departure, transition, or replacement of key personnel. Such factors and others are discussed in greater detail in the Company’s filings with the SEC. The Company cannot guarantee future events, results, actions, levels of activity, performance, or achievements. Except to the extent required by law, neither the Company nor any of its respective agents, employees, or advisors intend or have any duty or obligation to supplement, amend, update, or revise any forward-looking statement, whether as a result of new information, future developments, or otherwise.

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## 2Q 19 Highlights

dollars in millions (except per share amounts)	2Q 19	2Q 18	\$ Chg B/(W)	% Chg B/(W)
Average Finance Receivables	\$934.4	\$818.0	\$116.4	14.2%
Interest & Fee Income	76.0	66.8	9.1	13.7%
Total Revenue	84.3	72.4	11.9	16.4%
Provision for Credit Losses	25.7	20.2	(5.5)	(27.3%)
G&A Expense	37.7	33.2	(4.5)	(13.6%)
Interest Expense	9.8	7.9	(1.9)	(23.4%)
<b>Net Income</b>	<b>8.4</b>	<b>8.5</b>	<b>(0.1)</b>	<b>(1.3%)</b>
ROA	3.4%	4.0%	(0.6%)	(15.0%)
ROE	11.5%	13.4%	(1.9%)	(14.2%)
<b>Diluted EPS</b>	<b>\$0.70</b>	<b>\$0.70</b>	<b>-</b>	<b>0.0%</b>

- **Net income of \$8.4 million, or \$0.70 diluted EPS**
- **Total revenue growth of 16.4% driven by \$126.2 million year-over-year portfolio growth**
  - Interest and fee income up 13.7% year-over-year on 14.2% increase in average finance receivables
  - Insurance income, net increased 75.8% to \$5.1 million primarily due to a \$1.4 million reduction in non-file insurance claims (corresponding increase in net credit losses and was neutral to net income)
- **Provision for credit loss is up 27.3%, or \$5.5 million, primarily due to:**
  - 14.9% increase in finance receivables plus \$1.4 million of reduced non-file insurance usage, as noted above
- **Annualized G&A expenses as a percentage of average finance receivables was flat to prior-year period at 16.2%**
  - Q2 2019 includes \$1.3 million of expense from 16 net new branches that opened since the prior-year period
- **Interest expense increase of 23.4% due to portfolio growth and Fed rate increases**

# 17 Consecutive Quarters of Year-Over-Year Double-Digit Portfolio Growth



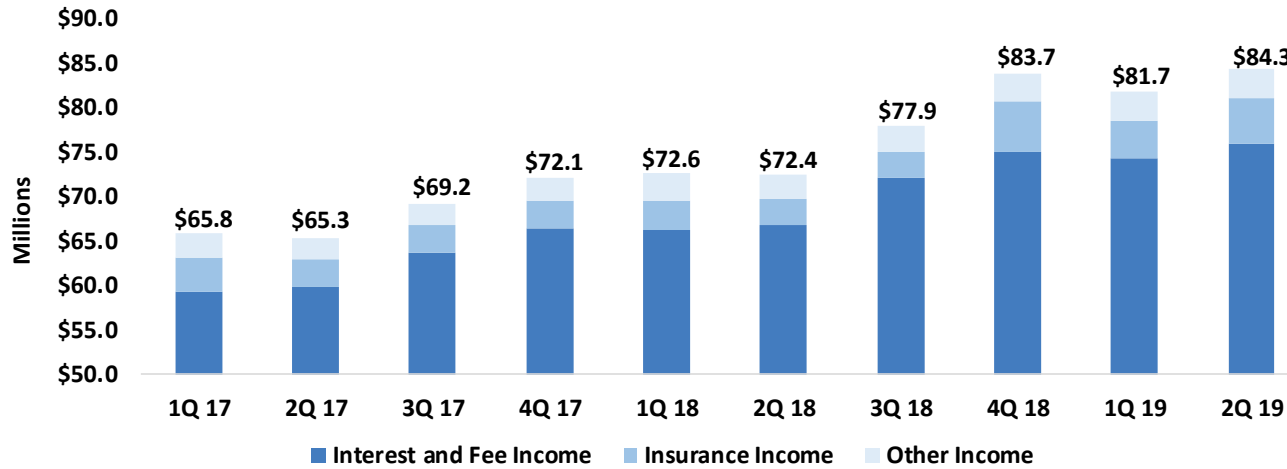
in millions	Ending Finance Receivables										vs. 1Q 19		vs. 2Q 18	
	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	\$ Chg I/(D)	% Chg I/(D)	\$ Chg I/(D)	% Chg I/(D)
Small Loans (≤ \$2,500)	\$336	\$349	\$363	\$376	\$360	\$385	\$414	\$438	\$422	\$431	\$10	2.3%	\$47	12.1%
Large Loans (≥ \$2,500)	\$242	\$268	\$309	\$347	\$364	\$392	\$411	\$438	\$441	\$499	\$58	13.2%	\$107	27.2%
<b>Core Loan Products</b>	<b>\$578</b>	<b>\$617</b>	<b>\$672</b>	<b>\$723</b>	<b>\$724</b>	<b>\$777</b>	<b>\$825</b>	<b>\$876</b>	<b>\$862</b>	<b>\$930</b>	<b>\$68</b>	<b>7.8%</b>	<b>\$153</b>	<b>19.7%</b>
Automobile Loans	\$86	\$80	\$72	\$61	\$49	\$39	\$32	\$26	\$21	\$16	(\$5)	(23.5%)	(\$24)	(60.2%)
Retail Loans	\$31	\$30	\$31	\$33	\$32	\$31	\$31	\$30	\$29	\$28	(\$2)	(5.3%)	(\$3)	(10.5%)
<b>Total</b>	<b>\$695</b>	<b>\$727</b>	<b>\$775</b>	<b>\$817</b>	<b>\$805</b>	<b>\$847</b>	<b>\$888</b>	<b>\$932</b>	<b>\$912</b>	<b>\$973</b>	<b>\$61</b>	<b>6.7%</b>	<b>\$126</b>	<b>14.9%</b>
<b>Total YoY Δ (\$)</b>	<b>\$88</b>	<b>\$81</b>	<b>\$79</b>	<b>\$100</b>	<b>\$110</b>	<b>\$120</b>	<b>\$113</b>	<b>\$115</b>	<b>\$107</b>	<b>\$126</b>				
<b>Total YoY Δ (%)</b>	<b>14.4%</b>	<b>12.5%</b>	<b>11.3%</b>	<b>13.9%</b>	<b>15.8%</b>	<b>16.6%</b>	<b>14.6%</b>	<b>14.0%</b>	<b>13.3%</b>	<b>14.9%</b>				

- 17 consecutive quarters of year-over-year double-digit growth
- Strong core loan growth of nearly 20% from prior year

# 12 Consecutive Quarters of Year-Over-Year Double-Digit Revenue Growth



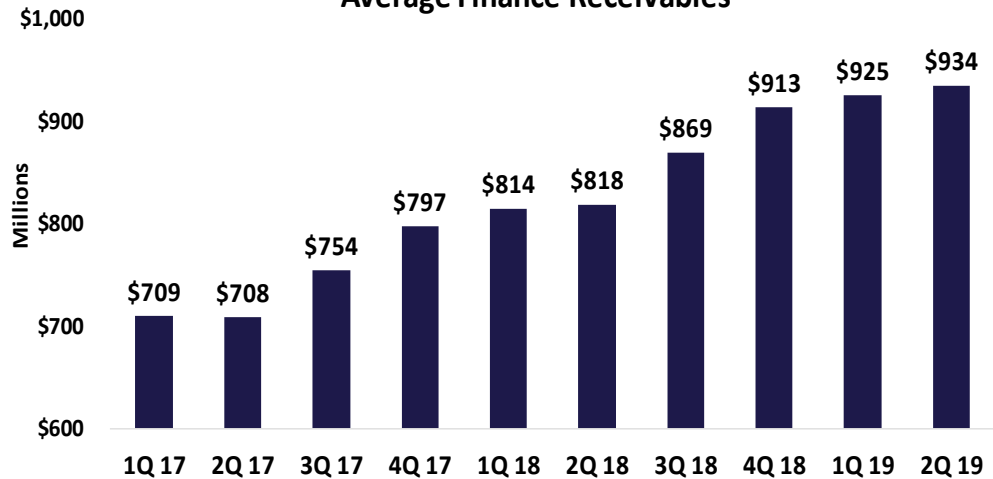
### Revenue



- Total revenue increased 16.4% vs. prior-year period
- Interest and fee yield decreased 20 basis points vs. the prior-year period, as our large loan portfolio growth has outpaced our higher yielding small loans

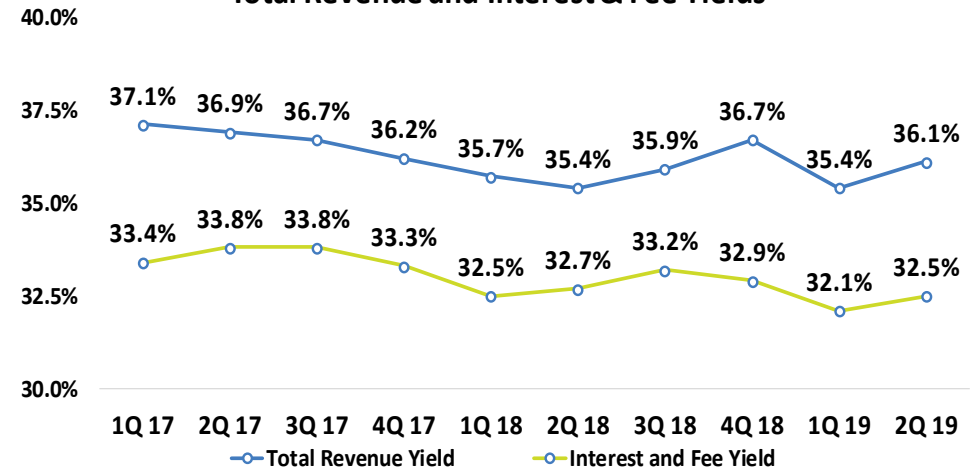
Sequential Δ	2.8%	(0.7%)	5.9%	4.2%	0.7%	(0.3%)	7.6%	7.5%	(2.4%)	3.1%
YoY Δ	16.1%	14.0%	10.8%	12.6%	10.3%	10.8%	12.6%	16.1%	12.6%	16.4%

### Average Finance Receivables



Sequential Δ	0.3%	(0.2%)	6.5%	5.7%	2.2%	0.4%	6.2%	5.0%	1.4%	1.0%
YoY Δ	14.9%	13.3%	11.8%	12.7%	14.8%	15.6%	15.3%	14.5%	13.6%	14.2%

### Total Revenue and Interest & Fee Yields

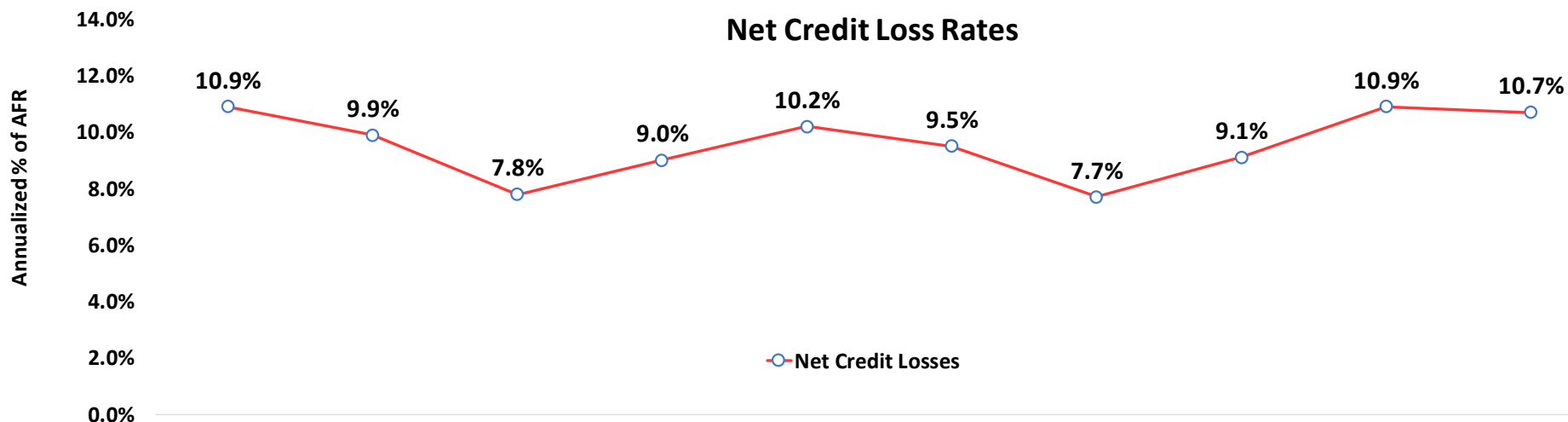


Sequential Δ	0.9%	(0.2%)	(0.2%)	(0.5%)	(0.5%)	(0.3%)	0.5%	0.8%	(1.3%)	0.7%
YoY Δ	0.4%	0.2%	(0.3%)	-	(1.4%)	(1.5%)	(0.8%)	0.5%	(0.3%)	0.7%

Note: Table above reflects changes in total revenue yield

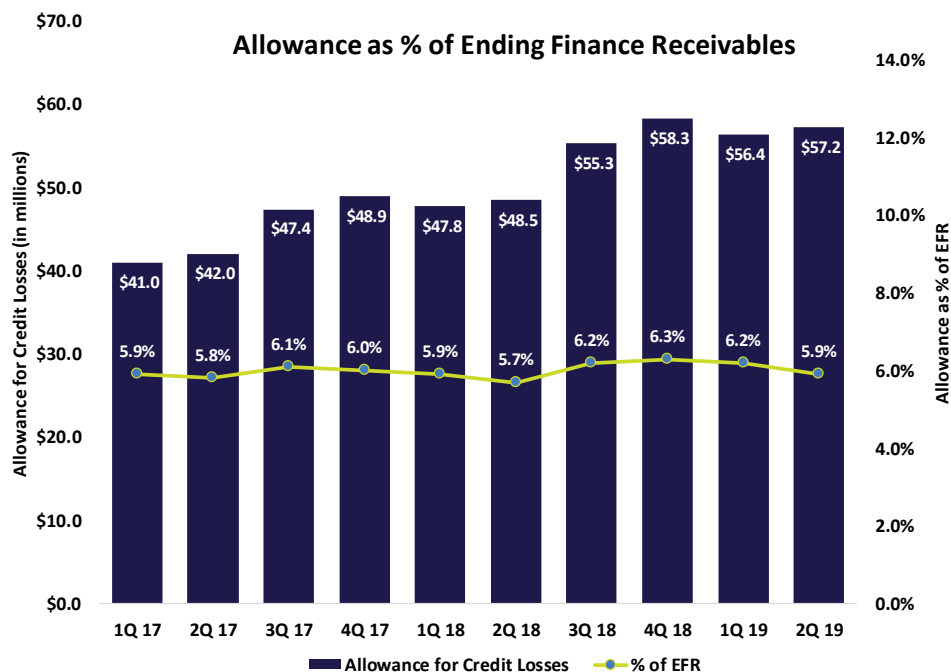
# Year-Over-Year Credit Trends

- Annualized net credit loss rate increased 1.2% vs. prior-year period. The increase includes 0.6% of additional non-file insurance claims (bankruptcy losses) that shifted to net credit losses following the business policy change implemented in 4Q 18.

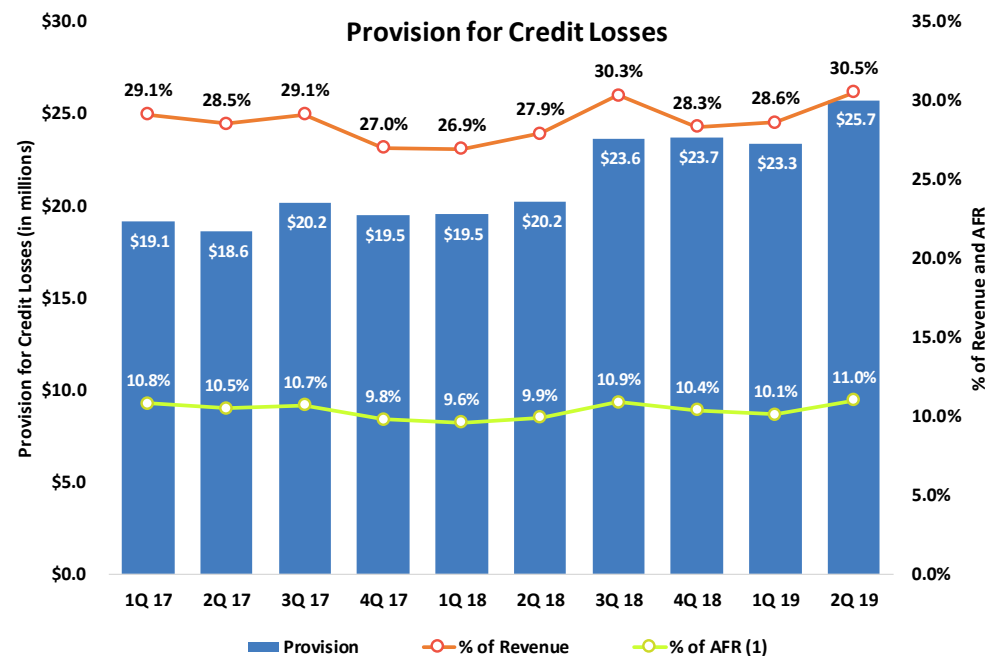


	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19
Sequential Δ	1.1%	(1.0%)	(2.1%)	1.2%	1.2%	(0.7%)	(1.8%)	1.4%	1.8%	(0.2%)
Year/Year Δ	1.2%	1.3%	(0.2%)	(0.8%)	(0.7%)	(0.4%)	(0.1%)	0.1%	0.7%	1.2%
Net credit loss rate above includes:										
Non-file claims	0.5%	0.9%	0.5%	0.4%	0.3%	0.2%	0.3%	0.8%	0.7%	0.8%
Bulk debt sale proceeds	-	-	(0.5%)	-	-	-	-	-	-	-
Hurricane losses	-	-	-	-	0.4%	0.5%	-	0.1%	0.4%	0.6%

# Year-Over-Year Credit Trends



% of EFR	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19
Sequential Δ	0.2%	(0.1%)	0.3%	(0.1%)	(0.1%)	(0.2%)	0.5%	0.1%	(0.1%)	(0.3%)
YoY Δ	(0.1%)	0.2%	0.5%	0.3%	-	(0.1%)	0.1%	0.3%	0.3%	0.2%



% of Revenue	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19
Sequential Δ	(1.2%)	(0.6%)	0.6%	(2.1%)	(0.1%)	1.0%	2.4%	(2.0%)	0.3%	1.9%
YoY Δ	4.8%	5.1%	2.8%	(3.3%)	(2.2%)	(0.6%)	1.2%	1.3%	1.7%	2.6%

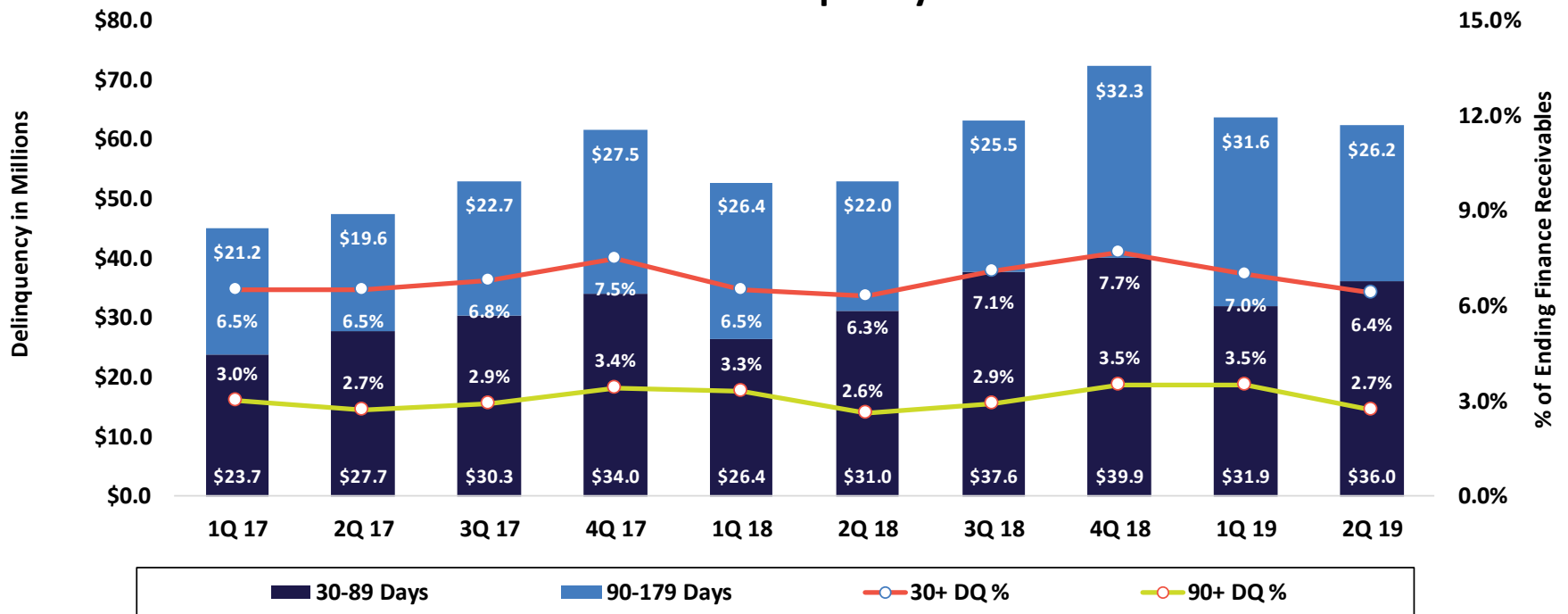
% of AFR <sup>(1)</sup>	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19
Sequential Δ	(0.2%)	(0.3%)	0.2%	(0.9%)	(0.2%)	0.3%	1.0%	(0.5%)	(0.3%)	0.9%
YoY Δ	1.9%	1.9%	1.0%	(1.2%)	(1.2%)	(0.6%)	0.2%	0.6%	0.5%	1.1%

(1) The percentage of average finance receivables has been annualized

# Seasonal Pattern of Delinquency

- 2Q 19 delinquency is up slightly from the prior year
  - 30+ days past due of 6.4% is 10 bps higher than prior year
  - 90+ days past due of 2.7% is 10 bps higher than prior year
  - Sequentially, 30+ days past due improved 60 bps; 90+ days past due improved 80 bps compared to 1Q 19

## 30+ & 90+ Delinquency Rates

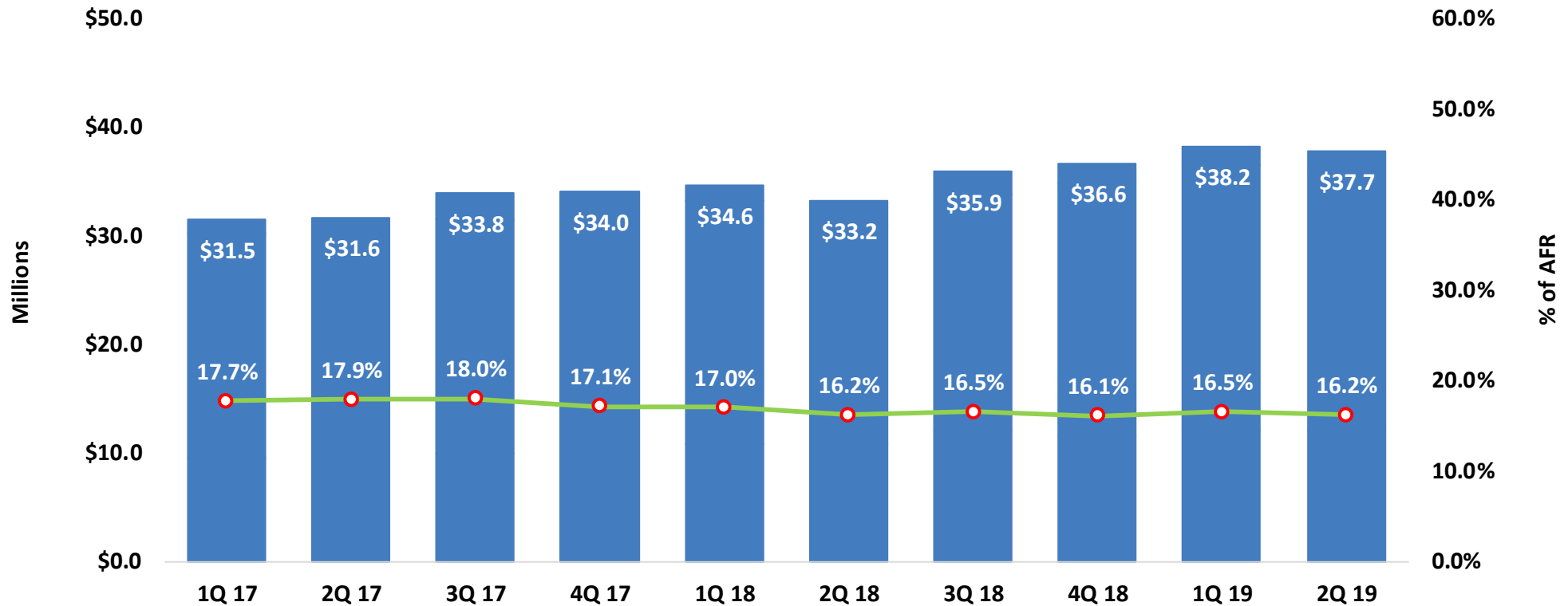


30+ DQ	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19
Sequential Δ	(0.9%)	-	0.3%	0.7%	(1.0%)	(0.2%)	0.8%	0.6%	(0.7%)	(0.6%)
YoY Δ	0.3%	(0.3%)	(0.3%)	0.1%	-	(0.2%)	0.3%	0.2%	0.5%	0.1%

90+ DQ	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19
Sequential Δ	(0.5%)	(0.3%)	0.2%	0.5%	(0.1%)	(0.7%)	0.3%	0.6%	-	(0.8%)
YoY Δ	-	-	(0.2%)	(0.1%)	0.3%	(0.1%)	-	0.1%	0.2%	0.1%



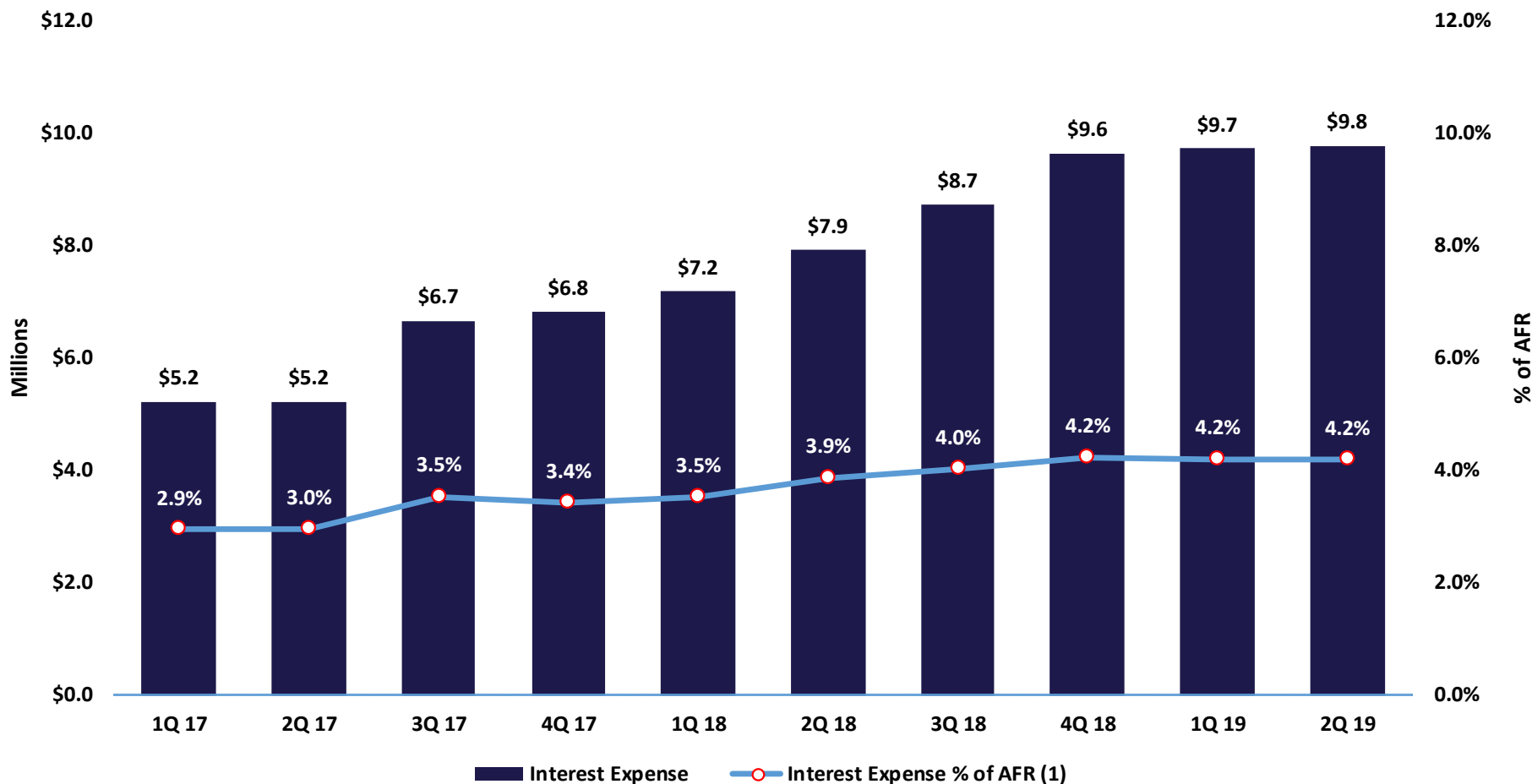
## Operating Expense Ratio



As % of AFR (1)	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19
Year/Year Δ	(1.6%)	(1.0%)	(0.1%)	0.8%	(0.7%)	(1.7%)	(1.5%)	(1.0%)	(0.5%)	-

(1) Annualized general and administrative expenses as a percentage of average finance receivables

# Interest Expense



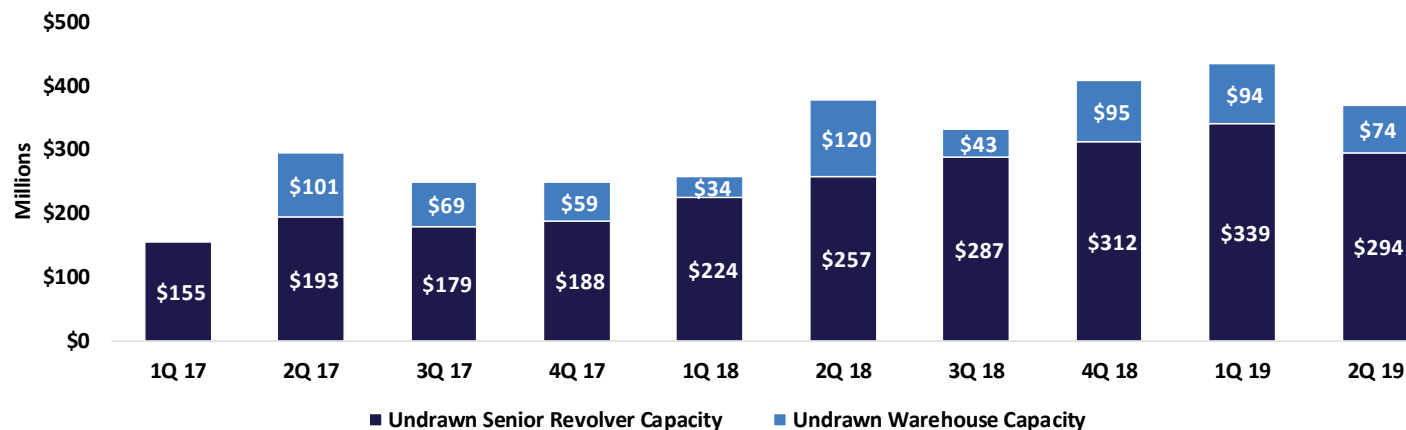
% of AFR (1)	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19
YoY Δ	(0.2%)	(0.1%)	0.5%	0.4%	0.6%	0.9%	0.5%	0.8%	0.7%	0.3%

- 2Q 19 increased 0.3% from the prior-year period primarily due to Fed rate increases
- Currently have \$350 million notional amount of interest rate caps to hedge against rapid rate increases

(1) Annualized interest expense as a percentage of average finance receivables

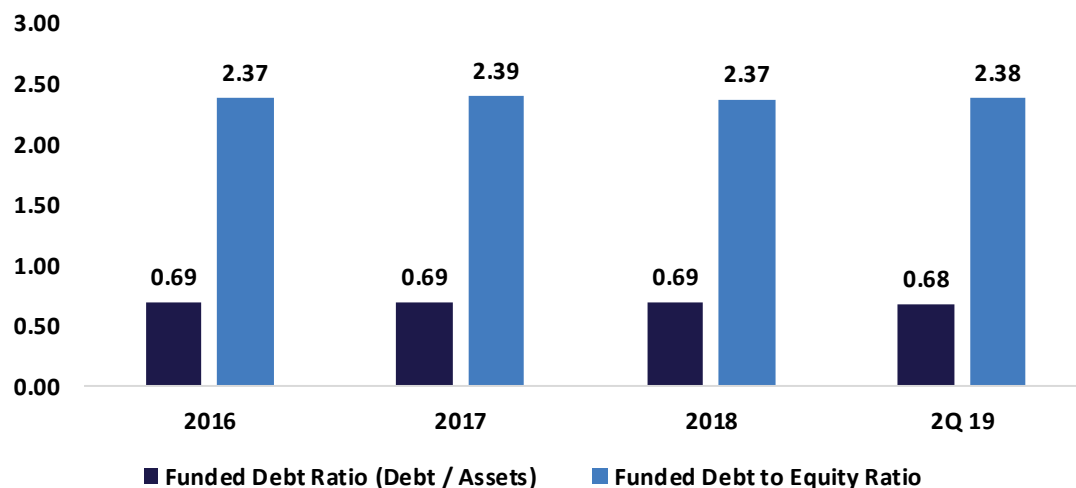
# Strong Funding Profile

## Debt Capacity

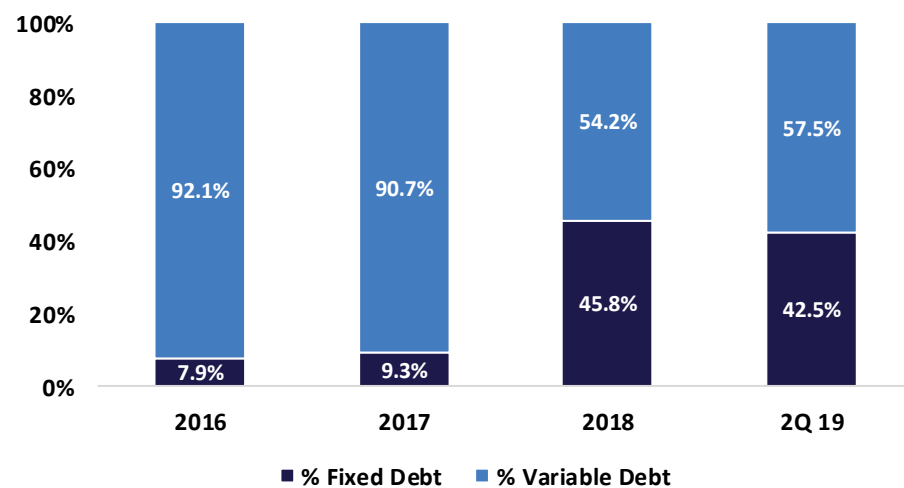


- As of June 30, 2019, total undrawn capacity was \$368 million (subject to borrowing base)
- Increased fixed rate debt from 31% to 42% over the last twelve months

## Funded Debt Ratios



## Fixed vs Variable Debt



Interest Expense % (1)	2016	2017	2018	2Q 19
	3.0%	3.2%	3.9%	4.2%

(1) Annualized interest expense as a percentage of average finance receivables

## **Appendix**

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# Consolidated Income Statements



in thousands	2Q 19	2Q 18	YTD 18	YTD 17	YTD 16	YTD 15
<b>Revenue</b>						
Interest and fee income	\$75,974	\$66,829	\$280,121	\$249,034	\$220,963	\$195,794
Insurance income, net	5,066	2,882	14,793	13,061	9,456	11,654
Other income	3,234	2,705	11,792	10,364	10,099	9,858
Total revenue	84,274	72,416	306,706	272,459	240,518	217,306
<b>Expenses</b>						
Provision for credit losses	25,714	20,203	87,056	77,339	63,014	47,348
Personnel	22,511	19,390	84,068	75,992	68,979	69,247
Occupancy	6,210	5,478	22,519	21,530	20,059	17,313
Marketing	2,261	2,258	7,745	7,128	6,837	7,017
Other	6,761	6,089	25,952	26,305	22,757	22,021
Total G&A expenses	37,743	33,215	140,284	130,955	118,632	115,598
Interest expense	9,771	7,915	33,464	23,908	19,924	16,221
Income before income taxes	11,046	11,083	45,902	40,257	38,948	38,139
Income taxes	2,677	2,601	10,557	10,294	14,917	14,774
<b>Net income</b>	<b>\$8,369</b>	<b>\$8,482</b>	<b>\$35,345</b>	<b>\$29,963</b>	<b>\$24,031</b>	<b>\$23,365</b>

# Consolidated Balance Sheets



in thousands	2Q 19	2Q 18	2018	2017	2016	2015
Cash	\$694	\$2,799	\$3,657	\$5,230	\$4,446	\$7,654
Gross finance receivables	1,300,043	1,121,711	1,237,526	1,066,650	916,954	785,042
Unearned finance charges and insurance premiums	(326,609)	(274,473)	(305,283)	(249,187)	(199,179)	(156,598)
Finance receivables	973,434	847,238	932,243	817,463	717,775	628,444
Allowance for credit losses	(57,200)	(48,450)	(58,300)	(48,910)	(41,250)	(37,452)
Net finance receivables	916,234	798,788	873,943	768,553	676,525	590,992
Restricted cash	41,803	26,356	46,484	16,787	8,297	10,506
Lease assets	25,575	-	-	-	-	-
Property and equipment	14,132	12,072	13,926	12,294	11,693	9,049
Intangible assets	9,953	10,785	10,010	10,607	6,448	3,023
Deferred tax asset	437	-	-	-	33	1,982
Other assets	10,488	17,420	8,375	16,012	4,782	3,167
<b>Total assets</b>	<b>\$1,019,316</b>	<b>\$868,220</b>	<b>\$956,395</b>	<b>\$829,483</b>	<b>\$712,224</b>	<b>\$626,373</b>
Long-term debt	\$689,310	\$595,765	\$660,507	\$571,496	\$491,678	\$411,177
Unamortized debt issuance costs	(7,357)	(7,437)	(9,158)	(4,950)	(2,152)	(2,692)
Net long-term debt	681,953	588,328	651,349	566,546	489,526	408,485
Lease liabilities	27,454	-	-	-	-	-
Accounts payable and accrued expenses	19,690	17,526	25,138	18,565	15,223	12,661
Deferred tax liability	-	3,832	747	4,961	-	-
<b>Total liabilities</b>	<b>729,097</b>	<b>609,686</b>	<b>677,234</b>	<b>590,072</b>	<b>504,749</b>	<b>421,146</b>
Common stock	1,349	1,333	1,332	1,321	1,300	1,291
Additional paid-in capital	100,486	96,369	98,778	94,384	92,432	89,178
Retained earnings	220,574	185,878	204,097	168,752	138,789	114,758
Treasury stock	(32,190)	(25,046)	(25,046)	(25,046)	(25,046)	-
<b>Total stockholders' equity</b>	<b>290,219</b>	<b>258,534</b>	<b>279,161</b>	<b>239,411</b>	<b>207,475</b>	<b>205,227</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$1,019,316</b>	<b>\$868,220</b>	<b>\$956,395</b>	<b>\$829,483</b>	<b>\$712,224</b>	<b>\$626,373</b>

# Balance Sheet Metrics



in thousands	2Q 19	2Q 18	2018	2017	2016	2015
Total assets	\$1,019,316	\$868,220	\$956,395	\$829,483	\$712,224	\$626,373
Less: Intangible assets	9,953	10,785	10,010	10,607	6,448	3,023
Tangible assets	1,009,363	857,435	946,385	818,876	705,776	623,350
Net long-term debt	681,953	588,328	651,349	566,546	489,526	408,485
Total stockholders' equity	290,219	258,534	279,161	239,411	207,475	205,227
Less: Intangible assets	9,953	10,785	10,010	10,607	6,448	3,023
Tangible common equity	\$280,266	\$247,749	\$269,151	\$228,804	\$201,027	\$202,204
Common shares outstanding	12,022	12,138	12,078	11,783	12,085	13,074
Debt to tangible common equity (tangible leverage)	2.43	2.37	2.42	2.48	2.44	2.02
Tangible common equity to tangible assets	0.28	0.29	0.28	0.28	0.28	0.32
Tangible common equity per share	23.31	20.41	22.28	19.42	16.63	15.47

