

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

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period ended

Commission File Number: 001-35477

Regional Management Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

979 Batesville Road, Suite B
Greer, South Carolina
(Address of principal executive offices)

57-0847115
(I.R.S. Employer
Identification No.)

29651
(Zip Code)

(864) 448-7000
(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, \$0.10 par value	RM	New York Stock Exchange

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 (Section 232.405 of this chapter) 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 ☒

As of November 2, 2022, the registrant had outstanding 9,585,782 shares of Common Stock, \$0.10 par value.

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ITEM 1. **FINANCIAL STATEMENTS.**

Regional Management Corp. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except par value amounts)

	September 30, 2022 (Unaudited)	December 31, 2021
Assets		
Cash	\$ 3,140	\$ 10,507
Net finance receivables	1,607,598	1,426,257
Unearned insurance premiums	(49,789)	(47,837)
Allowance for credit losses	(179,800)	(159,300)
Net finance receivables, less unearned insurance premiums and allowance for credit losses	1,378,009	1,219,120
Restricted cash	113,865	138,682
Restricted available-for-sale investments	20,290	—
Lease assets	30,153	28,721
Deferred tax assets, net	16,836	18,420
Property and equipment	12,370	12,938
Intangible assets	11,305	9,517
Other assets	20,582	21,757
Total assets	<u>\$ 1,606,550</u>	<u>\$ 1,459,662</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Debt	\$ 1,241,039	\$ 1,107,953
Unamortized debt issuance costs	(9,647)	(11,010)
Net debt	1,231,392	1,096,943
Accounts payable and accrued expenses	34,237	49,283
Lease liabilities	32,468	30,700
Total liabilities	1,298,097	1,176,926
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock (\$0.10 par value, 100,000 shares authorized, none issued or outstanding)	—	—
Common stock (\$0.10 par value, 1,000,000 shares authorized, 14,391 shares issued and 9,584 shares outstanding at September 30, 2022 and 14,157 shares issued and 9,788 shares outstanding at December 31, 2021)	1,439	1,416
Additional paid-in capital	111,530	104,745
Retained earnings	346,083	306,105
Accumulated other comprehensive loss	(456)	—
Treasury stock (4,807 shares at September 30, 2022 and 4,370 shares at December 31, 2021)	(150,143)	(129,530)
Total stockholders' equity	308,453	282,736
Total liabilities and stockholders' equity	<u>\$ 1,606,550</u>	<u>\$ 1,459,662</u>

The following table presents the assets and liabilities of our consolidated variable interest entities:

Assets		
Cash	\$ 438	\$ 364
Net finance receivables	1,179,815	1,004,954
Allowance for credit losses	(129,198)	(109,898)
Restricted cash	112,513	118,818
Other assets	366	4
Total assets	<u>\$ 1,163,934</u>	<u>\$ 1,014,242</u>
Liabilities		
Net debt	\$ 1,118,989	\$ 986,223
Accounts payable and accrued expenses	115	71
Total liabilities	<u>\$ 1,119,104</u>	<u>\$ 986,294</u>

See accompanying notes to consolidated financial statements.

Regional Management Corp. and Subsidiaries
Consolidated Statements of Income
(Unaudited)
(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue				
Interest and fee income	\$ 116,020	\$ 99,355	\$ 333,422	\$ 275,427
Insurance income, net	11,987	9,418	32,751	26,059
Other income	3,445	2,687	8,998	7,381
Total revenue	<u>131,452</u>	<u>111,460</u>	<u>375,171</u>	<u>308,867</u>
Expenses				
Provision for credit losses	48,071	26,096	124,329	58,007
Personnel	36,979	29,299	106,574	86,520
Occupancy	5,848	6,027	17,812	17,615
Marketing	3,940	2,488	11,139	9,974
Other	11,397	9,936	31,860	25,873
Total general and administrative expenses	<u>58,164</u>	<u>47,750</u>	<u>167,385</u>	<u>139,982</u>
Interest expense	11,863	8,816	19,368	23,752
Income before income taxes	13,354	28,798	64,089	87,126
Income taxes	<u>3,286</u>	<u>6,577</u>	<u>15,256</u>	<u>19,217</u>
Net income	<u>\$ 10,068</u>	<u>\$ 22,221</u>	<u>\$ 48,833</u>	<u>\$ 67,909</u>
Net income per common share:				
Basic	<u>\$ 1.09</u>	<u>\$ 2.25</u>	<u>\$ 5.23</u>	<u>\$ 6.66</u>
Diluted	<u>\$ 1.06</u>	<u>\$ 2.11</u>	<u>\$ 5.01</u>	<u>\$ 6.29</u>
Weighted-average common shares outstanding:				
Basic	<u>9,195</u>	<u>9,861</u>	<u>9,329</u>	<u>10,199</u>
Diluted	<u>9,526</u>	<u>10,544</u>	<u>9,738</u>	<u>10,800</u>
Other comprehensive loss, net of tax:				
Unrealized loss on restricted available-for-sale investments	(577)	—	(577)	—
Other comprehensive loss, before tax	(577)	—	(577)	—
Income taxes related to items of other comprehensive income	121	—	121	—
Other comprehensive loss, net of tax	<u>(456)</u>	<u>—</u>	<u>(456)</u>	<u>—</u>
Total comprehensive income	<u>\$ 9,612</u>	<u>\$ 22,221</u>	<u>\$ 48,377</u>	<u>\$ 67,909</u>

See accompanying notes to consolidated financial statements.

Regional Management Corp. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(Unaudited)
(in thousands)

	Three Months Ended September 30, 2022						
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
	Shares	Amount					
Balance, June 30, 2022	14,390	\$ 1,439	\$ 108,345	\$ 338,943	\$ —	\$ (150,143)	\$ 298,584
Cash dividends	—	—	—	(2,928)	—	—	(2,928)
Issuance of restricted stock awards	3	—	—	—	—	—	—
Exercise of stock options	—	—	—	—	—	—	—
Repurchase of common stock	—	—	—	—	—	—	—
Shares withheld related to net share settlement	(2)	—	(101)	—	—	—	(101)
Share-based compensation	—	—	3,286	—	—	—	3,286
Net income	—	—	—	10,068	—	—	10,068
Other comprehensive loss	—	—	—	—	(456)	—	(456)
Balance, September 30, 2022	<u>14,391</u>	<u>\$ 1,439</u>	<u>\$ 111,530</u>	<u>\$ 346,083</u>	<u>\$ (456)</u>	<u>\$ (150,143)</u>	<u>\$ 308,453</u>

	Three Months Ended September 30, 2021						
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
	Shares	Amount					
Balance, June 30, 2021	14,141	\$ 1,414	\$ 105,509	\$ 268,172	\$ —	\$ (96,112)	\$ 278,983
Cash dividends	—	—	—	(2,568)	—	—	(2,568)
Issuance of restricted stock awards	9	1	(1)	—	—	—	—
Exercise of stock options	65	7	—	—	—	—	7
Repurchase of common stock	—	—	—	—	—	(21,984)	(21,984)
Shares withheld related to net share settlement	(38)	(4)	(1,106)	—	—	—	(1,110)
Share-based compensation	—	—	1,836	—	—	—	1,836
Short-swing profit disgorgement	—	—	81	—	—	—	81
Net income	—	—	—	22,221	—	—	22,221
Balance, September 30, 2021	<u>14,177</u>	<u>\$ 1,418</u>	<u>\$ 106,319</u>	<u>\$ 287,825</u>	<u>\$ —</u>	<u>\$ (118,096)</u>	<u>\$ 277,466</u>

Nine Months Ended September 30, 2022

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
	Shares	Amount					
Balance, December 31, 2021	14,157	\$ 1,416	\$ 104,745	\$ 306,105	\$ —	\$ (129,530)	\$ 282,736
Cash dividends	—	—	—	(8,855)	—	—	(8,855)
Issuance of restricted stock awards	221	22	(22)	—	—	—	—
Exercise of stock options	61	6	—	—	—	—	6
Repurchase of common stock	—	—	—	—	—	(20,613)	(20,613)
Shares withheld related to net share settlement	(48)	(5)	(1,332)	—	—	—	(1,337)
Share-based compensation	—	—	8,139	—	—	—	8,139
Net income	—	—	—	48,833	—	—	48,833
Other comprehensive loss	—	—	—	—	(456)	—	(456)
Balance, September 30, 2022	<u>14,391</u>	<u>\$ 1,439</u>	<u>\$ 111,530</u>	<u>\$ 346,083</u>	<u>\$ (456)</u>	<u>\$ (150,143)</u>	<u>\$ 308,453</u>

Nine Months Ended September 30, 2021

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
	Shares	Amount					
Balance, December 31, 2020	13,851	\$ 1,385	\$ 105,483	\$ 227,343	\$ —	\$ (62,088)	\$ 272,123
Cash Dividends	—	—	—	(7,427)	—	—	(7,427)
Issuance of restricted stock awards	203	20	(20)	—	—	—	—
Exercise of stock options	415	42	—	—	—	—	42
Repurchase of common stock	—	—	—	—	—	(56,008)	(56,008)
Shares withheld related to net share settlement	(292)	(29)	(4,490)	—	—	—	(4,519)
Share-based compensation	—	—	5,265	—	—	—	5,265
Short-swing profit disgorgement	—	—	81	—	—	—	81
Net income	—	—	—	67,909	—	—	67,909
Balance, September 30, 2021	<u>14,177</u>	<u>\$ 1,418</u>	<u>\$ 106,319</u>	<u>\$ 287,825</u>	<u>\$ —</u>	<u>\$ (118,096)</u>	<u>\$ 277,466</u>

See accompanying notes to consolidated financial statements.

Regional Management Corp. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 48,833	\$ 67,909
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	124,329	58,007
Depreciation and amortization	9,149	8,466
Amortization of deferred originations fees and costs	(12,005)	(11,816)
Loss on disposal of property and equipment	96	8
Share-based compensation	8,139	5,265
Fair value adjustment on interest rate caps	—	(491)
Deferred income taxes, net	1,705	1,586
Changes in operating assets and liabilities:		
Increase in unearned insurance premiums	1,952	9,597
Increase in lease assets	(1,432)	(1,775)
Increase in other assets	(3,678)	(2,779)
Decrease in accounts payable and accrued expenses	(14,593)	(3,736)
Increase in lease liabilities	1,768	2,084
Net cash provided by operating activities	164,263	132,325
Cash flows from investing activities:		
Originations of finance receivables	(1,174,257)	(1,024,400)
Repayments of finance receivables	905,944	801,620
Purchases of intangible assets	(3,896)	(2,247)
Purchases of property and equipment	(2,644)	(1,960)
Purchase of restricted available-for-sale investments	(23,974)	—
Proceeds from sale of restricted available-for-sale investments	3,130	—
Net cash used in investing activities	(295,697)	(226,987)
Cash flows from financing activities:		
Advances on revolving credit facilities	1,364,443	1,403,483
Payments on revolving credit facilities	(1,372,670)	(1,512,033)
Advances on securitizations	250,000	448,700
Payments on securitizations	(109,228)	(130,085)
Payments for debt issuance costs	(2,760)	(6,714)
Taxes paid related to net share settlement of equity awards	(1,332)	(5,333)
Short-swing profit disgorgement	—	81
Cash dividends	(8,590)	(7,160)
Repurchases of common stock	(20,613)	(56,008)
Net cash provided by financing activities	99,250	134,931
Net change in cash and restricted cash	(32,184)	40,269
Cash and restricted cash at beginning of period	149,189	71,876
Cash and restricted cash at end of period	<u>\$ 117,005</u>	<u>\$ 112,145</u>
Supplemental cash flow information:		
Interest paid	\$ 28,013	\$ 21,165
Income taxes paid	\$ 26,763	\$ 23,083
Operating leases paid	\$ 4,253	\$ 6,387
Non-cash lease assets and liabilities acquired	\$ 7,226	\$ 7,328
Non-cash dividends payable	\$ 265	\$ 267

The following table reconciles cash and restricted cash from the Consolidated Balance Sheets to the statements above:

	September 30, 2022	December 31, 2021	September 30, 2021
Cash	\$ 3,140	\$ 10,507	\$ 8,146
Restricted cash	113,865	138,682	103,999
Total cash and restricted cash	<u>\$ 117,005</u>	<u>\$ 149,189</u>	<u>\$ 112,145</u>

See accompanying notes to consolidated financial statements.

Regional Management Corp. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1. Nature of Business

Regional Management Corp. (the “Company”) was incorporated and began operations in 1987. The Company is engaged in the consumer finance business, offering small loans, large loans, retail loans, and related payment and collateral protection insurance products. As of September 30, 2022, the Company operated 338 branch locations under the name “Regional Finance” in 17 states across the United States.

The Company’s small loan portfolio is comprised of branch small loan receivables and convenience check receivables. Branch small loan receivables are direct loans to customers and are secured by non-essential household goods and, in some instances, an automobile. Convenience checks are direct loans originated by mailing checks to customers based on a pre-screening process that includes a review of the prospective customer’s credit profile provided by national credit reporting bureaus or data aggregators. A recipient of a convenience check is able to enter into a loan by endorsing and depositing or cashing the check. Large loan receivables are direct loans to customers, some of which are convenience check receivables and the vast majority of which are secured by non-essential household goods, automobiles, and/or other vehicles. Retail loan receivables consist principally of retail installment sales contracts collateralized by the purchased furniture, appliances, and other retail items and are initiated by and purchased from retailers, subject to the Company’s credit approval.

The Company’s loan volume and contractual delinquency follow seasonal trends. Demand for the Company’s small and large loans is typically highest during the second, third, and fourth quarters, which the Company believes is largely due to customers borrowing money for vacation, back-to-school, and holiday spending. Loan demand has generally been the lowest during the first quarter, which the Company believes is largely due to the timing of income tax refunds. Delinquencies generally reach their lowest point in the first half of the year and rise in the second half of the year. Changes in quarterly growth or liquidation could result in larger allowance for credit loss releases in periods of portfolio liquidation, and larger provisions for credit losses in periods of portfolio growth. Consequently, the Company experiences seasonal fluctuations in its operating results. However, changes in macroeconomic factors, including inflation, rising interest rates, and geopolitical conflict, have impacted the Company’s typical seasonal trends for loan volume and delinquency.

Note 2. Basis of Presentation and Significant Accounting Policies

Basis of presentation: The consolidated financial statements of the Company have been prepared in accordance with the Securities and Exchange Commission (the “SEC”) regulations and U.S. Generally Accepted Accounting Principles (“GAAP”) for interim financial information and, accordingly, do not include all information and note disclosures required by GAAP for complete financial statements. The interim financial statements in this Quarterly Report on Form 10-Q have not been audited by an independent registered public accounting firm in accordance with standards of the Public Company Accounting Oversight Board (United States), but in the opinion of management, the interim financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the Company’s financial position, results of operations, and cash flows in accordance with GAAP. These consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021, as filed with the SEC.

Significant accounting policies: The following is a description of significant accounting policies used in preparing the financial statements. The accounting and reporting policies of the Company are in accordance with GAAP.

Principles of consolidation: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company operates through a separate wholly-owned subsidiary in each state. The Company also consolidates variable interest entities (each, a “VIE”) when it is considered to be the primary beneficiary of the VIE because it has (i) power over the significant activities of the VIE and (ii) the obligation to absorb losses or the right to receive returns that could be significant to the VIE.

Variable interest entities: The Company transfers pools of loans to wholly-owned, bankruptcy-remote, special purpose entities (each, an “SPE”) to secure debt for general funding purposes. These entities have the limited purpose of acquiring finance receivables and holding and making payments on the related debts. Assets transferred to each SPE are legally isolated from the Company and its affiliates, as well as the claims of the Company’s and its affiliates’ creditors. Further, the assets of each SPE are owned by such SPE and are not available to satisfy the debts or other obligations of the Company or any of its affiliates. The Company continues to service the finance receivables transferred to the SPEs. The lenders and investors in the debt issued by the SPEs generally only have recourse to the assets of the SPEs and do not have recourse to the general credit of the Company.

The SPEs' debt arrangements are structured to provide credit enhancements to the lenders and investors, which may include overcollateralization, subordination of interests, excess spread, and reserve funds. These enhancements, along with the isolated finance receivables pools, increase the creditworthiness of the SPEs above that of the Company as a whole. This increases the marketability of the Company's collateral for borrowing purposes, leading to more favorable borrowing terms, improved interest rate risk management, and additional flexibility to grow the business.

The SPEs are considered VIEs under GAAP and are consolidated into the financial statements of their primary beneficiary. The Company is considered to be the primary beneficiary of the SPEs because it has (i) power over the significant activities through its role as servicer of the finance receivables under each debt arrangement and (ii) the obligation to absorb losses or the right to receive returns that could be significant through the Company's interest in the monthly residual cash flows of the SPEs.

Consolidation of VIEs results in these transactions being accounted for as secured borrowings; therefore, the pooled receivables and the related debts remain on the consolidated balance sheet of the Company. Each debt is secured solely by the assets of the VIEs and not by any other assets of the Company. The assets of the VIEs are the only source of funds for repayment on each debt, and restricted cash held by the VIEs can only be used to support payments on the debt. The Company recognizes revenue and provision for credit losses on the finance receivables of the VIEs and interest expense on the related secured debt.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and disclosure of contingent assets and liabilities for the periods indicated in the financial statements. Actual results could differ from those estimates.

Estimates that are susceptible to change relate to the determination of the allowance for credit losses, the valuation of deferred tax assets and liabilities, and the fair value of financial instruments.

Reclassifications: Certain prior-period amounts have been reclassified to conform to the current presentation. Such reclassifications had no impact on previously reported net income or stockholders' equity.

Revision: Subsequent to issuance of the September 30, 2021 financial statements, the Company concluded that certain cash flow statement line items should be broken out to reflect cash receipts and cash payments on a gross basis, rather than net. As a result, the net originations of finance receivables, net advances (payments) on senior revolving credit facility, net advances (payments) on revolving warehouse credit facilities, and net advances on securitizations line items have been updated to reflect a gross presentation. The Company also concluded that the amortization of deferred origination fees and costs, accrued interest receivables, and unearned insurance premiums included in the net originations of finance receivables (previously in investing activities) and accrued interest payables included in debt (previously in financing activities) should be included in operating activities. These changes will classify cash flows related to interest received on finance receivables and interest paid on debt as operating activities and cash flows related to net loan origination fees and costs as investing activities. To correct these classification errors, amounts previously reported have been reclassified for the nine months ended September 30, 2021. Impacts for the nine months ended September 30, 2021 included a decrease in net cash provided by operating activities of \$3.7 million, decrease in net cash used in investing activities of \$3.5 million, and an increase in net cash provided by financing activities of \$0.2 million.

Net finance receivables: Generally, the Company classifies finance receivables as held for investment based on management's intent at the time of origination. The Company determines classification on a receivable-by-receivable basis. The Company classifies finance receivables as held for investment due to its ability and intent to hold them until their contractual maturities. Net finance receivables consist of the Company's installment loans. The Company carries net finance receivables at amortized cost, which includes remaining principal balance, accrued interest, and net unamortized deferred origination costs and unamortized fees.

Allowance for credit losses: The allowance for credit losses is based on historical credit experience, current conditions, and reasonable and supportable economic forecasts. The historical loss experience is adjusted for quantitative and qualitative factors that are not fully reflected in the historical data. In determining its estimate of expected credit losses, the Company evaluates information related to credit metrics, changes in its lending strategies and underwriting practices, and the current and forecasted direction of the economic and business environment. These metrics include, but are not limited to, loan portfolio mix and growth, unemployment, credit loss trends, delinquency trends, changes in underwriting, and operational risks.

The Company selected a static pool Probability of Default ("PD") / Loss Given Default ("LGD") model to estimate its base allowance for credit losses, in which the estimated loss is equal to the product of PD and LGD. Historical static pools of net finance receivables are tracked over the term of the pools to identify the incidences of loss (PDs) and the average severity of losses (LGDs).

To enhance the precision of the allowance for credit loss estimate, the Company evaluates its finance receivable portfolio on a pool basis and segments each pool of finance receivables with similar credit risk characteristics. As part of its evaluation, the Company considers loan portfolio characteristics such as product type, loan size, loan term, internal or external credit scores, delinquency

status, geographical location, and vintage. Based on analysis of historical loss experience, the Company selected the following segmentation: product type, Fair Isaac Corporation (“FICO”) score, and delinquency status.

As finance receivables are originated, provisions for credit losses are recorded in amounts sufficient to maintain an allowance for credit losses at an adequate level to provide for estimated losses over the contractual life of the finance receivables (considering the effect of prepayments). Subsequent changes to the contractual terms that are a result of re-underwriting are not included in the finance receivable’s contractual life (considering the effect of prepayments). The Company uses its segmentation loss experience to forecast expected credit losses. Historical information about losses generally provides a basis for the estimate of expected credit losses. The Company also considers the need to adjust historical information to reflect the extent to which current conditions differ from the conditions that existed for the period over which historical information was evaluated. These adjustments to historical loss information may be qualitative or quantitative in nature.

Reasonable and supportable macroeconomic forecasts are required for the Company’s allowance for credit loss model. The Company engaged a major rating service to assist with compiling a reasonable and supportable forecast. The Company reviews macroeconomic forecasts to use in its allowance for credit losses. The Company adjusts the historical loss experience by relevant qualitative factors for these expectations. The Company does not require reversion adjustments, as the contractual lives of its portfolio (considering the effect of prepayments) are shorter than its reasonable and supportable forecast periods.

The Company charges credit losses against the allowance when an account reaches 180 days contractually delinquent, subject to certain exceptions. The Company’s non-titled customer accounts in a confirmed bankruptcy are charged off in the month following the bankruptcy notification or at 60 days contractually delinquent, subject to certain exceptions. Deceased borrower accounts are charged off in the month following the proper notification of passing, with the exception of borrowers with credit life insurance. Subsequent recoveries of amounts charged off, if any, are credited to the allowance.

Troubled debt restructurings: The Company classifies a finance receivable as a troubled debt restructuring (each, a “TDR”) when the Company modifies the finance receivable’s contractual terms for economic or other reasons related to the borrower’s financial difficulties and grants a concession that it would not otherwise consider (including Chapter 13 bankruptcies and delinquent renewals). Modifications primarily include an interest rate reduction and term extension to reduce the borrower’s monthly payment. Once a loan is classified as a TDR, it remains a TDR for the purpose of calculating the allowance for credit losses for the remainder of its contractual term.

The Company establishes its allowance for credit losses related to its TDRs by calculating the present value of all expected cash flows (discounted at the finance receivable’s effective interest rate prior to modification) less the amortized costs of the aggregated pool. The Company uses the modified interest rates and certain assumptions, including expected credit losses and recoveries, to estimate the expected cash flows from its TDRs.

Nonaccrual status: Accrual of interest income on finance receivables is suspended when an account becomes 90 days delinquent. If the account is charged off, the accrued interest income is reversed as a reduction of interest and fee income. Interest received on such loans is accounted for on the cash-basis method, until qualifying for return to accrual. Under the cash-basis method, interest income is recorded when the payment is received. Loans resume accruing interest when the past due status is brought below 90 days. The Company made a policy election to not record an allowance for credit losses related to accrued interest because it has nonaccrual and charge-off policies that result in the timely suspension and reversal of accrued interest.

Finance receivable origination fees and costs: Non-refundable fees received and direct costs (personnel and digital loan origination costs) incurred for the origination of finance receivables are deferred and recognized to interest income over their contractual lives using the constant yield method. Unamortized amounts are recognized in interest income at the time that finance receivables are paid in full, renewed, or charged off.

Restricted cash: Restricted cash includes cash and cash equivalents for which the Company’s ability to withdraw funds is contractually limited. The Company’s restricted cash consists of cash reserves that are maintained as collateral for potential credit life insurance claims and cash restricted for debt servicing of the Company’s revolving warehouse credit facilities and securitizations.

Restricted available-for-sale investments: The Company classifies its investments in debt securities that were purchased with the Company’s restricted cash as restricted available-for-sale investments and carries the investments at fair value. Unrealized gains and losses, net of taxes, are excluded from earnings and reported in other comprehensive income or loss until realized. The unrealized gains and losses, net of taxes, are recorded on the consolidated balance sheet in accumulated other comprehensive income or loss in stockholders’ equity. Realized gains and losses from the sale of available-for-sale investments are specifically identified and reclassified from accumulated other comprehensive income or loss and included within earnings on the consolidated statement of income.

Offsetting assets and liabilities: GAAP permits entities to present derivative receivables and derivative payables with the same counterparty and the related cash collateral receivables and payables on a net basis on the Consolidated Balance Sheet when a legally enforceable master netting agreement exists. GAAP also permits securities financing activities to be presented on a net basis when specified conditions are met, including the existence of a legally enforceable master netting agreement. The Company has elected to net such balances where it has determined that the specified conditions are met.

Share-based compensation: The Company measures compensation cost for share-based awards at estimated fair value and recognizes compensation expense over the service period for awards expected to vest. The Company uses the closing stock price on the date of grant as the fair value of restricted stock awards and performance-contingent restricted stock units. The fair value of stock options is determined using the Black-Scholes valuation model, and the fair value of performance restricted stock units is determined using the Monte Carlo valuation model. The Black-Scholes and Monte Carlo models require the input of assumptions, including expected volatility, expected dividends, expected term, risk-free interest rate, and a discount associated with post-vest holding restrictions, changes to which can affect the fair value estimate. Expected volatility is based on the Company's historical stock price volatility. Expected dividends are calculated using the expected dividend yield (annualized dividends divided by the grant date stock price). The expected term for stock options is calculated by using the simplified method (average of the vesting and original contractual terms) due to insufficient historical data to estimate the expected term. The risk-free rate is based on the zero-coupon U.S. Treasury bond rate over the expected term of the awards. The estimated discount associated with post-vest holding restrictions is calculated using a blend of the Finnerty and Chaffe models. In addition, the estimation of share-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised.

Recent accounting pronouncements: In March 2022, the Financial Accounting Standards Board ("FASB") issued an accounting update eliminating the accounting for TDRs by creditors while enhancing the disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. The amendment also requires disclosure of gross credit losses by year of origination for finance receivables. The amendments in this update are effective for annual and interim periods beginning after December 15, 2022. The Company is currently evaluating the potential disclosure impacts of this update to its footnotes, but believes implementation of the update will not have a material financial effect on its consolidated financial statements.

Note 3. Finance Receivables, Credit Quality Information, and Allowance for Credit Losses

Net finance receivables for the periods indicated consisted of the following:

<i>Dollars in thousands</i>	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Small loans	\$ 480,199	\$ 445,023
Large loans	1,116,455	970,694
Retail loans	10,944	10,540
Net finance receivables	<u>\$ 1,607,598</u>	<u>\$ 1,426,257</u>

Net finance receivables included net deferred origination fees and costs of \$14.8 million and \$14.2 million as of September 30, 2022 and December 31, 2021, respectively.

The credit quality of the Company's finance receivable portfolio is dependent on the Company's ability to enforce sound underwriting standards, maintain diligent servicing of the portfolio, and respond to changing economic conditions as it grows its portfolio. The allowance for credit losses uses FICO scores and delinquency as key data points in estimating the allowance. The Company uses six FICO band categories to assess FICO scores. The first FICO band category includes the lowest FICO scores, while the sixth FICO band category includes the highest FICO scores.

Net finance receivables by product, FICO band, and origination year as of September 30, 2022 are as follows:

	Net Finance Receivables by Origination Year							Total Net Finance Receivables
<i>Dollars in thousands</i>	2022 (1)	2021	2020	2019	2018	Prior		
Small Loans:								
FICO Band								
1	\$ 57,153	\$ 20,032	\$ 2,457	\$ 436	\$ 57	\$ 9	\$ 80,144	
2	37,764	12,933	1,190	120	8	3	52,018	
3	48,470	14,291	1,115	110	—	1	63,987	
4	56,299	16,167	1,080	84	—	1	73,631	
5	59,472	18,181	1,151	57	—	—	78,861	
6	96,610	32,606	2,310	31	—	1	131,558	
Total small loans	\$ 355,768	\$ 114,210	\$ 9,303	\$ 838	\$ 65	\$ 15	\$ 480,199	
Large Loans:								
FICO Band								
1	\$ 44,554	\$ 25,094	\$ 9,416	\$ 4,496	\$ 1,128	\$ 756	\$ 85,444	
2	28,249	21,121	5,541	1,932	176	173	57,192	
3	88,293	59,360	11,648	4,179	297	186	163,963	
4	116,975	76,055	16,150	5,762	291	97	215,330	
5	113,038	75,255	17,132	5,465	322	60	211,272	
6	205,734	136,557	30,963	9,395	545	60	383,254	
Total large loans	\$ 596,843	\$ 393,442	\$ 90,850	\$ 31,229	\$ 2,759	\$ 1,332	\$ 1,116,455	
Retail Loans:								
FICO Band								
1	\$ 11	\$ 9	\$ 52	\$ 38	\$ 4	\$ 4	\$ 118	
2	418	162	23	27	2	—	632	
3	1,180	835	124	27	2	5	2,173	
4	1,291	1,294	390	69	4	4	3,052	
5	984	1,008	311	75	8	5	2,391	
6	1,120	1,091	301	65	—	1	2,578	
Total retail loans	\$ 5,004	\$ 4,399	\$ 1,201	\$ 301	\$ 20	\$ 19	\$ 10,944	
Total Loans:								
FICO Band								
1	\$ 101,718	\$ 45,135	\$ 11,925	\$ 4,970	\$ 1,189	\$ 769	\$ 165,706	
2	66,431	34,216	6,754	2,079	186	176	109,842	
3	137,943	74,486	12,887	4,316	299	192	230,123	
4	174,565	93,516	17,620	5,915	295	102	292,013	
5	173,494	94,444	18,594	5,597	330	65	292,524	
6	303,464	170,254	33,574	9,491	545	62	517,390	
Total loans	\$ 957,615	\$ 512,051	\$ 101,354	\$ 32,368	\$ 2,844	\$ 1,366	\$ 1,607,598	

(1) Includes loans originated during the nine months ended September 30, 2022.

Net finance receivables by product, FICO band, and origination year as of December 31, 2021 are as follows:

	Net Finance Receivables by Origination Year							Total Net Finance Receivables
<i>Dollars in thousands</i>	2021	2020	2019	2018	2017	Prior		
Small Loans:								
FICO Band								
1	\$ 71,720	\$ 11,243	\$ 2,202	\$ 208	\$ 44	\$ 6	\$ 85,423	
2	48,507	5,805	856	33	11	3	55,215	
3	52,113	6,278	764	24	5	1	59,185	
4	56,631	6,834	689	31	8	1	64,194	
5	57,058	8,484	615	14	2	1	66,174	
6	96,149	17,837	835	7	3	1	114,832	
Total small loans	<u>\$ 382,178</u>	<u>\$ 56,481</u>	<u>\$ 5,961</u>	<u>\$ 317</u>	<u>\$ 73</u>	<u>\$ 13</u>	<u>\$ 445,023</u>	
Large Loans:								
FICO Band								
1	\$ 41,865	\$ 19,447	\$ 9,940	\$ 2,714	\$ 1,374	\$ 649	\$ 75,989	
2	40,795	12,814	4,815	594	255	171	59,444	
3	112,048	26,041	11,398	1,412	372	118	151,389	
4	136,901	34,382	14,890	1,622	284	50	188,129	
5	130,375	34,278	14,021	1,730	165	68	180,637	
6	229,184	59,579	23,054	2,998	235	56	315,106	
Total large loans	<u>\$ 691,168</u>	<u>\$ 186,541</u>	<u>\$ 78,118</u>	<u>\$ 11,070</u>	<u>\$ 2,685</u>	<u>\$ 1,112</u>	<u>\$ 970,694</u>	
Retail Loans:								
FICO Band								
1	\$ 19	\$ 137	\$ 207	\$ 25	\$ 1	\$ 2	\$ 391	
2	161	86	150	13	1	—	411	
3	1,177	338	156	17	4	4	1,696	
4	1,699	840	363	56	4	2	2,964	
5	1,415	678	337	46	7	1	2,484	
6	1,563	702	295	30	2	2	2,594	
Total retail loans	<u>\$ 6,034</u>	<u>\$ 2,781</u>	<u>\$ 1,508</u>	<u>\$ 187</u>	<u>\$ 19</u>	<u>\$ 11</u>	<u>\$ 10,540</u>	
Total Loans:								
FICO Band								
1	\$ 113,604	\$ 30,827	\$ 12,349	\$ 2,947	\$ 1,419	\$ 657	\$ 161,803	
2	89,463	18,705	5,821	640	267	174	115,070	
3	165,338	32,657	12,318	1,453	381	123	212,270	
4	195,231	42,056	15,942	1,709	296	53	255,287	
5	188,848	43,440	14,973	1,790	174	70	249,295	
6	326,896	78,118	24,184	3,035	240	59	432,532	
Total loans	<u>\$ 1,079,380</u>	<u>\$ 245,803</u>	<u>\$ 85,587</u>	<u>\$ 11,574</u>	<u>\$ 2,777</u>	<u>\$ 1,136</u>	<u>\$ 1,426,257</u>	

The contractual delinquency of the net finance receivables portfolio by product and aging for the periods indicated are as follows:

<i>Dollars in thousands</i>	September 30, 2022							
	Small		Large		Retail		Total	
	\$	%	\$	%	\$	%	\$	%
Current	\$ 384,470	80.1%	\$ 963,174	86.3%	\$ 8,490	77.5%	\$ 1,356,134	84.4%
1 to 29 days past due	45,823	9.5%	88,359	7.9%	1,286	11.8%	135,468	8.4%
Delinquent accounts								
30 to 59 days	12,802	2.7%	19,140	1.7%	353	3.2%	32,295	2.0%
60 to 89 days	10,641	2.2%	14,496	1.3%	238	2.2%	25,375	1.6%
90 to 119 days	9,048	1.9%	12,454	1.1%	218	2.0%	21,720	1.3%
120 to 149 days	7,732	1.6%	9,587	0.9%	184	1.7%	17,503	1.1%
150 to 179 days	9,683	2.0%	9,245	0.8%	175	1.6%	19,103	1.2%
Total delinquency	\$ 49,906	10.4%	\$ 64,922	5.8%	\$ 1,168	10.7%	\$ 115,996	7.2%
Total net finance receivables	\$ 480,199	100.0%	\$ 1,116,455	100.0%	\$ 10,944	100.0%	\$ 1,607,598	100.0%
Net finance receivables in nonaccrual status	\$ 28,713	6.0%	\$ 35,377	3.2%	\$ 631	5.8%	\$ 64,721	4.0%

<i>Dollars in thousands</i>	December 31, 2021							
	Small		Large		Retail		Total	
	\$	%	\$	%	\$	%	\$	%
Current	\$ 366,775	82.5%	\$ 861,855	88.8%	\$ 8,535	81.0%	\$ 1,237,165	86.7%
1 to 29 days past due	38,454	8.6%	64,491	6.6%	1,256	11.9%	104,201	7.3%
Delinquent accounts								
30 to 59 days	11,244	2.5%	13,777	1.5%	262	2.5%	25,283	1.9%
60 to 89 days	9,436	2.1%	10,788	1.1%	171	1.6%	20,395	1.4%
90 to 119 days	7,868	1.8%	7,971	0.8%	123	1.2%	15,962	1.0%
120 to 149 days	5,897	1.3%	6,480	0.7%	89	0.8%	12,466	0.9%
150 to 179 days	5,349	1.2%	5,332	0.5%	104	1.0%	10,785	0.8%
Total delinquency	\$ 39,794	8.9%	\$ 44,348	4.6%	\$ 749	7.1%	\$ 84,891	6.0%
Total net finance receivables	\$ 445,023	100.0%	\$ 970,694	100.0%	\$ 10,540	100.0%	\$ 1,426,257	100.0%
Net finance receivables in nonaccrual status	\$ 21,285	4.8%	\$ 23,495	2.4%	\$ 390	3.7%	\$ 45,170	3.2%

The accrual of interest income on finance receivables is suspended when an account becomes 90 days delinquent. If a loan is charged off, the accrued interest is reversed as a reduction of interest and fee income. During the three months ended September 30, 2022 and 2021, the Company reversed \$4.3 million and \$1.8 million of accrued interest as reductions of interest and fee income, respectively. The Company reversed \$12.4 million and \$6.5 million of accrued interest as reductions of interest and fee income for the nine months ended September 30, 2022 and 2021, respectively.

The following is a reconciliation of the allowance for credit losses by product for the three and nine months ended September 30, 2022 and 2021:

<i>Dollars in thousands</i>	Small	Large	Retail	Total
Beginning balance at July 1, 2022	\$ 58,176	\$ 107,760	\$ 1,564	\$ 167,500
Provision for credit losses	20,463	27,200	408	48,071
Credit losses	(16,909)	(20,099)	(368)	(37,376)
Recoveries	684	900	21	1,605
Ending balance at September 30, 2022	\$ 62,414	\$ 115,761	\$ 1,625	\$ 179,800
Net finance receivables at September 30, 2022	\$ 480,199	\$ 1,116,455	\$ 10,944	\$ 1,607,598
Allowance as percentage of net finance receivables at September 30, 2022	13.0%	10.4%	14.8%	11.2%

Dollars in thousands

	Small	Large	Retail	Total
Beginning balance at July 1, 2021	\$ 51,578	\$ 86,104	\$ 1,718	\$ 139,400
Provision for credit losses	13,936	12,094	66	26,096
Credit losses	(8,190)	(7,959)	(232)	(16,381)
Recoveries	462	502	21	985
Ending balance at September 30, 2021	\$ 57,786	\$ 90,741	\$ 1,573	\$ 150,100
Net finance receivables at September 30, 2021	\$ 419,602	\$ 884,271	\$ 10,360	\$ 1,314,233
Allowance as percentage of net finance receivables at September 30, 2021	13.8%	10.3%	15.2%	11.4%

Dollars in thousands

	Small	Large	Retail	Total
Beginning balance at January 1, 2022	\$ 61,294	\$ 96,494	\$ 1,512	\$ 159,300
Provision for credit losses	50,580	72,720	1,029	124,329
Credit losses	(51,536)	(55,891)	(987)	(108,414)
Recoveries	2,076	2,438	71	4,585
Ending balance at September 30, 2022	\$ 62,414	\$ 115,761	\$ 1,625	\$ 179,800
Net finance receivables at September 30, 2022	\$ 480,199	\$ 1,116,455	\$ 10,944	\$ 1,607,598
Allowance as percentage of net finance receivables at September 30, 2022	13.0%	10.4%	14.8%	11.2%

Dollars in thousands

	Small	Large	Retail	Total
Beginning balance at January 1, 2021	\$ 59,410	\$ 88,058	\$ 2,532	\$ 150,000
Provision for credit losses	26,905	31,086	16	58,007
Credit losses	(29,918)	(30,003)	(1,038)	(60,959)
Recoveries	1,389	1,600	63	3,052
Ending balance at September 30, 2021	\$ 57,786	\$ 90,741	\$ 1,573	\$ 150,100
Net finance receivables at September 30, 2021	\$ 419,602	\$ 884,271	\$ 10,360	\$ 1,314,233
Allowance as percentage of net finance receivables at September 30, 2021	13.8%	10.3%	15.2%	11.4%

The increase in our allowance for credit losses for the three months ended September 30, 2022 was due to the incremental increase in reserves of \$8.2 million as a result of sequential portfolio growth and an increase of \$4.1 million based on the macroeconomic model. The increase in our allowance for credit losses for the three months ended September 30, 2021 was primarily due to the \$10.7 million increase in reserves as a result of portfolio growth.

The increases in our allowance for credit losses for the nine months ended September 30, 2022 was due to the incremental increase in reserves of \$18.5 million as a result of portfolio growth and an increase of \$2.0 million based on the macroeconomic model. The increase in our allowance for credit losses for the nine months ended September 30, 2021 was primarily due to the \$15.0 million increase in reserves as a result of portfolio growth, mostly offset by a \$14.9 million decrease based on the macroeconomic model.

As of September 30, 2022 and December 31, 2021, the allowance for credit losses included reserves associated with future macroeconomic impacts on credit losses of \$19.0 million and \$17.0 million, respectively. We may experience changes within our economic forecast, as well as changes to our credit loss performance outlook, both of which could lead to further changes in our allowance for credit losses and provision for credit losses.

The Company classifies a loan as a TDR finance receivable when the Company modifies a loan's contractual terms for economic or other reasons related to the borrower's financial difficulties and grants a concession that it would not otherwise consider.

The amount of TDR net finance receivables and the related TDR allowance for credit losses for the periods indicated are as follows:

<i>Dollars in thousands</i>	September 30, 2022		September 30, 2021	
	TDR Net Finance Receivables	TDR Allowance for Credit Losses	TDR Net Finance Receivables	TDR Allowance for Credit Losses
Small loans	\$ 3,999	\$ 1,121	\$ 3,564	\$ 1,411
Large loans	16,379	4,473	13,390	4,215
Retail loans	44	15	63	20
Total	<u>\$ 20,422</u>	<u>\$ 5,609</u>	<u>\$ 17,017</u>	<u>\$ 5,646</u>

The following table provides the number and amount of net finance receivables modified and classified as TDRs during the periods presented:

<i>Dollars in thousands</i>	Three Months Ended			
	September 30, 2022		September 30, 2021	
	Number of Loans	TDR Net Finance Receivables (1)	Number of Loans	TDR Net Finance Receivables (1)
Small loans	1,124	\$ 2,101	511	\$ 1,008
Large loans	1,040	6,297	450	2,524
Retail loans	4	9	1	2
Total	<u>2,168</u>	<u>\$ 8,407</u>	<u>962</u>	<u>\$ 3,534</u>

<i>Dollars in thousands</i>	Nine Months Ended			
	September 30, 2022		September 30, 2021	
	Number of Loans	TDR Net Finance Receivables (1)	Number of Loans	TDR Net Finance Receivables (1)
Small loans	2,633	\$ 4,990	1,879	\$ 3,548
Large loans	2,537	14,623	1,535	8,045
Retail loans	8	17	6	10
Total	<u>5,178</u>	<u>\$ 19,630</u>	<u>3,420</u>	<u>\$ 11,603</u>

(1) Represents the post-modification net finance receivables balance of loans that have been modified during the period and resulted in a TDR.

The following table provides the number of accounts and balance of finance receivables that subsequently defaulted within the periods indicated (that were modified as a TDR in the preceding 12 months). The Company defines payment default as 90 days past due for this disclosure. The respective amounts and activity for the periods indicated are as follows:

<i>Dollars in thousands</i>	Three Months Ended			
	September 30, 2022		September 30, 2021	
	Number of Loans	TDR Net Finance Receivables (1)	Number of Loans	TDR Net Finance Receivables (1)
Small loans	473	\$ 977	286	\$ 539
Large loans	472	2,739	214	1,100
Retail loans	1	3	2	4
Total	<u>946</u>	<u>\$ 3,719</u>	<u>502</u>	<u>\$ 1,643</u>

<i>Dollars in thousands</i>	Nine Months Ended			
	September 30, 2022		September 30, 2021	
	Number of Loans	TDR Net Finance Receivables (1)	Number of Loans	TDR Net Finance Receivables (1)
Small loans	925	\$ 1,839	692	\$ 1,263
Large loans	890	5,162	485	2,482
Retail loans	5	15	5	9
Total	<u>1,820</u>	<u>\$ 7,016</u>	<u>1,182</u>	<u>\$ 3,754</u>

(1)

Only includes defaults occurring within 12 months of a loan being designated as a TDR. Represents the corresponding balance of TDR net finance receivables at the end of the month in which they defaulted.

Note 4. Restricted Available-for-Sale Investments

The following table reconciles the amortized cost, gross unrealized gains and losses included in accumulated other comprehensive income or loss, and estimated fair value of the Company's restricted available-for-sale investments as of the periods indicated:

<i>Dollars in thousands</i>	September 30, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Restricted investments	\$ 20,867	\$ —	\$ (577)	\$ 20,290

<i>Dollars in thousands</i>	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Restricted investments	\$ —	\$ —	\$ —	\$ —

The following table includes the gross unrealized losses and estimated fair values of restricted available-for-sale investments that were in a continuous unrealized loss position, for which no allowance for credit loss has been recorded, as of the periods indicated:

<i>Dollars in thousands</i>	September 30, 2022					
	Less than 12 Months		12 Months or Longer		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Restricted investments	\$ 20,290	\$ (577)	\$ —	\$ —	\$ 20,290	\$ (577)

<i>Dollars in thousands</i>	December 31, 2021					
	Less than 12 Months		12 Months or Longer		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Restricted investments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

The restricted available-for-sale investments are measured at fair value. The investments consist of highly rated securities backed by the U.S. federal government. Changes in fair value are the result of recent increases in interest rates by the Federal Reserve that occurred after the purchase of the investments. As a result, the Company has not recorded an allowance for credit losses related to the restricted available-for-sale investments.

The accrued interest receivables are reported in other assets and totaled \$0.1 million as of September 30, 2022.

The following table includes the amortized cost and estimated fair values of restricted available-for-sale investments by contractual maturity as of the periods indicated:

<i>Dollars in thousands</i>	September 30, 2022		December 31, 2021	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year	\$ 2,094	\$ 2,067	\$ —	\$ —
Due within one year to five years	18,773	18,223	—	—
Due within five years to ten years	—	—	—	—
Due after ten years	—	—	—	—
Total restricted available-for-sale investments	\$ 20,867	\$ 20,290	\$ —	\$ —

The following table includes the proceeds from sold or matured restricted available-for-sale investments for the periods indicated:

<i>Dollars in thousands</i>	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Proceeds	\$ 3,130	\$ —	\$ 3,130	\$ —

The Company had no gross realized gains or losses during the three and nine months ended September 30, 2022 and 2021, respectively.

Note 5. Interest Rate Caps

The Company previously purchased interest rate cap contracts to manage the risk associated with LIBOR-based borrowings. Each contract was collateralizable and contained a strike rate against the one-month LIBOR (3.14% and 0.10% as of September 30, 2022 and December 31, 2021, respectively). When the one-month LIBOR exceeded the strike rate, the counterparty remitted to the Company for the excess over the strike rate. No payment was required by the Company or the counterparty when the one-month LIBOR was below the strike rate.

In April 2022, the Company collateralized its interest rate caps. Subsequently, the Company sold its shorter-duration interest rate cap contracts with a fair value of \$14.7 million. These sold interest rate caps had an aggregate notional principal amount of \$450.0 million and maturity dates ranging from March 2023 through June 2024. In August 2022, the Company sold its remaining interest rate cap contracts with a fair value of \$5.0 million, having an aggregate notional principal amount of \$100.0 million and maturing in 2026. As of September 30, 2022, the Company no longer maintained interest rate cap protections.

The following is a summary of changes in fair value of the interest rate caps for the periods indicated:

<i>Dollars in thousands</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Balance at beginning of period	\$ 5,081	\$ 2,027	\$ 6,586	\$ 265
Purchases	—	—	—	987
Sales	(5,033)	—	(19,720)	—
Fair value adjustment included as an (increase) decrease in interest expense	(48)	(284)	13,134	491
Balance at end of period	<u>\$ —</u>	<u>\$ 1,743</u>	<u>\$ —</u>	<u>\$ 1,743</u>

The following table provides information regarding the offsetting of interest rate caps and cash collateral received or paid as of the periods indicated:

<i>Dollars in thousands</i>	September 30, 2022	September 30, 2021
Interest rate caps	\$ —	\$ 1,743
Cash collateral received	—	—
Net asset in the consolidated balance sheet	<u>\$ —</u>	<u>\$ 1,743</u>

For additional information on the Company's interest rate caps, see Note 8, "Disclosure About Fair Value of Financial Instruments."

Note 6. Debt

The following is a summary of the Company's debt as of the periods indicated:

<i>Dollars in thousands</i>	September 30, 2022			December 31, 2021		
	Debt	Unamortized Debt Issuance Costs	Net Debt	Debt	Unamortized Debt Issuance Costs	Net Debt
Senior revolving credit facility	\$ 113,448	\$ (1,045)	\$ 112,403	\$ 112,065	\$ (1,345)	\$ 110,720
RMR II revolving warehouse credit facility	20,290	(928)	19,362	52,469	(1,393)	51,076
RMR IV revolving warehouse credit facility	37,130	(361)	36,769	20,071	(531)	19,540
RMR V revolving warehouse credit facility	65,273	(350)	64,923	59,451	(516)	58,935
RMIT 2019-1 securitization	—	—	—	109,373	(464)	108,909
RMIT 2020-1 securitization	180,214	(824)	179,390	180,214	(1,442)	178,772
RMIT 2021-1 securitization	248,916	(1,196)	247,720	248,916	(1,830)	247,086
RMIT 2021-2 securitization	200,192	(1,641)	198,551	200,192	(1,962)	198,230
RMIT 2021-3 securitization	125,202	(1,248)	123,954	125,202	(1,527)	123,675
RMIT 2022-1 securitization	250,374	(2,054)	248,320	—	—	—
Total	<u>\$ 1,241,039</u>	<u>\$ (9,647)</u>	<u>\$ 1,231,392</u>	<u>\$ 1,107,953</u>	<u>\$ (11,010)</u>	<u>\$ 1,096,943</u>
Unused amount of revolving credit facilities (subject to borrowing base)	<u>\$ 565,039</u>			<u>\$ 556,812</u>		

Senior Revolving Credit Facility: In December 2021, the Company amended and restated its senior revolving credit facility to, among other things, decrease the availability under the facility from \$640 million to \$500 million and extend the maturity of the facility from September 2022 to September 2024. Excluding the receivables held by the Company's VIEs, the senior revolving credit facility is secured by substantially all of the Company's finance receivables and equity interests of the majority of its subsidiaries. Advances on the senior revolving credit facility are capped at 83% of eligible finance receivables (75% of eligible finance receivables as of September 30, 2022). As of September 30, 2022, the Company had \$148.1 million of immediate availability to draw down cash under the facility and held \$3.1 million in unrestricted cash. Borrowings under the facility bore interest, payable monthly, at rates equal to one-month LIBOR, with a LIBOR floor of 0.50%, plus a 3.00% margin. The effective interest rate was 6.14% as of September 30, 2022. The Company pays an unused line fee of 0.50%.

In September 2022, the Company amended and restated its senior revolving credit facility to replace LIBOR as the benchmark rate for the calculation of interest with a forward-looking term rate based on the secured overnight financing rate ("SOFR") or, in certain limited circumstances, another alternative benchmark rate. The one-month LIBOR was replaced on October 1, 2022 by one-month SOFR with a floor of not less than 0.50% and a benchmark adjustment.

Variable Interest Entity Debt: As part of its overall funding strategy, the Company has transferred certain finance receivables to affiliated VIEs for asset-backed financing transactions, including securitizations. The following debt arrangements are issued by the Company's wholly-owned, bankruptcy-remote SPEs, which are considered VIEs under GAAP and are consolidated into the financial statements of their primary beneficiary. The Company is considered to be the primary beneficiary because it has (i) power over the significant activities through its role as servicer of the finance receivables under each debt arrangement and (ii) the obligation to absorb losses or the right to receive returns that could be significant through the Company's interest in the monthly residual cash flows of the SPEs.

These debts are supported by the expected cash flows from the underlying collateralized finance receivables. Collections on these finance receivables are remitted to restricted cash collection accounts, which totaled \$100.0 million and \$107.7 million as of September 30, 2022 and December 31, 2021, respectively. Cash inflows from the finance receivables are distributed to the lenders/investors, the service providers, and/or the residual interest that the Company owns in accordance with a monthly contractual priority of payments. The SPEs pay a servicing fee to the Company, which is eliminated in consolidation. Distributions from the SPEs to the Company are permitted under the debt arrangements.

At each sale of receivables from the Company's affiliates to the SPEs, the Company makes certain representations and warranties about the quality and nature of the collateralized receivables. The debt arrangements require the Company to repurchase the receivables in certain circumstances, including circumstances in which the representations and warranties made by the Company concerning the quality and characteristics of the receivables are inaccurate. Assets transferred to each SPE are legally isolated from the Company and its affiliates, as well as the claims of the Company's and its affiliates' creditors. Further, the assets of each SPE are owned by such SPE and are not available to satisfy the debts or other obligations of the Company or any of its affiliates.

RMR II Revolving Warehouse Credit Facility: In April 2021, the Company and its wholly-owned SPE, Regional Management Receivables II, LLC ("RMR II"), amended and restated the credit agreement that provides for a revolving warehouse credit facility to RMR II to, among other things, extend the date at which the facility converts to an amortizing loan and the termination date to March 2023 and March 2024, respectively, decrease the total facility from \$125 million to \$75 million, increase the cap on facility advances from 80% to 83% of eligible finance receivables, and increase the rate at which borrowings under the facility bore interest, payable monthly, at a rate equal to three-month LIBOR, with a LIBOR floor of 0.25%, plus a blended margin of 2.35% (2.15% prior to the April 2021 amendment). The debt is secured by finance receivables and other related assets that the Company purchased from its affiliates, which the Company then sold and transferred to RMR II. RMR II had \$30.0 million of immediate availability to draw down cash under the facility and held \$0.6 million in restricted cash reserves as of September 30, 2022 to satisfy provisions of the credit agreement. The effective interest rate was 6.10% as of September 30, 2022. RMR II pays an unused commitment fee between 0.35% and 0.85% based upon the average daily utilization of the facility.

In September 2022, the Company and its wholly-owned SPE, RMR II, amended and restated the credit agreement that provides for a revolving warehouse credit facility to RMR II to replace LIBOR as the benchmark rate for calculation of interest rate with a forward-looking term rate based on SOFR or, in certain limited circumstances, another alternative benchmark rate. The three-month LIBOR was replaced on October 1, 2022 by three-month SOFR with a floor of 0.25% and a benchmark adjustment.

RMR IV Revolving Warehouse Credit Facility: In April 2021, the Company and its wholly-owned SPE, Regional Management Receivables IV, LLC ("RMR IV"), entered into a credit agreement that provides for a \$125 million revolving warehouse credit facility to RMR IV. The facility converts to an amortizing loan in April 2023 and terminates in April 2024. The debt is secured by finance receivables and other related assets that the Company purchased from its affiliates, which the Company then sold and transferred to RMR IV. Advances on the facility are capped at 81% of eligible finance receivables. RMR IV held \$0.5 million in restricted cash

reserves as of September 30, 2022 to satisfy provisions of the credit agreement. Borrowings under the facility bore interest, payable monthly, at a rate equal to one-month LIBOR, plus a margin of 2.35%. The effective interest rate was 5.49% as of September 30, 2022. RMR IV pays an unused commitment fee between 0.35% and 0.70% based upon the average daily utilization of the facility.

In September 2022, the Company and its wholly-owned SPE, RMR IV, amended and restated the credit agreement that provides for a revolving warehouse credit facility to RMR IV to replace LIBOR as the benchmark rate for calculation of interest rate with a forward-looking term rate based on SOFR or, in certain limited circumstances, another alternative benchmark rate. The one-month LIBOR was replaced on October 1, 2022 by one-month SOFR with a benchmark adjustment.

RMR V Revolving Warehouse Credit Facility: In April 2021, the Company and its wholly-owned SPE, Regional Management Receivables V, LLC ("RMR V"), entered into a credit agreement that provides for a \$100 million revolving warehouse credit facility to RMR V. Following an amendment in September 2022, the facility converts to an amortizing loan in November 2022 and terminates in November 2023 (October 2022 and October 2023, respectively, prior to the September 2022 amendment). The debt is secured by finance receivables and other related assets that the Company purchased from its affiliates, which the Company then sold and transferred to RMR V. Advances on the facility are capped at 80% of eligible finance receivables. RMR V held \$0.8 million in restricted cash reserves as of September 30, 2022 to satisfy provisions of the credit agreement. Borrowings under the facility bear interest, payable monthly, at a per annum rate, which in the case of a conduit lender is the commercial paper rate, plus a margin of 2.20%. The effective interest rate was 5.28% as of September 30, 2022. RMR V pays an unused commitment fee between 0.45% and 0.75% based upon the average daily utilization of the facility.

RMIT 2020-1 Securitization: In September 2020, the Company, its wholly-owned SPE, Regional Management Receivables III, LLC ("RMR III"), and the Company's indirect wholly-owned SPE, Regional Management Issuance Trust 2020-1 ("RMIT 2020-1"), completed a private offering and sale of \$180 million of asset-backed notes. The transaction consisted of the issuance of four classes of fixed-rate asset-backed notes by RMIT 2020-1. The asset-backed notes are secured by finance receivables and other related assets that RMR III purchased from the Company, which RMR III then sold and transferred to RMIT 2020-1. The notes have a revolving period ending in September 2023, with a final maturity date in October 2030. RMIT 2020-1 held \$1.9 million in restricted cash reserves as of September 30, 2022 to satisfy provisions of the transaction documents. Borrowings under the RMIT 2020-1 securitization bear interest, payable monthly, at an effective interest rate of 2.85% as of September 30, 2022. Prior to maturity in October 2030, the Company may redeem the notes in full, but not in part, at its option on any business day on or after the payment date occurring in October 2023. No payments of principal of the notes will be made during the revolving period.

RMIT 2021-1 Securitization: In February 2021, the Company, its wholly-owned SPE, RMR III, and the Company's indirect wholly-owned SPE, Regional Management Issuance Trust 2021-1 ("RMIT 2021-1"), completed a private offering and sale of \$249 million of asset-backed notes. The transaction consisted of the issuance of four classes of fixed-rate asset-backed notes by RMIT 2021-1. The asset-backed notes are secured by finance receivables and other related assets that RMR III purchased from the Company, which RMR III then sold and transferred to RMIT 2021-1. The notes have a revolving period ending in February 2024, with a final maturity date in March 2031. RMIT 2021-1 held \$2.6 million in restricted cash reserves as of September 30, 2022 to satisfy provisions of the transaction documents. Borrowings under the RMIT 2021-1 securitization bear interest, payable monthly, at an effective interest rate of 2.08% as of September 30, 2022. Prior to maturity in March 2031, the Company may redeem the notes in full, but not in part, at its option on any business day on or after the payment date occurring in March 2024. No payments of principal of the notes will be made during the revolving period.

RMIT 2021-2 Securitization: In July 2021, the Company, its wholly-owned SPE, RMR III, and the Company's indirect wholly-owned SPE, Regional Management Issuance Trust 2021-2 ("RMIT 2021-2"), completed a private offering and sale of \$200 million of asset-backed notes. The transaction consisted of the issuance of four classes of fixed-rate asset-backed notes by RMIT 2021-2. The asset-backed notes are secured by finance receivables and other related assets that RMR III purchased from the Company, which RMR III then sold and transferred to RMIT 2021-2. The notes have a revolving period ending in July 2026, with a final maturity date in August 2033. RMIT 2021-2 held \$2.1 million in restricted cash reserves as of September 30, 2022 to satisfy provisions of the transaction documents. Borrowings under the RMIT 2021-2 securitization bear interest, payable monthly, at an effective interest rate of 2.30% as of September 30, 2022. Prior to maturity in August 2033, the Company may redeem the notes in full, but not in part, at its option on any business day on or after the payment date occurring in August 2026. No payments of principal of the notes will be made during the revolving period.

RMIT 2021-3 Securitization: In October 2021, the Company, its wholly-owned SPE, RMR III, and the Company's indirect wholly-owned SPE, Regional Management Issuance Trust 2021-3 ("**RMIT 2021-3**"), completed a private offering and sale of \$125 million of asset-backed notes. The transaction consisted of the issuance of fixed-rate, asset-backed notes by RMIT 2021-3. The asset-backed notes are secured by finance receivables and other related assets that RMR III purchased from the Company, which RMR III then sold and transferred to RMIT 2021-3. The notes have a revolving period ending in September 2026, with a final maturity date in October 2033. RMIT 2021-3 held \$1.5 million in restricted cash reserves as of September 30, 2022 to satisfy provisions of the transaction documents. Borrowings under the RMIT 2021-3 securitization bear interest, payable monthly, at an effective interest rate of 3.88% as of September 30, 2022. Prior to maturity in October 2033, the Company may redeem the notes in full, but not in part, at its option on any business day on or after the payment date occurring in October 2024. No payments of principal of the notes will be made during the revolving period.

RMIT 2022-1 Securitization: In February 2022, the Company, its wholly-owned SPE, RMR III, and the Company's indirect wholly-owned SPE, Regional Management Issuance Trust 2022-1 ("**RMIT 2022-1**"), completed a private offering and sale of \$250 million of asset-backed notes. The transaction consisted of the issuance of four classes of fixed-rate asset-backed notes by RMIT 2022-1. The asset-backed notes are secured by finance receivables and other related assets that RMR III purchased from the Company, which RMR III then sold and transferred to RMIT 2022-1. The notes have a revolving period ending in February 2025, with a final maturity date in March 2032. RMIT 2022-1 held \$2.6 million in restricted cash reserves as of September 30, 2022 to satisfy provisions of the transaction documents. Borrowings under the RMIT 2022-1 securitization bear interest, payable monthly, at an effective interest rate of 3.59% as of September 30, 2022. Prior to maturity in March 2032, the Company may redeem the notes in full, but not in part, at its option on any note payment date on or after the payment date occurring in March 2025. No payments of principal of the notes will be made during the revolving period.

See Note 13, "Subsequent Events," for information regarding the completion of a private offering and sale of \$200 million of asset-backed notes following the end of the fiscal quarter.

The Company's debt arrangements are subject to certain covenants, including monthly and annual reporting, maintenance of specified interest coverage and debt ratios, restrictions on distributions, limitations on other indebtedness, and certain other restrictions. As of September 30, 2022, the Company was in compliance with all debt covenants.

Note 7. Stockholders' Equity

Stock repurchase program: In October 2020, the Company announced that its Board of Directors (the "**Board**") had authorized a \$30.0 million stock repurchase program. In May 2021, the Company completed the stock repurchase program, having repurchased a total of 952 thousand shares of common stock.

In May 2021, the Company announced that the Board had authorized a \$30.0 million stock repurchase program. In August 2021, the Company announced that the Board had approved a \$20.0 million increase in the amount authorized under the stock repurchase program, from \$30.0 million to \$50.0 million. In January 2022, the Company completed the stock repurchase program, having repurchased a total of 945 thousand shares of common stock.

In February 2022, the Company announced that the Board had authorized a new \$20.0 million stock repurchase program. The authorization was effective immediately and extended through February 3, 2024. In May 2022, the Company completed the stock repurchase program, having repurchased a total of 426 thousand shares of common stock.

The following is a summary of the Company's repurchased shares of common stock for the periods indicated:

<i>Dollars and shares in thousands, except per share amounts</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Common stock repurchased	—	390	437	1,251
Weighted-average cost per share	\$ —	\$ 56.35	\$ 47.14	\$ 44.76
Total cost of common stock repurchased	\$ —	\$ 21,984	\$ 20,613	\$ 56,008

Quarterly cash dividend: The Board may in its discretion declare and pay cash dividends on the Company's common stock. The following table presents the dividends declared per share of common stock for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Dividends declared per common share	\$ 0.30	\$ 0.25	\$ 0.90	\$ 0.70

See Note 13, "Subsequent Events," for information regarding the Company's cash dividend following the end of the fiscal quarter.

Note 8. Disclosure About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and restricted cash: Cash and restricted cash is recorded at cost, which approximates fair value due to its generally short maturity and highly liquid nature.

Restricted available-for-sale investments: The fair value of U.S. Government and agency securities is based on quoted prices that are traded less frequently than active markets.

Net finance receivables: The Company determines the fair value of net finance receivables using a discounted cash flows methodology. The application of this methodology requires the Company to make certain estimates and judgments. These estimates and judgments include, but are not limited to, prepayment rates, default rates, loss severity, and risk-adjusted discount rates.

Interest rate caps: As of September 30, 2022, the Company no longer maintains interest rate cap protections. Prior to the sale of the Company's interest rate caps, the fair value of the interest rate caps was estimated using a pricing model that incorporates market observable inputs such as current interest rates, forward yield curves, and implied volatility. The Company also considers collateral and master netting agreements that mitigate credit exposure to counterparties in determining the counterparty credit risk valuation adjustment. For additional information on the Company's interest rate caps, see Note 5, "Interest Rate Caps."

Debt: The Company estimates the fair value of debt using estimated credit marks based on an index of similar financial instruments (credit facilities) and projected cash flows from the underlying collateralized finance receivables (securitizations), each discounted using a risk-adjusted discount rate.

Certain of the Company's assets estimated fair value are classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Company performs an analysis of the assets and liabilities that are estimated at fair value. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The following table includes the carrying amounts and estimated fair values of financial assets and liabilities disclosed but not carried at fair value:

<i>Dollars in thousands</i>	September 30, 2022		December 31, 2021	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Level 1				
Cash	\$ 3,140	\$ 3,140	\$ 10,507	\$ 10,507
Restricted cash	113,865	113,865	138,682	138,682
Level 3				
Net finance receivables, less unearned insurance premiums and allowance for credit losses	1,378,009	1,476,601	1,219,120	1,323,988
Liabilities				
Level 3				
Debt	1,241,039	1,157,160	1,107,953	1,098,625

The following table includes the carrying amounts and estimated fair values of amounts the Company measures at fair value on a recurring basis:

<i>Dollars in thousands</i>	September 30, 2022		December 31, 2021	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Level 2				
Restricted available-for-sale investments	20,290	20,290	—	—
Interest rate caps	—	—	6,586	6,586

As of the periods indicated above, there were no financial assets or liabilities measured at fair value on a non-recurring basis.

Note 9. Income Taxes

The Company records interim provisions for income taxes based on an estimated annual effective tax rate. The Company recognizes discrete tax benefits or deficiencies in the income tax line of the consolidated statements of income. These discrete benefits or deficiencies are primarily the result of exercises or vestings of share-based awards.

The following table summarizes the components of income taxes for the periods indicated:

<i>Dollars in thousands</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Provision for corporate taxes	\$ 3,285	\$ 7,129	\$ 15,702	\$ 21,710
Discrete tax (benefits) deficiencies	1	(552)	(446)	(2,493)
Total income taxes	<u>\$ 3,286</u>	<u>\$ 6,577</u>	<u>\$ 15,256</u>	<u>\$ 19,217</u>

Note 10. Earnings Per Share

The following schedule reconciles the computation of basic and diluted earnings per share for the periods indicated:

<i>Dollars in thousands, except per share amounts</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Numerator:				
Net income	<u>\$ 10,068</u>	<u>\$ 22,221</u>	<u>\$ 48,833</u>	<u>\$ 67,909</u>
Denominator:				
Weighted-average shares outstanding for basic earnings per share	9,195	9,861	9,329	10,199
Effect of dilutive securities	331	683	409	601
Weighted-average shares adjusted for dilutive securities	<u>9,526</u>	<u>10,544</u>	<u>9,738</u>	<u>10,800</u>
Earnings per share:				
Basic	<u>\$ 1.09</u>	<u>\$ 2.25</u>	<u>\$ 5.23</u>	<u>\$ 6.66</u>
Diluted	<u>\$ 1.06</u>	<u>\$ 2.11</u>	<u>\$ 5.01</u>	<u>\$ 6.29</u>

Options to purchase 0.2 million and 12 thousand shares of common stock were outstanding during the three and nine months ended September 30, 2022 and 2021, respectively, but were not included in the computation of diluted earnings per share because they were anti-dilutive.

Note 11. Share-Based Compensation

The Company previously adopted the 2007 Management Incentive Plan (the “2007 Plan”) and the 2011 Stock Incentive Plan (the “2011 Plan”). On April 22, 2015, the stockholders of the Company approved the 2015 Long-Term Incentive Plan (the “2015 Plan”), and on each of April 27, 2017 and May 20, 2021, the stockholders of the Company re-approved the 2015 Plan, as amended and restated on each respective date. As of September 30, 2022, subject to adjustments as provided in the 2015 Plan, the maximum aggregate number of shares of the Company’s common stock that could be issued under the 2015 Plan could not exceed the sum of (i) 2.6 million shares (such amount reflecting an increase of 1.05 million additional or “new” shares in connection with the May 20, 2021 re-approval of the 2015 Plan) plus (ii) any shares remaining available for the grant of awards as of the 2015 Plan effective date (April 22, 2015) under the 2007 Plan or the 2011 Plan, plus (iii) any shares subject to an award granted under the 2007 Plan or the 2011 Plan, which award is forfeited, cash-settled, cancelled, terminated, expires, or lapses for any reason without the issuance of shares or pursuant to which such shares are forfeited. As of the effective date of the 2015 Plan (April 22, 2015), there were 0.9 million shares available for grant under the 2015 Plan, inclusive of shares previously available for grant under the 2007 Plan and the 2011 Plan that were rolled over to the 2015 Plan. No further grants will be made under the 2007 Plan or the 2011 Plan. However, awards that are outstanding under the 2007 Plan and the 2011 Plan will continue in accordance with their respective terms. As of September 30, 2022, there were 0.9 million shares available for grant under the 2015 Plan.

For the three months ended September 30, 2022 and 2021, the Company recorded share-based compensation expense of \$3.3 million and \$1.8 million, respectively. The Company recorded \$8.1 million and \$5.3 million in share-based compensation for the nine months ended September 30, 2022 and 2021, respectively. As of September 30, 2022, unrecognized share-based compensation expense to be recognized over future periods approximated \$14.4 million. This amount will be recognized as expense over a weighted-average period of 1.7 years. Share-based compensation expenses are recognized on a straight-line basis over the requisite service period of the agreement. All share-based compensation is classified as equity awards.

The Company allows for the settlement of share-based awards on a net share basis. With net share settlement, the employee does not surrender any cash or shares upon the exercise of stock options or the vesting of stock awards or stock units. Rather, the Company withholds the number of shares with a value equivalent to the option exercise price (for stock options) and the statutory tax withholding (for all share-based awards). Net share settlements have the effect of reducing the number of shares that would have otherwise been issued as a result of exercise or vesting.

Long-term incentive program: The Company issues performance restricted stock units (“PRSUs”) and restricted stock awards (“RSAs”) to certain members of senior management under a long-term incentive program (“LTIP”). Recurring annual grants are made at the discretion of the Board. The annual grants are subject to cliff- and graded-vesting, generally concluding at the end of the third calendar year and subject to continued employment or as otherwise provided in the underlying award agreements. Vested PRSUs are subject to an additional one-year holding period following the vesting date. The actual value of the PRSUs that may be earned can range from 0% to 150% of target based on positive or negative cumulative total shareholder return concluding at the end of the third calendar year.

Prior to 2022, the Company issued non-qualified stock options, performance-contingent restricted stock units (“RSUs”), cash-settled performance units (“CSPUs”), and RSAs to certain members of senior management under the LTIP. The CSPUs are cash incentive awards, and the associated expense is not based on the market price of the Company’s common stock. The annual grants are subject to cliff- and graded-vesting, generally concluding at the end of the third calendar year and subject to continued employment or as otherwise provided in the underlying award agreements. The actual value of the RSUs and CSPUs that may be earned can range from 0% to 150% of target based on the percentile ranking of the Company’s compound annual growth rate of pre-provision net income and pre-provision net income per share compared to a public company peer group over a three-year performance period.

Key team member incentive program: The Company also has a key team member incentive program for certain other members of senior management. Recurring annual participation in the program is at the discretion of the Board and executive management. Each participant in the program is eligible to earn an RSA, subject to performance over a one-year period. Payout under the program can range from 0% to 150% of target based on the achievement of five Company performance metrics and individual performance goals (subject to continued employment and certain other terms and conditions of the program). If earned, the RSA is issued following the one-year performance period and vests ratably over a subsequent two-year period (subject to continued employment or as otherwise provided in the underlying award agreement).

Inducement and retention program: From time to time, the Company issues stock awards and other long-term incentive awards in conjunction with employment offers to select new employees and retention grants to select existing employees. The Company issues these awards to attract and retain talent and to provide market competitive compensation. The grants have various vesting terms, including fully-vested awards at the grant date, cliff-vesting, and graded-vesting over periods of up to five years (subject to continued employment or as otherwise provided in the underlying award agreements).

Non-employee director compensation program: The Company awards its non-employee directors a cash retainer and shares of restricted common stock. The RSAs are granted on the fifth business day following the Company's annual meeting of stockholders and fully vest upon the earlier of the first anniversary of the grant date or the completion of the directors' annual service to the Company (so long as the period between the date of the annual stockholders' meeting related to the grant date and the date of the next annual stockholders' meeting is not less than 50 weeks).

The following are the terms and amounts of the awards issued under the Company's share-based incentive programs:

Non-qualified stock options: The exercise price of all stock options is equal to the Company's closing stock price on the date of grant. Stock options are subject to various vesting terms, including graded- and cliff-vesting over periods of up to five years. In addition, stock options vest and become exercisable in full or in part under certain circumstances, including following the occurrence of a change of control (as defined in the option award agreements). Participants who are awarded options must exercise their options within a maximum of ten years of the grant date.

The fair value of option grants is estimated on the grant date using the Black-Scholes option-pricing model with the following weighted-average assumptions for option grants during the periods indicated below:

	Nine Months Ended September 30,	
	2022 (1)	2021
Expected volatility	—	47.83%
Expected dividends	—	2.63%
Expected term (in years)	—	6.0
Risk-free rate	—	0.64%

(1) Beginning in 2022, the Company no longer issues non-qualified stock options as part of its annual long-term incentive program.

Expected volatility is based on the Company's historical stock price volatility. Expected dividends are calculated using the expected dividend yield (annualized dividends divided by the grant date stock price). The expected term is calculated by using the simplified method (average of the vesting and original contractual terms) due to insufficient historical data to estimate the expected term. The risk-free rate is based on the zero-coupon U.S. Treasury bond rate over the expected term of the awards.

The following table summarizes the stock option activity for the nine months ended September 30, 2022:

<i>Dollars and shares in thousands, except per share amounts</i>	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2022	589	\$ 22.50		
Granted	—	—		
Exercised	(61)	17.60		
Forfeited	—	—		
Expired	(1)	17.08		
Options outstanding at September 30, 2022	527	\$ 23.07	6.1	\$ 2,975
Options exercisable at September 30, 2022	383	\$ 21.74	5.4	\$ 2,543

The following table provides additional stock option information for the periods indicated:

<i>Dollars in thousands, except per share amounts</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Weighted-average grant date fair value per share	\$ —	\$ —	\$ —	\$ 10.52
Intrinsic value of options exercised	\$ —	\$ 2,634	\$ 2,142	\$ 10,026
Fair value of stock options that vested	\$ 8	\$ 8	\$ 8	\$ 8

Performance restricted stock units: Compensation expense for PRSUs is based on the fair value of the award estimated on the grant date using the Monte Carlo valuation model. The following are the weighted-average assumptions for the PRSU grants during the periods indicated below:

	Nine Months Ended September 30,	
	2022	2021
Expected volatility	39.24%	—
Expected dividends	—	—
Risk-free rate	1.05%	—
Discount for post-vesting restrictions	11.93%	—

The following table summarizes PRSU activity during the nine months ended September 30, 2022:

<i>Dollars and units in thousands, except per unit amounts</i>	Units	Weighted-Average Grant Date Fair Value Per Unit
Non-vested units at January 1, 2022	—	\$ —
Granted	70	52.07
Achieved performance adjustment	—	—
Vested	—	—
Forfeited	—	—
Non-vested units at September 30, 2022	70	\$ 52.07

The following table provides additional PRSU information for the periods indicated:

<i>Dollars in thousands, except per unit amounts</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Weighted-average grant date fair value per unit	\$ —	\$ —	\$ 52.07	\$ —
Fair value of PRSUs that vested	\$ —	\$ —	\$ —	\$ —

Performance-contingent restricted stock units: Compensation expense for RSUs is based on the Company's closing stock price on the date of grant and the probability that certain financial goals will be achieved over the performance period. Compensation expense is estimated based on expected performance and is adjusted at each reporting period.

The following table summarizes RSU activity during the nine months ended September 30, 2022:

<i>Dollars and units in thousands, except per unit amounts</i>	Units	Weighted-Average Grant Date Fair Value Per Unit
Non-vested units at January 1, 2022	129	\$ 22.84
Granted (target)	—	—
Achieved performance adjustment	—	—
Vested	(19)	27.89
Forfeited	(2)	27.89
Non-vested units at September 30, 2022	108	\$ 21.87

The following table provides additional RSU information for the periods indicated:

<i>Dollars in thousands, except per unit amounts</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Weighted-average grant date fair value per unit	\$ —	\$ —	\$ —	\$ 30.22
Fair value of RSUs that vested	\$ —	\$ —	\$ 513	\$ 1,199

Restricted stock awards: The fair value and compensation expense of the primary portion of the Company's RSAs are calculated using the Company's closing stock price on the date of grant. These RSAs include director awards, inducement awards, and RSAs granted pursuant to the Company's long-term incentive program.

The fair value and compensation expense of RSAs granted pursuant to the Company's performance-based key team member incentive program are calculated using the Company's closing stock price on the date of grant and the probability that certain financial goals will be achieved over the performance period. Compensation expense is estimated based on expected performance and is adjusted at each reporting period.

The following table summarizes RSA activity during the nine months ended September 30, 2022:

<i>Dollars and shares in thousands, except per share amounts</i>	Shares	Weighted-Average Grant Date Fair Value Per Share
Non-vested shares at January 1, 2022	219	\$ 30.32
Granted	207	40.90
Vested	(34)	43.61
Forfeited	(5)	33.57
Non-vested shares at September 30, 2022	387	\$ 34.76

The following table provides additional RSA information for the periods indicated:

<i>Dollars in thousands, except per share amounts</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Weighted-average grant date fair value per share	\$ 37.93	\$ 53.61	\$ 40.90	\$ 33.19
Fair value of RSAs that vested	\$ 338	\$ 179	\$ 1,501	\$ 1,231

Note 12. Commitments and Contingencies

In the normal course of business, the Company has been named as a defendant in legal actions in connection with its activities. Some of the actual or threatened legal actions include claims for compensatory damages or claims for indeterminate amounts of damages. The Company contests liability and the amount of damages, as appropriate, in each pending matter.

Where available information indicates that it is probable that a liability has been incurred and the Company can reasonably estimate the amount of that loss, the Company accrues the estimated loss by a charge to net income.

However, in many legal actions, it is inherently difficult to determine whether any loss is probable, or even reasonably possible, or to estimate the amount of loss. This is particularly true for actions that are in their early stages of development or where plaintiffs seek indeterminate damages. In addition, even where a loss is reasonably possible or an exposure to loss exists in excess of the liability already accrued, it is not always possible to reasonably estimate the size of the possible loss or range of loss. Before a loss, additional loss, range of loss, or range of additional loss can be reasonably estimated for any given action, numerous issues may need to be resolved, including through lengthy discovery, following determination of important factual matters, and/or by addressing novel or unsettled legal questions.

For certain other legal actions, the Company can estimate reasonably possible losses, additional losses, ranges of loss, or ranges of additional loss in excess of amounts accrued, but the Company does not believe, based on current knowledge and after consultation with counsel, that such losses will have a material adverse effect on the consolidated financial statements.

While the Company will continue to identify legal actions where it believes a material loss to be reasonably possible and reasonably estimable, there can be no assurance that material losses will not be incurred from claims that the Company has not yet been notified of or are not yet determined to be probable, or reasonably possible and reasonable to estimate.

The Company expenses legal costs as they are incurred.

Note 13. Subsequent Events

Quarterly cash dividend: In November 2022, the Company announced that the Board declared a quarterly cash dividend of \$0.30 per share. The dividend will be paid on December 14, 2022 to shareholders of record at the close of business on November 23, 2022. The declaration, amount, and payment of any future cash dividends on shares of the Company's common stock will be at the discretion of the Board.

RMIT 2022-2B Securitization: In October 2022, the Company, its wholly-owned SPE, RMR III, and its indirect wholly-owned SPE, Regional Management Issuance Trust 2022-2B ("RMIT 2022-2B"), completed a private offering and sale of \$200 million of asset-backed notes. The transaction consisted of the issuance of three classes of fixed-rate, asset-backed notes by RMIT 2022-2B. The asset-backed notes were secured by finance receivables and other related assets that RMR III purchased from the Company and have a revolving period ending in October 2024, with a final maturity date in November 2031. RMR III sold two classes of the asset-backed notes and transferred them to RMIT 2022-2B. Borrowings under the sold notes bear interest, payable monthly, at a weighted-average rate of 7.51%. The remaining class of the fixed-rate, asset-backed notes was retained by RMR III on the closing date but may be sold in whole or in part.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis should be read in conjunction with, and is qualified in its entirety by reference to, our unaudited consolidated financial statements and the related notes that appear elsewhere in this Quarterly Report on Form 10-Q. These discussions contain forward-looking statements that reflect our current expectations and that include, but are not limited to, statements concerning our strategies, future operations, future financial position, future revenues, projected costs, expectations regarding demand and acceptance for our financial products, growth opportunities and trends in the market in which we operate, prospects, and plans and objectives of management. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "predicts," "will," "would," "should," "could," "potential," "continue," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements involve risks and uncertainties that could cause actual results, events, and/or performance to differ materially from the plans, intentions, and expectations disclosed in the forward-looking statements. Such risks and uncertainties include, without limitation, the risks set forth in our filings with the SEC, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (which was filed with the SEC on March 4, 2022), our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2022 (which was filed with the SEC on May 6, 2022), our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2022 (which was filed with the SEC on August 5, 2022), and this Quarterly Report on Form 10-Q. The macroeconomic environment, including the COVID-19 pandemic, may also magnify many of these risks and uncertainties. The forward-looking information we have provided in this Quarterly Report on Form 10-Q pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 should be evaluated in the context of these factors. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update or revise such statements, except as required by the federal securities laws.

Overview

We are a diversified consumer finance company that provides installment loan products primarily to customers with limited access to consumer credit from banks, thrifts, credit card companies, and other lenders. As of September 30, 2022, we operate under the name "Regional Finance" in 338 branch locations in 17 states across the United States, serving 505,700 active accounts. Most of our loan products are secured, and each is structured on a fixed-rate, fixed-term basis with fully amortizing equal monthly installment payments, repayable at any time without penalty. We source our loans through our omnichannel platform, which includes our branches, centrally-managed direct mail campaigns, digital partners, retailers, and our consumer website. We operate an integrated branch model in which nearly all loans, regardless of origination channel, are serviced through our branch network. This provides us with frequent contact with our customers, which we believe improves our credit performance and customer loyalty. Our goal is to consistently grow our finance receivables and to soundly manage our portfolio risk, while providing our customers with attractive and easy-to-understand loan products that serve their varied financial needs.

Our products include small, large, and retail installment loans:

- *Small Loans ($\leq \$2,500$)* – As of September 30, 2022, we had 292.0 thousand small installment loans outstanding, representing \$480.2 million in net finance receivables. This included 156.2 thousand small loan convenience checks, representing \$223.4 million in net finance receivables.
- *Large Loans ($> \$2,500$)* – As of September 30, 2022, we had 207.9 thousand large installment loans outstanding, representing \$1.1 billion in net finance receivables. This included 25.2 thousand large loan convenience checks, representing \$81.7 million in net finance receivables.
- *Retail Loans* – As of September 30, 2022, we had 5.8 thousand retail purchase loans outstanding, representing \$10.9 million in net finance receivables.
- *Optional Insurance Products* – We offer optional payment and collateral protection insurance to our direct loan customers.

Small and large installment loans are our core products and will be the drivers of future growth. In September 2022, we made the decision to discontinue our retail loan product offering, effective as of November 2022, to focus on growing our core loan portfolio. We will continue to own and service our existing portfolio of retail loans. Our primary sources of revenue are interest and fee income from our loan products, of which interest and fees relating to small and large installment loans are the largest component. In addition to interest and fee income from loans, we derive revenue from optional insurance products purchased by customers of our direct loan products.

Outlook

We continually assess the macroeconomic environment in which we operate in order to appropriately and timely adapt to current market conditions. Macroeconomic factors, including, but not limited to, inflationary pressures, rising interest rates, impacts from current geopolitical events outside the U.S., and the COVID-19 pandemic, may affect our business, liquidity, financial condition, and results of operations.

The COVID-19 pandemic has resulted in economic disruption and uncertainty. At the beginning of the pandemic, during the second quarter of 2020, we experienced a decrease in demand. Since that time, our loan growth has steadily increased. Our net finance receivables were \$1.6 billion at September 30, 2022, \$293.4 million higher than at September 30, 2021. However, future consumer demand remains subject to the uncertainty surrounding the duration and nature of the pandemic going forward. The extent to which the pandemic will ultimately impact our business and financial condition will depend on future events that are difficult to forecast, including, but not limited to, the number and severity of variant strains of the virus and waves of outbreak, the success of actions taken to contain, treat, and prevent the spread of the virus, and the speed at which normal economic and operating conditions return and are sustained.

Current inflationary pressures and rising interest rates have created economic uncertainty and diminished consumer confidence. Recent geopolitical events outside of the U.S. have also contributed to volatility in U.S. markets. As inflation accelerated and geopolitical stability began to deteriorate in the fourth quarter of 2021, we began to proactively tighten our credit models. We have principally focused on tightening certain higher-risk, higher-rate customer segments that have been particularly adversely impacted by a more challenging economic environment. Earlier this year, we eliminated one higher-risk, higher-rate digital affiliate and two higher-risk, higher-rate segments within our direct mail program. Loans originated through the eliminated affiliate and direct mail segments contributed 30 basis points to our contractual delinquency rate as of September 30, 2022, and 60 basis points to our net credit loss rate in the third quarter, despite only representing 1.9% of our total portfolio as of quarter-end. Our remaining portfolio continues to perform well considering the current environment, with delinquency and net credit loss rates just above pre-pandemic levels.

In addition, legislation and rulemaking issued or under consideration include proposals to require disclosure of environmental, social, and governance (“ESG”) metrics and risks, such as the March 2022 proposal by the Securities and Exchange Commission to enhance and standardize climate-related disclosures. The potential impact of these or other ESG-related legislation or regulations on our business remains uncertain.

Our allowance for credit losses was 11.2% of net finance receivables as of September 30, 2022, and held \$19.0 million of reserves associated with estimated future macroeconomic impacts on credit losses. Our contractual delinquency as a percentage of net finance receivables was 7.2% as of September 30, 2022, up from 4.7% as of September 30, 2021, and up from the pre-pandemic level of 6.5% as of September 30, 2019. Going forward, we may experience changes to the macroeconomic assumptions within our forecast and changes to our credit loss performance outlook, both of which could lead to further changes in our allowance for credit losses, reserve rate, and provision for credit losses expense.

We proactively diversified our funding over the past few years and continue to maintain a strong liquidity profile. As of September 30, 2022, we had \$181.2 million of available liquidity, comprised of unrestricted cash on hand, immediate availability to draw down cash from our revolving credit facilities, and immediate availability to draw down on our warehouse credit facilities. In addition, we had \$565.0 million of unused capacity on our revolving credit facilities (subject to the borrowing base) as of September 30, 2022. We believe our liquidity position provides substantial runway to fund our growth initiatives and to support the fundamental operations of our business.

Online operations continue to be an important part of our customer acquisition strategy, including remote loan closings in recent years. On the digital front, we continue to build and expand upon our end-to-end online and mobile origination capabilities for new and existing customers, along with additional digital servicing functionality. Combined with remote loan closings, we believe that these omni-channel sales and servicing capabilities have and will continue to expand the market reach of our branches, increase our average branch receivables, and improve our revenues and operating efficiencies, while at the same time increasing customer satisfaction.

Factors Affecting Our Results of Operations

Our business is impacted by several factors affecting our revenues, costs, and results of operations, including the following:

Quarterly Information and Seasonality. Our loan volume and contractual delinquency follow seasonal trends. Demand for our loans is typically highest during the second, third, and fourth quarters, which we believe is largely due to customers borrowing money for vacation, back-to-school, and holiday spending. Loan demand has generally been the lowest during the first quarter,

which we believe is largely due to the timing of income tax refunds. Delinquencies generally reach their lowest point in the first half of the year and rise in the second half of the year. Changes in quarterly growth or liquidation could result in larger allowance for credit loss releases in periods of portfolio liquidation, and larger provisions for credit losses in periods of portfolio growth. Consequently, we experience seasonal fluctuations in our operating results. However, changes in macroeconomic factors, including inflation, rising interest rates, and geopolitical conflict, have impacted our typical seasonal trends for loan volume and delinquency.

Growth in Loan Portfolio. The revenue that we derive from interest and fees is largely driven by the balance of loans that we originate. Average net finance receivables were \$1.5 billion for the first nine months of 2022 and \$1.2 billion for the prior-year period. We source our loans through our branches, direct mail program, retail partners, digital partners, and our consumer website. Our loans are made almost exclusively in geographic markets served by our network of branches. Increasing the number of loans per branch and growing our state footprint allows us to increase the number of customers that we are able to serve. We grew our state footprint from 13 to 17 states during the nine months ended September 30, 2022, opening our first branches in Mississippi, Indiana, California, and Louisiana. We plan expansion into one or two new states over the next four months. We continue to assess our legacy branch network for clear opportunities to consolidate operations into larger branches within close geographic proximity. This branch optimization is consistent with our omni-channel strategy and builds upon our recent successes in entering new states with a lighter branch footprint, while still providing customers with best-in-class service. We plan to add additional branches in new and existing states where it is favorable for us to conduct business.

Product Mix. We are exposed to different credit risks and charge different interest rates and fees with respect to the various types of loans we offer. Our product mix also varies to some extent by state, and we may further diversify our product mix in the future. The interest rates and fees vary from state to state, depending on the competitive environment and relevant laws and regulations.

Asset Quality and Allowance for Credit Losses. Our results of operations are highly dependent upon the credit quality of our loan portfolio. The credit quality of our loan portfolio is the result of our ability to enforce sound underwriting standards, maintain diligent servicing of the portfolio, and respond to changing economic conditions as we grow our loan portfolio.

The primary underlying factors driving the provision for credit losses for each loan type are our underwriting standards, the general economic conditions in the areas in which we conduct business, loan portfolio growth, and the effectiveness of our collection efforts. We monitor these factors, and the amount and past due status of all loans, to identify trends that might require us to modify the allowance for credit losses.

Interest Rates. Our costs of funds are affected by changes in interest rates, as the interest rates that we pay on certain of our credit facilities are variable. As a component of our strategy to manage the interest rate risk associated with future interest payments on our variable-rate debt, we had purchased interest rate cap contracts. See Note 5, "Interest Rate Caps" of the Notes to the Consolidated Financial Statements in Part 1, Item 1, "Financial Statements," for additional information on the Company's interest rate caps.

Operating Costs. Our financial results are impacted by the costs of operations and head office functions. Those costs are included in general and administrative expenses within our consolidated statements of income.

Components of Results of Operations

Interest and Fee Income. Our interest and fee income consists primarily of interest earned on outstanding loans. Accrual of interest income on finance receivables is suspended when an account becomes 90 days delinquent. If the account is charged off, the accrued interest income is reversed as a reduction of interest and fee income.

Most states allow certain fees in connection with lending activities, such as loan origination fees, acquisition fees, and maintenance fees. Some states allow for higher fees while keeping interest rates lower. Loan fees are additional charges to the customer and generally are included in the annual percentage rate shown in the Truth in Lending disclosure that we make to our customers. The fees may or may not be refundable to the customer in the event of an early payoff, depending on state law. Fees are recognized as income over the life of the loan on the constant yield method.

Insurance Income, Net. Our insurance operations are a material part of our overall business and are integral to our lending activities. Insurance income, net consists primarily of earned premiums, net of certain direct costs, from the sale of various optional payment and collateral protection insurance products offered to customers who obtain loans directly from us. Insurance income, net also includes the earned premiums and direct costs associated with the non-file insurance that we purchase to protect us from credit losses where, following an event of default, we are unable to take possession of personal property collateral because our security interest is not perfected. We do not sell insurance to non-borrowers. Direct costs included in insurance income, net are claims paid, claims reserves, ceding fees, and premium taxes paid. We do not allocate to insurance income, net, any other head

office or branch administrative costs associated with management of insurance operations, management of our captive insurance company, marketing and selling insurance products, legal and compliance review, or internal audits.

As reinsurer, we maintain reserves for life insurance claims in an amount determined by the unaffiliated insurance company. As of September 30, 2022, the restricted cash balance for these reserves was \$1.4 million. The unaffiliated insurance company maintains the reserves for non-life claims.

Other Income. Our other income consists primarily of late charges assessed on customers who fail to make a payment within a specified number of days following the due date of the payment. In addition, fees for extending the due date of a loan, returned check charges, commissions earned from the sale of an auto club product, and interest and investment income from restricted cash are included in other income.

Provision for Credit Losses. Provisions for credit losses are charged to income in amounts that we estimate as sufficient to maintain an allowance for credit losses at an adequate level to provide for lifetime expected credit losses on the related finance receivable portfolio. Credit loss experience, current conditions, reasonable and supportable economic forecasts, delinquency of finance receivables, loan portfolio growth, the value of underlying collateral, and management's judgment are factors used in assessing the overall adequacy of the allowance and the resulting provision for credit losses. Our provision for credit losses fluctuates so that we maintain an adequate credit loss allowance that reflects lifetime expected credit losses for each finance receivable type. Changes in our delinquency and net credit loss rates may result in changes to our provision for credit losses. Substantial adjustments to the allowance may be necessary if there are significant changes in forecasted economic conditions or loan portfolio performance.

General and Administrative Expenses. Our financial results are impacted by the costs of operations and head office functions. Those costs are included in general and administrative expenses within our consolidated statements of income. Our general and administrative expenses are comprised of four categories: personnel, occupancy, marketing, and other. We measure our general and administrative expenses as a percentage of average net finance receivables, which we refer to as our operating expense ratio.

Our personnel expenses are the largest component of our general and administrative expenses and consist primarily of the salaries and wages, overtime, contract labor, relocation costs, incentives, benefits, and related payroll taxes associated with all of our operations and head office employees.

Our occupancy expenses consist primarily of the cost of renting our facilities, all of which are leased, and the utility, depreciation of leasehold improvements and furniture and fixtures, communication services, data processing, and other non-personnel costs associated with operating our business.

Our marketing expenses consist primarily of costs associated with our direct mail campaigns (including postage and costs associated with selecting recipients), digital marketing, maintaining our consumer website, and some local marketing by branches. These costs are expensed as incurred.

Other expenses consist primarily of legal, compliance, audit, and consulting costs, as well as software maintenance and support, non-employee director compensation, electronic payment processing costs, bank service charges, office supplies, credit bureau charges, and the amortization of software, software licenses, and implementation costs. We frequently experience fluctuations in other expenses as we grow our loan portfolio and expand our market footprint. For a discussion regarding how risks and uncertainties associated with the current regulatory environment may impact our future expenses, net income, and overall financial condition, see Part II, Item 1A, "Risk Factors" and the filings referenced therein.

Interest Expense. Our interest expense consists primarily of paid and accrued interest for debt, unused line fees, and amortization of debt issuance costs on debt. Interest expense also includes changes in the fair value of interest rate caps.

Income Taxes. Income taxes consist of state and federal income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The change in deferred tax assets and liabilities is recognized in the period in which the change occurs, and the effects of future tax rate changes are recognized in the period in which the enactment of new rates occurs.

Results of Operations

The following table summarizes our results of operations, both in dollars and as a percentage of average net finance receivables (annualized):

	3Q 22		3Q 21		YTD 22		YTD 21	
	Amount	% of Average Net Finance Receivables	Amount	% of Average Net Finance Receivables	Amount	% of Average Net Finance Receivables	Amount	% of Average Net Finance Receivables
<i>Dollars in thousands</i>								
Revenue								
Interest and fee income	\$ 116,020	29.6%	\$ 99,355	32.0%	\$ 333,422	29.8%	\$ 275,427	31.6%
Insurance income, net	11,987	3.1%	9,418	3.0%	32,751	2.9%	26,059	3.0%
Other income	3,445	0.9%	2,687	0.9%	8,998	0.8%	7,381	0.8%
Total revenue	131,452	33.6%	111,460	35.9%	375,171	33.5%	308,867	35.4%
Expenses								
Provision for credit losses	48,071	12.3%	26,096	8.4%	124,329	11.1%	58,007	6.6%
Personnel	36,979	9.4%	29,299	9.4%	106,574	9.5%	86,520	9.9%
Occupancy	5,848	1.5%	6,027	1.9%	17,812	1.6%	17,615	2.0%
Marketing	3,940	1.0%	2,488	0.8%	11,139	1.0%	9,974	1.1%
Other	11,397	3.0%	9,936	3.3%	31,860	2.9%	25,873	3.0%
Total general and administrative	58,164	14.9%	47,750	15.4%	167,385	15.0%	139,982	16.0%
Interest expense	11,863	3.0%	8,816	2.8%	19,368	1.7%	23,752	2.8%
Income before income taxes	13,354	3.4%	28,798	9.3%	64,089	5.7%	87,126	10.0%
Income taxes	3,286	0.8%	6,577	2.1%	15,256	1.3%	19,217	2.2%
Net income	<u>\$ 10,068</u>	<u>2.6%</u>	<u>\$ 22,221</u>	<u>7.2%</u>	<u>\$ 48,833</u>	<u>4.4%</u>	<u>\$ 67,909</u>	<u>7.8%</u>

Information explaining the changes in our results of operations from year-to-year is provided in the following pages.

The following tables summarize the quarterly trends of our financial results:

<i>In thousands, except per share amounts</i>	Income Statement Quarterly Trend					QoQ \$	YoY \$
	3Q 21	4Q 21	1Q 22	2Q 22	3Q 22	B(W)	B(W)
Revenue							
Interest and fee income	\$ 99,355	\$ 107,117	\$ 107,631	\$ 109,771	\$ 116,020	\$ 6,249	\$ 16,665
Insurance income, net	9,418	9,423	10,544	10,220	11,987	1,767	2,569
Other income	2,687	2,944	2,673	2,880	3,445	565	758
Total revenue	111,460	119,484	120,848	122,871	131,452	8,581	19,992
Expenses							
Provision for credit losses	26,096	31,008	30,858	45,400	48,071	(2,671)	(21,975)
Personnel	29,299	33,313	35,654	33,941	36,979	(3,038)	(7,680)
Occupancy	6,027	6,511	5,808	6,156	5,848	308	179
Marketing	2,488	4,431	3,091	4,108	3,940	168	(1,452)
Other	9,936	11,277	10,547	9,916	11,397	(1,481)	(1,461)
Total general and administrative	47,750	55,532	55,100	54,121	58,164	(4,043)	(10,414)
Interest expense	8,816	7,597	(59)	7,564	11,863	(4,299)	(3,047)
Income before income taxes	28,798	25,347	34,949	15,786	13,354	(2,432)	(15,444)
Income taxes	6,577	4,569	8,166	3,804	3,286	518	3,291
Net income	\$ 22,221	\$ 20,778	\$ 26,783	\$ 11,982	\$ 10,068	\$ (1,914)	\$ (12,153)
Net income per common share:							
Basic	\$ 2.25	\$ 2.18	\$ 2.81	\$ 1.29	\$ 1.09	\$ (0.20)	\$ (1.16)
Diluted	\$ 2.11	\$ 2.04	\$ 2.67	\$ 1.24	\$ 1.06	\$ (0.18)	\$ (1.05)
Weighted-average shares outstanding:							
Basic	9,861	9,545	9,533	9,261	9,195	66	666
Diluted	10,544	10,177	10,022	9,669	9,526	143	1,018
Balance Sheet Quarterly Trend							
<i>Dollars in thousands</i>	3Q 21	4Q 21	1Q 22	2Q 22	3Q 22	QoQ \$ Inc (Dec)	YoY \$ Inc (Dec)
Total assets	\$ 1,313,558	\$ 1,459,662	\$ 1,497,671	\$ 1,547,944	\$ 1,606,550	\$ 58,606	\$ 292,992
Net finance receivables	\$ 1,314,233	\$ 1,426,257	\$ 1,446,071	\$ 1,525,659	\$ 1,607,598	\$ 81,939	\$ 293,365
Allowance for credit losses	\$ 150,100	\$ 159,300	\$ 158,800	\$ 167,500	\$ 179,800	\$ 12,300	\$ 29,700
Debt	\$ 978,803	\$ 1,107,953	\$ 1,134,377	\$ 1,194,570	\$ 1,241,039	\$ 46,469	\$ 262,236
Other Key Metrics Quarterly Trend							
	3Q 21	4Q 21	1Q 22	2Q 22	3Q 22	QoQ Inc (Dec)	YoY Inc (Dec)
Interest and fee yield (annualized)	32.0%	31.4%	30.0%	29.8%	29.6%	(0.2)%	(2.4)%
Efficiency ratio (1)	42.8%	46.5%	45.6%	44.0%	44.2%	0.2%	1.4%
Operating expense ratio (2)	15.4%	16.3%	15.4%	14.7%	14.9%	0.2%	(0.5)%
30+ contractual delinquency	4.7%	6.0%	5.7%	6.2%	7.2%	1.0%	2.5%
Net credit loss ratio (3)	5.0%	6.4%	8.7%	10.0%	9.1%	(0.9)%	4.1%
Book value per share	\$ 27.73	\$ 28.89	\$ 30.47	\$ 31.15	\$ 32.18	\$ 1.03	\$ 4.45

(1) Annualized general and administrative expenses as a percentage of total revenue

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

(3) Annualized net credit losses as a percentage of average net finance receivables

Comparison of September 30, 2022, Versus September 30, 2021

The following discussion and table describe the changes in finance receivables by product type:

- **Small Loans ($\leq \$2,500$)** – Small loans outstanding increased by \$60.6 million, or 14.4%, to \$480.2 million at September 30, 2022, from \$419.6 million at September 30, 2021. The increase was due to new growth initiatives, improved customer loan demand, and increased marketing, partially offset by the transition of small loan customers to large loans.
- **Large Loans ($> \$2,500$)** – Large loans outstanding increased by \$232.2 million, or 26.3%, to \$1.1 billion at September 30, 2022, from \$884.3 million at September 30, 2021. The increase was due to new growth initiatives, improved customer loan demand, increased marketing, and the transition of small loan customers to large loans.
- **Retail Loans** – Retail loans outstanding increased \$0.6 million, or 5.6%, to \$10.9 million at September 30, 2022, from \$10.4 million at September 30, 2021. We will cease originating retail loans as of November 2022 to focus on growing our core loan portfolio.

Dollars in thousands	Net Finance Receivables by Product			
	3Q 22	3Q 21	YoY \$ Inc (Dec)	YoY % Inc (Dec)
Small loans	\$ 480,199	\$ 419,602	\$ 60,597	14.4%
Large loans	1,116,455	884,271	232,184	26.3%
Retail loans	10,944	10,360	584	5.6%
Total net finance receivables	<u>\$ 1,607,598</u>	<u>\$ 1,314,233</u>	<u>\$ 293,365</u>	<u>22.3%</u>
Number of branches at period end	338	372	(34)	(9.1)%
Net finance receivables per branch	<u>\$ 4,756</u>	<u>\$ 3,533</u>	<u>\$ 1,223</u>	<u>34.6%</u>

Comparison of the Three Months Ended September 30, 2022, Versus the Three Months Ended September 30, 2021

Net Income. Net income decreased \$12.2 million, or 54.7%, to \$10.1 million during the three months ended September 30, 2022, from \$22.2 million during the prior-year period. The decrease was due to an increase in provision for credit losses of \$22.0 million, an increase in general and administrative expenses of \$10.4 million, and an increase in interest expense of \$3.0 million, offset by an increase in revenue of \$20.0 million and a decrease in income taxes of \$3.3 million.

Revenue. Total revenue increased \$20.0 million, or 17.9%, to \$131.5 million during the three months ended September 30, 2022, from \$111.5 million during the prior-year period. The components of revenue are explained in greater detail below.

Interest and Fee Income. Interest and fee income increased \$16.7 million, or 16.8%, to \$116.0 million during the three months ended September 30, 2022, from \$99.4 million during the prior-year period. The increase was primarily due to a 26.1% increase in average net finance receivables, partially offset by a 2.4% decrease in annualized average yield.

The following table sets forth the average net finance receivables balance and average yield for our loan products:

Dollars in thousands	Average Net Finance Receivables for the Three Months Ended			Average Yields for the Three Months Ended (1)		
	3Q 22	3Q 21	YoY % Inc (Dec)	3Q 22	3Q 21	YoY % Inc (Dec)
Small loans	\$ 466,087	\$ 394,888	18.0%	35.5%	38.9%	(3.4)%
Large loans	1,089,225	836,506	30.2%	27.2%	28.9%	(1.7)%
Retail loans	10,935	10,291	6.3%	18.5%	18.8%	(0.3)%
Total interest and fee yield	<u>\$ 1,566,247</u>	<u>\$ 1,241,685</u>	<u>26.1%</u>	<u>29.6%</u>	<u>32.0%</u>	<u>(2.4)%</u>

(1) Annualized interest and fee income as a percentage of average net finance receivables.

Small and large loan yields decreased 3.4% and 1.7%, respectively, compared to the prior-year period primarily due to normalization of credit performance across the portfolio and our portfolio composition shift toward higher credit quality customers with lower interest rates.

Total originations decreased to \$418.7 million during the three months ended September 30, 2022, from \$420.7 million during the prior-year period. Quarterly origination volume was comparable to the prior-year period, despite recent credit tightening.

actions and the re-allocation of labor to collections, both of which impacted origination levels in the quarter. The following table represents the principal balance of loans originated and refinanced:

<i>Dollars in thousands</i>	Loans Originated for the Three Months Ended			
	3Q 22	3Q 21	YoY \$ Inc (Dec)	YoY % Inc (Dec)
Small loans	\$ 173,269	\$ 173,390	\$ (121)	(0.1)%
Large loans	243,259	245,062	(1,803)	(0.7)%
Retail loans	2,145	2,206	(61)	(2.8)%
Total loans originated	<u>\$ 418,673</u>	<u>\$ 420,658</u>	<u>\$ (1,985)</u>	<u>(0.5)%</u>

The following table summarizes the components of the increase in interest and fee income:

<i>Dollars in thousands</i>	Components of Increase in Interest and Fee Income 3Q 22 Compared to 3Q 21 Increase (Decrease)			
	Volume	Rate	Volume & Rate	Net
Small loans	\$ 6,930	\$ (3,360)	\$ (606)	\$ 2,964
Large loans	18,259	(3,518)	(1,063)	13,678
Retail loans	30	(7)	—	23
Product mix	751	(492)	(259)	—
Total increase in interest and fee income	<u>\$ 25,970</u>	<u>\$ (7,377)</u>	<u>\$ (1,928)</u>	<u>\$ 16,665</u>

The \$16.7 million year-over-year increase in interest and fee income during the three months ended September 30, 2022, was primarily driven by growth of our average net finance receivables. This increase was partially offset by normalization of credit performance across the portfolio, the intended product mix shift toward large loans, and the portfolio composition shift toward higher credit quality customers with lower interest rates.

Insurance Income, Net. Insurance income, net increased \$2.6 million, or 27.3%, to \$12.0 million during the three months ended September 30, 2022, from \$9.4 million during the prior-year period. During both the three months ended September 30, 2022 and the prior-year period, personal property insurance premiums represented the largest component of aggregate earned insurance premiums. Life insurance claims expense represented the largest component of direct insurance expenses for both the three months ended September 30, 2022 and the prior-year period.

The following table summarizes the components of insurance income, net:

<i>Dollars in thousands</i>	Insurance Premiums and Direct Expenses for the Three Months Ended			
	3Q 22	3Q 21	YoY \$ B(W)	YoY % B(W)
Earned premiums	\$ 15,513	\$ 13,902	\$ 1,611	11.6%
Claims, reserves, and certain direct expenses	(3,526)	(4,484)	958	21.4%
Insurance income, net	<u>\$ 11,987</u>	<u>\$ 9,418</u>	<u>\$ 2,569</u>	<u>27.3%</u>

Earned premiums increased by \$1.6 million and claims, reserves, and certain direct expenses decreased by \$1.0 million, in each case compared to the prior-year period. The increase in earned premiums was primarily due to portfolio growth. The decrease in claims, reserves, and certain direct expenses was primarily due to a decrease in reserves for expected insurance claims during the three months ended September 30, 2022, compared to the prior-year period.

Other Income. Other income increased \$0.8 million, or 28.2%, to \$3.4 million during the three months ended September 30, 2022, from \$2.7 million during the prior-year period, primarily due to an increase in interest income from cash reserves of \$0.6 million and late charges of \$0.5 million, offset by a decrease in sales of our auto club product of \$0.3 million.

Provision for Credit Losses. Our provision for credit losses increased \$22.0 million, or 84.2%, to \$48.1 million during the three months ended September 30, 2022, from \$26.1 million during the prior-year period. The increase was due to an increase of \$20.4 million in net credit losses and an increase of \$1.6 million in the allowance for credit losses, respectively, in each case compared to the prior-year period. Inflation, particularly high gas and food prices, continued to impact our customers in the third quarter. Certain segments of our higher-risk, higher-rate customers have been particularly adversely impacted by inflation. Earlier this year, we eliminated one higher-risk, higher-rate digital affiliate and two higher-risk, higher-rate segments within our direct mail program. Loans originated through the eliminated affiliate and direct mail segments contributed 30 basis points to our contractual

delinquency rate as of September 30, 2022 and 60 basis points to our net credit loss rate in the third quarter, despite only representing 1.9% of our total portfolio as of quarter-end. Our remaining portfolio continues to perform well considering the current environment, with delinquency and net credit loss rates just above pre-pandemic levels. The increase in the provision for credit losses is explained in greater detail below.

Allowance for Credit Losses. We evaluate delinquency and losses in each of our loan products in establishing the allowance for credit losses. The following table sets forth our allowance for credit losses compared to the related finance receivables as of the end of the periods indicated:

<i>Dollars in thousands</i>	Allowance for Credit Losses for the Three Months Ended	
	3Q 22	3Q 21
Beginning balance	\$ 167,500	\$ 139,400
Macroeconomic reserve build (release)	4,100	(2,000)
General reserve build due to portfolio change	8,200	12,700
Ending balance	\$ 179,800	\$ 150,100
Allowance for credit losses as a percentage of net finance receivables	11.2%	11.4%

As of September 30, 2022, our allowance for credit losses included a \$19.0 million reserve associated with estimated future macroeconomic impacts on credit losses. During the three months ended September 30, 2022, and the prior-year period, the allowance for credit losses included a build of \$12.3 million and a build of \$10.7 million, respectively. The allowance for credit losses as a percentage of finance receivables decreased to 11.2% as of September 30, 2022, from 11.4% as of the prior-year period.

Net Credit Losses. Net credit losses increased \$20.4 million, or 132.3%, to \$35.8 million during the three months ended September 30, 2022, from \$15.4 million during the prior-year period. The increase was primarily due to higher average net finance receivables, credit normalization, and the impact of inflation on our customers. Annualized net credit losses as a percentage of average net finance receivables were 9.1% during the three months ended September 30, 2022, compared to 5.0% during the prior-year period. The three months ended September 30, 2022 included a 0.6% impact from one higher-risk, higher-rate digital affiliate and two higher-risk, higher-rate segments within our direct mail program that have been particularly adversely impacted by inflation.

Delinquency Performance. Our contractual delinquency as a percentage of net finance receivables continued to normalize, increasing to 7.2% as of September 30, 2022, from 4.7% in the prior-year period. Contractual delinquency as a percentage of net finance receivables as of September 30, 2022 included a 0.3% impact from one higher-risk, higher-rate digital affiliate and two higher-risk, higher-rate segments within our direct mail program that have been particularly adversely impacted by inflation.

The following tables include delinquency balances by aging category and by product:

<i>Dollars in thousands</i>	Contractual Delinquency by Aging			
	3Q 22		3Q 21	
Current	\$ 1,356,134	84.4%	\$ 1,156,475	88.0%
1 to 29 days past due	135,468	8.4%	96,477	7.3%
Delinquent accounts:				
30 to 59 days	32,295	2.0%	20,162	1.6%
60 to 89 days	25,375	1.6%	15,075	1.1%
90 to 119 days	21,720	1.3%	11,202	0.9%
120 to 149 days	17,503	1.1%	8,176	0.6%
150 to 179 days	19,103	1.2%	6,666	0.5%
Total contractual delinquency	\$ 115,996	7.2%	\$ 61,281	4.7%
Total net finance receivables	\$ 1,607,598	100.0%	\$ 1,314,233	100.0%

<i>Dollars in thousands</i>	Contractual Delinquency by Product			
	3Q 22		3Q 21	
Small loans	\$ 49,906	10.4%	\$ 27,928	6.7%
Large loans	64,922	5.8%	32,666	3.7%
Retail loans	1,168	10.7%	687	6.6%
Total contractual delinquency	\$ 115,996	7.2%	\$ 61,281	4.7%

General and Administrative Expenses. Our general and administrative expenses increased \$10.4 million, or 21.8%, to \$58.2 million during the three months ended September 30, 2022, from \$47.8 million during the prior-year period. The absolute dollar increase in general and administrative expenses is explained in greater detail below.

Personnel. The largest component of general and administrative expenses was personnel expense, which increased \$7.7 million, or 26.2%, to \$37.0 million during the three months ended September 30, 2022, from \$29.3 million during the prior-year period. Labor expenses and incentive costs increased \$6.7 million and \$1.7 million, respectively, compared to the prior-year period. Additionally, the three months ended September 30, 2022 included costs associated with discontinuing our retail loan product of \$0.1 million. Capitalized loan origination costs, which reduce personnel expenses, increased by \$0.3 million compared to the prior-year period. The three months ended September 30, 2021 included branch optimization costs of \$0.3 million.

Occupancy. Occupancy expenses decreased \$0.2 million, or 3.0%, to \$5.8 million during the three months ended September 30, 2022, from \$6.0 million during the prior-year period. The three months ended September 30, 2021 included branch optimization costs of \$0.5 million. The three months ended September 30, 2022 included the acceleration of lease expense associated with relocating our Texas office of \$0.2 million.

Marketing. Marketing expenses increased \$1.5 million, or 58.4%, to \$3.9 million during the three months ended September 30, 2022, from \$2.5 million during the prior-year period. The increase was primarily due to incremental deferrals associated with digital loan origination costs during the three months ended September 30, 2021.

Other Expenses. Other expenses increased \$1.5 million, or 14.7%, to \$11.4 million during the three months ended September 30, 2022, from \$9.9 million during the prior-year period. The increase was primarily due to an increase in our investment in digital and technological capabilities of \$0.6 million, costs associated with discontinuing our retail loan product of \$0.3 million, and an increase in travel expenses of \$0.4 million, compared to the prior-year period. Additionally, we often experience increases in other expenses including electronic payment processing costs, bank service charges, and credit bureau charges as we grow our loan portfolio and expand our market footprint.

Operating Expense Ratio. Our annualized operating expense ratio decreased by 0.5% to 14.9% during the three months ended September 30, 2022 from 15.4% during the prior-year period. Our operating expense ratio has declined as we have grown our loan portfolio and controlled expense growth. The three months ended September 30, 2022 included costs associated with discontinuing our retail loan product of \$0.4 million and the acceleration of lease expense associated with relocating our Texas office of \$0.2 million, the sum of which increased the ratio by 0.2%. The prior-year period included a ratio decrease of 0.5% related to incremental deferrals associated with digital loan costs of \$1.5 million, partially offset by a ratio increase of 0.2% related to branch optimization expenses of \$0.7 million.

Interest Expense. Interest expense increased \$3.0 million, or 34.6%, to \$11.9 million during the three months ended September 30, 2022, from \$8.8 million during the prior-year period. The increase was primarily due to an increase in the average balance of our debt facilities on portfolio growth. The average balance of our debt facilities increased to \$1.2 billion during the three months ended September 30, 2022, from \$904.4 million during the prior-year period. The annualized average cost of debt increased by 0.03% to 3.93% during the three months ended September 30, 2022, from 3.90% as of the prior-year period.

Income Taxes. Income taxes decreased \$3.3 million, or 50.0%, to \$3.3 million during the three months ended September 30, 2022, from \$6.6 million during the prior-year period. The decrease was primarily due to a \$15.4 million decrease in income before income taxes compared to the prior-year period. Our effective tax rates were 24.6% and 22.8% for the three months ended September 30, 2022 and the prior-year period, respectively.

Comparison of the Nine Months Ended September 30, 2022, Versus the Nine Months Ended September 30, 2021

Net Income. Net income decreased \$19.1 million, or 28.1%, to \$48.8 million during the nine months ended September 30, 2022, from \$67.9 million during the prior-year period. The decrease was due to an increase in provision for credit losses of \$66.3 million, and an increase in general and administrative expenses of \$27.4 million, offset by an increase in revenue of \$66.3 million, a decrease in interest expense of \$4.4 million, and a decrease in income tax of \$4.0 million.

Revenue. Total revenue increased \$66.3 million, or 21.5%, to \$375.2 million during the nine months ended September 30, 2022, from \$308.9 million during the prior-year period. The components of revenue are explained in greater detail below.

Interest and Fee Income. Interest and fee income increased \$58.0 million, or 21.1%, to \$333.4 million during the nine months ended September 30, 2022, from \$275.4 million during the prior-year period. The increase was primarily due to a 28.2% increase in average net finance receivables, partially offset by a 1.8% decrease in annualized average yield.

The following table sets forth the average net finance receivables balance and average yield for our loan products:

<i>Dollars in thousands</i>	Average Net Finance Receivables for the Nine Months Ended			Average Yields for the Nine Months Ended (1)		
	YTD 22	YTD 21	YoY % Inc (Dec)	YTD 22	YTD 21	YoY % Inc (Dec)
Small loans	\$ 448,175	\$ 383,208	17.0%	35.8%	38.2%	(2.4)%
Large loans	1,032,273	768,803	34.3%	27.4%	28.4%	(1.0)%
Retail loans	10,796	11,537	(6.4)%	18.4%	18.2%	0.2%
Total interest and fee yield	\$ 1,491,244	\$ 1,163,548	28.2%	29.8%	31.6%	(1.8)%

(1) Annualized interest and fee income as a percentage of average net finance receivables.

Small loan and large loan yields decreased 2.4% and 1.0%, respectively, compared to the prior-year period primarily due to normalization of credit performance across the portfolio and our portfolio composition shift toward higher credit quality customers with lower interest rates.

Total originations increased to \$1.2 billion during the nine months ended September 30, 2022, from \$1.0 billion during the prior-year period. The following table represents the principal balance of loans originated and refinanced:

<i>Dollars in thousands</i>	Loans Originated for the Nine Months Ended			
	YTD 22	YTD 21	YoY \$ Inc (Dec)	YoY % Inc (Dec)
Small loans	\$ 481,644	\$ 426,715	\$ 54,929	12.9%
Large loans	682,110	600,871	81,239	13.5%
Retail loans	7,206	5,645	1,561	27.7%
Total loans originated	\$ 1,170,960	\$ 1,033,231	\$ 137,729	13.3%

The following table summarizes the components of the increase in interest and fee income:

<i>Dollars in thousands</i>	Components of Increase in Interest and Fee Income YTD 22 Compared to YTD 21 Increase (Decrease)			
	Volume	Rate	Volume & Rate	Net
Small loans	\$ 18,632	\$ (7,131)	\$ (1,210)	\$ 10,291
Large loans	56,186	(6,250)	(2,142)	47,794
Retail loans	(101)	12	(1)	(90)
Product mix	2,853	(1,904)	(949)	—
Total increase in interest and fee income	\$ 77,570	\$ (15,273)	\$ (4,302)	\$ 57,995

The \$58.0 million increase in interest and fee income during the nine months ended September 30, 2022, from the prior-year period was driven by growth in our average net finance receivables. This increase was partially offset by normalization of credit performance across the portfolio, the intended product mix shift toward large loans, and the portfolio composition shift toward higher credit quality customers with lower interest rates.

Insurance Income, Net. Insurance income, net increased \$6.7 million, or 25.7%, to \$32.8 million during the nine months ended September 30, 2022, from \$26.1 million during the prior-year period. During both the nine months ended September 30, 2022 and the prior-year period, personal property insurance premiums represented the largest component of aggregate earned insurance premiums. Life insurance claims expense represented the largest component of direct insurance expenses for both the nine months ended September 30, 2022 and the prior-year period.

The following table summarizes the components of insurance income, net:

<i>Dollars in thousands</i>	Insurance Premiums and Direct Expenses for the Nine Months Ended			
	YTD 22	YTD 21	YoY \$ B(W)	YoY % B(W)
Earned premiums	\$ 45,096	\$ 38,376	\$ 6,720	17.5%
Claims, reserves, and certain direct expenses	(12,345)	(12,317)	(28)	(0.2)%
Insurance income, net	\$ 32,751	\$ 26,059	\$ 6,692	25.7%

Earned premiums increased by \$6.7 million and claims, reserves, and certain direct expenses remained consistent, in each case compared to the prior-year period. The increase in earned premiums was primarily due to portfolio growth during the nine months ended September 30, 2022.

Other Income. Other income increased \$1.6 million, or 21.9%, to \$9.0 million during the nine months ended September 30, 2022, from \$7.4 million during the prior-year period, primarily due to an increase in late charges associated with portfolio growth of \$1.2 million and interest income from cash reserves of \$0.7 million, offset by a decrease in sales of our auto club product of \$0.5 million.

Provision for Credit Losses. Our provision for credit losses increased \$66.3 million, or 114.3%, to \$124.3 million during the nine months ended September 30, 2022, from \$58.0 million during the prior-year period. The increase was due to an increase of \$20.4 million and \$45.9 million in the allowance for credit losses and net credit losses, respectively, in each case compared to the prior-year period. Inflation, particularly high gas and food prices, continued to impact our customers in the third quarter. Certain segments of our higher-risk, higher-rate customers have been particularly adversely impacted by inflation. Earlier this year, we eliminated one higher-risk, higher-rate digital affiliate and two higher-risk, higher-rate segments within our direct mail program. Loans originated through the eliminated affiliate and direct mail segments contributed 30 basis points to our contractual delinquency rate as of September 30, 2022, and 60 basis points to our net credit loss rate during the nine months ended September 30, 2022, despite only representing 1.9% of our total portfolio as of quarter-end. Our remaining portfolio continues to perform well considering the current environment, with delinquency and net credit loss rates just above pre-pandemic levels. The increase in the provision for credit losses is explained in greater detail below.

Allowance for Credit Losses. We evaluate delinquency and losses in each of our loan products in establishing the allowance for credit losses. The following table sets forth our allowance for credit losses compared to the related finance receivables as of the end of the periods indicated:

<i>Dollars in thousands</i>	Allowance for Credit Losses for the Nine Months Ended	
	YTD 22	YTD 21
Beginning balance	\$ 159,300	\$ 150,000
Macroeconomic reserve build (release)	2,000	(14,900)
General reserve build due to portfolio change	18,500	15,000
Ending balance	\$ 179,800	\$ 150,100
Allowance for credit losses as a percentage of net finance receivables	11.2%	11.4%

As of September 30, 2022 our allowance for credit losses included \$19.0 million of reserves associated with estimated future macroeconomic impacts on credit losses. During the nine months ended September 30, 2022 and 2021, the allowance for credit losses included a build of \$20.5 million and \$0.1 million, respectively. The allowance for credit losses as a percentage of finance receivables decreased to 11.2% as of September 30, 2022, from 11.4% as of the prior-year period.

Net Credit Losses. Net credit losses increased \$45.9 million, or 79.3%, to \$103.8 million during the nine months ended September 30, 2022, from \$57.9 million during the prior-year period. The increase was primarily due to higher average net finance receivables, credit normalization, and the impact of inflation on our customers. Annualized net credit losses as a percentage of average net finance receivables were 9.3% during the nine months ended September 30, 2022, compared to 6.6% during the prior-year period. The nine months ended September 30, 2022 included a 0.6% impact from one higher-risk, higher-rate digital affiliate and two higher-risk, higher-rate segments within our direct mail program that have been particularly adversely impacted by inflation.

Delinquency Performance. Our contractual delinquency as a percentage of net finance receivables continued to normalize, increasing to 7.2% as of September 30, 2022, from 4.7% in the prior-year period. Contractual delinquency as a percentage of net finance receivables as of September 30, 2022 included a 0.3% impact from one higher-risk, higher-rate digital affiliate and two higher-risk, higher-rate segments within our direct mail program that have been particularly adversely impacted by inflation.

General and Administrative Expenses. Our general and administrative expenses increased \$27.4 million, or 19.6%, to \$167.4 million during the nine months ended September 30, 2022, from \$140.0 million during the prior-year period. The absolute dollar increase in general and administrative expenses is explained in greater detail below.

Personnel. The largest component of general and administrative expenses was personnel expense, which increased \$20.1 million, or 23.2%, to \$106.6 million during the nine months ended September 30, 2022, from \$86.5 million during the prior-year period. Labor expenses and incentive costs increased \$18.8 million and \$3.6 million, respectively, compared to the prior-year

period. Capitalized loan origination costs, which reduce personnel expenses, increased by \$1.9 million compared to the prior-year period due to an increase in loans originated.

Occupancy. Occupancy expenses increased \$0.2 million, or 1.1%, to \$17.8 million during the nine months ended September 30, 2022, from \$17.6 million during the prior-year period. The increase was primarily due to costs related to our branch optimization initiatives of \$0.3 million and the acceleration of lease expense associated with relocating our Texas office of \$0.2 million, offset by lower COVID-19 enhanced sanitation efforts of \$0.3 million.

Marketing. Marketing expenses increased \$1.2 million, or 11.7%, to \$11.1 million during the nine months ended September 30, 2022, from \$10.0 million during the prior-year period. The increase was primarily due to higher digital loan origination costs of \$0.8 million and increased activity in our direct mail campaigns of \$0.5 million to support growth.

Other Expenses. Other expenses increased \$6.0 million, or 23.1%, to \$31.9 million during the nine months ended September 30, 2022, from \$25.9 million during the prior-year period. The increase was primarily due to an increase in our investment in digital and technological capabilities of \$1.6 million, an increase in travel expenses of \$0.8 million, an increase in professional services of \$0.6 million, and costs associated with discontinuing our retail loan product of \$0.3 million. Additionally, we often experience increases in other expenses including electronic payment processing costs, bank service charges, and credit bureau charges as we grow our loan portfolio and expand our market footprint.

Operating Expense Ratio. Our annualized operating expense ratio decreased by 1.0% to 15.0% during the nine months ended September 30, 2022 from 16.0% during the prior-year period. Our operating expense ratio has declined as we have grown our loan portfolio and controlled expense growth. The nine months ended September 30, 2022 included branch optimization expenses of \$1.0 million, costs for discontinuing the retail loan product of \$0.4 million, and the acceleration of lease expense associated with relocating our Texas office of \$0.2 million, the sum of which increased the ratio 0.2%. The prior-year period included branch optimization of \$0.7 million which increased the ratio 0.1%.

Interest Expense. Interest expense decreased \$4.4 million, or 18.5%, to \$19.4 million during the nine months ended September 30, 2022, from \$23.8 million during the prior-year period. The decrease was primarily due to a decrease in our average cost of debt, partially offset by an increase in the average balance of our debt facilities. The annualized average cost of debt decreased 1.63% to 2.25% during the nine months ended September 30, 2022, from 3.88% as of the prior-year period, primarily driven by a \$12.6 million increase in the fair value of our interest rate caps. The average balance of our debt facilities increased to \$1.1 billion during the nine months ended September 30, 2022, from \$817.0 million during the prior-year period.

Income Taxes. Income taxes decreased \$4.0 million, or 20.6%, to \$15.3 million during the nine months ended September 30, 2022, from \$19.2 million during the prior-year period. The decrease was primarily due to a \$23.0 million decrease in income before income taxes compared to the prior-year period. Our effective tax rates were 23.8% and 22.1% for the nine months ended September 30, 2022 and the prior-year period, respectively. The effective tax rate for the prior-year period was impacted by discrete tax benefits from the exercise and vesting of share-based awards and amended state tax returns.

Liquidity and Capital Resources

Our primary cash needs relate to the funding of our lending activities and, to a lesser extent, expenditures relating to improving our technology infrastructure and expanding and maintaining our branch locations. We have historically financed, and plan to continue to finance, our short-term and long-term operating liquidity and capital needs through a combination of cash flows from operations and borrowings under our debt facilities, including our senior revolving credit facility, revolving warehouse credit facilities, and asset-backed securitization transactions, all of which are described below. We continue to seek ways to diversify our funding sources. As of September 30, 2022, we had a funded debt-to-equity ratio (debt divided by total stockholders' equity) of 4.0 to 1.0 and a stockholders' equity ratio (total stockholders' equity as a percentage of total assets) of 19.2%.

Cash and cash equivalents decreased to \$3.1 million as of September 30, 2022, from \$10.5 million as of the prior year-end. As of September 30, 2022 and the prior year-end, we had \$178.1 million and \$199.2 million, respectively, of immediate availability to draw down cash from our revolving credit facilities. Our unused capacity on our revolving credit facilities (subject to the borrowing base) was \$565.0 million and \$556.8 million as of September 30, 2022, and the prior year-end, respectively. Our total debt was \$1.2 billion and \$1.1 billion as of September 30, 2022, and the prior year-end, respectively.

Based upon anticipated cash flows, we believe that cash flows from operations and our various financing alternatives will provide sufficient financing for debt maturities and operations over the next twelve months, as well as into the future.

From time to time, we have extended the maturity date of and increased the borrowing limits under our senior revolving credit facility. While we have successfully obtained such extensions and increases in the past, there can be no assurance that we will

be able to do so if and when needed in the future. In addition, the revolving period maturities of our securitizations and warehouse credit facilities (each as described below within “Financing Arrangements”) range from November 2022 to September 2026. There can be no assurance that we will be able to secure an extension of the warehouse credit facilities or close additional securitization transactions if and when needed in the future.

Share Repurchases and Dividends.

In October 2020, we announced that our Board had authorized a \$30.0 million stock repurchase program. In May 2021, we completed the stock repurchase program.

In May 2021, we announced that our Board had authorized a \$30.0 million stock repurchase program. In August 2021, we announced that our Board had approved a \$20.0 million increase in the amount authorized under the stock repurchase program, from \$30.0 million to \$50.0 million. In January 2022, we completed this stock repurchase program.

In February 2022, we announced that our Board had authorized a \$20.0 million stock repurchase program. In May 2022, we completed the stock repurchase program.

Share repurchases under our stock repurchase programs may be made in the open market at prevailing market prices or through privately negotiated transactions in accordance with applicable federal and state securities laws.

The Board may in its discretion declare and pay cash dividends on our common stock. The following table sets forth the dividends declared and paid for the nine months ended September 30, 2022:

Period	Declaration Date	Record Date	Payment Date	Dividends Declared Per Common Share	
1Q 22	February 9, 2022	February 23, 2022	March 16, 2022	\$	0.30
2Q 22	May 4, 2022	May 25, 2022	June 15, 2022	\$	0.30
3Q 22	August 3, 2022	August 24, 2022	September 15, 2022	\$	0.30
Total				\$	0.90

The Board declared and paid \$8.9 million of cash dividends on our common stock during the nine months ended September 30, 2022. See Note 13, “Subsequent Events” of the Notes to Consolidated Financial Statements in Part I, Item 1, “Financial Statements,” for information regarding the declaration of a cash dividend following the end of the quarter.

While we intend to pay our quarterly dividend for the foreseeable future, all subsequent dividends will be reviewed and declared at the discretion of the Board and will depend on many factors, including our financial condition, earnings, cash flows, capital requirements, level of indebtedness, statutory and contractual restrictions applicable to the payment of dividends, and other considerations that the Board deems relevant. Our dividend payments may change from time to time, and the Board may choose not to continue to declare dividends in the future.

Cash Flow.

Operating Activities. Net cash provided by operating activities during the nine months ended September 30, 2022 was \$164.3 million, compared to \$132.3 million provided by operating activities during the prior-year period, a net increase of \$31.9 million. The increase was primarily due to the growth in our business described above, which produced an increase in net income, before provision for credit losses.

Investing Activities. Investing activities consist of originations and repayments of finance receivables, purchases of intangible assets, and purchases of property and equipment for new and existing branches. Net cash used in investing activities during the nine months ended September 30, 2022 was \$295.7 million, compared to \$227.0 million used in investing activities during the prior-year period, a net increase in cash used of \$68.7 million. The increase in cash used was primarily due to increased originations of finance receivables and purchase of restricted available-for-sale investments.

Financing Activities. Financing activities consist of borrowings and payments on our outstanding indebtedness. Net cash provided by financing activities during the nine months ended September 30, 2022 was \$99.3 million, compared to \$134.9 million provided by financing activities during the prior-year period, a net decrease of \$35.7 million. The net decrease in cash provided was a result of a decrease in the net advances on debt instruments of \$77.5 million, an increase in cash dividend of \$1.4 million, offset by a decrease in the repurchase of common stock of \$35.4 million, a decrease in taxes paid related to net share settlement of equity awards of \$4.0 million, and a decrease in payments of debt issuance costs of \$4.0 million.

Financing Arrangements.

Senior Revolving Credit Facility. In December 2021, we amended and restated our senior revolving credit facility to, among other things, decrease the availability under the facility from \$640 million to \$500 million and extend the maturity of the facility from September 2022 to September 2024. Excluding the receivables held by our VIEs, the senior revolving credit facility is secured by substantially all of our finance receivables and equity interests of the majority of our subsidiaries. Advances on the senior revolving credit facility are capped at 83% of eligible secured finance receivables. As of September 30, 2022, we had \$148.1 million of immediate availability to draw down cash under the facility and held \$3.1 million in unrestricted cash. Borrowings under the facility bore interest, payable monthly, at rates equal to one-month LIBOR, with a LIBOR floor of 0.50%, plus a 3.00% margin. The effective interest rate was 6.14% as of September 30, 2022. We pay an unused line fee of 0.50%.

In September 2022, the Company amended and restated its senior revolving credit facility to replace LIBOR as the benchmark rate for the calculation of interest with a forward-looking term rate based on SOFR or, in certain limited circumstances, another alternative benchmark rate. The one-month LIBOR was replaced on October 1, 2022 by one-month SOFR with a floor of not less than 0.50%.

Our debt under the senior revolving credit facility was \$113.4 million as of September 30, 2022. In advance of its September 2024 maturity date, we intend to extend the maturity date of the amended and restated senior revolving credit facility or take other appropriate action to address repayment upon maturity. See Part II, Item 1A, "Risk Factors," and the filings referenced therein for a discussion of risks related to our amended and restated senior revolving credit facility, including refinancing risk.

Variable Interest Entity Debt. As part of our overall funding strategy, we have transferred certain finance receivables to affiliated VIEs for asset-backed financing transactions, including securitizations. The debt arrangements described below are issued by our wholly-owned, bankruptcy-remote SPEs, which are considered VIEs under GAAP and are consolidated into the financial statements of their primary beneficiary. We are considered to be the primary beneficiary because we have (i) power over the significant activities through our role as servicer of the finance receivables under each debt arrangement and (ii) the obligation to absorb losses or the right to receive returns that could be significant through our interest in the monthly residual cash flows of the SPEs.

These debts are supported by the expected cash flows from the underlying collateralized finance receivables. Collections on these finance receivables are remitted to restricted cash collection accounts, which totaled \$100.0 million and \$107.7 million as of September 30, 2022 and December 31, 2021, respectively. Cash inflows from the finance receivables are distributed to the lenders/investors, the service providers, and/or the residual interest that we own in accordance with a monthly contractual priority of payments. The SPEs pay a servicing fee to us, which is eliminated in consolidation.

At each sale of receivables from our affiliates to the SPEs, we make certain representations and warranties about the quality and nature of the collateralized receivables. The debt arrangements require us to repurchase the receivables in certain circumstances, including circumstances in which the representations and warranties made by us concerning the quality and characteristics of the receivables are inaccurate. Assets transferred to SPEs are legally isolated from us and our affiliates, and the claims of our and our affiliates' creditors. Further, the assets of each SPE are owned by such SPE and are not available to satisfy the debts or other obligations of us or any of our affiliates. See Part II, Item 1A, "Risk Factors," and the filings referenced therein for a discussion of risks related to our variable interest entity debt.

RMR II Revolving Warehouse Credit Facility. In April 2021, we and our wholly-owned SPE, RMR II, amended and restated the credit agreement that provides for a revolving warehouse credit facility to RMR II to, among other things, extend the date at which the facility converts to an amortizing loan and the termination date to March 2023 and March 2024, respectively, decrease the total facility from \$125 million to \$75 million, increase the cap on facility advances from 80% to 83% of eligible finance receivables, and increase the rate at which borrowings under the facility bore interest, payable monthly, at a rate equal to three-month LIBOR, with a LIBOR floor of 0.25%, plus a blended margin of 2.35% (2.15% prior to the April 2021 amendment). The debt is secured by finance receivables and other related assets that we purchased from our affiliates, which we then sold and transferred to RMR II. As of September 30, 2022, we had \$30.0 million of immediate availability to draw down cash under this facility. The effective interest rate was 6.10% as of September 30, 2022. RMR II pays an unused commitment fee between 0.35% and 0.85% based upon the average daily utilization of the facility. As of September 30, 2022, our debt under the credit facility was \$20.3 million.

In September 2022, the Company and its wholly-owned SPE, RMR II, amended and restated the credit agreement that provides for a revolving warehouse credit facility to RMR II to replace LIBOR as the benchmark rate for calculation of interest rate with a forward-looking term rate based on SOFR or, in certain limited circumstances, another alternative benchmark rate. The three-month LIBOR was replaced on October 1, 2022 by three-month SOFR with a floor of 0.25%.

RMR IV Revolving Warehouse Credit Facility. In April 2021, we and our wholly-owned SPE, RMR IV, entered into a credit agreement that provides for a \$125 million revolving warehouse credit facility to RMR IV. The facility converts to an amortizing loan in April 2023 and terminates in April 2024. The debt is secured by finance receivables and other related assets that we purchased from our affiliates, which we then sold and transferred to RMR IV. Advances on the facility are capped at 81% of eligible finance receivables. Borrowings under the facility bore interest, payable monthly, at a rate equal to one-month LIBOR, plus a margin of 2.35%. The effective interest rate was 5.49% as of September 30, 2022. RMR IV pays an unused commitment fee between 0.35% and 0.70% based upon the average daily utilization of the facility. As of September 30, 2022, our debt under the credit facility was \$37.1 million.

In September 2022, the Company and its wholly-owned SPE, RMR IV, amended and restated the credit agreement that provides for a revolving warehouse credit facility to RMR IV to replace LIBOR as the benchmark rate for calculation of interest rate with a forward-looking term rate based on SOFR or, in certain limited circumstances, another alternative benchmark rate. The one-month LIBOR was replaced on October 1, 2022 by one-month SOFR with a benchmark adjustment.

RMR V Revolving Warehouse Credit Facility. In April 2021, we and our wholly-owned SPE, RMR V, entered into a credit agreement that provides for a \$100 million revolving warehouse credit facility to RMR V. Following an amendment in September 2022, the facility converts to an amortizing loan in November 2022 and terminates in November 2023 (October 2022 and October 2023, respectively, prior to the September 2022 amendment). The debt is secured by finance receivables and other related assets that we purchased from our affiliates, which we then sold and transferred to RMR V. Advances on the facility are capped at 80% of eligible finance receivables. Borrowings under the facility bear interest, payable monthly, at a per annum rate, which in the case of a conduit lender is the commercial paper rate, plus a margin of 2.20%. The effective interest rate was 5.28% as of September 30, 2022. RMR V pays an unused commitment fee between 0.45% and 0.75% based upon the average daily utilization of the facility. As of September 30, 2022, our debt under the credit facility was \$65.3 million.

RMIT 2020-1 Securitization. In September 2020, we, our wholly-owned SPE, RMR III, and our indirect wholly-owned SPE, RMIT 2020-1, completed a private offering and sale of \$180 million of asset-backed notes. The transaction consisted of the issuance of four classes of fixed-rate asset-backed notes by RMIT 2020-1. The asset-backed notes are secured by finance receivables and other related assets that RMR III purchased from us, which RMR III then sold and transferred to RMIT 2020-1. The notes have a revolving period ending in September 2023, with a final maturity date in October 2030. Borrowings under the RMIT 2020-1 securitization bear interest, payable monthly, at an effective interest rate of 2.85% as of September 30, 2022. Prior to maturity in October 2030, we may redeem the notes in full, but not in part, at our option on any business day on or after the payment date occurring in October 2023. No payments of principal of the notes will be made during the revolving period. As of September 30, 2022, our debt under the securitization was \$180.2 million.

RMIT 2021-1 Securitization. In February 2021, we, our wholly-owned SPE, RMR III, and our indirect wholly-owned SPE, RMIT 2021-1, completed a private offering and sale of \$249 million of asset-backed notes. The transaction consisted of the issuance of four classes of fixed-rate asset-backed notes by RMIT 2021-1. The asset-backed notes are secured by finance receivables and other related assets that RMR III purchased from us, which RMR III then sold and transferred to RMIT 2021-1. The notes have a revolving period ending in February 2024, with a final maturity date in March 2031. Borrowings under the RMIT 2021-1 securitization bear interest, payable monthly, at an effective interest rate of 2.08% as of September 30, 2022. Prior to maturity in March 2031, we may redeem the notes in full, but not in part, at our option on any business day on or after the payment date occurring in March 2024. No payments of principal of the notes will be made during the revolving period. As of September 30, 2022, our debt under the securitization was \$248.9 million.

RMIT 2021-2 Securitization. In July 2021, we, our wholly-owned SPE, RMR III, and our indirect wholly-owned SPE, RMIT 2021-2, completed a private offering and sale of \$200 million of asset-backed notes. The transaction consisted of the issuance of four classes of fixed-rate asset-backed notes by RMIT 2021-2. The asset-backed notes are secured by finance receivables and other related assets that RMR III purchased from us, which RMR III then sold and transferred to RMIT 2021-2. The notes have a revolving period ending in July 2026, with a final maturity date in August 2033. Borrowings under the RMIT 2021-2 securitization bear interest, payable monthly, at an effective interest rate of 2.30% as of September 30, 2022. Prior to maturity in August 2033, we may redeem the notes in full, but not in part, at our option on any business day on or after the payment date occurring in August 2026. No payments of principal of the notes will be made during the revolving period. As of September 30, 2022, our debt under the securitization was \$200.2 million.

RMIT 2021-3 Securitization. In October 2021, we, our wholly-owned SPE, RMR III, and our indirect wholly-owned SPE, RMIT 2021-3, completed a private offering and sale of \$125 million of asset-backed notes. The transaction consisted of the issuance of fixed-rate asset-backed notes by RMIT 2021-3. The asset-backed notes are secured by finance receivables and other related assets that RMR III purchased from us, which RMR III then sold and transferred to RMIT 2021-3. The notes have a revolving period ending in September 2026, with a final maturity date in October 2033. Borrowings under the RMIT 2021-3 securitization bear interest, payable

monthly, at an effective interest rate of 3.88% as of September 30, 2022. Prior to maturity in October 2033, we may redeem the notes in full, but not in part, at our option on any business day on or after the payment date occurring in October 2024. No payments of principal of the notes will be made during the revolving period. As of September 30, 2022, our debt under the securitization was \$125.2 million.

RMIT 2022-1 Securitization. In February 2022, we, our wholly-owned SPE, RMR III, and our indirectly wholly-owned SPE, RMIT 2022-1, completed a private offering and sale of \$250 million of asset-backed notes. The transaction consisted of the issuance of four classes of fixed-rate asset-backed notes by RMIT 2022-1. The asset-backed notes are secured by finance receivables and other related assets that RMR III purchased from us, which RMR III then sold and transferred to RMIT 2022-1. The notes have a revolving period ending in February 2025, with a final maturity date in March 2032. Borrowings under the RMIT 2022-1 securitization bear interest, payable monthly, at an effective interest rate of 3.59% as of September 30, 2022. Prior to maturity in March 2032, we may redeem the notes in full, but not in part, at our option on any business day on or after the payment date occurring in March 2025. No payments of principal of the notes will be made during the revolving period. As of September 30, 2022, our debt under the securitization was \$250.4 million.

See Note 13, "Subsequent Events" of the Notes to the Consolidated Financial Statements in Part 1, Item 1, "Financial Statements," for information regarding the completion of a private offering and sale of \$200 million of asset backed notes following the end of the quarter.

Our debt arrangements are subject to certain covenants, including monthly and annual reporting, maintenance of specified interest coverage and debt ratios, restrictions on distributions, limitations on other indebtedness, and certain other restrictions. As of September 30, 2022, we were in compliance with all debt covenants.

Restricted Cash Reserve Accounts.

RMR II Revolving Warehouse Credit Facility. The credit agreement governing the RMR II revolving warehouse credit facility requires that we maintain a 1% cash reserve based upon the ending finance receivables balance of the facility. As of September 30, 2022, the warehouse facility cash reserve requirement totaled \$0.6 million. The warehouse facility is supported by the expected cash flows from the underlying collateralized finance receivables. Collections are remitted to a restricted cash collection account, which totaled \$4.2 million as of September 30, 2022.

RMR IV Revolving Warehouse Credit Facility. The credit agreement governing the RMR IV revolving warehouse credit facility requires that we maintain a 1% cash reserve based upon the ending finance receivables balance of the facility. As of September 30, 2022, the warehouse facility cash reserve requirement totaled \$0.5 million. The warehouse facility is supported by the expected cash flows from the underlying collateralized finance receivables. Collections are remitted to a restricted cash collection account, which totaled \$3.0 million as of September 30, 2022.

RMR V Revolving Warehouse Credit Facility. The credit agreement governing the RMR V revolving warehouse credit facility requires that we maintain a 1% cash reserve based upon the ending finance receivables balance of the facility. As of September 30, 2022, the warehouse facility cash reserve requirement totaled \$0.8 million. The warehouse facility is supported by the expected cash flows from the underlying collateralized finance receivables. Collections are remitted to a restricted cash collection account, which totaled \$6.1 million as of September 30, 2022.

RMIT 2020-1 Securitization. As required under the transaction documents governing the RMIT 2020-1 securitization, we deposited \$1.9 million of cash proceeds into a restricted cash reserve account at closing. The securitization is supported by the expected cash flows from the underlying collateralized finance receivables. Collections are remitted to a restricted cash collection account, which totaled \$13.2 million as of September 30, 2022.

RMIT 2021-1 Securitization. As required under the transaction documents governing the RMIT 2021-1 securitization, we deposited \$2.6 million of cash proceeds into a restricted cash reserve account at closing. The securitization is supported by the expected cash flows from the underlying collateralized finance receivables. Collections are remitted to a restricted cash collection account, which totaled \$21.2 million as of September 30, 2022.

RMIT 2021-2 Securitization. As required under the transaction documents governing the RMIT 2021-2 securitization, we deposited \$2.1 million of cash proceeds into a restricted cash reserve account at closing. The securitization is supported by the expected cash flows from the underlying collateralized finance receivables. Collections are remitted to a restricted cash collection account, which totaled \$16.1 million as of September 30, 2022.

RMIT 2021-3 Securitization. As required under the transaction documents governing the RMIT 2021-3 securitization, we deposited \$1.5 million of cash proceeds into a restricted cash reserve account at closing. The securitization is supported by the expected cash flows from the underlying collateralized finance receivables. Collections are remitted to a restricted cash collection account, which totaled \$16.4 million as of September 30, 2022.

RMIT 2022-1 Securitization. As required under the transaction documents governing the RMIT 2022-1 securitization, we deposited \$2.6 million of cash proceeds into a restricted cash reserve account at closing. The securitization is supported by the expected cash flows from the underlying collateralized finance receivables. Collections are remitted to a restricted cash collection account, which totaled \$20.0 million as of September 30, 2022.

RMC Reinsurance. Our wholly-owned subsidiary, RMC Reinsurance, Ltd., is required to maintain reserves against life insurance policies ceded to it, as determined by the ceding company. As of September 30, 2022, reserves for reinsurance were \$21.6 million.

Critical Accounting Policies and Estimates.

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP and conform to general practices within the consumer finance industry. The preparation of these financial statements requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and disclosure of contingent assets and liabilities for the periods indicated in the financial statements. Management bases estimates on historical experience and other assumptions it believes to be reasonable under the circumstances and evaluates these estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions.

Allowance for Credit Losses.

The allowance for credit losses is based on historical credit experience, current conditions, and reasonable and supportable economic forecasts. The historical loss experience is adjusted for quantitative and qualitative factors that are not fully reflected in the historical data. In determining our estimate of expected credit losses, we evaluate information related to credit metrics, changes in our lending strategies and underwriting practices, and the current and forecasted direction of the economic and business environment. These metrics include, but are not limited to, loan portfolio mix and growth, unemployment, credit loss trends, delinquency trends, changes in underwriting, and operational risks.

We selected a static pool Probability of Default ("PD") / Loss Given Default ("LGD") model to estimate our base allowance for credit losses, in which the estimated loss is equal to the product of PD and LGD. Historical static pools of net finance receivables are tracked over the term of the pools to identify the incidences of loss (PDs) and the average severity of losses (LGDs).

To enhance the precision of the allowance for credit loss estimate, we evaluate our finance receivable portfolio on a pool basis and segment each pool of finance receivables with similar credit risk characteristics. As part of our evaluation, we consider loan portfolio characteristics such as product type, loan size, loan term, internal or external credit scores, delinquency status, geographical location, and vintage. Based on analysis of historical loss experience, we selected the following segmentation: product type, Fair Isaac Corporation score, and delinquency status.

We account for certain finance receivables that have been modified by bankruptcy proceedings or company loss mitigation policies using a discounted cash flows approach to properly reserve for customer concessions (rate reductions and term extensions).

As finance receivables are originated, provisions for credit losses are recorded in amounts sufficient to maintain an allowance for credit losses at an adequate level to provide for estimated losses over the contractual life of the finance receivables (considering the effect of prepayments). Subsequent changes to the contractual terms that are a result of re-underwriting are not included in the finance receivable's contractual life (considering the effect of prepayments). We use our segmentation loss experience to forecast expected credit losses. Historical information about losses generally provides a basis for the estimate of expected credit losses. We also consider the need to adjust historical information to reflect the extent to which current conditions differ from the conditions that existed for the period over which historical information was evaluated. These adjustments to historical loss information may be qualitative or quantitative in nature.

Macroeconomic forecasts are required for our allowance for credit loss model and require significant judgment and estimation uncertainty. We consider key economic factors, most notably unemployment rates, to incorporate into our estimate of the allowance for credit losses. We engaged a major rating service provider to assist with compiling a reasonable and supportable forecast which we use to support the adjustments of our historical loss experience.

Due to the judgment and uncertainty in estimating the expected credit losses, we may experience changes to the macroeconomic assumptions within our forecast, as well as changes to our credit loss performance outlook, both of which could lead to further changes in our allowance for credit losses, allowance as a percentage of net finance receivables, and provision for credit losses.

During 2020, management captured the potential impact of the COVID-19 pandemic as a component of its macroeconomic forecast, and we had reserved \$33.4 million as of June 30, 2020. Overall improvements in the pandemic led us to release portions of that reserve gradually. As of September 30, 2022 and December 31, 2021, we had \$19.0 million and \$17.0 million in macroeconomic reserves inclusive of remaining effects of COVID-19, respectively. Potential macroeconomic changes have created conditions that increase the level of uncertainty associated with our estimate of the amount and timing of future credit losses from our loan portfolio.

Macroeconomic Sensitivity. To demonstrate the sensitivity of forecasting macroeconomic conditions, we stressed our macroeconomic model with 10% increased weighting towards slower near-term growth that would have increased our reserves as of September 30, 2022 by \$0.9 million.

The macroeconomic scenarios are highly influenced by timing, severity, and duration of changes in the underlying economic factors. This makes it difficult to estimate how potential changes in economic factors affect the estimated credit losses. Therefore, this hypothetical analysis is not intended to represent our expectation of changes in our estimate of expected credit losses due to a change in the macroeconomic environment, nor does it consider management's judgment of other quantitative and qualitative information which could increase or decrease the estimate.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**Interest Rate Risk**

Interest rate risk arises from the possibility that changes in interest rates will affect our results of operations and financial condition. We originate finance receivables either at prevailing market rates or at statutory limits. Our finance receivables are structured on a fixed-rate, fixed-term basis. Accordingly, subject to statutory limits, our ability to react to changes in prevailing market rates is dependent upon the speed at which our customers pay off or renew loans in our existing loan portfolio, which allows us to originate new loans at prevailing market rates. Because our large loans have longer maturities than our small loans and typically renew at a slower rate than our small loans, our reaction time to changes may be affected as our large loans change as a percentage of our portfolio.

We also are exposed to changes in interest rates as a result of certain borrowing activities. As of September 30, 2022, the interest rates on 81.0% of our debt (the securitizations) were fixed. We maintain liquidity and fund our business operations in part through variable-rate borrowings under a senior revolving credit facility and three revolving warehouse credit facilities. In September 2022, we amended and restated our senior, RMR II warehouse, and RMR IV warehouse revolving credit facilities, transitioning the benchmark rate for the calculation of interest with a forward-looking term rate from LIBOR to SOFR, effective on October 1, 2022. See Note 6, “Debt” of the Notes to Consolidated Financial Statements in Part I, Item 1, “Financial Statements” for information regarding the September 2022 amendments and transition of the benchmark rates following the end of the fiscal quarter. As of September 30, 2022, the balances and key terms of the credit facilities were as follows:

Revolving Credit Facility	Balance (in thousands)	Interest Payment Frequency	Rate Type	Floor	Margin	Effective Interest Rate
Senior	\$ 113,448	Monthly	1-mo LIBOR	0.50%	3.00%	6.14%
RMR II Warehouse	20,290	Monthly	3-mo LIBOR	0.25%	2.35%	6.10%
RMR IV Warehouse	37,130	Monthly	1-mo LIBOR	—	2.35%	5.49%
RMR V Warehouse	65,273	Monthly	Conduit	—	2.20%	5.28%
Total	\$ 236,141					

We previously purchased interest rate caps to manage the risk associated with LIBOR-based borrowings. These interest rate caps were based on the one-month LIBOR and reimbursed us for the difference when the one-month LIBOR exceeded the strike rate.

In April 2022, we collateralized our interest rate caps. Subsequently, we sold our shorter-duration interest rate cap contracts with a fair value of \$14.7 million. These sold interest rate caps had an aggregate notional principal amount of \$450.0 million and maturity dates ranging from March 2023 through June 2024. In August 2022, we sold our remaining interest rate caps with a fair value of \$5.0 million, having an aggregate notional principal amount of \$100.0 million and maturing in 2026. As of September 30, 2022, we no longer maintained interest rate cap protection.

Based on the underlying rates and the outstanding balances as of September 30, 2022, an increase of 100 basis points in the rates of our revolving credit facilities would result in approximately \$2.4 million of increased interest expense on an annual basis, in the aggregate, under these borrowings.

The nature and amount of our debt may vary as a result of future business requirements, market conditions, and other factors.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2022. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Based on the evaluation of our disclosure controls and procedures as of September 30, 2022, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost–benefit relationship of possible controls and procedures.

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. *LEGAL PROCEEDINGS.*

The Company is involved in various legal proceedings and related actions that have arisen in the ordinary course of its business that have not been fully adjudicated. The Company's management does not believe that these matters, when ultimately concluded and determined, will have a material adverse effect on its financial condition, liquidity, or results of operations.

ITEM 1A. *RISK FACTORS.*

There have been no material changes to our risk factors from those included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021. In addition to the other information set forth in this report and in our other reports and statements that we file with the SEC, you should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (which was filed with the SEC on March 4, 2022), which could materially affect our business, financial condition, and/or future operating results. The risks described in our Annual Report on Form 10-K are not the only risks facing our company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially and adversely affect the Company's business, financial condition, and/or operating results.

ITEM 6. EXHIBITS.

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	File Number	Exhibit	Filing Date
10.1	Fifth Amendment to Seventh Amended and Restated Loan and Security Agreement, dated as of September 7, 2022, among Regional Management Corp. as a borrower and its subsidiaries named as borrowers therein, the financial institutions named as lenders therein, and Wells Fargo Bank, National Association, as agent.		8-K	001-35477	10.1	9/12/2022
10.2	Third Amendment to the Second Amended and Restated Credit Agreement, dated as of September 7, 2022, by and among Regional Management Corp., as servicer, Regional Management Receivables II, LLC, as borrower, the lenders from time to time party thereto, Credit Suisse AG, New York Branch, as administrative agent and as structuring and syndication agent, and Wells Fargo Bank, National Association, acting through its corporate trust services division, as account bank and backup servicer.		8-K	001-35477	10.2	9/12/2022
10.3	Amendment No. 3 to the Credit Agreement, dated as of September 7, 2022, by and among Regional Management Corp., as servicer, Regional Management Receivables IV, LLC, as borrower, Wells Fargo Bank, National Association, as agent and committed lender, and Wells Fargo Bank, National Association, as administrative agent.		8-K	001-35477	10.3	9/12/2022
31.1	Rule 13a-14(a) / 15(d)-14(a) Certification of Principal Executive Officer	X				
31.2	Rule 13a-14(a) / 15(d)-14(a) Certification of Principal Financial Officer	X				
32.1	Section 1350 Certifications	X				
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	Inline XBRL Taxonomy Extension Schema Document					
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	File Number	Exhibit	Filing Date
104	Cover Page Interactive Data File—the cover page XBRL tags are embedded within the Inline XBRL document contained in Exhibit 101					

SIGNATURE

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.

REGIONAL MANAGEMENT CORP.

Date: November 4, 2022

By: /s/ Harpreet Rana

Harpreet Rana, Executive Vice President and
Chief Financial Officer

(Principal Financial Officer and Duly Authorized Officer)

CERTIFICATION

I, Robert W. Beck, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Regional Management Corp.;
- (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 period 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(s) 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(s) 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.

Date: November 4, 2022

/s/ Robert W. Beck

Robert W. Beck
President and Chief Executive Officer

CERTIFICATION

I, Harpreet Rana, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Regional Management Corp.;
- (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 period 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(s) 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(s) 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.

Date: November 4, 2022

/s/ Harpreet Rana

Harpreet Rana
Executive Vice President and Chief Financial Officer

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned hereby certifies that to his or her knowledge: (i) the Quarterly Report on Form 10-Q of Regional Management Corp. (the "Company") for the quarter ended September 30, 2022 (the "Report"), as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company on the dates and for the periods presented therein.

Date: November 4, 2022

/s/ Robert W. Beck

Robert W. Beck

President and Chief Executive Officer

Date: November 4, 2022

/s/ Harpreet Rana

Harpreet Rana

Executive Vice President and Chief Financial Officer