# 2020 Annual Report

Fiscal Year 2020 Form 10-K
Proxy Statement for the
2021 Annual Meeting of Stockholders

REGIONAL® MANAGEMENT

Regional Management Corp.
979 Batesville Road, Suite B
Greer, South Carolina 29651
www.regionalmanagement.com

April 15, 2021

Dear Valued Stockholders:

We hope this letter continues to find you and your families safe and healthy.

2020 was a year unlike any other that we have experienced, as our team and our communities encountered incredible challenges seemingly overnight. In these times, we were put to the test, and I'm proud to say that our team rose to the challenge by executing in all facets, allowing us to successfully navigate through the pandemic. Our omni-channel operating model proved its adaptability and resilience, and we enter 2021 in a position of considerable strength with a robust balance sheet, ready to embark on our next phase of growth.

For 2020, we ended the year with $1.136 billion in outstanding finance receivables, which was a slight increase from where our portfolio stood at the end of 2019. When you consider the impact of the pandemic from March to June 2020, growing the portfolio during the year was a particularly impressive feat. Total revenue of $374 million in 2020 grew 5% from 2019 as we maintained a stable credit profile throughout the year, including months of historically low delinquency rates thanks to the government stimulus and our custom credit scorecards. We also appropriately managed our operating expenses, while still investing in the digital initiatives that will facilitate our long-term success. Net income for 2020 was $27 million and diluted EPS was $2.40.

Over the past few years, we have made significant investments to greatly strengthen our infrastructure and ensure we are in prime position for sustainable and profitable long-term growth. The onset of the pandemic pressed us to rely on our enhanced digital capabilities while innovating and adapting to the new environment — all to ensure that we kept everyone safe while continuing to provide best-in-class service to our customers, support our team members, and deliver assistance to our communities.

On the customer side, we provided effective avenues for continued access to our valuable loan products, including curbside service for payments, electronic remote loan closing capabilities, and borrower assistance programs for those customers most impacted by the pandemic. For our team members, we immediately moved to a remote work environment for non-essential employees and significantly enhanced our benefits program for all team members. We also implemented enhanced safety measures in all of our branches, covered expenses for virtual health visits, and provided paid leave for those impacted by COVID-19. For our communities, we introduced Regional Reach, a company-wide initiative which is dedicated to creating positive social change and goodwill through community service, charitable giving, and the promotion of diversity, equity, and inclusion initiatives. We also partnered with local food banks to raise significant funds and collect literally tons of food for distribution throughout our communities. I cannot thank our Regional team enough for their tremendous efforts throughout 2020. They adapted seamlessly to a difficult environment and made sure our customers received the best service possible.

Our 2020 performance also validated our approach to strengthening our balance sheet and diversifying our funding over the past few years. We have always operated with a conservative leverage ratio, and as a result, we were extremely well-positioned to navigate through the protracted uncertainty of the pandemic and absorb significant losses, if necessary, while remaining nimble and able to adapt quickly to the ever-changing environment. As a result, we ended 2020 with $438 million of unused capacity on our various credit facilities, subject to the borrowing base, and approximately $194 million of available liquidity. Our strong balance sheet gave us the confidence to restart our growth initiatives in the second half of 2020, and by the end of the year, originations had returned to pre-pandemic levels. Further, because of our healthy capital position and the confidence we have in our long-term strategy, we were very pleased to be able to return excess capital to our stockholders through a $30 million stock repurchase program and the initiation of a new quarterly dividend program of $0.20 per share.

We are excited for the opportunities on the horizon in 2021 and beyond to create sustainable, profitable growth. We are prioritizing investments in our digital capabilities over the next 18 months, including a new digital origination product, a mobile app, and enhancements to our customer portal. In concert, we will be expanding into four to five new states over the next 18 months, beginning with Illinois within the next couple of months, and we will begin rolling out a newly-enhanced auto secured product for our customers in the months ahead. More than ever, we believe our omni-channel operating model has positioned us strongly for long-term sustainable growth and value creation for our stockholders.

Thank you for your continued support and ownership of Regional Management Corp. stock. We look forward to having you attend our virtual Annual Meeting. Our best to you and your families.

Best regards,

Robert W. Beck
President and Chief Executive Officer

This letter and annual report to stockholders may contain forward-looking statements. Please refer to our Annual Report on Form 10-K, which accompanies this letter and annual report to stockholders, for additional information regarding forward-looking statements.

# Annual Report on Form 10-K for the Year Ended December 31, 2020

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-K

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

**For the fiscal year ended December 31, 2020**

**OR**

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

**For the transition period from _____ to _____**

**Commission File Number: 001-35477**

# Regional Management Corp.
**(Exact name of registrant as specified in its charter)**

| **Delaware** | **57-0847115** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **979 Batesville Road, Suite B Greer, South Carolina** | **29651** |
| **(Address of principal executive offices)** | **(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** |

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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 (§ 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

As of June 30, 2020 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the common stock held by non-affiliates of the registrant was $163,721,122 based upon the closing sale price as reported on the New York Stock Exchange. See Part II, Item 5 of this Annual Report on Form 10-K for additional information.

As of February 23, 2021, there were 10,866,360 shares of the registrant's common stock outstanding.

**Documents Incorporated by Reference**

Certain information required by Part III of this Annual Report on Form 10-K is incorporated herein by reference to the Proxy Statement for the registrant's 2021 Annual Meeting of Stockholders, which is expected to be filed pursuant to Regulation 14A within 120 days after the end of the registrant's fiscal year ended December 31, 2020.

**REGIONAL MANAGEMENT CORP.**

**ANNUAL REPORT ON FORM 10-K**

Fiscal Year Ended December 31, 2020

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**FORWARD-LOOKING STATEMENTS**

*Each of the terms "Regional," the "Company," "we," "us," and "our" as used herein refers collectively to Regional Management Corp. and its wholly-owned subsidiaries, unless otherwise stated.*

*This Annual Report on Form 10-K includes "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including, but not limited to, certain statements and disclosures contained in Part I, Item 1, "Business," Part I, Item 1A, "Risk Factors," and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." These forward-looking statements include, but are not limited to, statements about 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, plans and objectives of management, representations, and contentions, and are not historical facts. Forward-looking statements typically are identified by the use of terms such as "may," "will," "would," "should," "could," "intend," "expect," "plan," "project," "anticipate," "believe," "estimate," "predict," "potential," "continue," and similar words, although some forward-looking statements are expressed differently. 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. The forward-looking statements included herein reflect and contain management's current judgment, and 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 Part I, Item 1A, "Risk Factors" in this Annual Report on Form 10-K. The COVID-19 pandemic may also magnify many of these risks and uncertainties. We do not intend to update any of these forward-looking statements or publicly announce the results of or any revisions to these forward-looking statements, other than as is required under the federal securities laws.*

*The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements, including the notes thereto.*

PART I

## ITEM 1. *BUSINESS*.

### 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. We operate under the name "Regional Finance" in 365 branch locations across 11 states in the Southeastern, Southwestern, Mid-Atlantic, and Midwestern United States, serving 410,300 active accounts, as of December 31, 2020. 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 multiple channel 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 in-person 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. Our small loans and large loans are our core loan products and are the drivers of our growth.

- ***Small Loans*** – We offer small installment loans with cash proceeds to customers ranging from $500 to $2,500, with terms of up to 48 months. Our small loans are typically secured by non-essential household goods and/or, to a lesser extent, a lien on a vehicle, which may be an automobile, motorcycle, boat, or all-terrain vehicle. As of December 31, 2020, we had 251,800 small loans outstanding representing $403.1 million in finance receivables, or an average of approximately $1,600 per loan. In 2020, 2019, and 2018, interest and fee income from small loans contributed $151.5 million, $168.4 million, and $156.6 million, respectively, to our total revenue.
- ***Large Loans*** – We offer large installment loans with cash proceeds to customers generally ranging from $2,501 to $25,000, with terms between 18 and 60 months. Our large loans are typically secured by non-essential household goods and/or a vehicle. As of December 31, 2020, we had 147,400 large loans outstanding representing $715.2 million in finance receivables, or an average of approximately $4,900 per loan. In 2020, 2019, and 2018, interest and fee income from large loans contributed $179.4 million, $145.1 million, and $111.1 million, respectively, to our total revenue.
- ***Retail Loans*** – We offer indirect retail loans of up to $7,500, with terms between 6 and 48 months, which are secured by the purchased items. These loans are offered at the point of sale through a network of retailers within and, to a limited extent, outside of our branch footprint. As of December 31, 2020, we had 10,400 retail loans outstanding representing $14.1 million in finance receivables, or an average of approximately $1,400 per loan. In 2020, 2019, and 2018, interest and fee income from retail loans contributed $3.4 million, $5.3 million, and $6.0 million, respectively, to our total revenue.
- ***Optional Payment and Collateral Protection Insurance Products*** – We offer our customers optional payment and collateral protection insurance relating to many of our loan products. In 2020, 2019, and 2018, insurance income, net contributed $28.3 million, $20.8 million, and $14.8 million, respectively, to our total revenue.

Through November 2017, we also offered direct and indirect automobile purchase loans of up to $27,500. We ceased originating automobile purchase loans in November 2017, but we continue to own and service the loans that we previously originated. As of December 31, 2020, we had 700 automobile loans outstanding representing $3.9 million in finance receivables, or an average of approximately $5,200 per loan. In 2020, 2019, and 2018, interest and fee income from automobile loans contributed $0.9 million, $2.4 million, and $6.4 million, respectively, to our total revenue.

### Industry, Customers, and Purpose

We operate in the consumer finance industry, in which consumers are generally described as super-prime (most creditworthy), prime, near-prime, non-prime, subprime, or deep-subprime (least creditworthy). Our customers typically have less-than-perfect credit profiles and, for that reason, are generally considered subprime, non-prime, or near-prime consumers. As a result, our customers often do not qualify for prime financing from banks, thrifts, credit card providers, and other lenders. However, like prime consumers, our customers have a need and a desire to utilize credit.

Notwithstanding that many lenders are unwilling to serve our customers, we believe that responsible, transparent, and fairly-priced credit products should be made available to our customers. We exist to serve that purpose, and accordingly, we offer our

customers access to credit through our affordable, easy-to-understand small, large, and retail loan products, which we price on fair terms in consideration of the associated credit risk and servicing costs.

The average annual percentage rate ("APR") of our small loans originated in 2020 was 42.1%. Our large loans, which are reserved for higher credit quality customers who meet more stringent underwriting requirements than those applied to small loan applicants, had an average APR of 30.1% for loans originated in 2020. We believe that the rates on our products are significantly more attractive than many other credit options available to our customers, such as payday, pawn, and title loans, which often come with APRs over 300%. Our loans are also safer and more favorably structured than loans offered by alternative financial service providers. We underwrite our loans based on an applicant's ability to repay, whereas payday, pawn, and title loans are typically underwritten based on an ability to collect, either through access to the borrower's bank account or by repossession and sale of collateral. We also structure our loans on a fixed-rate, fixed-term basis with fully amortizing, equal monthly installment payments that are designed to be affordable for our customers and made over an average term of 22 months and 45 months for small and large loans, respectively (for loans originated in 2020). By comparison, payday, pawn, and title loans typically have balloon payments following short terms of 14 to 60 days.

Importantly, we further differentiate ourselves from alternative financial service providers by reporting our customers' payment performance to credit bureaus. This practice provides our customers with the opportunity to improve their credit profile by establishing a responsible payment history with us and, ultimately, to gain access to a wider range of credit options, including our own. For example, in 2020, we worked with many of our deserving customers to refinance nearly 31,000 of our customers' small loans into large loans, representing $155.9 million in finance receivables at origination, and resulting in a decrease in these customers' average APR from 42.5% to 31.4%. We also believe that, over time, many of our customers transition away from our company to prime sources of credit.

Our diversity of loan products with competitive, safe, and transparent pricing and terms, combined with the opportunity for our customers to improve their credit history and profile, distinguishes us in the consumer finance market, provides us with a competitive advantage, and allows us to serve an important purpose that is mutually beneficial to our customers, communities, employees, and stockholders.

## Business Model

***Multiple Channel Platform.*** Our multiple channel platform, which includes our branches, direct mail campaigns, digital partners, retailers, and our consumer website, enables us to offer a range of loan products to new, existing, and former customers throughout our markets. We began building our branch network over 30 years ago and have expanded the network to 365 branches as of December 31, 2020. Our branch personnel market our products in a number of ways, including through a merchant referral program, customer referrals, direct telephone and mail solicitations of current and former customers, and by leveraging our direct mail program. Our direct mail campaigns include mailings of pre-screened convenience checks, pre-qualified offers, and invitations to apply, which enable us to market our products to millions of current and potential customers in a cost-effective manner. We have also developed our consumer website and partnered with digital lead generation sources to promote our products and facilitate loan applications via the internet. Finally, we have relationships with retailers that offer our retail loans in their stores at the point of sale. We believe that our multiple channel platform provides us with a competitive advantage by giving us broad access to our existing and former customers and multiple avenues to attract new customers.

***Attractive Products for Customers with Limited Access to Credit.*** Our flexible loan products, generally ranging from $500 to $25,000 with terms of up to 60 months, are competitively priced, easy to understand, and incorporate features designed to meet the varied financial needs and credit profiles of a broad range of consumers. This product diversity distinguishes us from monoline competitors and provides us with the ability to offer our customers new loan products as their credit profiles evolve, building customer loyalty and increasing the overall value of customer relationships.

***Integrated Branch Model.*** Our branch network serves as the foundation of our multiple channel platform and the primary point of contact with our customers. More than 80% of our loan originations in 2020 occurred in one of our branch locations, and nearly all loans, regardless of origination channel, are serviced through our branches, allowing us to maintain frequent, in-person contact with our customers. By integrating loan origination and loan servicing at the branch level, our employees are able to maintain a relationship with our customers throughout the life of a loan. We believe this frequent-contact, relationship-driven lending model provides greater insight into potential payment difficulties, reduces credit risk, and allows us to assess the borrowing needs of our customers, better enabling us to offer them new loan products as their credit profiles and needs evolve.

***Consistent Portfolio Performance.*** Over the past several years, we have sharpened our focus on credit quality by investing in highly-qualified personnel, refining underwriting practices, developing custom credit scorecards, streamlining procedures,

automating underwriting decisions, and improving reporting capabilities. These investments allow us to better control the credit quality of our portfolio, maintain compliance with evolving state and federal law, and react quickly whenever market dynamics may change. We have also expanded our centralized collections department and provided our branches with improved collections tools, training, and incentives. As a result of these efforts and practices, between 2016 and 2020, we reported annual net credit loss rates in a relatively narrow band of 8.9% to 9.5% of average net finance receivables.

***Demonstrated Organic Growth.*** We have grown our total finance receivables by 78.2%, from $637.6 million at December 31, 2015 to $1,136.3 million at December 31, 2020, a compound annual growth rate ("CAGR") of 12.2%. More importantly, we have grown our core small loan and large loan finance receivables by 126.7%, from $493.2 million at December 31, 2015 to $1,118.3 million at December 31, 2020, a CAGR of 17.8%. This receivables growth has driven a revenue increase of 72.1%, from $217.3 million in 2015 to $373.9 million in 2020, a CAGR of 11.5%. Our portfolio growth has come from expanding our branch network, growing our finance receivable portfolios within existing branches, and developing new products and channels, including through digital lead generation. From 2016 to 2020, we grew our year-end branch count from 331 branches to 365 branches. Historically, our branches have rapidly increased their outstanding finance receivables during the early years of operations and generally achieved profitability within one year of opening.

***Experienced Management Team.*** Our executive and senior operations management teams consist of individuals experienced in installment lending and other consumer finance services. Both our Chief Executive Officer and our Chief Operating Officer have over 30 years of experience in consumer financial services, our Chief Financial Officer has over 20 years of financial services experience, with extensive skills related to capital and credit management, and our Chief Credit Risk Officer has over 15 years of financial and consumer lending experience, including expertise in credit risk management. As of December 31, 2020, our state operations vice presidents averaged nearly 26 years of industry experience and 9 years of service at Regional, while our district supervisors averaged more than 21 years of industry experience and nearly 7 years of service with Regional. Our executive and senior operations management team members intend to leverage their experience and expertise in consumer lending to grow our business, deliver high-quality service to our customers, and carefully manage our credit risk.

**Strategies**

***Grow Our Branch Network.*** We intend to continue to grow the receivables, revenue, and profitability of our existing branches, to open new branches within our existing geographic footprint, and to expand our operations into new states. Establishing local contact with our customers through our branch network is key to our frequent-contact, relationship-driven lending model. We believe that there remains substantial opportunity to grow the finance receivable portfolios of our existing branches by continuing our focus on large loan originations and by cross-selling new loan products to our existing customers, including those customers with retail loans. In addition, from 2016 to 2020, we opened 34 net new branches, and in 2018, we opened our first branches in Missouri and Wisconsin. We expect that as our newer branches mature, their revenue will grow faster than our overall same-store revenue growth rate. We believe there is sufficient demand for consumer finance services to continue new branch openings in certain of the states where we currently operate, allowing us to capitalize on our existing infrastructure and experience in these markets. We also intend to explore opportunities for growth in states outside of our existing geographic footprint that enjoy favorable operating environments. We plan to expand our operations to Illinois in the second quarter of 2021 and to four or five additional states in the approximately 18 months thereafter. Our competitors operate in as many as 44 states.

***Leverage Our Direct Mail Capabilities.*** Direct mail campaigns are launched throughout the year, but are weighted to coincide with seasonal consumer demand. In addition, we mail convenience checks in new markets as soon as new branches are open, which develops a customer base and builds finance receivables for these new branches. We plan to continue to invest in and to improve the targeting criteria, offer strategies, and testing protocols of our direct mail campaigns, which we believe will enable us to efficiently grow our receivables with improved credit performance. We expect that these efforts will allow us to increase volume at our branches by adding new customers, recapturing former customers, and creating opportunities to offer new loan products to our existing customers.

***Expand Our Digital Presence.*** In order to better attract and serve customers who prefer to conduct business digitally, we make an online loan application available on our consumer website, generate customer leads through digital partners, and provide our customers with online account management capabilities. Throughout 2020, we continued to invest in our digital acquisition channel, enabling us to grow digital volume as a percentage of new customer volume to more than 29% in the fourth quarter of 2020. We also continued to enhance and promote our online account management tools that enable customers to make payments and manage their accounts online. In 2021 and 2022, we expect to continue our focus on the digital channel. During the first half of 2021, we intend to roll out an improved digital prequalification experience for our customers, including expanded integrations with existing and new digital affiliates and lead generators. We also plan to pilot a new guaranteed loan offer program, which will be an

alternative to our convenience check loan product and may be fulfilled online, with ACH funding into a customer's bank account. In the second half of 2021 and into early 2022, we expect to test a digital origination product and channel for new and existing customers. At the same time, we plan to complete the development of our mobile app and enhancements to our customer portal, allowing our customers easy access to payment functionality and additional features. Our investment in our digital channel allows us to add capabilities, improve efficiencies, enhance the customer experience, and test new mechanisms for lead generation to diversify and expand our new business acquisition opportunities.

***Maintain Sound Underwriting and Credit Control.*** We have invested heavily in our credit and collections functions. We plan to continue to do so in the future by maintaining highly-qualified employees dedicated to managing credit risk, refining our underwriting models, and improving our collection efforts through both our branch operations and our centralized collections department. In early 2018, we completed the implementation of our new loan origination and servicing software platform, which allows us to automate our underwriting decisions, among other benefits. In addition, we began to integrate custom credit models into our automated underwriting processes during the second half of 2018. We completed the rollout of our custom credit models to all of our states in 2019 and began seeing the impact in our results in late 2019. Through these efforts and others, we plan to continue to carefully manage our credit exposure as we grow our business, offer new products, and enter new markets.

***Carefully Manage Our G&A Expenses.*** We have made significant investments in our business over the past several years, including by increasing our marketing spend to drive new business, expanding our branch network, hiring operations employees to service our growing finance receivable portfolio, and improving our credit and information technology capabilities. However, during that time, we also remained keenly focused on driving operating leverage through the prudent management of our expenses. Between 2016 and 2020, our operating expense ratio (annualized general and administrative expenses as a percentage of average net finance receivables) decreased from 17.8% to 16.4%. As we grow our business, we will remain vigilant in our management of general and administrative expenses, with the goal of decreasing such expenses as a percentage of average finance receivables over time.

**Loan Products**

We offer small, large, and retail installment loans to our customers. Our underwriting standards focus on our customers' ability to affordably make loan payments out of their discretionary income, with the value of pledged collateral serving as a credit enhancement rather than the primary underwriting criterion. The interest rates, fees and other charges, maximum principal amounts, and maturities for our loans vary from state to state, depending on the competitive environment and relevant laws and regulations.

Small and large loans are closed in our branch network or originated through our convenience check direct mail campaigns. Our convenience check direct mail loan offers enable prospective customers to enter into a loan with us by cashing or depositing the check attached to the loan offer, thereby agreeing to the terms of the loan as prominently set forth on the check and accompanying disclosures. When a customer enters into a loan by cashing or depositing the convenience check, our personnel gather additional information on the borrower to assist in servicing the loan. Our retail loans are indirect installment loans structured as retail installment sales contracts. Retail loans are made through a retailer at the point of sale without the need for the customer to visit one of our branches. Customers use our retail loans to finance the purchase of furniture, appliances, and other retail products. The vast majority of our retail loans are originated inside of our eleven-state, brick-and-mortar footprint, but on a limited basis, we offer retail loans in states outside of our footprint. The servicing of nearly all retail loans is performed within our branches, with only out-of-footprint retail loans being serviced centrally from our headquarters in South Carolina.

For loans originated in our branch network, we consider numerous factors in evaluating a potential customer's creditworthiness, such as unencumbered income, debt-to-income ratio, length of current employment, duration of residence, and a credit report detailing the applicant's credit history. Our loan origination and servicing software platform guides our branch personnel through the credit application process and automates much of the underwriting, with underwriting exceptions generally subject to review and approval by a senior operations or centralized underwriting team member. For retail loans, our retail partners typically submit credit applications to us online while the customer waits in the retailer's store. Underwriting for our retail loans is conducted by our centralized underwriting team using standards substantially similar to our branch small loan and large loan underwriting guidelines. Our retail loan credit decisions generally are provided to the retailer within ten minutes of our receipt of the application. For convenience check loans, each prospect that we solicit has been pre-screened through a major credit bureau against our underwriting criteria, which includes an evaluation of the recipient's credit score, bankruptcy history, and a number of additional credit attributes relevant to the recipient's likely ability and willingness to repay the offered convenience check loan.

Loan renewals are also an important part of our business. Our customers use renewals to extend and expand their lending relationships with us. We generally offer loan renewals to existing customers who have demonstrated an ability and willingness to

repay amounts owed to us. Renewals typically refinance one or more of a customer's loans into a single new loan, which in some cases will be for a larger principal balance than the customer's original loan, though we permit renewals of existing loans at or below the original loan amount. In evaluating a loan for renewal, in addition to our standard underwriting requirements, we are able to take into consideration the customer's prior payment performance with us, which we believe is a very strong indicator of the customer's future credit performance. In 2020, renewals of loans in an amount greater than the original loan amount represented 52.7% of our loan originations, while renewals of loans at or below the original loan amount represented 17.2% of our loan originations.

***Small Loans.*** In 2020, the average originated net loan size and term for our small loans were $2,003 and 22 months, respectively. The average yield we earned on our portfolio of small loans was 37.3% in 2020. The following table sets forth the distribution of our small loan finance receivable portfolio by state as of the dates indicated.

| | At December 31, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Texas | 32% | 34% | 34% | 39% | 37% |
| South Carolina | 20% | 17% | 16% | 13% | 12% |
| North Carolina | 15% | 14% | 15% | 15% | 17% |
| Alabama | 14% | 14% | 13% | 11% | 11% |
| All Other States | 19% | 21% | 22% | 22% | 23% |
| **Total** | 100% | 100% | 100% | 100% | 100% |

The following table sets forth the total number of small loans, total small loan finance receivables, and average size per loan by state as of December 31, 2020.

| | Number of Loans | Net Finance Receivables | Average Size Per Loan |
|---|---|---|---|
| | | (In thousands) | |
| Texas | 93,939 | $ 149,435 | $ 1,591 |
| South Carolina | 29,715 | 49,668 | 1,671 |
| North Carolina | 40,267 | 67,522 | 1,677 |
| Alabama | 25,661 | 43,924 | 1,712 |
| All Other States | 62,195 | 92,513 | 1,487 |
| **Total** | 251,777 | $ 403,062 | $ 1,601 |

***Large Loans.*** In 2020, our average originated net loan size and term for large loans were $5,520 and 45 months, respectively. The average yield we earned on our portfolio of large loans was 27.9% for 2020. The following table sets forth the distribution of our large loan finance receivable portfolio by state as of the dates indicated.

| | At December 31, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Texas | 22% | 24% | 27% | 27% | 29% |
| South Carolina | 20% | 19% | 21% | 19% | 18% |
| North Carolina | 21% | 19% | 16% | 15% | 14% |
| Alabama | 14% | 12% | 11% | 11% | 10% |
| All Other States | 23% | 26% | 25% | 28% | 29% |
| **Total** | 100% | 100% | 100% | 100% | 100% |

The following table sets forth the total number of large loans, total large loan finance receivables, and average size per loan by state as of December 31, 2020.

| | Number of Loans | Net Finance Receivables | Average Size Per Loan |
|---|---|---|---|
| | | (In thousands) | |
| Texas | 44,329 | $ 209,491 | $ 4,726 |
| South Carolina | 24,732 | 125,282 | 5,066 |
| North Carolina | 22,522 | 102,442 | 4,549 |
| Alabama | 14,323 | 69,046 | 4,821 |
| All Other States | 41,474 | 208,949 | 5,038 |
| **Total** | 147,380 | $ 715,210 | $ 4,853 |

***Retail Loans.*** In 2020, our average originated net loan size and term for retail loans were $2,276 and 30 months, respectively. The average yield we earned on our portfolio of retail loans was 18.2% for 2020. The following table sets forth the distribution of our retail loan finance receivable portfolio by state as of the dates indicated.

| | At December 31, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Texas | 73% | 75% | 72% | 74% | 74% |
| North Carolina | 8% | 7% | 9% | 10% | 14% |
| Oklahoma | 6% | 5% | 6% | 6% | 4% |
| All Other States | 13% | 13% | 13% | 10% | 8% |
| **Total** | 100% | 100% | 100% | 100% | 100% |

The following table sets forth the total number of retail loans, total retail loan finance receivables, and average size per loan by state as of December 31, 2020.

| | Number of Loans | Net Finance Receivables | Average Size Per Loan |
|---|---|---|---|
| | | (In thousands) | |
| Texas | 7,613 | $ 10,555 | $ 1,386 |
| North Carolina | 1,368 | 1,917 | 1,401 |
| Oklahoma | 522 | 586 | 1,123 |
| All Other States | 889 | 1,040 | 1,170 |
| **Total** | 10,392 | $ 14,098 | $ 1,357 |

**Insurance and Ancillary Products**

We also offer our customers various optional payment and collateral protection insurance products as a complement to our lending operations. Our primary insurance products include optional credit life insurance, accident and health insurance, involuntary unemployment insurance, and personal property insurance. These insurance products are optional and not a condition of the loan, and we do not sell insurance to non-borrowers. Our insurance products, including the types of products offered and their terms and conditions, vary from state to state in compliance with applicable laws and regulations. Insurance policy premiums, claims, and expenses are included in our results of operations as insurance income, net in the consolidated statements of income. In 2020, insurance income, net was $28.3 million, or 7.6% of our total revenue.

Credit life insurance provides for the payment in full of the borrower's credit obligation to the lender in the event of the borrower's death and, in some states, may provide a payment to a secondary beneficiary listed by the borrower. Credit accident and health insurance provides for the repayment of certain loan installments to the lender that come due during an insured's period of income interruption resulting from disability from illness or injury. Credit involuntary unemployment insurance provides for repayment of certain loan installments in the event that the borrower is no longer employed as the result of a qualifying event, such as a layoff or reduction in workforce. Credit personal property insurance provides for payment following accidental loss of, or damage to, personal property collateral resulting from certain casualty events. We require that customers maintain property insurance on any personal property securing loans and offer customers the option of providing proof of such insurance purchased from a third party (such as homeowners or renters insurance) in lieu of purchasing property insurance from us. We also require

proof of insurance on any vehicles securing loans, and in select markets, we offer vehicle single interest insurance on vehicles used as collateral on small and large loans.

All customers purchasing these types of insurance from us are required to sign multiple statements affirming that they understand that their purchase of insurance is optional and not a condition of the loan. In addition, a customer may cancel purchased insurance at any time during the life of the loan, including in connection with an early payoff or loan refinancing. Customers who cancel within thirty (30) days of the date of purchase receive a full refund of the insurance premium, and customers who cancel thereafter receive a refund of the unearned portion of the insurance premium.

Apart from the various optional payment and collateral protection insurance products that we offer to our customers, on certain loans, we also collect a fee from our customers and, in turn, purchase non-file insurance from an unaffiliated insurance company for our benefit in lieu of recording and perfecting our security interest in personal property collateral. Non-file insurance protects 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 (for example, in certain instances where a customer files for bankruptcy). In such circumstances, non-file insurance generally will pay to us an amount equal to the lesser of the loan balance or the collateral value, with such claims payment lowering our net credit losses.

We market and sell insurance policies as an agent of an unaffiliated insurance company, within the limitations established by our agency contracts with the unaffiliated insurance company. We then remit to the unaffiliated insurance company the premiums we collect, net of refunds on prepaid loans and net of commission on new business. The unaffiliated insurance company then cedes to our wholly-owned insurance subsidiary, RMC Reinsurance, Ltd., the net insurance premium revenue and the associated insurance claims liability for all insurance products, including the non-file insurance that we purchase. Life insurance premiums are ceded as written, and non-life insurance premiums are ceded as earned. In accepting the premium revenue and associated claims liability, RMC Reinsurance, Ltd. acts as reinsurer for all insurance products that we sell to our customers and for the non-file insurance that we purchase. RMC Reinsurance, Ltd. pays the unaffiliated insurance company a ceding fee for the continued administration of all insurance products.

In addition, in select states, we offer an “Auto Plus Plan” auto club product that is administered and serviced through a third-party provider. The product generally provides certain automobile, home, travel, and other services and benefits to customers, including emergency towing and roadside assistance, emergency locksmith service, automobile repair reimbursement, stolen car expense benefit, automobile insurance deductible reimbursement, limited legal services, and various travel and other discounts. The Auto Plus Plan is not an insurance product, and therefore, it is not included in our results of operations as insurance income, net, but rather, it is included as part of revenue under other income. However, as with the optional insurance products that we offer, any customer purchasing an Auto Plus Plan acknowledges that the purchase is optional and not a condition of the loan and that the plan may be cancelled within 30 days for a full refund.

**Branch Network**

Our branches are generally located in visible, high-traffic locations, such as shopping centers. We believe that our branches have an open, welcoming, and hospitable layout. In evaluating whether to locate a branch in a particular community, we examine several factors, including the demographic profile of the community, demonstrated demand for consumer finance, the regulatory and political climate, and the availability of suitable employees to staff, manage, and supervise the new branch.

The following table sets forth the number of branches as of the dates indicated:

| | At December 31, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Texas | 98 | 98 | 103 | 105 | 108 |
| South Carolina | 72 | 68 | 67 | 65 | 57 |
| Alabama | 49 | 47 | 46 | 46 | 45 |
| North Carolina | 36 | 37 | 36 | 36 | 36 |
| Oklahoma | 28 | 28 | 28 | 24 | 24 |
| Tennessee | 21 | 21 | 23 | 23 | 23 |
| Virginia | 8 | 17 | 18 | 19 | 19 |
| Missouri | — | — | 9 | 15 | 18 |
| New Mexico | 19 | 18 | 17 | 16 | 15 |
| Wisconsin | — | — | 4 | 9 | 11 |
| Georgia | 8 | 8 | 8 | 8 | 9 |
| **Total** | 339 | 342 | 359 | 366 | 365 |

The following table sets forth the average net finance receivables per branch based on maturity:

| Age of Branch (As of December 31, 2020) | Average Net Finance Receivables Per Branch as of December 31, 2020 (In thousands) | Percentage Increase From Prior Age Category | Number of Branches |
|---|---|---|---|
| Branches open less than one year | $ 1,518 | — | 9 |
| Branches open one to three years | $ 1,927 | 26.9% | 36 |
| Branches open three to five years | $ 3,052 | 58.4% | 25 |
| Branches open five years or more | $ 3,312 | 8.5% | 295 |

The average contribution to operating income from our branches has historically increased as our branches mature. The following table sets forth the average operating income contribution per branch for the year ended December 31, 2020, based on maturity of the branch.

| Age of Branch (As of December 31, 2020) | Average Branch Operating Income Contribution (In thousands) | Percentage Increase From Prior Age Category | Number of Branches |
|---|---|---|---|
| Branches open less than one year | $ 38 | — | 9 |
| Branches open one to three years | $ 129 | 239.5% | 36 |
| Branches open three to five years | $ 350 | 171.3% | 25 |
| Branches open five years or more | $ 473 | 35.1% | 295 |

We calculate the average branch contribution as total revenues generated by the branch less the expenses directly attributable to the branch, including the provision for losses and operating expenses, such as personnel, lease, and interest expenses. General corporate overhead, including management salaries, is not attributed to any individual branch. Accordingly, the sum of branch contributions from all of our branches is greater than our income before taxes.

**Human Capital**

As of December 31, 2020, we had 1,542 employees, including 1,247 employees on our field operations teams and 295 employees (including centralized collection staff) on our headquarters teams. All of our employees are located within the U.S., none of whom is covered by a collective bargaining agreement. We work diligently to attract the best talent in order to meet the current and future demands of our business, and we have demonstrated a history of investing in our workforce by offering competitive compensation, comprehensive benefits, and development opportunities. To ensure that we provide a rewarding experience for our employees, we engage independent third parties to conduct periodic employee engagement surveys, enabling us to regularly measure organizational culture and engagement and to improve upon the employee experience, which in turn drives a superior customer experience.

We are also committed to fostering, cultivating, and preserving a culture of diversity, equity, and inclusion ("DE&I"). We believe that the collective sum of the individual differences, life experiences, knowledge, inventiveness, self-expression, unique capabilities, and talent that our employees invest in their work represent a significant part of our culture, reputation, and achievement. We believe that an emphasis on DE&I drives value for our employees, customers, and stockholders, and that our DE&I commitment enables us to better serve our communities. In 2020, in furtherance of our DE&I objectives, we appointed our first Director of Diversity, Equity, and Inclusion, and in early 2021, we adopted a DE&I strategic plan that will better enable us to recruit, retain, and develop our diverse talent, and to measure our progress in delivering on our DE&I goals.

In 2020, we also focused on and invested in maintaining the health and safety of our employees in the midst of the COVID-19 pandemic. We implemented enhanced safety measures in all of our branches, covered the cost of virtual health visits for our employees, and offered paid leave for those exposed to the COVID-19 virus. We also expanded our paid time off policy to provide employees with flexibility to address personal obligations arising from the pandemic and to assist in situations where employees were unable to work remotely.

We also offer our employees a variety of training and development opportunities. New employees complete a comprehensive training curriculum that focuses on the company- and position-specific competencies needed to be successful. The training includes a blended approach utilizing eLearning modules, hands-on exercises, webinars, and assessments. Training content is focused on our operating policies and procedures, as well as several key compliance areas. Incentive compensation for new employees is contingent upon the successful and timely completion of the required new hire training curriculum. All current employees are also required to complete annual compliance training and re-certification. Additional management and developmental training is provided for those employees seeking to advance within our company.

**Payment and Loan Servicing**

We have implemented company-wide payment and loan servicing policies and procedures, which are designed to maintain consistent portfolio performance and to ensure regulatory compliance. Our district supervisors, state vice presidents, and compliance and internal audit teams regularly review servicing and collection records to ensure compliance with our policies and procedures. Our centralized management information system enables regular monitoring of branch portfolio metrics by management, and the compensation opportunities of our operations employees and senior management have a significant performance component that is closely tied to credit quality, among other defined performance targets.

The responsibility for the servicing and collection of each loan generally rests with the originating branch. Borrowers who have signed up for online account access have on-demand access to their account information through Regional's website. In addition, borrowers may elect to receive automated, one-way text messages with information regarding their account, including payment reminders. Borrowers have the option of making payments (i) in person at a branch where they may pay by cash, check, money order, debit card, or immediate, one-time future, or recurring ACH, (ii) through our customer portal via debit card or immediate, one-time future, or recurring ACH, or (iii) by immediate or one-time future debit card or ACH over the phone. In the fourth quarter of 2020, over 80% of customer payments were made by debit card or ACH.

If a loan becomes severely delinquent, a branch may receive co-collection assistance from our centralized servicing team. Our philosophy is to work with customers experiencing payment difficulties. If a customer is unable to make the required payments to bring his or her loan current, acceptable solutions to remedy a past due loan may include deferral of a payment, loan renewal, or settlement. All solutions are intended to enable the customer to meet his or her current and future obligations in a manner that we believe will mitigate our risk, while also complying with state and federal laws and regulations, as well as our policies and procedures.

Customers are limited to two deferrals in a rolling twelve-month period unless it is determined that an exception is warranted (e.g. due to a natural disaster or pandemic). We generally limit the refinancing of delinquent loans to those customers who have made recent payments and for whom we have verified current employment, and we do not charge any origination fees on the refinancing of a severely delinquent loan. We believe that refinancing delinquent loans for certain deserving customers who have made periodic payments allows us to help customers resolve temporary financial setbacks and repair or sustain their credit. During 2020, we refinanced approximately $15.9 million of loans that were 60 or more days contractually past due, representing approximately 1.5% of our total loan originations in 2020. As of December 31, 2020, the outstanding balance of such refinanced loans was $9.5 million, or 0.8% of finance receivables as of such date. We may also agree to settle a past-due loan by accepting less than the full principal balance owed. A settlement is only used in certain limited cases and is only offered once we have determined that we are unlikely to collect the entire outstanding balance of the loan.

For seriously delinquent accounts, we may seek legal judgments or pursue repossession of collateral. We typically initiate repossession efforts only when we have exhausted other means of collection and, in the opinion of management, the customer is unlikely to make further payments. We sell substantially all repossessed collateral through sales conducted by independent auction organizations, after the required post-repossession waiting period. Generally, we charge off loans during the month that the loan becomes 180 days contractually delinquent. Non-titled accounts in a confirmed Chapter 7 or Chapter 13 bankruptcy are charged off 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. We sell most of our charged-off accounts to third-party debt buyers.

**Information Technology**

We utilize a loan origination and servicing platform offered by Nortridge Software, LLC ("Nortridge") both to originate loans and to service our loan portfolio. We have invested in customizing the Nortridge platform to meet our needs based upon our specific products, processes, and reporting requirements. The Nortridge custom decision engine utilizes application information and a credit report detailing the applicant's credit history to generate an initial credit decision and to guide our branch employees through the loan origination process to the final credit decision. Throughout the life of the loan, our employees utilize Nortridge to, among other things, enter payments, generate collection queues, and log collection activity. Nortridge also facilitates electronic and recurring payments, automated text messaging, and customer account access through a customer portal. Nortridge logs and maintains, within our centralized information systems, a permanent record of the loan origination and servicing approvals and processes, and permits all levels of branch and centralized management to review the individual and collective performance of all branches for which they are responsible on a daily basis.

We intend to continue to enhance the Nortridge platform to further leverage its capabilities and to meet our evolving needs. In addition, we rely on Teledata Communications Inc. and other third-party software vendors to provide access to certain credit applications.

**Competition**

The consumer finance industry is highly fragmented, with numerous competitors. The competition we face for each of our loan products is distinct.

***Small and Large Loans.*** We compete with several national companies operating greater than 800 branch locations each, as well as a handful of smaller, regionally-focused companies with between 100 and 300 branches in certain of the states in which we operate. We believe that the majority of our competitors are independent operators with generally less than 100 branches. We believe that competition between installment consumer loan companies occurs primarily on the basis of price, breadth of loan product offerings, flexibility of loan terms offered, and the quality of customer service provided. While underbanked customers may also use alternative financial services providers, such as title lenders, payday lenders, and pawn shops, these providers' products offer different terms and typically carry substantially higher interest rates and fees than our installment loans. Accordingly, we believe that alternative financial services providers are not an attractive option for customers who meet our underwriting standards, which are generally stricter than the underwriting standards of alternative financial services providers. Our small and large loans also compete with pure online lenders, peer-to-peer lenders, and issuers of non-prime credit cards.

***Retail Loans.*** In recent years, the retail loan industry has seen an increasing number of lenders enter the market that are dedicated to originating non-prime retail loans. We also face competition from companies offering rent-to-own financing, leasing, credit card, and "buy now, pay later" products. Our retail loans are typically made at competitive rates, and competition is largely on the basis of interest rates charged, the quality of credit accepted, the flexibility of loan terms offered, the speed of approval, and the quality of customer service provided. Point-of-sale financing decisions must be made rapidly while the customer is on the sales floor. We endeavor to provide responses to customer applications in less than ten minutes, and we staff our centralized retail loan underwriting team with multiple shifts seven days per week during peak retail shopping hours to ensure rapid response times.

**Seasonality**

Our loan volume and contractual delinquency follow seasonal trends. Demand for our small and large 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. In addition, the current expected credit loss ("CECL") accounting model requires earlier recognition of credit losses compared to the prior incurred loss approach. This could result in larger allowance for credit loss releases in periods of loan portfolio

liquidation, and larger provisions for credit losses in periods of loan portfolio growth compared to prior years. Consequently, we experience seasonal fluctuations in our operating results and cash needs. However, changes in borrower assistance programs and customer access to external economic stimulus measures related to COVID-19 have impacted our typical seasonal trends for volume and delinquency.

**COVID-19 Response**

The COVID-19 pandemic significantly impacted our business in 2020, and we expect it will continue to impact our business in 2021. Throughout the pandemic, our top priority has been the health and well-being of our employees and customers. We have worked diligently to provide a safe environment for our employees and customers, while also continuing to provide the loan products and services to meet our customers' needs. Since the early days of the COVID-19 pandemic, our branch personnel and centralized collection team, aided by our digital capabilities, have provided largely uninterrupted support to our customers. In order to safely and successfully provide this support, we implemented social distancing measures, enhanced sanitation, and supplied personal protective equipment across our branch network. In addition, data-driven risk management, enhanced digital capabilities, including remote loan closings, and the maintenance of a strong liquidity profile have allowed us to manage through the pandemic effectively.

For a more detailed discussion of the impact of COVID-19 on our business and operations, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

**Government Regulation**

Consumer finance companies are subject to extensive regulation, supervision, and licensing under various federal, state, and local statutes, regulations, and ordinances. Many of these laws impose detailed constraints on the terms of our loans and the retail installment sales contracts that we purchase, the lending forms that we utilize, and our operations. The software that we use to originate loans is designed in part to aid in compliance with all applicable lending laws and regulations.

***State Lending Regulation.*** We are regulated by state agencies that regularly audit our branches and operations. In general, state statutes establish maximum loan amounts and interest rates, as well as the types and maximum amounts of fees and insurance premiums that we may charge for both direct and indirect lending. Specific allowable charges vary by state. In addition, state laws regulate the keeping of books and records and other aspects of the operation of consumer finance companies, and state and federal laws regulate account collection practices. State agency approval is required to open new branches, and each of our branches is separately licensed under the laws of the state in which the branch is located. Licenses granted by the regulatory agencies in these states are subject to renewal every year and may be revoked for failure to comply with applicable state and federal laws and regulations. In the states in which we currently operate, licenses may be revoked only after an administrative hearing. We believe we are in compliance with state laws and regulations applicable to our lending operations in each state.

***State Insurance Regulation.*** Premiums and charges for optional payment and collateral protection insurance products are set at or below authorized statutory rates and are stated separately in our disclosures to customers, as required by the federal Truth in Lending Act and by various applicable state laws. We are also subject to state laws and regulations governing insurance agents in the states in which we sell insurance. State insurance regulations require that insurance agents be licensed and limit the premium amount charged for such insurance. Our captive insurance subsidiary is regulated by the insurance authorities of the Turks and Caicos Islands of the British West Indies, where the subsidiary is organized and domiciled.

***Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act").*** At the federal level, Congress enacted comprehensive financial regulatory reform legislation in 2010. A significant focus of the law, known as the Dodd-Frank Act, is heightened consumer protection. The Dodd-Frank Act established the Consumer Financial Protection Bureau (the "CFPB"), which has regulatory, supervisory, and enforcement powers over providers of consumer financial products and services, including explicit supervisory authority to examine and require registration of non-depository lenders and to promulgate rules that can affect the practices and activities of lenders.

The Dodd-Frank Act and the regulations promulgated thereunder may affect our operations through increased oversight of financial services products by the CFPB and the imposition of restrictions on the terms of certain loans. The CFPB has significant authority to implement and enforce federal consumer finance laws, including the protections established in the Dodd-Frank Act, as well as the authority to identify and prohibit unfair, deceptive, and abusive acts and practices.

The Dodd-Frank Act also gives the CFPB the authority to examine and regulate large non-depository financial companies and gives the CFPB authority over anyone deemed by rule to be a "larger participant of a market for other consumer financial products

or services." The CFPB contemplates regulating the installment lending industry as part of the "consumer credit and related activities" market. However, this so-called "larger participant rule" will not impose substantive consumer protection requirements, but rather will provide to the CFPB the authority to supervise larger participants in certain markets, including by requiring reports and conducting examinations to ensure, among other things, that they are complying with existing federal consumer financial law. While the CFPB has defined a "larger participant" standard for certain markets, such as the debt collection, automobile finance, and consumer reporting markets, it has not yet acted to define "larger participant" in the traditional installment lending market. If, in the future, a traditional installment lending "larger participant rule" is promulgated by the CFPB, the rule would likely cover only the largest installment lenders, and we do not yet know whether the definition of larger participant would cover us.

In addition to the grant of certain regulatory powers to the CFPB, the Dodd-Frank Act gives the CFPB authority to pursue administrative proceedings or litigation for violations of federal consumer financial laws. In these proceedings, the CFPB can obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief) and monetary penalties. Also, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations thereunder, the Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions to remedy violations of state law.

***Other Federal Laws and Regulations.*** In addition to the Dodd-Frank Act and state and local laws, regulations, and ordinances, numerous other federal laws and regulations affect our lending operations. These laws include the Truth in Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Servicemembers Civil Relief Act, the Military Lending Act, the Gramm-Leach-Bliley Act, and in each case the regulations thereunder, and the Federal Trade Commission's Credit Practices Rule. These laws require us to provide complete disclosure of the principal terms of each loan to the borrower prior to the consummation of the loan transaction, prohibit misleading advertising, protect against discriminatory lending practices, govern the manner in which we report customer information to consumer reporting agencies, govern the terms of loans to servicemembers, and proscribe unfair credit practices.

- Truth in Lending Act. Under the Truth in Lending Act and Regulation Z promulgated thereunder, we must disclose certain material terms related to a credit transaction, including, but not limited to, the annual percentage rate, finance charge, amount financed, total of payments, the number and amount of payments, and payment due dates to repay the indebtedness.
- Equal Credit Opportunity Act. Under the Equal Credit Opportunity Act and Regulation B promulgated thereunder, we cannot discriminate against any credit applicant on the basis of any protected category, such as race, color, religion, national origin, sex, marital status, or age. We are also required to make certain disclosures regarding consumer rights and advise customers whose credit applications are not approved of the reasons for the rejection.
- Fair Credit Reporting Act. Under the Fair Credit Reporting Act, we must provide certain information to customers whose credit applications are not approved on the basis of a report obtained from a consumer reporting agency, promptly update any credit information reported to a credit reporting agency about a customer, and have a process by which customers may inquire about credit information furnished by us to a consumer reporting agency.
- Servicemembers Civil Relief Act. The Servicemembers Civil Relief Act is designed to ease legal and financial burdens on military personnel and their families during active duty status. We may be required to reduce interest rates on "pre-service" debts incurred by servicemembers, and we may be prohibited from pursuing certain forms of legal action against servicemembers, such as default judgments, during periods of active duty.
- Military Lending Act. The Military Lending Act applies to active-duty servicemembers and their covered dependents. We are prohibited from charging a borrower covered under the Military Lending Act more than a 36% Military Annual Percentage Rate, which includes certain costs associated with the loan in calculating the interest rate.
- Gramm-Leach-Bliley Act. Under the Gramm-Leach-Bliley Act, we must protect the confidentiality of our customers' non-public personal information and disclose information on our privacy policy and practices, including with regard to the sharing of customers' non-public personal information with third parties. This disclosure must be made to customers at the time the customer relationship is established and, in some cases, at least annually thereafter.
- Credit Practices Rule. The Federal Trade Commission's Credit Practices Rule limits the types of property we may accept as collateral to secure a consumer loan.

Violations of these statutes and regulations may result in actions for damages, claims for refund of payments made, certain fines and penalties, injunctions against certain practices, and the potential forfeiture of rights to repayment of loans. 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 I, Item 1A, "Risk Factors."

**Additional Information**

The Company's principal internet address is *www.regionalmanagement.com*. The Company provides its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and all amendments to those reports, free of charge on *www.regionalmanagement.com*, as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission. The Company's consumer website is *www.regionalfinance.com*. The information contained on, or that can be accessed through, the Company's websites is not incorporated by reference into this Annual Report on Form 10-K. The Company has included its website addresses as factual references and does not intend the website addresses to be active links to such websites.

## ITEM 1A. *RISK FACTORS.*

*We operate in a rapidly changing environment that involves a number of risks, some of which are beyond our control. The following discussion highlights some of the risks that may affect our future operating results. These are the risks and uncertainties that we believe are the most important for you to consider, but the risks described below are not the only risks facing our company. Additional risks and uncertainties not presently known to us, that we currently deem immaterial, or that are similar to those faced by other companies in our industry or in business in general, may also impair our business operations. If any of the following risks or uncertainties occurs, continues, or worsens, our business, financial condition, and operating results would likely suffer. You should carefully consider the risks described below together with the other information set forth in this Annual Report on Form 10-K.*

**Risk Factor Summary**

Our business is subject to a number of material risks that may adversely affect our company. These risks are discussed in greater detail below, and include, but are not limited to, risks related to:

***Risks related to our business***

- The COVID-19 pandemic, including its impact on our operations and financial condition;
- Managing our growth effectively, implementing our growth strategy, and opening new branches as planned;
- Our convenience check strategy;
- Our policies and procedures for underwriting, processing, and servicing loans;
- Our ability to collect on our loan portfolio;
- Our insurance operations;
- Exposure to credit risk and repayment risk, which risks may increase in light of adverse or recessionary economic conditions;
- The implementation of new underwriting models and processes, including as to the effectiveness of new custom scorecards;
- Changes in the competitive environment in which we operate or a decrease in the demand for our products;
- Geographic concentration of our loan portfolio;
- Failure of third-party service providers, including those providing information technology products;
- Changes in economic conditions in the markets we serve, including levels of unemployment and bankruptcies;
- Our ability to achieve successful acquisitions and strategic alliances;
- Our ability to make technological improvements as quickly as our competitors;
- Security breaches, cyber-attacks, failures in our information systems, or fraudulent activity;
- Our ability to originate loans;
- Our reliance on information technology resources and providers, including the risk of prolonged system outages;
- Changes in current revenue and expense trends, including trends affecting delinquencies and credit losses;
- Changes in operating and administrative expenses;
- The departure, transition, or replacement of key personnel;

- Our ability to timely and effectively implement, transition to, and maintain the necessary information technology systems, infrastructure, processes, and controls to support our operations and initiatives;
- Changes in interest rates;
- Existing sources of liquidity become insufficient or access to these sources becomes unexpectedly restricted; and
- Exposure to financial risk due to asset-backed securitization transactions.

***Risks related to regulation and legal proceedings***

- Changes in laws or regulations or in the interpretation or enforcement of laws or regulations;
- Changes in accounting standards, rules, and interpretations and the failure of related assumptions and estimates, including those associated with the implementation of CECL accounting; and
- The impact of changes in tax laws, guidance, and interpretations, including the timing and amount of revenues that we may recognize.

***Risks related to the ownership of our common stock***

- Volatility in the market price of shares of our common stock;
- The timing and amount of future cash dividend payments; and
- Anti-takeover provisions in our charter documents and applicable state law.

**Risks Related to Our Business**

***The novel coronavirus (COVID-19) pandemic has had and is expected to continue to have an adverse impact on our business, liquidity, results of operations, and financial condition.***

The COVID-19 pandemic has resulted in widespread market volatility and economic uncertainty within the United States. National, regional, and local economies have suffered losses and may continue to experience long-term disruptions, including after COVID-19 has subsided. 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 duration and severity of the pandemic, the success of actions taken to contain, treat, and prevent the virus (including vaccination efforts), the success and effectiveness of our borrower assistance programs and government economic stimulus measures, and the speed at which normal economic and operating conditions return.

Governmental authorities have taken, and may continue to take, unprecedented actions in an attempt to limit the spread of the pandemic, including social distancing requirements, stay-at-home orders, quarantines, closure of non-essential businesses, face mask mandates, and building capacity limitations. Such actions negatively impact overall economic activity within the United States and may have material and direct adverse consequences on our business. While widespread COVID-19 restrictions have lessened, there is no guarantee that more stringent measures at the state or local level will not be employed in the future. Our business has generally been classified by government authorities as an essential business allowed to remain open during COVID-19 mandated business closures. However, in April 2020, we were required to temporarily close our branches in the state of New Mexico, which have since re-opened, when the governor issued an executive order to close non-essential businesses that excluded consumer finance companies like us from the definition of “essential business.” We also have experienced, and continue to experience, temporary closure of certain locations due to company-initiated quarantine measures. We may choose, or be required by government agencies, to close these same or other locations in the future due to quarantine or other health and/or safety concerns. Such government- and company-initiated closures have had, and may in the future have, a negative impact on our ability to originate and service customer accounts and an adverse effect on our results of operations. Additional or prolonged branch closures could intensify these negative impacts. We have also implemented social distancing and additional health and safety measures within our branches and may choose, or be required by government agencies, to implement additional safeguards related to COVID-19 containment in the future that could increase our operating costs and have a negative economic impact on our business.

As a result of the economic downturn related to the pandemic, our branches have experienced a decrease in customer traffic and product demand. We continue to use our custom scorecards, as well as our legacy internal metrics and data, to manage lending and loan renewal criteria. In light of the heightened unemployment rate within the United States, we expect higher levels of delinquencies and credit losses on outstanding finance receivables over time. Negative impacts to our loan growth, collections, and delinquency could adversely impact our revenues and other results of operations. In addition, in 2020, we scaled back on investment

in new branches, non-critical hiring, and certain other spending, all of which may negatively impact our ability to grow our customer base and business.

In light of the COVID-19 pandemic, we are relying more heavily on online operations for customer access and remote work for certain of our team members, including certain members of our home office and field leadership staff. We have also expanded our capabilities for branch team members to work from home to the extent permitted under applicable laws in the event new stay-at-home mandates are imposed or branches are temporarily closed due to company-initiated quarantine measures. We also now provide full remote origination capabilities. However, if we experience disruptions in our online operations, including our remote origination capabilities, or are unable to timely expand our remote working infrastructure in response to continued, renewed, or increased COVID-19 restrictions, we may be unable to timely and effectively service accounts and perform key business functions. Disruptions in our business could also result from the inability of key personnel and/or a significant portion of our workforce to fulfill their duties due to COVID-19 related illness or restriction. We maintain business continuity plans, but there is no assurance that such plans will effectively mitigate the risks posed by the pandemic.

We have implemented several borrower assistance programs in response to the COVID-19 pandemic. In certain instances, government agencies have also required consumer finance companies like us to provide COVID-19 related accommodations to customers, which include allowing customers to delay payments and restricting us from taking certain actions with respect to loan collateral, if any. Federal and state governments have also enacted economic stimulus measures and may enact further measures in the future. The success of any economic assistance program or stimulus legislation is unknown, and we cannot determine the impact of any such program or legislation on our anticipated credit losses due to COVID-19. New legislation and other governmental regulations could increase our legal compliance costs, create risk for our operations and reputation, and have an overall negative impact on the conduct of our business.

***We have grown significantly in recent years, and our delinquency, credit loss rates, and overall results of operations may be adversely affected if we do not manage our growth effectively.***

We have experienced substantial growth in recent years, increasing the size of our finance receivable portfolio from $637.6 million at the beginning of 2016 to $1,136.3 million at the end of 2020, a compound annual growth rate of 12.2%. We intend to continue our growth strategy in the future. As we increase the number of branches we operate, we will be required to find new, or relocate existing, employees to operate our branches and allocate resources to train and supervise those employees. The success of a branch depends significantly on the manager overseeing its operations and on our ability to enforce our underwriting standards and implement controls over branch operations. Recruiting suitable managers for new branches can be challenging, particularly in remote areas and in areas where we face significant competition. Furthermore, the annual turnover rate among our branch managers was approximately 14% in 2019 and 12% in 2020, and turnover rates of managers in our new branches may be similar or higher. Increasing the number of branches that we operate may divide the attention of our senior management or strain our ability to adapt our infrastructure and systems to accommodate our growth. If we are unable to promote, relocate, or recruit suitable managers, oversee their activities effectively, maintain our underwriting and loan servicing standards, and otherwise appropriately and effectively staff our branches, our delinquency and credit loss rates may increase and our overall results of operations may be adversely impacted.

***We face significant risks in implementing our growth strategy, some of which are outside of our control.***

We intend to continue our growth strategy, which is based on opening and acquiring branches in existing and new markets, introducing new products and channels, and increasing the finance receivable portfolios of our existing branches. Our ability to execute this growth strategy is subject to significant risks, some of which are beyond our control, including:

- the inherent uncertainty regarding general economic conditions, including the economic effects of a prolonged public health crisis or pandemic (such as the recent outbreak of a novel coronavirus (COVID-19));
- the prevailing laws and regulatory environment of each state in which we operate or seek to operate and federal laws and regulations, all of which are subject to change at any time;
- the degree of competition in new markets and its effect on our ability to attract new customers;
- our ability to identify attractive locations for new branches;
- our ability to recruit qualified personnel, particularly in remote areas and in areas where we face a great deal of competition; and
- our ability to obtain adequate financing for our expansion plans.

For example, certain states into which we may expand limit the number of lending licenses granted. For instance, Georgia requires a "convenience and advantage" assessment of a new lending license and location prior to the granting of the license. This assessment adds time and expense to opening new locations and creates risk that our state regulator will deny an application for a new lending license due to a perceived oversaturation of existing licensed lenders in the area in which we seek to expand and operate. There can be no assurance that if we apply for a license for a new branch, whether in one of the states where we currently operate or in a state into which we would like to expand, we will be granted a license to operate. We also cannot be certain that any such license, even if granted, would be obtained in a timely manner or without burdensome conditions or limitations. In addition, we may not be able to obtain and maintain the regulatory approvals, government permits, or licenses that may be required to operate.

***We are exposed to credit risk in our lending activities.***

Our ability to collect on loans depends on the willingness and repayment ability of our borrowers. Any material adverse change in the effectiveness of our underwriting models, our implementation of such models (including through our loan origination software and processes), or the ability or willingness of a significant portion of our borrowers to meet their obligations to us, whether due to changes in general economic, political, or social conditions, the cost of consumer goods, interest rates, natural disasters, acts of war or terrorism, prolonged public health crises or a pandemic (such as COVID-19), or other causes over which we have no control, or to changes or events affecting our borrowers such as unemployment, major medical expenses, bankruptcy, divorce, or death, would have a material adverse impact on our earnings and financial condition. Further, a substantial majority of our borrowers are non-prime borrowers, who are more likely to be affected, and more severely affected, by adverse macroeconomic conditions. We cannot be certain that our credit administration personnel, policies, and procedures will adequately adapt to changes in economic or any other conditions affecting customers and the quality of the loan portfolio.

***Our convenience check strategy exposes us to certain risks.***

A significant portion of the growth in our installment loans has been achieved through direct mail campaigns. One aspect of our direct mail campaigns involves mailing "convenience checks" to pre-screened recipients, which customers can sign and cash or deposit, thereby agreeing to the terms of the loan, which are disclosed on the front and back of the check and in the accompanying disclosures. We use convenience checks to seed new branch openings and to attract new customers to existing branches in our geographic footprint. In 2019 and 2020, loans initiated through convenience checks represented 20.3% and 20.4%, respectively, of the value of our originated loans. We expect that convenience checks will continue to represent a meaningful portion of our installment loan originations in the future. There are several risks associated with the use of convenience checks, including the following:

- it is more difficult to maintain sound underwriting standards with convenience check customers, and these customers have historically presented a higher risk of default than customers that originate loans in our branches, as we do not meet convenience check customers prior to soliciting them and extending a loan to them, and we may not be able to verify certain elements of their financial condition, including their current employment status, income, or life circumstances;
- we rely on credit information from a third-party credit bureau that is more limited than a full credit report to pre-screen potential convenience check recipients, which may not be as effective as a full credit report or may be inaccurate or outdated;
- we face limitations on the number of potential borrowers who meet our lending criteria within proximity to our branches;
- we may not be able to continue to access the demographic and credit file information that we use to generate our mailing lists due to expanded regulatory or privacy restrictions;
- convenience checks pose a risk of fraud;
- we depend on one bank to issue and clear our convenience checks, and any failure by that bank to properly process the convenience checks could limit the ability of a recipient to cash the check and enter into a loan with us;
- customers may opt out of direct mail solicitations and solicitations based on their credit file or may otherwise prohibit us from soliciting them; and
- postal rates and production costs may continue to rise.

In the future, we could experience one or more of these issues associated with our direct mail strategy. Any increase in the use of convenience checks will further increase our exposure to, and the magnitude of, these risks.

***Our policies and procedures for underwriting, processing, and servicing loans are subject to potential failure or circumvention, which may adversely affect our results of operations.***

A substantial portion of our underwriting activities and our credit extension decisions are made at our local branches. We rely on certain inputs and verifications in the underwriting process to be performed by individual personnel at the branch level. In addition, pursuant to our operations policies and procedures, exceptions to general underwriting criteria can be approved by central underwriting employees and certain other senior employees. We train our employees individually onsite in the branch and through online training modules to make loans that conform to our underwriting standards. Such training includes critical aspects of state and federal regulatory compliance, cash handling, account management, and customer relations. Although we have standardized employee manuals and online training modules, we primarily rely on our district supervisors, with oversight by our state vice presidents, branch auditors, and headquarters personnel, to train and supervise our branch employees, rather than centralized training programs. Therefore, the quality of training and supervision may vary from district to district and branch to branch depending on the amount of time apportioned to training and supervision and individual interpretations of our operations policies and procedures. There can also be no assurance that we will be able to attract, train, and retain qualified personnel to perform the tasks that are part of the underwriting process. If the training and supervision of our personnel fails to be effective, or if we are unable to attract and retain qualified employees, it is possible that our underwriting criteria will be improperly applied to a greater percentage of loan applications. If such improper applications were to increase, delinquency and losses on our loan portfolio could increase.

In addition, we rely on certain third-party service providers in connection with loan underwriting and origination. Any error or failure by a third-party service provider in providing loan underwriting and origination services may cause us to originate loans to borrowers that do not meet our underwriting standards. Likewise, any failure or error by us in utilizing third-party software or services to implement our underwriting and origination criteria may cause us to originate loans to borrowers that do not meet our underwriting standards. We cannot be certain that every loan is made in accordance with our underwriting standards and rules. We have experienced instances of loans extended that varied from our underwriting standards. Variances in underwriting standards and lack of supervision could expose us to greater delinquencies and credit losses than we have historically experienced. Due to the decentralized nature in which the loan application process occurs, employee misconduct or error in the application or closing process could also result in the origination of loans that do not satisfy our underwriting standards, which could in turn have a material adverse effect on our results of operations and financial condition.

In addition, in deciding whether to extend credit or enter into other transactions with customers and counterparties, we rely heavily on information provided by customers, counterparties, and other third parties, including credit bureaus and data aggregators, and we further rely on representations of customers and counterparties as to the accuracy and completeness of that information. If a significant percentage of our customers were to intentionally or negligently misrepresent any of this information, or provide incomplete information, and our internal processes were to fail to detect such misrepresentations in a timely manner, or any or all of the other components of the underwriting process described above were to fail, we could end up approving a loan that, based on our underwriting criteria, we would not have otherwise made. As a result, our earnings and our financial condition could be negatively impacted.

***We may be limited in our ability to collect on our loan portfolio, and the security interests securing a significant portion of our loan portfolio are not perfected, which may increase our credit losses.***

Legal and practical limitations may limit our ability to collect on our loan portfolio, resulting in increased credit losses, decreased revenues, and decreased earnings. State and federal laws and regulations restrict our collection efforts. The amounts that we are able to recover from the repossession and sale of collateral typically do not fully cover the outstanding loan balance and costs of recovery. In cases where we repossess a vehicle securing a loan, we generally sell our repossessed automobile inventory through sales conducted by independent automobile auction organizations after the required post-repossession waiting period. In certain instances, we may sell repossessed collateral other than vehicles through our branches after the required post-repossession waiting period and appropriate receipt of valid bids. In either case, such sales are made consistent with applicable state law. The proceeds we receive from such sales depend upon various factors, including the supply of, and demand for, used vehicles and other property at the time of sale. During periods of economic slowdown or recession, there may be less demand for used vehicles and other property that we desire to resell.

Most of our loan portfolio is secured, but a significant portion of such security interests have not been and will not be perfected, which means that we cannot be certain that such security interests will be given first priority over other creditors. The lack of perfected security interests is one of several factors that may make it more difficult for us to collect on our loan portfolio. Additionally, for those of our loans that are unsecured, borrowers may choose to repay obligations under other indebtedness before repaying loans to us because such borrowers may feel that they have no collateral at risk. In addition, given the relatively small size

of our loans, the costs of collecting loans may be high relative to the amount of the loan. As a result, many collection practices that are legally available, such as litigation, may be financially impracticable. Lastly, there is an inherent risk that a portion of the retail installment contracts that we hold will be subject to certain claims or defenses that the borrower may assert against the originator of the contract and, by extension, us as the holder of the contract. These factors may increase our credit losses, which would have a material adverse effect on our results of operations and financial condition.

***Our insurance operations are subject to a number of risks and uncertainties.***

We market and sell optional credit life, accident and health, personal property, involuntary unemployment, and vehicle single interest insurance to our borrowers in selected markets as an agent for an unaffiliated third-party insurance company. In addition, on certain loans, we collect a fee from our customers and in turn purchase non-file insurance from an unaffiliated insurance company for our benefit in lieu of recording and perfecting our security interest in personal property collateral. The unaffiliated insurance company cedes to our wholly-owned insurance subsidiary, RMC Reinsurance, Ltd., the net insurance premium revenue and the associated insurance claims liability for all insurance products, including the non-file insurance that we purchase.

When purchased by a borrower, the optional credit insurance products benefit the borrower by insuring the borrower’s payment obligations on the associated loan in the event of the borrower’s inability to make monthly payments due to death, disability, or involuntary unemployment, or in the event of a casualty event associated with collateral. Payment of the associated premiums can be made by the borrower separately, but except in very rare instances, the borrower finances payment of the premium, with the financed premium included in the balance of the loan. A credit insurance product may be cancelled if, for example, (i) we request cancellation due to the borrower’s default on obligations under the associated loan, (ii) the borrower prepays the principal balance of the associated loan in full, or (iii) the borrower elects to terminate the credit insurance prior to the expiration of the term thereof (which the borrower may do at any time). Generally, upon any cancellation of credit insurance, the borrower will be entitled to a refund of the unearned premium for the cancelled insurance. We typically refund insurance premiums by reducing the principal balance of the associated loan by the required refund amount, following which the unaffiliated insurance company reimburses us for the refunded amount.

Our insurance operations are subject to a number of material risks and uncertainties, including changes in laws and regulations, borrower demand for insurance products, claims experience, and insurance carrier relationships. Changes to laws or regulations may, for example, negatively impact our ability to offer one or more of our insurance products or to purchase non-file insurance; the manner in which we are permitted to offer such products; capital and reserve requirements; the frequency and type of regulatory monitoring and reporting to which we are subject; benefits or loss ratio requirements; insurance producer licensing or appointment requirements; and reinsurance operations. In addition, because our borrowers are not required to purchase the credit insurance products that we offer, we cannot be certain that borrower demand for credit insurance products will not decrease in the future. In addition to adversely impacting our insurance income, net, any decrease in the demand for credit insurance products would negatively impact our interest and fee income because we finance substantially all of our borrowers’ insurance premiums. Our insurance operations are also dependent on our lending operations as the sole source of business and product distribution. If our lending operations discontinue offering insurance products, our insurance operations would have no method of distribution. Insurance claims and policyholder liabilities are also difficult to predict and may exceed the related reserves set aside for claims and associated expenses for claims adjudication.

We are also dependent on the continued willingness of unaffiliated third-party insurance companies to participate in the credit insurance market and to offer non-file insurance to us. For example, in 2016, we transitioned our credit insurance business to a new unaffiliated third-party insurance company because the insurance company with which we previously had a relationship made a strategic decision to exit the credit insurance market altogether. While we were able to transition successfully to a new provider in 2016, we cannot be certain that the credit insurance market will remain viable in the future. Further, if our insurance provider is for any reason unable or unwilling to meet its claims and premium reimbursement payment obligations or its premium ceding obligations, we would experience increased net credit losses, regulatory scrutiny, litigation, and other losses and expenses.

Finally, in recent years, as large loans have become a larger percentage of our portfolio, the severity of non-file insurance claims has increased and non-file insurance claims expenses have exceeded non-file insurance premiums by a material amount. The resulting net loss from the non-file insurance product is reflected in our insurance income, net. It is uncertain whether the non-file insurance product will be available to us in the future on the same terms as it is today, or at all. If the unaffiliated insurance company were to enforce limitations on our non-file loss ratios or otherwise change the terms under which it offers non-file insurance to us, our net credit losses, loss rates, and provision for credit losses could increase.

If any of these events, risks, or uncertainties were to occur or materialize, it could have a material adverse effect on our business, financial condition, and results of operations and cash flows.

***A reduction in demand for our products and a failure by us to adapt to such reduction could adversely affect our business and results of operations.***

The demand for the products we offer may be reduced due to a variety of factors, such as demographic patterns, changes in customer preferences or financial conditions, regulatory restrictions that decrease customer access to particular products, or the availability of competing products, including through alternative or competing marketing channels. For example, we are highly dependent upon selecting and maintaining attractive branch locations. These locations are subject to local market conditions, including the employment available in the area, housing costs, traffic patterns, crime, and other demographic influences, any of which may quickly change, thereby negatively impacting demand for our products in the area. Should we fail to adapt to significant changes in our customers' demand for, or access to, our products, our revenues could decrease significantly and our operations could be harmed. Even if we do make changes to existing products or introduce new products and channels to fulfill customer demand, customers may resist or may reject such products. Moreover, the effect of any product change on the results of our business may not be fully ascertainable until the change has been in effect for some time, and by that time it may be too late to make further modifications to such product without causing further harm to our business, results of operations, and financial condition.

***We face strong direct and indirect competition.***

The consumer finance industry is highly competitive, and the barriers to entry for new competitors are relatively low in the markets in which we operate. We compete for customers, locations, employees, and other important aspects of our business with many other local, regional, national, and international financial institutions, many of which have greater financial resources than we do.

Our installment loan operations compete with other installment lenders, as well as with alternative financial services providers (such as payday and title lenders, check advance companies, and pawnshops), online or peer-to-peer lenders, issuers of non-prime credit cards, and other competitors. We believe that regulatory developments in the consumer finance industry have caused and may in the future cause lenders that focus on alternative financial services to begin to offer installment loans. In addition, if companies in the installment loan business attempt to provide more attractive loan terms than is standard across the industry, we may lose customers to those competitors. With respect to installment loans, we compete primarily on the basis of price, breadth of loan product offerings, flexibility of loan terms offered, and the quality of customer service provided.

Our retail purchase loan operations compete with non-prime retail lenders, store and third-party credit cards, prime lending sources, rent-to-own finance providers, and other competitors. We compete primarily on the basis of interest rates charged, the quality of credit accepted, the flexibility of loan terms offered, the speed of approval, and the quality of customer service provided.

If we fail to compete successfully, we could face lower sales and may decide or be compelled to materially alter our lending terms to our customers, which could result in decreased profitability.

***We may attempt to pursue acquisitions or strategic alliances that may be unsuccessful.***

We may attempt to achieve our business objectives through acquisitions and strategic alliances. We compete with other companies for these opportunities, including companies with greater financial resources, and we cannot be certain that we will be able to effect acquisitions or strategic alliances on commercially reasonable terms, or at all. Furthermore, most acquisition targets that we have pursued previously have been significantly smaller than us. We do not have extensive experience with integrating larger acquisitions. In pursuing these transactions, we may experience, among other things:

- overvaluing potential targets;
- difficulties in integrating any acquired companies, branches, or products into our existing business, including integration of account data into our information systems;
- inability to realize the benefits we anticipate in a timely fashion, or at all;
- attrition of key personnel from acquired businesses;
- unexpected losses due to the acquisition of loan portfolios with loans originated using less stringent underwriting criteria;
- significant costs, charges, or write-downs; or
- unforeseen operating difficulties that require significant financial and managerial resources that would otherwise be available for the ongoing development and expansion of our existing operations.

***Geographic concentration of our loan portfolio may increase the risk of loss.***

Any concentration of our loan portfolio in a state or region may present unique risk concentrations. Our branches in South Carolina, Texas, and North Carolina accounted for 16%, 33%, and 15%, respectively, of our finance receivables in 2020. Furthermore, all of our operations are in five Southeastern, three Southwestern, one Mid-Atlantic, and two Midwestern states. As a result, we are highly susceptible to adverse economic conditions in those areas. The unemployment and bankruptcy rates in some states in our footprint are among the highest in the country. High unemployment rates may reduce the number of qualified borrowers to whom we will extend loans, which would result in reduced loan originations. In addition, some geographic regions of the United States will, from time to time, experience weaker regional economic conditions and consequently will experience higher rates of loss and delinquency. A regional economy may be adversely affected by the loss of jobs in certain industries, by state and local taxes, or by other factors, including natural disasters, prolonged public health crises or a pandemic (such as COVID-19), civil disturbances, or international events such as wars. In the event that a significant portion of our loan portfolio is comprised of loans owed by borrowers residing in certain jurisdictions where economic conditions, elevated bankruptcy filings, natural disasters, or other factors specific to these jurisdictions adversely impact the delinquency and default experience of our loan portfolio, we could experience reduced or delayed payments on outstanding loans. For example, in 2017 and 2018, we experienced increases in credit losses as a result of hurricanes impacting customer accounts in our geographic footprint. These losses occurred in states where a substantial majority of our loan portfolio is concentrated—specifically in Texas in 2017 and in South Carolina and North Carolina in 2018. Conversely, an improvement in economic conditions could result in prepayments by our borrowers of their payment obligations on our loans. As a result, we may receive principal payments on the outstanding loans earlier than anticipated, which would reduce our finance receivables and the interest income earned thereon. No prediction can be made and no assurance can be given as to the effect of economic conditions on the rate of delinquencies, prepayments, or losses on our loan portfolio with respect to any part of our geographic footprint.

Furthermore, the concentration of our loan portfolio in one or more states would have a disproportionate effect on our business if governmental authorities in any of those states take action against us. In addition, the occurrence of any of the adverse regulatory or legislative events described in this “Risk Factors” section in states with a high concentration of our loan portfolio could materially and adversely affect our business, results of operations, and financial condition. For example, if interest rates in South Carolina, which currently are not capped, were to be capped, our business, results of operations, and financial condition would be materially and adversely affected.

***Failure of third-party service providers upon which we rely could adversely affect our business.***

We rely on certain third-party service providers. In particular, we currently rely on one key vendor to print and mail our convenience check and other offers for our direct mail marketing campaigns, and on certain other third-party service providers in connection with loan underwriting, origination, and servicing. Our reliance on these and other third parties can expose us to risks. For example, an error by our current convenience check vendor in 2015 resulted in check offers being misdirected, requiring us in some cases to notify state regulators and to refund certain interest and fee amounts, and exposing us to increased credit risk. If any of our third-party service providers, including our direct mail vendor and those third parties providing services in connection with loan underwriting, origination, and servicing, are unable to provide their services timely, accurately, and effectively, or at all, it could have a material adverse effect on our business, financial condition, and results of operations and cash flows.

***We rely on information technology products developed, owned, and supported by third parties. Our ability to manage our business and monitor results is highly dependent upon these information technology products. A failure of these products and systems or of the implementation of new information technology products and systems could disrupt our business.***

In the operation of our business, we are highly dependent upon a variety of information technology products, including our loan management system, which allows us to record, document, and manage our loan portfolio. In April 2016, we entered into an agreement with Nortridge pursuant to which Nortridge provides us with loan management software and related services. In 2018, we completed our transition to the Nortridge loan management software across our operations footprint.

Since we began transitioning to the Nortridge platform, we have tailored it to meet our specific needs. To a certain extent, we depend on the willingness and ability of Nortridge to continue to provide customized solutions and to support our evolving products and business model. In the future, Nortridge may not be willing or able to provide the services necessary to meet our loan management system needs. If this occurs, we may be forced to migrate to an alternative software package, which could materially affect our business, results of operations, and financial condition.

Further, the Nortridge platform may in the future fail to perform in a manner consistent with our current expectations and may be inadequate for our needs. As we are dependent upon our ability to gather and promptly transmit accurate information to

key decision makers, our business, results of operations, and financial condition may be adversely affected if our loan management system does not allow us to transmit accurate information, even for a short period of time. Failure to properly or adequately address these issues could impact our ability to perform necessary business operations, which could adversely affect our competitive position, business, results of operations, and financial condition.

We also rely on Teledata Communications Inc. and other third-party software vendors to provide access to loan applications and/or screen applications. There can be no assurance that these third party providers will continue to provide us with information in accordance with our lending guidelines or that they will continue to provide us lending leads at all. If this occurs, our credit losses, business, results of operations, and financial condition may be adversely affected.

Further, the Nortridge platform and other third-party software vendor products and applications are subject to damage or interruption from:

- power loss, computer systems failures, and internet, telecommunications, or data network failures;
- operator negligence or improper operation by, or supervision of, employees;
- physical and electronic loss of data or security breaches, misappropriation, and similar events;
- computer viruses;
- cyberterrorism;
- intentional acts of vandalism and similar events; and
- hurricanes, fires, floods, and other natural disasters.

Any failure of the Nortridge platform or any other third-party software vendor product systems, if not addressed by our disaster recovery plan, could cause an interruption in operations. Though we have implemented contingency and disaster recovery processes in the event of one or several technology failures, any unforeseen failure, interruption, or compromise of these systems or security measures could affect the origination, servicing, and collection of loans. The risk of possible failures or interruptions may not be adequately addressed, and such failures or interruptions could occur.

For example, in January 2020, we experienced an information technology infrastructure event caused by a system backup that affected our ability to originate branch loans and process certain methods of payment. As a result, our loan management system was not fully operational for a total of approximately seven business days between January 5, 2020 and January 16, 2020. The outage had an adverse impact on our results of operations. Although the Company, with the assistance of third-party experts, addressed and resolved the issue, there can be no assurance that a similar event will not occur in the future.

***We rely on Amazon Web Services and VMWare for the majority of our computing, storage, networking, and similar services. Any disruption of or interference with our use of the Amazon Web Services and VMWare products and services would negatively impact our operations and adversely affect our business.***

Amazon Web Services ("AWS") and VMWare, Inc. ("VMWare") provide the technology infrastructure we use to run our business operations. The technology infrastructure provided includes data center hosting facilities operated by AWS and software defined data center technologies provided by VMware. Any disruption of or interference with our use of AWS or VMWare products and services would negatively impact our operations and our business would be adversely affected. If our branches or customers encounter difficulties in accessing or are unable to access our platform, we may lose customers and revenue. Due to the nature of the AWS and VMWare products and services provided, we are unable to easily transition from these vendors to other providers, and any such transition could require business downtime that could negatively impact our business. AWS and VMWare also possess broad discretion to interpret and change their terms of services and other policies that apply to us, which may be unfavorable to our business.

***We may not be able to make technological improvements as quickly as some of our competitors, which could harm our competitive ability and adversely affect our business, prospects, results of operations, and financial condition.***

The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products, services, and marketing channels. We rely on our integrated branch network as the foundation of our multiple channel platform and the primary point of contact with our active accounts. In order to serve consumers who want to reach us over the internet, we make an online loan application available on our consumer website, and we provide our customers an online customer portal, giving them online access to their account information and an electronic payment option. Our future success will depend, in part, on our ability to address the needs of our customers by using technology to provide products and services that will

satisfy customer demand for convenience, as well as to create additional efficiencies in our operations. We expect that new technologies and business processes applicable to the consumer finance industry will continue to emerge, and these new technologies and business processes may be more efficient than those that we currently use. We cannot ensure that we will be able to sustain our investment in new technology, and we may not be able to effectively implement new technology-driven products and services as quickly as some of our competitors or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could cause disruptions in our operations, harm our ability to compete with our competitors, and adversely affect our business, prospects, results of operations, and financial condition.

***Security breaches, cyber-attacks, failures in our information systems, or fraudulent activity could result in damage to our operations or lead to reputational damage.***

We rely heavily on communications and information systems to conduct our business. Each branch is part of an information network that is designed to permit us to maintain adequate cash inventory, reconcile cash balances on a daily basis, and report revenues and expenses to our headquarters. Our computer systems, software, and networks may be vulnerable to breaches (including via computer hackings), unauthorized access, misuse, computer viruses, malware, phishing, employee error or malfeasance, or other failures or disruptions that could result in disruption to our business or the loss or theft of confidential information, including customer, employee, and business information. Any failure, interruption, or breach in security of these systems, including any failure of our back-up systems, hardware failures, or an inability to access data maintained offsite, could result in failures or disruptions in our customer relationship management, general ledger, loan, and other systems and could result in a loss of data (including loan portfolio data), a loss of customer business, or a violation of applicable privacy and other laws, subject us to additional regulatory scrutiny, or expose us to civil litigation, possible financial liability, and other adverse consequences, any of which could have a material adverse effect on our financial condition and results of operations. Furthermore, the techniques that are used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and are often difficult to detect for long periods of time. Accordingly, we may not be able to detect immediately any such breach, which may increase the losses that we would suffer. In addition, our existing insurance policies would not reimburse us for all of the damages that we might incur as a result of a breach.

A security breach or cyber-attack on our computer systems could interrupt or damage our operations or harm our reputation. We have implemented systems and processes designed to protect against unauthorized access to or use of personal information, and rely on encryption and authentication technology to effectively secure transmission of confidential information, including customer bank account, credit card, and other personal information. Despite the implementation of these security measures, there is no guarantee that they are adequate to safeguard against all security breaches and our systems may still be vulnerable to data theft, computer viruses, programming errors, attacks by third parties, or similar disruptive problems. We may also face new or heightened risks related to the increase in remote work among certain of our employees and increased use of digital operations as a result of the COVID-19 pandemic. If we were to experience a security breach or cyber-attack, we could be required to incur substantial costs and liabilities, including, among other things, the following:

- expenses to rectify the consequences of the security breach or cyber-attack;
- liability for stolen assets or information;
- costs of repairing damage to our systems;
- lost revenue and income resulting from any system downtime caused by such breach or attack;
- increased costs of cyber security protection;
- costs of incentives we may be required to offer to our customers or business partners to retain their business; and
- damage to our reputation causing customers and investors to lose confidence in our company.

Further, any compromise of security or cyber-attack could deter consumers from entering into transactions that require them to provide confidential information to us. In addition, if confidential customer information or information belonging to our business partners is misappropriated from our computer systems, we could be sued by those who assert that we did not take adequate precautions to safeguard our systems and confidential data belonging to our customers or business partners, which could subject us to liability and result in significant legal fees and expenses in defending these claims. As a result, any compromise of security of our computer systems or cyber-attack could have a material adverse effect on our business, prospects, results of operations, and financial condition.

As part of our business, and subject to applicable privacy laws, we may share confidential customer information and proprietary information with vendors, service providers, and business partners. The information systems of these third parties may also be vulnerable to security breaches, and we may not be able to ensure that these third parties have appropriate security controls in place to protect the information that we share with them. If our proprietary or confidential customer information is intercepted, stolen, misused, or mishandled while in possession of a third party, it could result in reputational harm to us, loss of customer business, and additional regulatory scrutiny, and it could expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our business, financial condition, and liquidity. Although we maintain insurance that is intended to cover certain losses from such events, there can be no assurance that such insurance will be adequate or available.

***Our centralized headquarters' functions and branch operations are susceptible to disruption by catastrophic events, which could have a material adverse effect on our business, results of operations, and financial condition.***

Our headquarters are in an office building located in Greer, South Carolina, a town located outside of Greenville, South Carolina. Our information systems and administrative and management processes are primarily provided to our branches from this centralized location, and our separate data management facility is located in Greenville, South Carolina. These processes could be disrupted if a catastrophic event, such as a tornado, power outage, or act of terror, affected Greenville, Greer, or the nearby areas. Any such catastrophic event(s) or other unexpected disruption of our headquarters or data management facility could have a material adverse effect on our business, results of operations, and financial condition.

***Our business could suffer if we are unsuccessful in making, continuing, and growing relationships with retailers, or if the retailers with whom we have relationships experience a decline or disruption in their sales volumes.***

Our retail purchase loans are reliant on our relationships with retailers. Our retail purchase loan business model is based on our ability to enter into agreements with individual retailers to provide financing to customers in their stores. If a competitor were to offer better service or more attractive loan products to our retail partners, it is possible that our retail partners would terminate their relationships with us. If we are unable to continue to grow our existing relationships and develop new relationships, our results of operations, financial condition, and ability to continue to expand could be adversely affected.

Even with good relationships with retailers, our ability to originate retail purchase loans is dependent, in large part, on the underlying consumer demand for retail goods. Retail sales are subject to fluctuation as a result of general economic trends and other factors. If sales volumes at the retailers with whom we have relationships decrease in the future as a result of general economic trends or due to any other factors, we may experience a corresponding decrease in the volume of such loans that we originate. In such circumstances, we may experience an adverse effect on our business, results of operations, and financial condition.

***Interest rates on retail purchase loans are determined at competitive market interest rates, and we may fail to adequately set interest rates, which may adversely affect our business.***

Unlike installment loans, particularly small installment loans, which in certain states are typically made at or near the maximum interest rates permitted by law, retail purchase loans are often made at competitive market interest rates, which are governed by laws for installment sales contracts. If we fail to set interest rates at a level that adequately reflects market rates or the credit risks of our customers, or if we set interest rates at a level too low to sustain our profitability, our business, results of operations, and financial condition could be adversely affected.

***Regular turnover among our managers and other employees at our branches makes it more difficult for us to operate our branches and increases our costs of operations, which could have an adverse effect on our business, results of operations, and financial condition.***

Our workforce is comprised primarily of employees who work on an hourly basis. In certain areas where we operate, there is significant competition for employees. In the past, we have lost employees and candidates to competitors who have been willing to pay higher compensation. Our ability to continue to expand our operations depends on our ability to attract, train, and retain a large and growing number of qualified employees. The turnover among all of our branch employees was approximately 52% in 2018, 37% in 2019, and 46% in 2020. This turnover increases our cost of operations and makes it more difficult to operate our branches. Our account executives and assistant manager roles have historically experienced high turnover. We may not be able to retain and cultivate personnel at these ranks for future promotion to branch manager. If our employee turnover rates increase above historical levels or if unanticipated problems arise from our high employee turnover and we are unable to readily replace such employees, our business, results of operations, financial condition, and ability to continue to expand could be adversely affected.

Form 10-K

***The departure, transition, or replacement of key personnel could significantly impact the results of our operations. If we cannot continue to hire and retain high-quality employees, or do not successfully manage our recent executive and senior management transitions, our business and financial results may be negatively affected.***

Our future success significantly depends on the continued service and performance of our key management personnel. Competition for these employees is intense. Our operating results could be adversely affected by higher employee turnover or increased salary and benefit costs. Like most businesses, our employees are important to our success and we are dependent in part on our ability to retain the services of our key management, operational, finance, and administrative personnel. We have built our business on a set of core values, and we attempt to hire employees who are committed to these values. We want to hire and retain employees who will fit our culture of compliance and of providing exceptional service to our customers. In order to compete and to continue to grow, we must attract, retain, and motivate employees, including those in executive, senior management, and operational positions. As our employees gain experience and develop their knowledge and skills, they become highly desired by other businesses. Therefore, to retain our employees, we must provide a satisfying work environment and competitive compensation and benefits. If costs to retain our skilled employees increase, then our business and financial results may be negatively affected.

Our continued growth is also dependent, in part, on the skills, experience, and efforts of our executive officers and senior management. Since the third quarter of 2019, we have experienced transitions at the President and Chief Executive Officer, Chief Financial Officer, Chief Credit Risk Officer and General Counsel positions, among other executive and senior management positions. The transition process resulting from any of these recently filled positions may be disruptive to our business and operations.

Furthermore, we may not be successful in retaining the current members of our executive or senior management team or our other key employees. The loss of the services of any of our executive officers, senior management, or key team members, including state vice presidents, or the inability to attract additional qualified personnel as needed, could have an adverse effect on our business, financial condition, and results of operations. We also depend on our district supervisors to supervise, train, and motivate our branch employees. These supervisors have significant experience with our company and within our industry, and would be difficult to replace. If we lose a district supervisor to a competitor, we could also be at risk of losing other employees and customers.

***Employee misconduct or misconduct by third parties acting on our behalf could harm us by subjecting us to significant legal liability, regulatory scrutiny, and reputational harm.***

Our reputation is critical to maintaining and developing relationships with our existing and potential customers and third parties with whom we do business. There is a risk that our employees or third-party contractors could engage in misconduct that adversely affects our business. For example, if an employee or third-party contractor were to engage—or be accused of engaging—in illegal or suspicious activities, we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial condition, customer relationships, and ability to attract future customers. Employee or third-party misconduct could prompt regulators to allege or to determine, based upon such misconduct, that we have not established adequate supervisory systems and procedures to inform employees of applicable rules or to detect and deter violations of such rules. It is not always possible to deter employee or third-party misconduct, and the precautions we take to detect and prevent misconduct may not be effective in all cases. Misconduct by our employees or third-party contractors, or even unsubstantiated allegations, could result in a material adverse effect on our reputation and our business.

***Security breaches in our branches or acts of theft, fraud, or violence could adversely affect our financial condition and results of operations.***

A portion of our account payments occur at our branches, either in person or by mail, and often consist of cash payments, which we deposit at local banks throughout the day. This business practice exposes us daily to the potential for employee theft of funds or, alternatively, to theft and burglary due to the cash we maintain in our branches. Despite controls and procedures to prevent such losses, we have sustained losses due to employee theft and fraud (including collusion), including from the origination of fraudulent loans. We are also susceptible to break-ins at our branches, where money and/or customer records necessary for day-to-day operations (which also contain extensive confidential information about our customers, including financial and personally identifiable information) could be taken. A breach in the security of our branches or in the safety of our employees could result in employee injury, loss of funds or records, and adverse publicity, and could result in a loss of customer business or expose us to additional regulatory scrutiny and penalties, civil litigation, and possible financial liability, any of which could have a material adverse effect on our reputation, financial condition, and results of operations.

***Our risk management efforts may not be effective.***

We could incur substantial losses and our business operations could be disrupted if we are unable to effectively identify, manage, monitor, and mitigate financial risks, such as credit risk, interest rate risk, prepayment risk, liquidity risk, and other market-related risks, as well as regulatory and operational risks related to our business, assets, and liabilities. Our risk management policies, procedures, and techniques may not be sufficient to identify all of the risks we are exposed to, mitigate the risks we have identified, or identify additional risks to which we may become subject in the future.

***We may be unsuccessful in maintaining effective internal controls over financial reporting and disclosure controls and procedures.***

Controls and procedures are particularly important for consumer finance companies. Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud or material error. Any system of controls, however well-designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurance that the objectives of the system are met. Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") requires management of public companies to develop and implement internal controls over financial reporting and evaluate the effectiveness thereof. Under standards established by the Public Company Accounting Oversight Board, a material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of our financial reporting. Any failure to maintain current internal controls or implement required new or improved controls, or difficulties encountered in their maintenance and/or implementation, could cause us to fail to meet our reporting obligations.

If material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future or if our controls and procedures fail or are circumvented, our consolidated financial statements may contain material misstatements, we could be required to restate our financial results, we may be unable to produce accurate and timely financial statements, and we may be unable to maintain compliance with applicable stock exchange listing requirements, any of which could have a material adverse effect on our business, results of operations, financial condition, and stock price. The discovery of a material weakness and the disclosure of that fact, even if quickly remediated, could reduce the market value of shares of our common stock. Additionally, the existence of any material weakness or significant deficiency requires management to devote significant time and incur significant expense to remediate any such material weaknesses or significant deficiency, and management may not be able to remediate any such material weaknesses or significant deficiency in a timely manner. Undetected material weaknesses in our internal controls could lead to financial statement restatements, which could have a material adverse effect on our business, financial condition, and results of operation.

***If our estimate of allowance for credit losses is not adequate to absorb actual losses, our provision for credit losses would increase, which would adversely affect our results of operations.***

We maintain an allowance for credit losses for all loans we make. To estimate the appropriate level of credit loss reserves, we consider known and relevant internal and external factors that affect loan collectability, including the total amount of loans outstanding; delinquency levels, roll rates, and trends; historical credit losses; our current collection patterns; and economic trends. Our methodology for establishing our allowance for credit losses is based in large part on our delinquency roll rates and our historic loss experience. If customer behavior changes because of economic, political, social, or other conditions and if we are unable to predict how the unemployment rate and general economic uncertainty may affect our credit loss allowance, our provision for credit losses may be inadequate. During fiscal 2020, our provision for credit losses was $123.8 million, and we had net credit losses of $96.1 million. As of December 31, 2020, our finance receivables were $1,136.3 million. Maintaining the adequacy of our allowance for credit losses may require significant and unanticipated changes in our provisions for credit losses, which would materially affect our results of operations. Our allowance for credit losses, however, is an estimate, and if actual credit losses are materially greater than our credit loss allowance, our financial condition and results of operations could be adversely affected. Neither state regulators nor federal regulators regulate our allowance for credit losses.

In June 2016, the Financial Accounting Standards Board ("FASB") issued an accounting update significantly changing the impairment model for estimating credit losses on financial assets. While the then-existing incurred loss impairment model required the recognition of credit losses when it was probable that a loss had been incurred, the new current expected credit loss ("CECL") model requires entities to estimate the lifetime expected credit losses on such instruments and to record an allowance to offset the amortized cost basis of the financial assets. The CECL model requires earlier recognition of credit losses as compared to the incurred

loss approach. It uses historical experience, current conditions, and reasonable and supportable economic forecasts to estimate lifetime expected credit losses. In addition to the risks and uncertainties identified in the preceding paragraph, the CECL model requires increased use of judgment and dependence on forward-looking economic forecasts that may prove to be incorrect. Based on analyses and forecasts of future macroeconomic conditions as of December 31, 2019, we estimated a CECL allowance for credit losses of $122 million. The allowance under the prior incurred loss approach was $62 million as of December 31, 2019. Thus, effective January 1, 2020, the adoption of CECL accounting, through a modified-retrospective approach, caused an increase to the allowance for credit losses of approximately $60 million. Adjusting the CECL allowance for credit losses for changes in economic forecasts may result in the need for significant and unanticipated changes in our provisions for credit losses, which would materially affect our results of operations. See Note 2, "Significant Accounting Policies," of the Notes to Consolidated Financial Statements in Part II, Item 8, "Financial Statements and Supplementary Data" for more information on this new accounting standard.

***If assumptions or estimates we use in preparing our financial statements are incorrect or are required to change, our reported results of operations and financial condition may be adversely affected.***

We are required to use certain assumptions and estimates in preparing our financial statements under U.S. Generally Accepted Accounting Principles ("GAAP"), including in determining allowances for credit losses, the fair value of financial instruments, asset impairment, reserves related to litigation and other legal matters, the fair value of share-based compensation, valuation of income, and other taxes and regulatory exposures. In addition, significant assumptions and estimates are involved in determining certain disclosures required under GAAP, including those involving the fair value of our financial instruments. If the assumptions or estimates underlying our financial statements are incorrect, the actual amounts realized on transactions and balances subject to those estimates will be different, and this could have a material adverse effect on our results of operations and financial condition.

In addition, the FASB is currently reviewing or proposing changes to several financial accounting and reporting standards that govern key aspects of our financial statements, including areas where assumptions or estimates are required. As a result of changes to financial accounting or reporting standards, whether promulgated or required by the FASB or other regulators, we could be required to change certain of the assumptions or estimates we previously used in preparing our financial statements, which could negatively impact how we record and report our results of operations and financial condition generally. For additional information on the key areas for which assumptions and estimates are used in preparing our financial statements, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" and Note 2, "Significant Accounting Policies," of the Notes to Consolidated Financial Statements in Part II, Item 8, "Financial Statements and Supplementary Data."

***We depend to a substantial extent on borrowings under our senior revolving credit facility to fund our liquidity needs.***

We have a senior revolving credit facility committed through September 2022 that allows us to borrow up to $640.0 million, assuming we are in compliance with a number of covenants and conditions. The credit facility also has an accordion provision that allows for the expansion of the facility up to $650.0 million. The senior revolving credit facility is collateralized by certain of our assets, including substantially all of our finance receivables (other than those held by certain special purpose entities (each, an "SPE"), as described below) and equity interests of the majority of our subsidiaries. As of December 31, 2020, the amount outstanding under our senior revolving credit facility was $286.1 million ($285.0 million of outstanding debt and $1.1 million of interest payable) and we had $355.0 million of unused capacity on the credit facility (subject to certain covenants and conditions). During fiscal 2020, the maximum amount of borrowings outstanding under the facility at any one time was $390.6 million. We use our senior revolving credit facility as a source of liquidity, including for working capital and to fund the loans we make to our customers. If our existing sources of liquidity become insufficient to satisfy our financial needs or our access to these sources becomes unexpectedly restricted, we may need to try to raise additional capital in the future. If such an event were to occur, we can give no assurance that such alternate sources of liquidity would be available to us on favorable terms or at all. In addition, we cannot be certain that we will be able to replace the amended and restated senior revolving credit facility when it matures on favorable terms or at all. If any of these events occur, our business, results of operations, and financial condition could be adversely affected.

***The credit agreements governing our long-term debt contain restrictions and limitations that could affect our ability to operate our business.***

The credit agreements governing our senior revolving credit facility and revolving warehouse credit facility contain a number of covenants that could adversely affect our business and our flexibility to respond to changing business and economic conditions or opportunities. Among other things, these covenants limit our ability to:

- incur or guarantee additional indebtedness;

- purchase loan portfolios in bulk;
- pay dividends or make distributions on our capital stock or make certain other restricted payments;
- sell assets, including our loan portfolio or the capital stock of our subsidiaries;
- enter into transactions with our affiliates;
- offer certain loan products;
- create or incur liens; and
- consolidate, merge, sell, or otherwise dispose of all or substantially all of our assets.

The credit agreements also impose certain obligations on us relating to our underwriting standards, recordkeeping and servicing of our loans, and our loss reserves and charge-off policies, and they require us to maintain certain financial ratios, including an interest coverage ratio and a capital base ratio. If we were to breach any covenants or obligations under our credit agreements and such breaches were to result in an event of default, our lenders could cause all amounts outstanding to become due and payable, subject to applicable grace periods. An event of default in any one credit agreement could also trigger cross-defaults under other existing and future credit agreements and other debt instruments, and materially and adversely affect our financial condition and ability to continue operating our business as a going concern.

***Our securitizations may expose us to financing and other risks, and there can be no assurance that we will be able to access the securitization market in the future, which may require us to seek more costly financing.***

As of February 18, 2021, we have completed five securitizations, and we may in the future securitize certain of our finance receivables to generate cash to originate new finance receivables or to pay our outstanding indebtedness. In such transactions, we typically convey a pool of finance receivables to a special purpose entity, which, in turn, conveys the finance receivables to a trust (the issuing entity). Concurrently, the issuing entity issues non-recourse notes or certificates pursuant to the terms of an indenture and/or amended and restated trust agreement, which then are transferred to the special purpose entity in exchange for the finance receivables. The securities issued by the issuing entity are secured by the pool of finance receivables. In exchange for the transfer of finance receivables to the issuing entity, we typically receive the cash proceeds from the sale of the securities issued by the issuing entity, all residual interests, if any, in the cash flows from the finance receivables after payment of the securities, and a 100% beneficial interest in the issuing entity.

Although we successfully completed securitizations during the past three years, we can give no assurances that we will be able to complete additional securitizations, including if, for example, the securitization markets become constrained or events within the Company cause investors to lack confidence in our ability to fulfill our obligations as servicer with respect to the securitizations. Further, the value of any subordinated securities that we may retain in our securitizations might be reduced or, in some cases, eliminated as a result of an adverse change in economic conditions or other factors.

Regional Management Corp. currently acts as the servicer (in such capacity, the "Servicer") with respect to each securitization. If the Servicer defaults in its servicing obligations, an early amortization event could occur under each securitization and the Servicer could be replaced as servicer. Servicer defaults include, but are not limited to, the failure of the Servicer to make any payment, transfer, or deposit in accordance with applicable securitization documents; breaches of representations, warranties, or agreements made by the Servicer under applicable securitization documents; and the occurrence of certain insolvency events with respect to the Servicer. Such an early amortization event could have materially adverse consequences on our liquidity and cost of funds.

Rating agencies may also affect our ability to execute a securitization transaction or increase the costs we expect to incur from executing securitization transactions, not only by deciding not to issue ratings for our securitization transactions, but also by altering the processes and criteria they follow in issuing ratings. Rating agencies could alter their ratings processes or criteria after we have accumulated finance receivables for securitization in a manner that effectively reduces the value of those finance receivables by increasing our financing costs or otherwise requiring that we incur additional costs in order to comply with those processes and criteria. We have no ability to control or predict what actions the rating agencies may take.

Further, other matters, such as (i) accounting standards applicable to securitization transactions and (ii) capital and leverage requirements applicable to banks and other regulated financial institutions holding asset-backed securities, could result in decreased investor demand for securities issued through our securitization transactions or increased competition from other institutions that undertake securitization transactions. In addition, compliance with certain regulatory requirements, including the Dodd-Frank Act, may affect the type of securitization transactions that we are able to complete.

An inability to consummate further securitization transactions on terms similar to our existing securitization transactions, or at all, could require us to seek more costly financing and/or have a material adverse effect on our business, results of operations, and financial condition.

***We may be required to indemnify, or repurchase certain finance receivables from, purchasers of finance receivables that we have sold or securitized, or which we will sell or securitize in the future, if our finance receivables fail to meet certain criteria or characteristics or under other circumstances, which could adversely affect our results of operations, financial condition, and liquidity.***

We have entered into certain financing arrangements, including a revolving warehouse credit facility, which is secured by certain retail installment contracts and promissory notes (the "Receivables"). In June 2018, we securitized approximately $168.5 million of Receivables, in December 2018, we securitized approximately $135.5 million of Receivables, in October 2019, we securitized approximately $144.5 million of Receivables, in September 2020, we securitized approximately $187.5 million of Receivables, and in February 2021, we securitized approximately $260.4 million of Receivables. Our operating subsidiaries originated the Receivables and subsequently transferred the Receivables to certain of our wholly-owned subsidiaries that were established for the special purpose of entering into the financing arrangements and the respective securitizations. The documents governing our financing arrangements and securitizations contain provisions that require us to repurchase the affected Receivables under certain circumstances. While our financing and securitization documents vary, they generally contain customary provisions that require us and the special purpose entities to make certain representations and warranties about the quality and nature of the Receivables. Together with the special purpose entities, we may be required to repurchase the Receivables if a representation or warranty is later determined to be inaccurate. In such a case, we will be required to pay a repurchase price for the release of the affected Receivables.

We believe that many purchasers of loans and other counterparties to transactions like those provided for in the revolving warehouse credit facility, the securitizations, and other similar transactions are particularly aware of the conditions under which originators or sellers of such finance receivables must indemnify for or repurchase finance receivables, and may benefit from enforcing any available repurchase remedies. If we are required to repurchase Receivables that we have sold or pledged, it could adversely affect our results of operations, financial condition, and liquidity.

***We are subject to interest rate risk resulting from general economic conditions and policies of various governmental and regulatory agencies.***

Interest rate risk arises from the possibility that changes in interest rates will affect our results of operations and financial condition. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, in particular, the Federal Reserve Board. Furthermore, market conditions or regulatory restrictions on interest rates we charge may prevent us from passing any increases in interest rates along to our customers. We originate finance receivables at either prevailing market rates or at statutory limits. 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. Our loan portfolio turns over approximately 1.1 times per year from cash payments, renewals, and charged-off loans. Because our large loans have longer maturities than our small loans and typically renew at a slower rate than our small loans, the rate of turnover of the loan portfolio may change as our large loans change as a percentage of our portfolio.

In addition, rising interest rates will increase our cost of capital by influencing the amount of interest we pay on our senior revolving credit facility, our revolving warehouse credit facility, or any other floating interest rate obligations that we may incur, which would increase our operating costs and decrease our operating margins. Interest payable on our senior revolving credit facility and our revolving warehouse credit facility is variable and could increase in the future.

For additional information, see Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk."

***Replacement of LIBOR as the basis on which our variable rate debt is calculated may harm our cost of capital, financial results, and cash flows.***

Borrowings under our senior revolving credit facility and our revolving warehouse credit facility bear interest at rates that are calculated based on LIBOR, and from time to time, we purchase interest rate cap contracts with strike rates that are also calculated based on LIBOR. In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. In November 2020, ICE Benchmark Administration, the administrator of LIBOR, with support from the U.S. Federal Reserve, announced a consultation period on its intention to continue US LIBOR quotes for the most actively used

maturities on legacy transactions until June 2023. Following this announcement, multiple U.S. governmental agencies issued a joint statement encouraging banks to transition away from LIBOR for new contracts as soon as practicable and no later than December 31, 2021. The Secured Overnight Financing Rate, or SOFR, is a new index calculated by short-term repurchase agreements, backed by Treasury securities, that is anticipated to replace LIBOR. Although there have been a few issuances utilizing SOFR or the Sterling Overnight Index Average, an alternative reference rate that is based on transactions, it is unknown whether these alternative reference rates will attain market acceptance as replacements of LIBOR, particularly for legacy transactions.

With the planned cessation of LIBOR, the method and rate used to calculate our variable-rate debt in the future may result in interest rates and/or payments that are higher than, lower than, or that do not otherwise correlate over time with the interest rates and/or payments that would have been made on our obligations if LIBOR was available in its current form. Changes in interest rates may also influence our financing costs, returns on financial investments and the valuation of derivative contracts and could reduce our earnings and cash flows. In addition, the transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that rely on LIBOR, reductions in the value of certain instruments or the effectiveness of related transactions such as hedges, increased borrowing costs, uncertainty under applicable documentation, or difficult and costly consent processes. This could materially and adversely affect our results of operations, cash flows, and liquidity. As many banks have yet to finalize and communicate transition plans from LIBOR to SOFR (or another alternative reference rate), the potential effect of any such event on our cost of capital, financial results, and cash flows cannot yet be determined.

***Our use of derivatives exposes us to credit and market risk.***

From time to time, we enter into derivative transactions for economic hedging purposes, such as managing our exposure to interest rate risk. By using derivative instruments, we are exposed to credit and market risk, including the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost, default risk, and the risk of insolvency or other inability of the counterparty to a particular derivative transaction to perform its obligations. For additional information, see Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk.”

***Macroeconomic conditions could have a material adverse effect on our business, financial position, results of operations, and cash flows, and may increase loan defaults and affect the value and liquidity of your investment.***

We are not insulated from the pressures and potentially negative consequences of financial crises and similar risks beyond our control that have in the past and may in the future affect the capital and credit markets, the broader economy, the financial services industry, or the segment of that industry in which we operate. Our financial performance generally, and in particular the ability of our borrowers to make payments on outstanding loans, is highly dependent upon the business and economic environments in the markets where we operate and in the United States as a whole.

During an economic downturn or recession, credit losses in the financial services industry generally increase and demand for credit products often decreases. Declining asset values, defaults on consumer loans, and the lack of market and investor confidence, as well as other factors, all combine to decrease liquidity during an economic downturn. As a result of these factors, some banks and other lenders have suffered significant losses during economic downturns, and the strength and liquidity of many financial institutions worldwide weakened during the most recent economic crisis. Additionally, during an economic downturn, our loan servicing costs and collection costs may increase as we may have to expend greater time and resources on these activities. Our underwriting criteria, policies and procedures, and product offerings may not sufficiently protect our growth and profitability during a sustained period of economic downturn or recession. Any renewed economic downturn will adversely affect the financial resources of our customers and may result in the inability of our customers to make principal and interest payments on, or refinance, the outstanding debt when due.

In addition, periods of economic slowdown or recession are typically accompanied by decreased consumer demand for retail goods. Our ability to originate retail purchase loans depends, in large part, on the underlying demand for such products. Further, our business is focused on customers who generally do not qualify for conventional retail financing, and customers in this demographic are more likely to be affected, and more severely affected, by an economic downturn. Accordingly, our business, financial position, results of operations, and cash flows may be adversely impacted during any economic downturn or recession.

Should economic conditions worsen, they may adversely affect the credit quality of our loans. In the event of increased default by borrowers under the loans, and/or a decrease in the volume of the loans we originate, our business, results of operations, and financial condition could be adversely affected.

***Damage to our reputation could negatively impact our business.***

Recently, financial services companies have been experiencing increased reputational risk as consumers and the media take issue with certain of their practices or judgments. Maintaining a strong reputation is critical to our attracting and retaining customers, investors, and employees. Harm to our reputation can arise from many sources, including employee misconduct, misconduct by outsourced service providers or other counterparties, litigation or regulatory actions, failure by us to meet minimum standards of service and quality, inadequate protection of customer information, and compliance failures. Negative publicity regarding our company (or others engaged in a similar business or similar activities), whether or not accurate, may damage our reputation, which could have a material adverse effect on our business, results of operations, and financial condition.

**Risks Related to Regulation and Legal Proceedings**

***Our business products and activities are strictly and comprehensively regulated at the local, state, and federal levels.***

The consumer finance industry is extensively regulated by federal, state, and local laws and regulations, including consumer protection laws and regulations relating to the creation, collection, and enforcement of consumer contracts, such as consumer loans. These laws and regulations impose significant costs and limitations on the way we conduct and expand our business, and these costs and limitations may increase in the future if such laws and regulations are changed. These laws and regulations govern or affect, among other things:

- the interest rates and manner of calculating such rates that we may charge customers;
- terms of loans, including fees, maximum amounts, and minimum durations;
- origination practices;
- disclosure requirements, including posting of fees;
- solicitation and advertising practices;
- currency and suspicious activity reporting;
- recording and reporting of certain financial transactions;
- privacy of personal customer information;
- the types of products and services that we may offer;
- servicing and collection practices;
- approval of licenses; and
- locations of our branches.

Due to the highly regulated nature of the consumer finance industry, we are required to comply with a wide array of federal, state, and local laws and regulations that affect, among other things, the manner in which we conduct our origination and servicing operations. These laws and regulations directly impact our business and require constant compliance, monitoring, and internal and external audits. Although we have an enterprise-wide compliance framework structured to continuously evaluate our activities, compliance with applicable law is costly and may create operational constraints.

At a federal level, these laws and their implementing regulations include, among others, the Truth in Lending Act and Regulation Z, the Consumer Financial Protection Act, the Dodd-Frank Act, the Equal Credit Opportunity Act and Regulation B, the Fair Credit Reporting Act, the Gramm-Leach-Bliley Act, the Electronic Funds Transfer Act, the Federal Trade Commission Act, the Servicemembers Civil Relief Act, the Military Lending Act, the Telephone Consumer Protection Act, and requirements related to unfair, deceptive, or abusive acts or practices. Many states and local jurisdictions have consumer protection laws analogous to, or in addition to, those listed above, such as usury laws and state debt collection practices laws that apply to first-party lenders. These federal, state, and local laws regulate the manner in which consumer finance companies deal with customers when making loans or conducting other types of financial transactions.

Changes to statutes, regulations, or regulatory policies, including the interpretation, implementation, and enforcement of statutes, regulations, or policies, could affect us in substantial and unpredictable ways, including limiting the types of financial services and products that we may offer and increasing the ability of competitors to offer competing financial services and products. Compliance with laws and regulations requires us to invest increasingly significant portions of our resources in compliance planning and training, monitoring tools, and personnel, and requires the time and attention of management. These costs divert capital and focus away from efforts intended to grow our business. Because these laws and regulations are complex and often subject to

interpretation, or because of a result of unintended errors, we may, from time to time, inadvertently violate these laws, regulations, and policies, as each is interpreted by our regulators. If we do not successfully comply with laws, regulations, or policies, we could be subject to fines, penalties, lawsuits, or judgments, our compliance costs could increase, our operations could be limited, and we may suffer damage to our reputation. If more restrictive laws, rules, and regulations are enacted or more restrictive judicial and administrative interpretations of current laws are issued, compliance with the laws could become more expensive or difficult. Furthermore, changes in these laws and regulations could require changes in the way we conduct our business, and we cannot predict the impact such changes would have on our profitability.

The Dodd-Frank Act also may adversely affect the securitization market because it requires, among other things, that the sponsor of a securitization transaction or a majority-owned affiliate of the sponsor retain not less than 5% of the credit risk of the assets collateralizing the asset-backed securities. The risk retention requirement may limit our ability to securitize loans. The impact of the risk retention rule on the asset-backed securities market remains uncertain. In addition, rules relating to securitizations rated by nationally-recognized statistical rating agencies require that the findings of any third-party due diligence service providers be made publicly available at least five (5) business days prior to the first sale of securities, which has led, and will continue to lead, us to incur additional costs in connection with each securitization.

Our primary regulators are the state regulators for the states in which we operate. We operate each of our branches under licenses granted to us by these state regulators. State regulators may enter our branches and conduct audits of our records and practices at any time, with or without notice. If we fail to observe, or are not able to comply with, applicable legal requirements, we may be forced to discontinue certain product offerings, which could adversely affect our business, results of operations, and financial condition. In addition, violation of these laws and regulations could result in fines and other civil and/or criminal penalties, including the suspension or revocation of our branch licenses, rendering us unable to operate in one or more locations. All of the states in which we operate have laws governing the interest rates and fees that we can charge and required disclosure statements, among other restrictions. Violation of these laws could involve penalties requiring the forfeiture of principal and/or interest and fees that we have charged. Depending on the nature and scope of a violation, fines and other penalties for noncompliance of applicable requirements could be significant and could have a material adverse effect on our business, results of operations, and financial condition.

While we believe that we maintain all material licenses and permits required for our current operations and are in substantial compliance with all applicable federal, state, and local laws and regulations, we may not be able to maintain all requisite licenses and permits, and the failure to satisfy those and other regulatory requirements could have a material adverse effect on our operations. In addition, changes in laws or regulations applicable to us could subject us to additional licensing, registration, and other regulatory requirements in the future or could adversely affect our ability to operate or the manner in which we conduct business. Licenses to open new branches are granted in the discretion of state regulators. Accordingly, licenses may be denied unexpectedly or for reasons outside of our control. This could hinder our ability to implement our business plans in a timely manner or at all.

As we enter new markets and develop new products and services, we may become subject to additional local, state, and federal laws and regulations. For example, although we intend to expand into new states, we may encounter unexpected regulatory or other difficulties in these new states, including as they relate to securing the necessary licenses to operate, which may inhibit our growth. As a result, we may not be able to successfully execute our strategies to grow our revenue and earnings.

We are also subject to potential enforcement, supervision, or other actions that may be brought by state attorneys general or other state enforcement authorities and other governmental agencies. For example, the CFPB, state and federal banking regulators, state attorneys general, the Federal Trade Commission, the U.S. Department of Justice, and federal government agencies have imposed sanctions on consumer loan originators for practices including, but not limited to, charging borrowers excessive fees, steering borrowers to loans with higher costs or more onerous terms, imposing higher interest rates than the borrower’s credit risk warrants, failing to disclose material terms of loans to borrowers, and otherwise engaging in discriminatory or unfair lending practices or unfair, deceptive, or abusive acts or practices. While we believe we are in substantial compliance with all applicable federal, state, and local laws and regulations, a contrary determination by a regulator, and any resulting action, could subject us to civil money penalties, customer remediation, and increased compliance costs, as well as damage to our reputation and brand and could limit or prohibit our ability to offer certain products and services or engage in certain business practices.

Additionally, Congress, the states, and regulatory agencies could further regulate the consumer credit industry in ways that make it more difficult for us to conduct business. Further, changes in the regulatory application or judicial interpretation of the laws and regulations applicable to financial institutions also could impact the manner in which we conduct our business. The regulatory environment in which financial institutions operate has become increasingly complex and robust, and following the financial crisis of

2008, supervisory efforts to apply relevant laws, regulations, and policies have become more intense. Any of the events described above could have a material adverse effect on all aspects of our business, results of operations, and financial condition.

***We may become involved in investigations, examinations, and proceedings by government and self-regulatory agencies, which may result in material adverse consequences to our business, financial condition, and results of operations.***

From time to time, we may become involved in formal and informal reviews, investigations, examinations, proceedings, and information-gathering requests by federal and state government and self-regulatory agencies. Should we become subject to such an investigation, examination, or proceeding, the matter could result in material adverse consequences to us, including, but not limited to, increased compliance costs, adverse judgments, significant settlements, fines, penalties, injunction, or other actions.

***Changes in laws and regulations or interpretations of laws and regulations could negatively impact our business, results of operations, and financial condition.***

The laws and regulations directly affecting our lending activities are constantly under review and are subject to change. In addition, consumer advocacy groups and various other media sources continue to advocate for governmental and regulatory action to prohibit or severely restrict various financial products, including the loan products we offer. Any changes in such laws and regulations, or the implementation, interpretation, or enforcement of such laws and regulations, could force us to modify, suspend, or cease part or, in the worst case, all of our existing operations. It is also possible that the scope of federal regulations could change or expand in such a way as to preempt what has traditionally been state law regulation of our business activities. The enactment of one or more of such regulatory changes could materially and adversely affect our business, results of operations, and prospects.

State and federal legislatures and regulators may also seek to impose new requirements or interpret or enforce existing requirements in new ways. Changes in current laws or regulations or the implementation of new laws or regulations in the future may restrict our ability to continue our current methods of operation or expand our operations. For example, in 2019, bills were introduced to the previous Congress that sought to prohibit the practice of directly mailing convenience checks to potential borrowers and extend the Military Lending Act's consumer protections to all consumers, including a 36 percent interest rate cap on all consumer loans. While these bills did not become law, if similar bills were ultimately to become law, such legislation could materially and adversely affect our business, results of operations, and prospects.

Additionally, new laws and regulations could subject us to liability for prior operating activities or lower or eliminate the profitability of operations going forward by, among other things, reducing the amount of interest and fees we charge in connection with our loans or limiting the types of insurance and other ancillary products that we may offer to our customers. If these or other factors lead us to close our branches in a state, in addition to the loss of net revenues attributable to that closing, we would incur closing costs such as lease cancellation payments and we would have to write off assets that we could no longer use. If we were to suspend rather than permanently cease our operations in a state, we would also have continuing costs associated with maintaining our branches and our employees in that state, with little or no revenues to offset those costs.

In addition to state and federal laws and regulations, our business is subject to various local rules and regulations, such as local zoning regulations. Local zoning boards and other local governing bodies have been increasingly restricting the permitted locations of consumer finance companies. Any future actions taken to require special use permits for or impose other restrictions on our ability to provide products could adversely affect our ability to expand our operations or force us to attempt to relocate existing branches. If we were forced to relocate any of our branches, in addition to the costs associated with the relocation, we may be required to hire new employees in the new areas, which may adversely impact the operations of those branches. Relocation of an existing branch may also hinder our collection abilities, as our business model relies in part on the location of our branches being close to where our customers live in order to successfully collect on outstanding loans.

Changes in laws or regulations may have a material adverse effect on all aspects of our business in a particular state and on our overall business, results of operations, and financial condition.

***The Dodd-Frank Act authorizes the CFPB to adopt rules and undertake supervisory and enforcement activity that could potentially have a serious impact on our ability to offer installment loans or otherwise materially and adversely affect our operations and financial performance.***

Title X of the Dodd-Frank Act establishes the CFPB, which became operational on July 21, 2011. Under the Dodd-Frank Act, the CFPB has regulatory, supervisory, and enforcement powers over providers of consumer financial products that we offer, including explicit supervisory authority to examine and require registration of installment lenders such as ourselves. Included in the powers afforded to the CFPB is the authority to adopt rules describing specified acts and practices as being "unfair," "deceptive," or

"abusive," and hence unlawful. Specifically, the CFPB has the authority to declare an act or practice abusive if it, among other things, materially interferes with the ability of a consumer to understand a term or condition of a consumer financial product or service or takes unreasonable advantage of a lack of understanding on the part of the consumer of the product or service.

Although the Dodd-Frank Act expressly provides that the CFPB has no authority to establish usury limits, some consumer advocacy groups have suggested that certain forms of alternative consumer finance products, such as traditional installment loans, should be a regulatory priority, and it is possible that the CFPB could propose and adopt rules making the products that we offer materially less profitable or impractical. Further, the CFPB may target specific features of loans or loan practices, such as refinancings, by rulemaking that could cause us to cease offering certain products or cease engaging in certain practices. The CFPB could also adopt rules imposing new and potentially burdensome requirements and limitations with respect to any of our current or future products or lines of business or on our methods of servicing our loans. Any such rules could have a material adverse effect on our business, results of operation, and financial condition.

The Dodd-Frank Act also gives the CFPB the authority to examine and regulate entities it classifies as a "larger participant of a market for other consumer financial products or services." In the past, the CFPB has indicated that it may in the future issue a proposed rule defining larger participants in the installment lending market. The CFPB has not yet issued a "larger participant" rule applicable to us. However, if in the future we are covered by a final larger participant rule for the installment lending market, we will be subject to related CFPB supervisory examinations.

In addition to the Dodd-Frank Act's grant of regulatory powers to the CFPB, the Dodd-Frank Act gives the CFPB authority to pursue administrative proceedings or litigation for violations of federal consumer financial laws. In these proceedings, the CFPB can obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief) and monetary penalties ranging from a maximum of $5,953 per day for minor violations of federal consumer financial laws (including the CFPB's own rules) to $29,764 per day for reckless violations and $1,190,546 per day for knowing violations. If we are subject to such administrative proceedings, litigation, orders, or monetary penalties in the future, it could have a material adverse effect on our operations and financial performance. Also, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations under Title X, the Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions for the kind of cease and desist orders available to the CFPB (but not for civil penalties). If the CFPB or one or more state officials find that we have violated the foregoing laws, they could exercise their enforcement powers in ways that would have a material adverse effect on us.

In addition to preexisting enforcement rights for state attorneys general, the Dodd-Frank Act gives attorneys general authority to enforce the Dodd-Frank Act and regulations promulgated under the Dodd-Frank Act's authority. In conducting an investigation, the CFPB or state attorneys general may issue a civil investigative demand requiring a target company to prepare and submit, among other items, documents, written reports, answers to interrogatories, and deposition testimony. If we are subject to investigation, the required response could result in substantial costs and a diversion of our management's attention and resources. In addition, the market price of our common stock could decline as a result of the initiation of a CFPB investigation of our company or even the perception that such an investigation could occur, even in the absence of any finding by the CFPB that we have violated any state or federal law.

Although many of the regulations implementing portions of the Dodd-Frank Act have been promulgated, we are still unable to predict how this significant legislation may be interpreted and enforced or the full extent to which implementing regulations and supervisory policies may affect us. There can be no assurance that future reforms will not significantly and adversely impact our business, financial condition, and results of operations.

***We sell certain of our loans, including, in some instances, charged-off loans and loans where the borrower is in default. This practice could subject us to heightened regulatory scrutiny, expose us to legal action, cause us to incur losses, and/or limit or impede our collection activity.***

As part of our business model, we have purchased and sold, and may in the future purchase and sell, some of our finance receivables, including loans that have been charged-off and loans where the borrower is in default. The CFPB and other regulators recently have significantly increased their scrutiny of debt sales, especially delinquent and charged-off debt. The CFPB has criticized sellers of debt for insufficient documentation to support and verify the validity or amount of the debt. It has also criticized debt collectors for, among other things, collection tactics, attempting to collect debts that are no longer valid, misrepresenting the amount of the debt, not having sufficient documentation to verify the validity or amount of the debt, and failing to obtain or maintain proper licenses. Accordingly, our sales of loans could expose us to lawsuits or fines by regulators if we do not have sufficient documentation to support and verify the validity and amount of the loans underlying the transactions, or if we or purchasers of our loans use collection methods that are viewed as unfair, deceptive, or abusive. In addition, our collections could

suffer and we may incur additional expenses if we are required to change collection practices or stop collecting on certain debts as a result of a lawsuit or action on the part of regulators.

***Our use of third-party vendors is subject to increasing regulatory attention.***

The CFPB and other regulators have issued regulatory guidance that has focused on the need for financial institutions to oversee their business relationships with service providers in a manner that ensures such service providers comply with applicable law. This results in increased due diligence and ongoing monitoring of third-party vendor relationships, thus increasing the scope of management involvement and decreasing the benefit that we receive from using third-party vendors. Moreover, if regulators conclude that we have not met the heightened standards for oversight of our third-party vendors, we could be subject to enforcement actions, civil monetary penalties, supervisory orders to cease and desist, or other remedial actions, which could have an adverse effect on our business, financial condition, and operating results.

***We are subject to government regulations concerning our hourly and our other employees, including minimum wage, overtime, and health care laws.***

We are subject to applicable rules and regulations relating to our relationship with our employees, including minimum wage and break requirements, health benefits, unemployment and sales taxes, overtime, and working conditions and immigration status. Legislated increases in the federal minimum wage and increases in additional labor cost components, such as employee benefit costs, workers' compensation insurance rates, compliance costs and fines, as well as the cost of litigation in connection with these regulations, would increase our labor costs. Unionizing and collective bargaining efforts have received increased attention nationwide in recent periods. Should our employees become represented by unions, we would be obligated to bargain with those unions with respect to wages, hours, and other terms and conditions of employment, which is likely to increase our labor costs. Moreover, as part of the process of union organizing and collective bargaining, strikes and other work stoppages may occur, which would cause disruption to our business. Similarly, many employers nationally in similar retail environments have been subject to actions brought by governmental agencies and private individuals under wage-hour laws on a variety of claims, such as improper classification of workers as exempt from overtime pay requirements and failure to pay overtime wages properly, with such actions sometimes brought as class actions. These actions can result in material liabilities and expenses. Should we be subject to employment litigation, such as actions involving wage-hour, overtime, break, and working time, it may distract our management from business matters and result in increased labor costs. In addition, we currently sponsor employer-subsidized premiums for major medical programs for eligible personnel who elect health care coverage through our insurance programs. As a result of regulatory changes, we may not be able to continue to offer health care coverage to our employees on affordable terms or at all and subsequently may face increased difficulty in hiring and retaining employees. If we are unable to locate, attract, train, or retain qualified personnel, or if our costs of labor increase significantly, our business, results of operations, and financial condition may be adversely affected.

***Our stock price or results of operations could be adversely affected by media and public perception of installment loans and of legislative and regulatory developments affecting activities within the installment lending sector.***

Consumer advocacy groups and various media sources continue to criticize alternative financial services providers (such as payday and title lenders, check advance companies, and pawnshops). These critics frequently characterize such alternative financial services providers as predatory or abusive toward consumers. If these persons were to criticize the products that we offer, it could result in further regulation of our business and could negatively impact our relationships with existing borrowers and efforts to attract new borrowers. Furthermore, our industry is highly regulated, and announcements regarding new or expected governmental and regulatory action in the alternative financial services sector may adversely impact our stock price and perceptions of our business even if such actions are not targeted at our operations and do not directly impact us.

***Legal proceedings to which we may become subject may have a material adverse impact on our financial position and results of operations.***

Like many companies in our industry, we are from time to time involved in various legal proceedings and subject to claims and other actions related to our business activities brought by borrowers and others. All such legal proceedings are inherently unpredictable and, regardless of the merits of the claims, litigation is often expensive, time-consuming, disruptive to our operations and resources, and distracting to management. If resolved against us, such legal proceedings could result in excessive verdicts and judgments, injunctive relief, equitable relief, and other adverse consequences that may affect our financial condition and how we operate our business. Similarly, if we settle such legal proceedings, it may affect our financial condition and how we operate our business. Future court decisions, alternative dispute resolution awards, business expansion, or legislative activity may increase our exposure to litigation and regulatory investigations. In some cases, substantial non-economic remedies or punitive damages may be

sought. Although we maintain liability insurance coverage, there can be no assurance that such coverage will cover any particular verdict, judgment, or settlement that may be entered against us, that such coverage will prove to be adequate, or that such coverage will continue to remain available on acceptable terms, if at all. If in any legal proceeding we incur liability or defense costs that exceed our insurance coverage or that are not within the scope of our insurance coverage, it could have a material adverse effect on our business, financial condition, and results of operations.

***Current and proposed regulation related to consumer privacy, data protection, and information security could increase our costs.***

We are subject to a number of federal and state consumer privacy, data protection, and information security laws and regulations. Moreover, various federal and state regulatory agencies require us to notify customers in the event of a security breach. Federal and state legislators and regulators are increasingly pursuing new guidance, laws, and regulations. Compliance with current or future customer privacy, data protection, and information security laws and regulations could result in higher compliance, technology, or other operating costs. Any violations of these laws and regulations may require us to change our business practices or operational structure, and could subject us to legal claims, monetary penalties, sanctions, and the obligation to indemnify and/or notify customers or take other remedial actions.

**Risks Related to the Ownership of Our Common Stock**

***The market price of shares of our common stock may continue to be volatile, which could cause the value of your investment to decline.***

The market price of our common stock has been highly volatile and could be subject to wide fluctuations. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market, or political conditions, could reduce the market price of shares of our common stock in spite of our operating performance. In addition, our operating results and the market price of our common stock could be below the expectations of public market analysts and investors due to a number of potential factors, including variations in our quarterly operating results, additions or departures of key management personnel, failure to meet analysts' earnings estimates, publication of research reports about our industry, litigation and government investigations, changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting our business, adverse market reaction to any indebtedness we may incur or securities we may issue in the future, changes in market valuations of similar companies, speculation in the press or investment community, announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures, or capital commitments, adverse publicity about the industries we participate in, or individual scandals.

***There can be no assurance of our ability to declare and pay cash dividends in future periods.***

On October 29, 2020, we announced that our Board of Directors initiated and declared a quarterly cash dividend of $0.20 per share. We intend to pay a quarterly cash dividend for the foreseeable future; however, the declaration, amount, and payment of any future cash dividends on shares of our common stock will be at the discretion of our Board of Directors. Our Board of Directors may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax, and regulatory restrictions and such other factors as our Board of Directors may deem relevant. In addition, our ability to pay cash dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur, including our senior revolving credit facility. A reduction or elimination of our dividend payments in the future could have a negative effect on our stock price.

***Your stock ownership may be diluted by the future issuance of additional common stock in connection with our incentive plans, acquisitions, or otherwise.***

We have approximately 986 million shares of common stock authorized but unissued, as of February 23, 2021. Our amended and restated certificate of incorporation authorizes us to issue these shares of common stock and options, rights, warrants, and appreciation rights relating to common stock for the consideration and on the terms and conditions established by our Board of Directors in its discretion, whether in connection with acquisitions or otherwise. Our stockholders previously approved the Regional Management Corp. 2015 Long-Term Incentive Plan (as amended and/or restated, the "2015 Plan"). Subject to adjustments as provided in the 2015 Plan, the maximum aggregate number of shares of our common stock that may be issued under the 2015 Plan may not exceed the sum of (a) 1,550,000 shares plus (b) any shares (i) remaining available for the grant of awards as of the effective date under the 2007 Management Incentive Plan (the "2007 Plan") or the 2011 Stock Incentive Plan (the "2011 Plan"), and/or (ii) subject to an award granted under the 2007 Plan or the 2011 Plan, which award is forfeited, cancelled, terminated, expires or lapses. We have 123,489 shares available for issuance under the 2015 Plan, as of February 23, 2021. In addition, our Board may recommend

in the future that our stockholders approve new stock plans. Any common stock that we issue, including under our 2015 Plan or other equity incentive plans that we may adopt in the future, would dilute the percentage ownership held by our stockholders. In addition, the market price of our common stock could decline as a result of sales of a large number of shares of common stock in the market or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to issue equity securities in the future at a time and at a price that we deem appropriate.

***Anti-takeover provisions in our charter documents and applicable state law might discourage or delay acquisition attempts for us that you might consider favorable.***

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of our company more difficult without the approval of our Board of Directors. Among other things, these provisions:

- authorize the issuance of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of common stock;
- prohibit stockholder action by written consent, which will require all stockholder actions to be taken at a meeting of our stockholders;
- provide that the Board of Directors is expressly authorized to make, alter, or repeal our bylaws and that our stockholders may only amend our bylaws with the approval of 80% or more of all of the outstanding shares of our capital stock entitled to vote; and
- establish advance notice requirements for nominations for elections to our Board of Directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

In addition, certain states require the approval of a state regulator for the acquisition, directly or indirectly, of more than a certain amount of the voting or common stock of a consumer finance company. The overall effect of these laws is to make it more difficult to acquire a consumer finance company than it might be to acquire control of a nonregulated corporation.

Furthermore, as a Delaware corporation, we are also subject to provisions of Delaware law, which may impair a takeover attempt that our stockholders may find beneficial. These anti-takeover provisions and other provisions under Delaware law could discourage, delay, or prevent a transaction involving a change in control of our company, including actions that our stockholders may deem advantageous, or negatively affect the trading price of our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

***Our amended and restated certificate of incorporation contains a provision renouncing our interest and expectancy in certain corporate opportunities identified by our non-employee directors and their affiliates.***

Certain of our non-employee directors and their affiliates are in the business of providing buyout capital and growth capital to developing companies and may acquire interests in businesses that directly or indirectly compete with certain portions of our business. Our amended and restated certificate of incorporation provides for the allocation of certain corporate opportunities between us, on the one hand, and certain of our non-employee directors and their affiliates, on the other hand. As set forth in our amended and restated certificate of incorporation, such non-employee directors and their affiliates shall not have any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate. Therefore, a non-employee director of our company may pursue certain acquisition opportunities that may be complementary to our business and, as a result, such acquisition opportunities may not be available to us. These potential conflicts of interest could have a material adverse effect on our business, financial condition, results of operations, or prospects if attractive corporate opportunities are allocated by such non-employee directors to themselves or their other affiliates instead of to us.

## ITEM 1B. *UNRESOLVED STAFF COMMENTS.*

None.

## ITEM 2. *PROPERTIES.*

Our headquarters operations are located in an approximately 51,700 square foot leased facility in Greer, South Carolina, a town located outside of Greenville, South Carolina. As of February 24, 2021, each of our 365 branches is leased under fixed-term lease agreements. Our branches are located in 11 states throughout the Southeastern, Southwestern, Mid-Atlantic, and Midwestern United States, and the average branch size is approximately 1,575 square feet.

In the opinion of management, our properties have been well-maintained, are in sound operating condition, and contain all equipment and facilities necessary to operate at present levels. We believe that all of our facilities are suitable and adequate for our present purposes. Our only reportable segment, which is our consumer finance segment, uses the properties described in this Part I, Item 2, "Properties."

## ITEM 3. *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 4. *MINE SAFETY DISCLOSURES.*

Not applicable.

## PART II

## ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.*

### Market Information

Our common stock is listed on the New York Stock Exchange (the "NYSE") under the symbol "RM."

### Holders

As of February 23, 2021, there were 24 registered holders of our common stock. Because many of the shares of our common stock are held by brokers and other institutions on behalf of stockholders, we are unable to determine the exact number of beneficial stockholders represented by those record holders, but we believe that there were approximately 2,362 beneficial owners of our common stock as of February 18, 2021.

### Non-Affiliate Ownership

For purposes of calculating the aggregate market value of shares of our common stock held by non-affiliates, as set forth on the cover page of this Annual Report on Form 10-K, we have assumed that all outstanding shares are held by non-affiliates, except for shares held by each of our executive officers, directors, and 5% or greater stockholders as of June 30, 2020. In the case of 5% or greater stockholders, we have not deemed such stockholders to be affiliates unless there are facts and circumstances which would indicate that such stockholders exercise any control over our company or unless they hold 10% or more of our outstanding common stock. These assumptions should not be deemed to constitute an admission that all executive officers, directors, and 5% or greater stockholders are, in fact, affiliates of our company, or that there are no other persons who may be deemed to be affiliates of our company. Further information concerning shareholdings of our officers, directors, and principal stockholders is incorporated by reference in Part III, Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of this Annual Report on Form 10-K.

### Dividends; Stock Repurchases

In October 2020, we announced that our Board of Directors initiated and declared a quarterly cash dividend of $0.20 per share. On February 10, 2021, the Board of Directors declared a quarterly dividend of $0.20 payable on March 12, 2021, to stockholders of record on February 23, 2021. We currently expect that comparable quarterly cash dividends will continue to be paid in the future. We anticipate that future dividend declarations will occur in February, May, August, and November, with payment being made in March, June, September, and December.

The following table provides information regarding our repurchase of our common stock during the year ended December 31, 2020.

| | Issuer Purchases of Equity Securities | | | |
|---|---|---|---|---|
| Period | Total Number of Shares Purchased | Weighted-Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Program | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program* |
| January 1, 2020 – October 31, 2020 | — | $ — | — | $ — |
| November 1, 2020 – November 30, 2020 | 109,070 | 26.56 | 109,070 | $27,103,600 |
| December 1, 2020 – December 31, 2020 | 326,046 | 27.92 | 326,046 | $17,999,889 |
| Total | 435,116 | $ 27.58 | 435,116 | |

* On October 29, 2020, we announced that our Board of Directors had authorized the repurchase of up to $30.0 million of our outstanding shares of common stock. The authorization was effective immediately and extends through October 22, 2022.

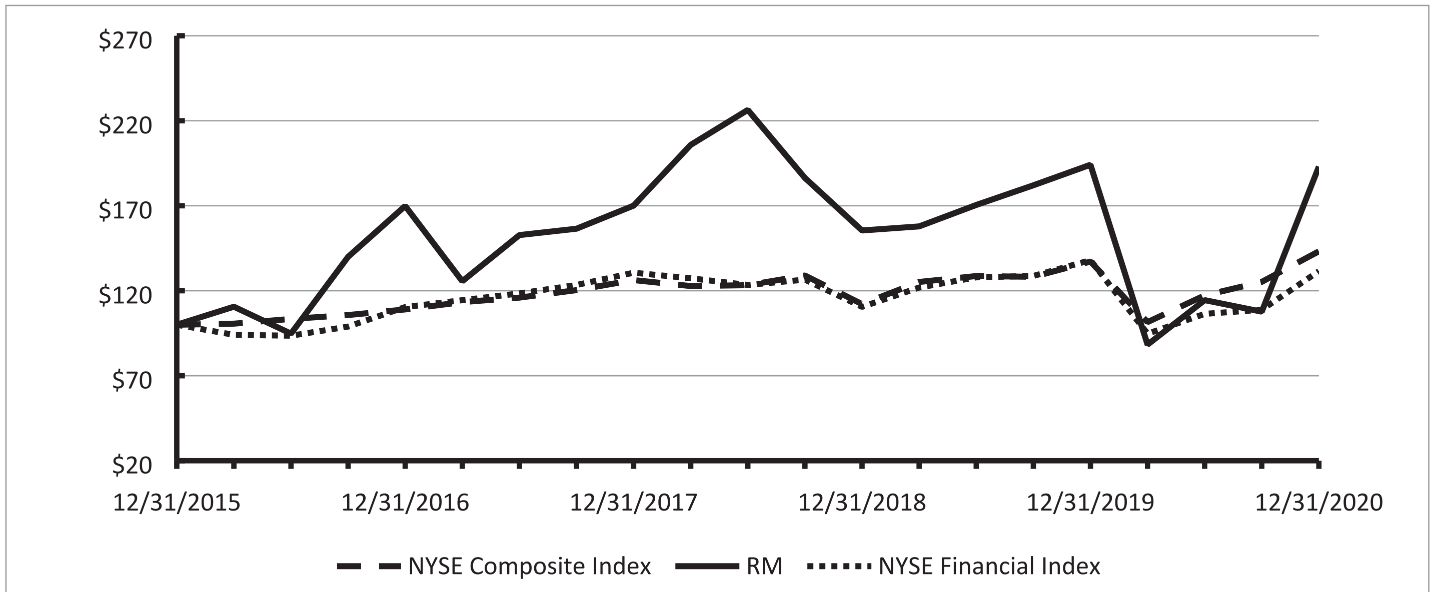
The declaration, amount, and payment of any future cash dividends on shares of common stock and/or repurchases of common stock will be at the discretion of our Board of Directors. Our Board of Directors may take into account general and economic conditions; our financial condition and results of operations; our available cash and current and anticipated cash needs; capital requirements; contractual, legal, tax, and regulatory restrictions and implications on the payment of cash dividends by us to our stockholders or by our subsidiaries to us; and such other factors as our Board of Directors may deem relevant. Our amended and

restated senior revolving credit facility includes a provision restricting our ability to pay dividends on our common stock based upon, among other things, our net income and hypothetical availability under the credit facility. Likewise, certain of our credit facilities restrict certain of our wholly-owned subsidiaries from paying dividends to us, subject to certain exceptions.

**Stock Performance Graph**

*This performance graph shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933.*

The following graph shows a comparison of the cumulative total return for our common stock, the NYSE Composite Index, and the NYSE Financial Index for the five years ended December 31, 2020. The graph assumes that $100 was invested at the market close on December 31, 2015, in the common stock of the Company, the NYSE Composite Index, and the NYSE Financial Index, and data for the NYSE Composite Index and the NYSE Financial Index assumes reinvestments of dividends. The stock price performance of the following graph is not necessarily indicative of future stock price performance.



**ITEM 6. *SELECTED FINANCIAL DATA.***

The selected consolidated historical financial data for the periods set forth below are derived from audited consolidated financial statements. We derived the selected historical consolidated statement of income data for each of the years ended December 31, 2020, 2019, and 2018 and the selected historical consolidated balance sheet data as of December 31, 2020 and 2019 from our audited consolidated financial statements, which appear in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. We have derived the selected historical consolidated statement of income data for the years ended December 31, 2017 and 2016 and the selected historical consolidated balance sheet data as of December 31, 2018, 2017, and 2016 from our audited financial statements, which do not appear elsewhere in this Annual Report on Form 10-K.

The following selected consolidated financial data should be read in conjunction with our consolidated financial statements, the related notes, and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report on Form 10-K. The historical results are not necessarily indicative of the results to be expected for any future period.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| *In thousands, except per share data* | 2020 | 2019 | 2018 | 2017 | 2016 |
| **Consolidated Statements of Income Data:** | | | | | |
| Revenue | | | | | |
| Interest and fee income | $ 335,215 | $ 321,169 | $ 280,121 | $ 249,034 | $ 220,963 |
| Insurance income, net, and other income | 38,691 | 34,544 | 26,585 | 23,425 | 19,555 |
| Total revenue | 373,906 | 355,713 | 306,706 | 272,459 | 240,518 |
| Expenses | | | | | |
| Provision for credit losses | 123,810 | 99,611 | 87,056 | 77,339 | 63,014 |
| General and administrative expenses | 176,316 | 156,984 | 140,284 | 130,955 | 118,632 |
| Interest expense | 37,852 | 40,125 | 33,464 | 23,908 | 19,924 |
| Total expenses | 337,978 | 296,720 | 260,804 | 232,202 | 201,570 |
| Income before income taxes | 35,928 | 58,993 | 45,902 | 40,257 | 38,948 |
| Income taxes | 9,198 | 14,261 | 10,557 | 10,294 | 14,917 |
| Net income | $ 26,730 | $ 44,732 | $ 35,345 | $ 29,963 | $ 24,031 |
| **Earnings per Share Data:** | | | | | |
| Basic earnings per share | $ 2.45 | $ 3.92 | $ 3.03 | $ 2.59 | $ 2.03 |
| Diluted earnings per share | $ 2.40 | $ 3.80 | $ 2.93 | $ 2.54 | $ 1.99 |
| Basic weighted-average shares | 10,930 | 11,401 | 11,655 | 11,551 | 11,824 |
| Diluted weighted-average shares | 11,145 | 11,773 | 12,078 | 11,783 | 12,085 |
| **Dividend Data:** | | | | | |
| Cash dividends declared per share | $ 0.20 | $ — | $ — | $ — | $ — |
| **Consolidated Balance Sheet Data (at period end):** | | | | | |
| Net finance receivables | $ 1,136,259 | $ 1,133,404 | $ 951,183 | $ 834,045 | $ 729,161 |
| Unearned insurance premiums | (34,545) | (28,591) | (18,940) | (16,582) | (11,386) |
| Allowance for credit losses | (150,000) | (62,200) | (58,300) | (48,910) | (41,250) |
| Net finance receivables less unearned insurance premiums and allowance for credit losses | 951,714 | 1,042,613 | 873,943 | 768,553 | 676,525 |
| Total assets | 1,103,856 | 1,158,540 | 956,395 | 829,483 | 712,224 |
| Long-term debt | 768,909 | 808,218 | 660,507 | 571,496 | 491,678 |
| Total liabilities | 831,733 | 855,757 | 677,234 | 590,072 | 504,749 |
| Total stockholders' equity | $ 272,123 | $ 302,783 | $ 279,161 | $ 239,411 | $ 207,475 |

**ITEM 7. *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 audited consolidated financial statements and the related notes that appear in Part II, Item 8, "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K. 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 Part I, Item 1A, "Risk Factors" in this Annual Report on Form 10-K. The COVID-19 pandemic may also magnify many of these risks and uncertainties. The forward-looking information we have provided in this Annual Report on Form 10-K 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. We operate under the name "Regional Finance" in 365 branch locations across 11 states in the Southeastern, Southwestern, Mid-Atlantic, and Midwestern United States, serving 410,300 active accounts, as of December 31, 2020. 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 multiple channel 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 in-person 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 (≤$2,500)* – As of December 31, 2020, we had 251.8 thousand small installment loans outstanding, representing $403.1 million in net finance receivables. This included 112.9 thousand small loan convenience checks, representing $157.4 million in net finance receivables.
- *Large Loans (>$2,500)* – As of December 31, 2020, we had 147.4 thousand large installment loans outstanding, representing $715.2 million in net finance receivables. This included 7.5 thousand large loan convenience checks, representing $21.5 million in net finance receivables.
- *Retail Loans* – As of December 31, 2020, we had 10.4 thousand retail purchase loans outstanding, representing $14.1 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 loan products and will be the drivers of our future growth. We ceased originating automobile purchase loans in November 2017 to focus on growing our core loan portfolio, but we continue to own and service the automobile loans that we previously originated. As of December 31, 2020, we had less than one thousand automobile loans outstanding, representing $3.9 million in finance receivables. 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.

For additional information regarding our business operations, see Part I, Item 1, "Business."

**Impact of COVID-19 Pandemic on Outlook**

The COVID-19 pandemic has resulted in widespread market volatility and economic uncertainty. As a result of the pandemic, we experienced temporary closure of some branches due to previous state regulatory mandates and company-initiated quarantine measures. However, substantially all of our branches currently remain open, and our centralized operations continue to support our customers and our branch network. We have also implemented social distancing measures, enhanced sanitation, and supplied personal protective equipment across our branch network. As a result of the economic downturn related to the pandemic, our branches experienced a decrease in customer traffic and product demand in the second quarter of 2020, which rebounded in the second half of 2020. Net finance receivables increased $76.7 million in the fourth quarter of 2020 due to rebounding consumer demand and the execution of our new growth initiatives. Fourth quarter 2020 loan growth was also aided by our increased remote origination and loan closing capabilities that were rolled out in the second quarter of 2020. While loan growth rebounded in the second half of 2020, future consumer demand is still uncertain due to the pandemic and potential customer access to external economic stimulus measures.

During the pandemic, we have employed a data-driven approach to managing our risk, which is essential, particularly during periods of market volatility. We manage this risk through our custom risk and response scorecards, analysis of early payment activity, and detailed geographic and customer segmentation to ensure that incremental direct mail loan volume is capable of absorbing credit losses at two to three times our historical levels while still providing positive contribution margin.

In light of the heightened unemployment rate within the United States, we anticipate slowdowns in our loan collections and increased loan defaults. As a result, we have $30.4 million reserved for estimated incremental credit losses on customer accounts impacted by COVID-19. We proactively adjusted our underwriting criteria in March 2020 to adapt to the new environment and have continued to originate loans with appropriately enhanced lending criteria. As we have progressed through the pandemic and acquired additional data, we have continued to update and sharpen our underwriting standards and have paid close attention to certain geographies and industries that have been most affected by the virus and economic disruption. As of December 31, 2020, approximately 61% of our total portfolio had been originated since April 2020, the vast majority of which was subject to enhanced credit standards deployed following the outset of the pandemic.

We specifically tailored our borrower assistance programs during the second quarter of 2020 to help our customers manage their debt obligations and maintain their creditworthiness. To qualify for our borrower assistance programs, we require that our customers remain engaged and active in repaying their loans, including requiring at least one loan payment in the prior two months to qualify for a payment deferral. We are confident that these programs are having their intended effect and, in combination with government stimulus measures, have acted as an important bridge for our customers during the pandemic. Delinquency as of December 31, 2020 was down from December 31, 2019, even as borrower assistance usage returned to pre-pandemic levels and government stimulus diminished. Our contractual delinquency as a percentage of net finance receivables remained near historically low levels at 5.3% as of December 31, 2020, down from 7.0% as of December 31, 2019. However, the long-term success of these programs is unknown at this time. In the near-term, we may experience further 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. In the first quarter of 2021, we successfully closed a $248.7 million asset-backed securitization with a 3-year revolving period and weighted-average coupon ("WAC") of 2.08% (replacing a prior transaction with a 2-year revolver and WAC of 4.87%). As of December 31, 2020, we had $194.4 million of immediate liquidity, comprised of unrestricted cash on hand and immediate availability to draw down cash from our revolving credit facilities. This represents an $82.5 million improvement in our liquidity position since December 31, 2019. In addition, we ended 2020 with $438.1 million of unused capacity on our revolving credit facilities (subject to the borrowing base). We believe our liquidity position provides us substantial runway to fund our growth initiatives and to support the fundamental operations of our business.

We continue to rely more heavily on online operations for customer access and remote work for certain of our team members, including our home office and field leadership. We have expanded our capabilities for branch team members to work from home to the extent permitted by applicable laws and to provide origination capabilities remotely in states where permitted. We also completed the rollout of a new remote loan closing process across our network in July 2020. This new capability enables our customers to extend and expand their borrowing relationship with us from the comfort and convenience of their home, while allowing us to maintain the same underwriting standards we utilize in our branches. After only six months with the new capabilities fully deployed, we completed 20% of December branch originations through the remote loan closing process, a demonstration of our ability to adapt successfully to the new operating environment while continuing to provide our customers with the best-in-class service and experience that they have come to expect from us. On the digital front, we are building and expanding upon our end-to-

end online and mobile origination capabilities for new and existing customers, along with additional digital servicing functionality, including a mobile application. Combined with remote loan closings, we believe that these new omni-channel sales and service capabilities will 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.

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 duration and severity of the pandemic, the success of actions taken to contain, treat, and prevent the spread of the virus, the effectiveness of our borrower assistance programs and government economic stimulus measures, and the speed at which normal economic and operating conditions return.

See Part I, Item 1A, “Risk Factors” for an update to our risk factors related to COVID-19.

**Factors Affecting Our Results of Operations**

Our business is driven 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 small and large 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. In addition, the CECL accounting model requires earlier recognition of credit losses compared to the prior incurred loss approach. This could result in larger allowance for credit loss releases in periods of loan portfolio liquidation, and larger provisions for credit losses in periods of loan portfolio growth compared to prior years. Consequently, we experience seasonal fluctuations in our operating results and cash needs. However, changes in borrower assistance programs and customer access to external economic stimulus measures related to COVID-19 have impacted our typical seasonal trends for 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 and purchase. Average net finance receivables grew 6.5% from $1.0 billion in 2019 to $1.1 billion in 2020. 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 the number of branches we operate allows us to increase the number of loans that we are able to service. We opened fifteen new branches and consolidated eight branches in 2019. We opened nine new branches and consolidated ten branches in 2020. We can add additional branches in states where it is favorable for us to conduct business, and we have plans to continue to grow our geographic footprint and branch network.

***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. Our allowance for credit losses estimate changed on January 1, 2020, as we adopted the CECL accounting model. See Note 2, “Significant Accounting Policies” of the Notes to Consolidated Financial Statements in Part II, Item 8, “Financial Statements and Supplementary Data,” for more information on our allowance for credit losses.

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. In addition, the market for repossessed automobiles at auction is another underlying factor that we believe influences the provision for credit losses for loans collateralized by automobiles. 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 have purchased interest rate cap contracts. As of December 31, 2020, we held five interest rate cap contracts with an aggregate notional principal amount of $500.0 million. The interest rate caps have maturities of April

2021 ($200.0 million, 3.50% strike rate), March 2023 ($100.0 million, 1.75% strike rate), August 2023 ($50.0 million, 0.50% strike rate), October 2023 ($100.0 million, 0.50% strike rate), and November 2023 ($50.0 million, 0.25% strike rate). As of December 31, 2020, the one-month LIBOR was 0.14%. When the one-month LIBOR exceeds the strike rate, the counterparty reimburses us for the excess over the strike rate. No payment is required by us or the counterparty when the one-month LIBOR is below the strike rate. In addition, as described below under "Liquidity and Capital Resources – Financing Arrangements," the interest rate on a portion of our long-term debt is fixed. As of December 31, 2020, 57.3% of our long-term debt was at a fixed rate. In February 2021, as a component of our strategy to manage the interest rate risk associated with future interest payments on variable-rate debt, we purchased an interest rate cap contract for $0.2 million with an aggregate notional principal amount of $50.0 million. The interest rate cap matures in February 2024 with a 0.25% strike rate against the one-month LIBOR.

***Operating Costs.*** Our financial results are impacted by the costs of operations and home office functions. Those costs are included in general and administrative expenses within our consolidated statements of income. Our operating expense ratio (general and administrative expenses as a percentage of average net finance receivables) was 16.4% for 2020, compared to 15.6% in 2019. Fiscal 2020 included $3.1 million of executive transition costs and $0.7 million of system outage costs. We deferred $3.6 million less in loan origination costs on reduced loan volume in 2020, which increased personnel expense. We incurred $1.2 million of expenses for COVID-19 related customer communications, protective supplies, and remote work during 2020. We have also incurred $0.8 million of severance expenses related to workforce actions during 2020. These non-operating and COVID-19 related expenses impacted our operating expense ratio by 90 basis points in 2020.

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

As reinsurer, we maintain cash reserves for life insurance claims in an amount determined by the unaffiliated insurance company. As of December 31, 2020, the restricted cash balance for these cash reserves was $12.0 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 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 future 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 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 home 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, telecommunication, 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 non-employee director compensation, amortization of software licenses and implementation costs, electronic payment processing costs, bank service charges, office supplies, and credit bureau charges. 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 I, Item 1A, “Risk Factors.”

***Interest Expense.*** Our interest expense consists primarily of paid and accrued interest for long-term debt, unused line fees, and amortization of debt issuance costs on long-term debt. Interest expense also includes costs attributable to the interest rate caps that we use to manage our interest rate risk. Changes in the fair value of the interest rate caps are reflected in interest expense.

***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:

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | 2018 | |
| *In thousands* | Amount | % of Average Net Finance Receivables | Amount | % of Average Net Finance Receivables | Amount | % of Average Net Finance Receivables |
| **Revenue** | | | | | | |
| Interest and fee income | $ 335,215 | 31.2% | $ 321,169 | 31.8% | $ 280,121 | 32.1% |
| Insurance income, net | 28,349 | 2.6% | 20,817 | 2.1% | 14,793 | 1.7% |
| Other income | 10,342 | 1.0% | 13,727 | 1.4% | 11,792 | 1.3% |
| Total revenue | 373,906 | 34.8% | 355,713 | 35.3% | 306,706 | 35.1% |
| **Expenses** | | | | | | |
| Provision for credit losses | 123,810 | 11.5% | 99,611 | 9.9% | 87,056 | 10.0% |
| | | | | | | |
| Personnel | 109,560 | 10.2% | 94,000 | 9.3% | 84,068 | 9.6% |
| Occupancy | 22,629 | 2.1% | 22,576 | 2.2% | 20,864 | 2.4% |
| Marketing | 10,357 | 1.0% | 8,206 | 0.8% | 7,745 | 0.9% |
| Other | 33,770 | 3.1% | 32,202 | 3.3% | 27,607 | 3.2% |
| Total general and administrative | 176,316 | 16.4% | 156,984 | 15.6% | 140,284 | 16.1% |
| | | | | | | |
| Interest expense | 37,852 | 3.6% | 40,125 | 4.0% | 33,464 | 3.7% |
| Income before income taxes | 35,928 | 3.3% | 58,993 | 5.8% | 45,902 | 5.3% |
| Income taxes | 9,198 | 0.8% | 14,261 | 1.4% | 10,557 | 1.3% |
| **Net income** | $ 26,730 | 2.5% | $ 44,732 | 4.4% | $ 35,345 | 4.0% |

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

**Comparison of December 31, 2020, Versus December 31, 2019**

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

- *Small Loans (≤$2,500)* – Small loans outstanding decreased by $64.6 million, or 13.8%, to $403.1 million at December 31, 2020, from $467.6 million at December 31, 2019. The decrease was primarily a result of reduced loan demand due to COVID-19 and the general transition of small loan customers to large loans.
- *Large Loans (>$2,500)* – Large loans outstanding increased by $83.1 million, or 13.2%, to $715.2 million at December 31, 2020, from $632.1 million at December 31, 2019. The increase was primarily due to increased marketing and the transition of small loan customers to large loans, partially offset by reduced loan demand due to COVID-19.
- *Automobile Loans* – Automobile loans outstanding decreased by $5.8 million, or 59.7%, to $3.9 million at December 31, 2020, from $9.6 million at December 31, 2019. We ceased originating automobile loans in November 2017 to focus on growing our core loan portfolio.
- *Retail Loans* – Retail loans outstanding decreased $10.0 million, or 41.5%, to $14.1 million at December 31, 2020, from $24.1 million at December 31, 2019.

| In thousands | Net Finance Receivables by Product December 31, 2020 | December 31, 2019 | YoY $ Inc (Dec) | YoY % Inc (Dec) |
|---|---|---|---|---|
| Small loans | $ 403,062 | $ 467,613 | $ (64,551) | (13.8)% |
| Large loans | 715,210 | 632,068 | 83,142 | 13.2% |
| Total core loans | 1,118,272 | 1,099,681 | 18,591 | 1.7% |
| Automobile loans | 3,889 | 9,640 | (5,751) | (59.7)% |
| Retail loans | 14,098 | 24,083 | (9,985) | (41.5)% |
| Total net finance receivables | $ 1,136,259 | $ 1,133,404 | $ 2,855 | 0.3% |
| | | | | |
| Number of branches at period end | 365 | 366 | (1) | (0.3)% |
| Average net finance receivables per branch | $ 3,113 | $ 3,097 | $ 16 | 0.5% |

**Comparison of the Year Ended December 31, 2020, Versus the Year Ended December 31, 2019**

***Net Income.*** Net income decreased $18.0 million, or 40.2%, to $26.7 million in 2020, from $44.7 million in 2019. The decrease was primarily due to an increase in provision for credit losses of $24.2 million and an increase in general and administrative expenses of $19.3 million, offset by an increase in revenue of $18.2 million, a decrease in income taxes of $5.1 million, and a decrease in interest expense of $2.3 million.

***Revenue.*** Total revenue increased $18.2 million, or 5.1%, to $373.9 million in 2020, from $355.7 million in 2019. The components of revenue are explained in greater detail below.

**Interest and Fee Income.** Interest and fee income increased $14.0 million, or 4.4%, to $335.2 million in 2020, from $321.2 million in 2019. The increase was primarily due to a 6.5% increase in average net finance receivables, offset by a 0.6% decrease in average yield.

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

| | Average Net Finance Receivables for the Year Ended | | | Average Yields for the Year Ended | | |
|---|---|---|---|---|---|---|
| In thousands | December 31, 2020 | December 31, 2019 | YoY % Inc (Dec) | December 31, 2020 | December 31, 2019 | YoY % Inc (Dec) |
| Small loans | $ 406,675 | $ 441,967 | (8.0)% | 37.3% | 38.1% | (0.8)% |
| Large loans | 642,085 | 522,419 | 22.9% | 27.9% | 27.8% | 0.1% |
| Automobile loans | 6,315 | 16,418 | (61.5)% | 14.0% | 14.8% | (0.8)% |
| Retail loans | 18,791 | 27,701 | (32.2)% | 18.2% | 19.0% | (0.8)% |
| Total interest and fee yield | $ 1,073,866 | $ 1,008,505 | 6.5% | 31.2% | 31.8% | (0.6)% |

Small loan yields decreased 0.8% compared to 2019 as more of our small loan customers have originated loans with larger balances and longer maturities, which typically are priced at lower interest rates. Large loan yields increased 0.1% compared to 2019 as a result of adjusted pricing that reflects current market conditions.

As a result of our focus on large loan growth over the last several years, the large loan portfolio has grown faster than the rest of our loan products, and we expect that this trend will continue in the future. Over time, large loan growth will change our product mix, which will reduce our total interest and fee yield.

We continue to originate new loans with enhanced lending criteria. Demand for our loan products has continued to recover, as total originations increased to $358.7 million in the fourth quarter of 2020, from a low of $172.2 million in the second quarter of 2020. The year-over-year change in originations consistently improved over the second half of 2020. We expect any government stimulus in early 2021 will reduce loan demand. As we experienced in 2020, we expect a strong second half increase in loan demand as vaccinations become more widespread and the economy begins to re-open more fully. The following table represents the amount of loan originations and refinancing, net of unearned finance charges:

| | Net Loans Originated for the Quarter Ended | | | |
|---|---|---|---|---|
| In thousands | March 31, 2020 | June 30, 2020 | September 30, 2020 | December 31, 2020 |
| Net loans originated | $ 229,245 | $ 172,152 | $ 308,087 | $ 358,743 |
| Year-over-year change | 4.4% | (50.7)% | (11.7)% | (0.1)% |

| In thousands | Net Loans Originated for the Year Ended | | | |
|---|---|---|---|---|
| | December 31, 2020 | December 31, 2019 | YoY $ Inc (Dec) | YoY % Inc (Dec) |
| Small loans | $ 503,406 | $ 662,281 | $ (158,875) | (24.0)% |
| Large loans | 555,615 | 594,617 | (39,002) | (6.6)% |
| Retail loans | 9,206 | 19,630 | (10,424) | (53.1)% |
| Total net loans originated | $ 1,068,227 | $ 1,276,528 | $ (208,301) | (16.3)% |

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

| In thousands | Components of Increase in Interest and Fee Income Year Ended December 31, 2020 Compared to Year Ended December 31, 2019 Increase (Decrease) | | | |
|---|---|---|---|---|
| | Volume | Rate | Volume & Rate | Net |
| Small loans | $ (13,444) | $ (3,680) | $ 294 | $ (16,830) |
| Large loans | 33,242 | 820 | 187 | 34,249 |
| Automobile loans | (1,495) | (128) | 79 | (1,544) |
| Retail loans | (1,690) | (205) | 66 | (1,829) |
| Product mix | 4,202 | (3,164) | (1,038) | — |
| Total increase in interest and fee income | $ 20,815 | $ (6,357) | $ (412) | $ 14,046 |

The $14.0 million increase in interest and fee income in 2020 compared to 2019 was primarily driven by growth of our average net finance receivables, offset by a decrease in yield, as illustrated in the table above. We expect future increases in interest and fee income to continue to be driven primarily from growth in our average net finance receivables.

**Insurance Income, Net.** Insurance income, net increased $7.5 million, or 36.2%, to $28.3 million in 2020, from $20.8 million in 2019. Insurance income, net represented 2.6% and 2.1% of average net finance receivables in 2020 and 2019, respectively. In both 2020 and 2019, personal property insurance premiums represented the largest component of aggregate earned insurance premiums. Life insurance claims expense and non-file insurance claims expense represented the largest component of direct insurance expenses in 2020 and 2019, respectively.

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

| In thousands | Insurance Premiums and Direct Expenses for the Year Ended | | | |
|---|---|---|---|---|
| | December 31, 2020 | December 31, 2019 | YoY $ B(W) | YoY % B(W) |
| Earned premiums | $ 42,816 | $ 35,544 | $ 7,272 | 20.5% |
| Claims, reserves, and certain direct expenses | (14,467) | (14,727) | 260 | 1.8% |
| Insurance income, net | $ 28,349 | $ 20,817 | $ 7,532 | 36.2% |

Fiscal 2020 earned premiums increased by $7.3 million and claims, reserves, and certain direct expenses decreased by $0.3 million, in each case compared to 2019. The increase in earned premiums was primarily due to loan growth and adjusted pricing. Claims, reserves, and certain direct expenses were impacted by a $3.0 million decrease in non-file insurance claims expense due to fewer bankruptcy filings by our customers during 2020. These decreases were offset by a $1.3 million increase in life insurance claims expense and a $1.6 million increase in unemployment insurance claims expense.

**Other Income.** Other income decreased $3.4 million, or 24.7%, to $10.3 million in 2020, from $13.7 million in 2019, due to a $2.0 million decrease in late charges, a $0.6 million decrease in interest income from restricted cash, a $0.5 million decrease in commissions earned from the sale of our auto club product, and a $0.3 million decrease in extension fee income. As large loans continue to represent a greater percentage of our total loan portfolio and we continue to leverage electronic payment options, we expect lower late charges per active account. Other income represented 1.0% and 1.4% of average net finance receivables in 2020 and 2019, respectively.

***Provision for Credit Losses.*** Our provision for credit losses increased $24.2 million, or 24.3%, to $123.8 million in 2020, from $99.6 million in 2019. The increase was due to provision for credit losses related to COVID-19 of $30.4 million and an increase in net credit losses of $0.4 million, offset by $6.6 million less provision primarily due to less portfolio growth in 2020 compared to 2019.

The provision for credit losses as a percentage of average net finance receivables was 11.5% in 2020, compared to 9.9% in 2019. The 2020 percentage included a 2.8% impact from the $30.4 million provision for credit losses related to COVID-19. 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:

| | | Three Months Ended | | | | Year Ended |
|---|---|---|---|---|---|---|
| *In thousands* | January 1, 2020 | March 31, 2020 | June 30, 2020 | September 30, 2020 | December 31, 2020 | December 31, 2020 |
| Beginning balance | $ 62,200 | $ 122,300 | $ 142,400 | $ 142,000 | $ 144,000 | $ 62,200 |
| Impact of CECL adoption | 60,100 | — | — | — | — | 60,100 |
| COVID reserve build / (release) | — | 23,900 | 9,500 | (1,500) | (1,500) | 30,400 |
| Other | — | (3,800) | (9,900) | 3,500 | 7,500 | (2,700) |
| Ending balance | $ 122,300 | $ 142,400 | $ 142,000 | $ 144,000 | $ 150,000 | $ 150,000 |
| Allowance for credit losses as a percentage of net finance receivables | 10.8% | 12.9% | 13.9% | 13.6% | 13.2% | 13.2% |

Our methodology to estimate expected credit losses utilized macroeconomic forecasts as of December 31, 2020, which incorporated the potential impact that the COVID-19 pandemic could have on the economy. Our forecast utilized economic projections from a major rating service and considered several macroeconomic stress scenarios, with our final forecast assuming unemployment of 9% at the end of 2021. The macroeconomic scenario was adjusted for the potential benefits of internal borrower assistance programs and the Consolidated Appropriations Act signed into law in December 2020. During 2020, we increased the allowance for credit losses by $27.7 million, which included a $30.4 million reserve related to the economic impact of COVID-19, offset by a base reserve release of $2.7 million. As of December 31, 2020, our allowance for credit losses as a percentage of net finance receivables of 13.2% included 2.7% related to the $30.4 million impact from COVID-19.

**Net Credit Losses.** Net credit losses increased $0.4 million, or 0.4%, to $96.1 million in 2020, from $95.7 million in 2019. The increase was primarily due to a $65.4 million increase in average net finance receivables in 2020, offset by historically low delinquency levels. Net credit losses as a percentage of average net finance receivables were 8.9% in 2020, compared to 9.5% in 2019.

**Delinquency Performance** Our contractual delinquency as a percentage of net finance receivables improved to 5.3% as of December 31, 2020, from 7.0% as of December 31, 2019. Our credit performance continues to be strong, as a result of the quality and adaptability of our underwriting criteria, custom scorecards, and borrower assistance programs, as well as the bridge provided by government stimulus. We expect that recent government stimulus will keep delinquencies muted for at least the first quarter of 2021 and perhaps longer, depending on the level of additional stimulus.

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

| | Contractual Delinquency by Aging | | | |
|---|---|---|---|---|
| *In thousands* | December 31, 2020 | | December 31, 2019 | |
| Current | $ 990,467 | 87.2% | $ 949,204 | 83.8% |
| 1 to 29 days past due | 85,342 | 7.5% | 104,690 | 9.2% |
| Delinquent accounts: | | | | |
| 30 to 59 days | 18,381 | 1.6% | 25,276 | 2.2% |
| 60 to 89 days | 14,955 | 1.3% | 18,781 | 1.7% |
| 90 to 119 days | 10,496 | 0.9% | 13,916 | 1.2% |
| 120 to 149 days | 9,085 | 0.8% | 11,656 | 1.0% |
| 150 to 179 days | 7,533 | 0.7% | 9,881 | 0.9% |
| Total contractual delinquency | $ 60,450 | 5.3% | $ 79,510 | 7.0% |
| Total net finance receivables | $ 1,136,259 | 100.0% | $ 1,133,404 | 100.0% |

| In thousands | Contractual Delinquency by Product | | | |
|---|---|---|---|---|
| | December 31, 2020 | | December 31, 2019 | |
| Small loans | $ 27,703 | 6.9% | $ 42,375 | 9.1% |
| Large loans | 31,259 | 4.4% | 33,921 | 5.4% |
| Automobile loans | 296 | 7.6% | 755 | 7.8% |
| Retail loans | 1,192 | 8.5% | 2,459 | 10.2% |
| Total contractual delinquency | $ 60,450 | 5.3% | $ 79,510 | 7.0% |

***General and Administrative Expenses.*** Our general and administrative expenses, comprising expenses for personnel, occupancy, marketing, and other expenses, increased $19.3 million, or 12.3%, to $176.3 million in 2020 from $157.0 million in 2019. Our operating expense ratio increased to 16.4% in 2020, from 15.6% in 2019. Our operating expense ratio for 2020 included several non-operating and COVID-19 related expenses. Fiscal 2020 included $3.1 million of executive transition costs and $0.7 million of system outage costs. We deferred $3.6 million less in loan origination costs on reduced loan volume, which increased personnel expense in 2020 compared to 2019. We incurred $1.2 million of expenses for COVID-19 related customer communications and protective measures in our branches. As we repositioned the business for future growth, we adjusted our workforce in the third quarter of 2020 and incurred $0.8 million of non-operating severance expenses. These increased expenses impacted our operating expense ratio by 90 basis points in 2020. The absolute dollar increase in general and administrative expenses is explained in greater detail below.

**Personnel.** The largest component of general and administrative expenses is personnel expense, which increased $15.6 million, or 16.6%, to $109.6 million in 2020, from $94.0 million in 2019. Labor expense increased $6.6 million primarily due to added headcount to effectively service average net finance receivables growth of 6.5% since December 31, 2019. We deferred $3.6 million less in loan origination costs compared to 2019, which increased personnel expense. Additional increases include executive transition costs of $3.0 million, corporate incentive costs of $1.8 million, and branch incentive costs of $0.6 million.

**Occupancy.** Occupancy expenses remained constant at $22.6 million during both 2020 and 2019. Telecommunication expenses decreased $1.4 million as a result of our cost management actions. This decrease was offset by an increase in depreciation expense of $0.7 million, an increase in COVID-19 related expenses of $0.6 million, and an increase in rent expense of $0.3 million.

**Marketing.** Marketing expenses increased $2.2 million, or 26.2%, to $10.4 million in 2020, from $8.2 million in 2019. The increase was primarily due to increased activity in our direct mail campaigns to support growth from existing and expanded segments of our risk-response model, which we believe will generate attractive risk-adjusted returns. We expect to maintain an increased level of marketing spend in 2021.

In the latter half of March and April 2020, we temporarily paused direct mail and digital marketing aimed at customer acquisition. We restarted our marketing campaigns in the second quarter after reviewing our credit models and tightening our underwriting parameters where appropriate. As a result, we experienced a rebound in our direct mail and digital volume in the second half of 2020. We ended the fourth quarter of 2020 with $86.6 million of direct mail and digital originations, an increase from $76.3 million in the prior-year period.

**Other Expenses.** Other expenses increased $1.6 million, or 4.9%, to $33.8 million in 2020, from $32.2 million in 2019. We frequently experience increases in other expenses including legal and settlement expenses, external fraud, collections expense, bank fees, and certain professional expenses as we grow our loan portfolio and expand our market footprint.

***Interest Expense.*** Interest expense on long-term debt decreased $2.3 million, or 5.7%, to $37.9 million in 2020, from $40.1 million in 2019. The decrease was primarily due to a decrease in our average cost of debt and a decrease in the average balance of our long-term debt facilities. The average cost of our total long-term debt decreased 0.58% to 5.19% in 2020, from 5.77% in 2019, primarily reflecting the lower rate environment.

***Income Taxes.*** Income taxes decreased $5.1 million, or 35.5%, to $9.2 million in 2020, from $14.3 million in 2019. The decrease was primarily due to a $23.1 million decrease in pre-tax income compared to 2019. Our effective tax rate increased to 25.6% in 2020, compared to 24.2% in 2019. The increase was primarily related to the impact of non-deductible executive compensation (including executive transition costs) under Internal Revenue Code Section 162(m).

**Comparison of the Year Ended December 31, 2019, Versus the Year Ended December 31, 2018**

For a comparison of our results of operations for the years ended December 31, 2019 and December 31, 2018, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (which was filed with the SEC on March 16, 2020), which comparison is incorporated by reference herein.

**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 facility, and asset-backed securitization transactions, all of which are described below. We are continuing to seek ways to diversify our long-term funding sources. We had a funded debt-to-equity ratio (long-term debt divided by total stockholders' equity) of 2.8 to 1.0 and a stockholders' equity ratio (total stockholders' equity as a percentage of total assets) of 24.7% as of December 31, 2020.

We believe that cash flow from our operations and borrowings under our long-term debt facilities will be adequate to fund our business for the next twelve months, including initial operating losses of new branches and finance receivable growth of new and existing branches. However, we are not able to estimate the long-term impact of COVID-19 on our business and will continue to assess our liquidity needs as the situation evolves.

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 periods of our warehouse credit facility, RMIT 2019-1, and RMIT 2020-1 securitizations (each as described below) end in April 2021, October 2021, and September 2023, respectively. The revolving period of our RMIT 2018-2 securitization (as described below) ended in December 2020. There can be no assurance that we will be able to secure an extension of the warehouse credit facility or close additional securitization transactions if and when needed in the future.

***Share Repurchase and Dividends.***

In October 2020, our Board of Directors (the "Board") authorized a new stock repurchase program allowing for the repurchase of up to $30.0 million of our outstanding shares of common stock in open market purchases, privately negotiated transactions, or through other structures in accordance with applicable federal securities laws. The authorization was effective immediately and extends through October 22, 2022. As of December 31, 2020, we had repurchased 435 thousand shares of common stock at a total cost of $12.0 million.

The Board may in its discretion declare and pay cash dividends on our common stock. Total dividends declared were $0.20 per common share during 2020. Prior to the three months ended December 31, 2020, no dividends were declared. In February 2021, we announced that the Board declared a quarterly cash dividend of $0.20 per share. The dividend will be paid on March 12, 2021 to shareholders of record at the close of business on February 23, 2021. The declaration, amount, and payment of any future cash dividends on shares of our common stock will be at the discretion of the Board.

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 in 2020 was $172.6 million, compared to $165.1 million provided by operating activities in 2019, a net increase of $7.5 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 purchases of finance receivables, purchases of intangible assets, and purchases of property and equipment for new and existing branches. Net cash used in investing activities in

2020 was $98.8 million, compared to $275.6 million in 2019, a net decrease of $176.8 million. The decrease in cash used was primarily due to decreased net originations of finance receivables.

**Financing Activities.** Financing activities consist of borrowings and payments on our outstanding indebtedness. In 2020, net cash used in financing activities was $58.3 million, an increase of $175.2 million compared to net cash provided by financing activities of $116.9 million in 2019. The increase in cash used was primarily a result of an increase in net payments on debt instruments of $187.0 million and a $2.2 million increase in cash dividends, offset by a $13.0 million decrease in the repurchase of common stock.

***Financing Arrangements.***

**Senior Revolving Credit Facility.** In September 2019, we amended and restated our senior revolving credit facility to, among other things, increase the availability under the facility from $638 million to $640 million and extend the maturity of the facility from June 2020 to September 2022. The facility has an accordion provision that allows for the expansion of the facility to $650 million. Excluding the receivables held by our variable interest entities (each, a "VIE"), 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 85% of eligible secured finance receivables, 80% of eligible unsecured finance receivables, and 60% of eligible delinquent renewals (84% of eligible secured finance receivables, 79% of eligible unsecured finance receivables, and 59% of eligible delinquent renewals as of December 31, 2020). As of December 31, 2020, we had $186.3 million of available liquidity under the facility and held $8.1 million in unrestricted cash. Borrowings under the facility bear interest, payable monthly, at rates equal to one-month LIBOR, with a LIBOR floor of 1.00%, plus a 3.00% margin, increasing to 3.25% when the availability percentage is below 10%. The one-month LIBOR rate was 0.14% and 1.76% at December 31, 2020 and 2019, respectively. The amended and restated facility provides for a process to transition from LIBOR to a new benchmark in certain circumstances. We pay an unused line fee between 0.375% and 0.65% based upon the average outstanding balance of the facility.

Our long-term debt under the senior revolving credit facility was $286.1 million as of December 31, 2020. In advance of its September 2022 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 I, 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 following debt arrangements 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 long-term 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 $46.6 million and $39.4 million as of December 31, 2020 and 2019, 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. Distributions from the SPEs to us are permitted under the debt arrangements.

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 I, Item 1A, "Risk Factors" and the filings referenced therein for a discussion of risks related to our variable interest entity debt.

**Revolving Warehouse Credit Facility.** In October 2019, we and our wholly-owned SPE, Regional Management Receivables II, LLC ("RMR II"), amended the credit agreement that provides for a $125 million revolving warehouse credit facility to RMR II. The amendment extended the date at which the facility converts to an amortizing loan and the termination date to April 2021 and April 2022, respectively. The facility has an accordion provision that allows for the expansion of the facility to $150 million. 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. Advances on the facility are capped at 80% of eligible finance receivables. Borrowings under the facility bear interest, payable monthly, at a blended rate equal to three-month LIBOR, with a LIBOR floor of 0.25%, plus a margin of 2.15% (2.20% prior to the October 2019 amendment). The three-month LIBOR was 0.24% and 1.91% at December 31, 2020 and 2019, respectively. RMR II pays an unused commitment fee between 0.35% and 0.85% based upon the average daily utilization of the facility. As of December 31, 2020, our long-term debt under the credit facility was $42.1 million.

**RMIT 2018-1 Securitization.** In June 2018, we, our wholly-owned SPE, Regional Management Receivables III, LLC ("RMR III"), and our indirect wholly-owned SPE, Regional Management Issuance Trust 2018-1 ("RMIT 2018-1"), completed a private offering and sale of $150 million of asset-backed notes. Prior to maturity in July 2027, we could redeem the notes in full, but not in part, at our option on any remaining note payment date. In September 2020, we and RMR III exercised the right to make an optional principal repayment in full, and in connection with such prepayment, the securitization terminated in September 2020.

**RMIT 2018-2 Securitization.** In December 2018, we, our wholly-owned SPE, RMR III, and our indirect wholly-owned SPE, Regional Management Issuance Trust 2018-2 ("RMIT 2018-2"), completed a private offering and sale of $130 million of asset-backed notes. The transaction consisted of the issuance of four classes of fixed-rate asset-backed notes by RMIT 2018-2. 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 2018-2. The notes had a revolving period through December 2020 and have a final maturity date in January 2028. Borrowings under the RMIT 2018-2 securitization bear interest, payable monthly, at a weighted-average rate of 4.87%. Prior to maturity in January 2028, we could redeem the notes in full, but not in part, at our option on any note payment date on or after the payment date occurring in January 2021. No payments of principal of the notes were made during the revolving period. As of December 31, 2020, our long-term debt under the securitization was $130.3 million. See Note 20, "Subsequent Events" of the Notes to Consolidated Financial Statement in Part II, Item 8, "Financial Statements and Supplementary Data" for information regarding the termination of this facility following the end of the year.

**RMIT 2019-1 Securitization.** In October 2019, we, our wholly-owned SPE, RMR III, and our indirect wholly-owned SPE, Regional Management Issuance Trust 2019-1 ("RMIT 2019-1"), completed a private offering and sale of $130 million of asset-backed notes. The transaction consisted of the issuance of three classes of fixed-rate asset-backed notes by RMIT 2019-1. 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 2019-1. The notes have a revolving period ending in October 2021, with a final maturity date in November 2028. Borrowings under the RMIT 2019-1 securitization bear interest, payable monthly, at a weighted-average rate of 3.17%. Prior to maturity in November 2028, we may redeem the notes in full, but not in part, at our option on any note payment date on or after the payment date occurring in November 2021. No payments of principal of the notes will be made during the revolving period. As of December 31, 2020, our long-term debt under the securitization was $130.2 million.

**RMIT 2020-1 Securitization.** In September 2020, we, our wholly-owned SPE, RMR III, and our 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 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 a weighted-average rate of 2.85%. 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 December 31, 2020, our long-term debt under the securitization was $180.2 million.

**RMIT 2021-1 Securitization.** See Note 20, "Subsequent Events" of the Notes to Consolidated Financial Statements in Part II, Item 8, "Financial Statements and Supplementary Data" for information regarding the completion of a private offering and sale of $248.7 million of asset-backed notes following the end of the year.

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, maintenance of a minimum allowance for credit losses, and certain other restrictions. At December 31, 2020, we were in compliance with all debt covenants.

We expect that the LIBOR reference rate will be phased out by the end of 2021. Both our senior revolving credit facility and revolving warehouse credit facility use LIBOR as a benchmark in determining the cost of funds borrowed. Our senior revolving credit facility provides for a process to transition from LIBOR to a new benchmark, if necessary. We plan to continue to work with our banking partners to modify our credit agreements to contemplate the cessation of the LIBOR reference rate. We will also continue to work to identify a replacement rate to LIBOR and look to adjust the pricing structure of our facilities as needed.

***Restricted Cash Reserve Accounts.***

**Revolving Warehouse Credit Facility.** The credit agreement governing the revolving warehouse credit facility requires that we maintain a 1% cash reserve based upon the ending finance receivables balance of the facility. As of December 31, 2020, 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 $2.6 million as of December 31, 2020.

**RMIT 2018-2 Securitization.** As required under the transaction documents governing the RMIT 2018-2 securitization, we deposited $1.4 million of cash proceeds into a restricted cash reserve account at closing, which remained until the termination of the facility in February 2021. The securitization was supported by the expected cash flows from the underlying collateralized finance receivables. Collections were remitted to a restricted cash collection account, which totaled $12.8 million as of December 31, 2020. See Note 20, “Subsequent Events” of the Notes to Consolidated Financial Statement in Part II, Item 8, “Financial Statements and Supplementary Data” for information regarding the termination of this facility following the end of the year.

**RMIT 2019-1 Securitization.** As required under the transaction documents governing the RMIT 2019-1 securitization, we deposited $1.4 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 $14.1 million as of December 31, 2020.

**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 $17.1 million as of December 31, 2020.

**RMC Reinsurance.** Our wholly-owned subsidiary, RMC Reinsurance, Ltd., is required to maintain cash reserves against life insurance policies ceded to it, as determined by the ceding company. As of December 31, 2020, cash reserves for reinsurance were $12.0 million.

***Interest Rate Caps.***

As a component of our strategy to manage the interest rate risk associated with future interest payments on our variable-rate debt, we have purchased interest rate cap contracts. As of December 31, 2020, we held five interest rate cap contracts with an aggregate notional principal amount of $500.0 million. The interest rate caps have maturities of April 2021 ($200.0 million, 3.50% strike rate), March 2023 ($100.0 million, 1.75% strike rate), August 2023 ($50.0 million, 0.50% strike rate), October 2023 ($100.0 million, 0.50% strike rate), and November 2023 ($50.0 million, 0.25% strike rate). As of December 31, 2020, the one-month LIBOR was 0.14%. When the one-month LIBOR exceeds the strike rate, the counterparty reimburses us for the excess over the strike rate. No payment is required by us or the counterparty when the one-month LIBOR is below the strike rate. In February 2021, as a component of our strategy to manage the interest rate risk associated with future interest payments on variable-rate debt, we purchased an interest rate cap contract for $0.2 million with an aggregate notional principal amount of $50.0 million. The interest rate cap matures in February 2024 with a 0.25% strike rate against the one-month LIBOR.

### Off-Balance Sheet Arrangements

Our wholly-owned subsidiary, RMC Reinsurance, Ltd., is required to maintain cash reserves against life insurance policies ceded to it, as determined by the ceding company. As of December 31, 2020, the cash reserves were $12.0 million.

### Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2020, and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| *In thousands* | Total | Less than 1 Year | 1 – 3 Years | 3 – 5 Years | More than 5 Years |
| Principal payments on long-term debt obligations | $ 768,909 | $ 99,073 | $ 524,692 | $ 131,811 | $ 13,333 |
| Interest payments on long-term debt obligations | 55,981 | 28,255 | 24,534 | 3,192 | — |
| Operating lease obligations | 33,525 | 7,164 | 12,890 | 7,902 | 5,569 |
| Total | $ 858,415 | $ 134,492 | $ 562,116 | $ 142,905 | $ 18,902 |

## Impact of Inflation

Our results of operations and financial condition are presented based on historical cost, except for interest rate caps, which are carried at fair value. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on our results of operations and financial condition have been immaterial.

## Critical Accounting Policies

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.

We set forth below those material accounting policies that we believe are the most critical to an understanding of our financial results and condition and that involve a higher degree of complexity and management judgment.

***Allowance for Credit Losses.***

The FASB issued an accounting update in June 2016 to change the impairment model for estimating credit losses on financial assets. The previous incurred loss impairment model required the recognition of credit losses when it was probable that a loss had been incurred. The incurred loss model was replaced by the CECL model, which requires entities to estimate the lifetime expected credit loss on financial instruments and to record an allowance to offset the amortized cost basis of the financial asset. The CECL model requires earlier recognition of credit losses as compared to the incurred loss approach. We adopted this standard effective January 1, 2020.

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.

Reasonable and supportable macroeconomic forecasts are required for our allowance for credit loss model. We engaged a major rating service to assist with compiling a reasonable and supportable forecast. We review macroeconomic forecasts to use in

our allowance for credit losses. We adjust the historical loss experience by relevant qualitative factors for these expectations. We do not require reversion adjustments, as the contractual lives of our loan portfolio (considering the effect of prepayments) are shorter than our available forecast periods.

We charge credit losses against the allowance when an account reaches 180 days contractually delinquent, subject to certain exceptions. Our 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.

***Income Recognition.***

Interest income is recognized using the interest method (constant yield method). Therefore, we recognize revenue from interest at an equal rate over the term of the loan. Unearned finance charges on pre-compute contracts are rebated to customers utilizing statutory methods, which in many cases is the sum-of-the-years' digits method. The difference between income recognized under the constant yield method and the statutory method is recognized as an adjustment to interest income at the time of rebate. 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.

We recognize income on credit life insurance, credit property insurance, and automobile insurance using the sum-of-the-years' digits or straight-line methods over the terms of the policies. We recognize income on credit accident and health insurance using the average of the sum-of-the-years' digits and the straight-line methods over the terms of the policies. We recognize income on credit involuntary unemployment insurance using the straight-line method over the terms of the policies. Rebates are computed using statutory methods, which in many cases match the GAAP method, and where it does not match, the difference between the GAAP method and the statutory method is recognized in income at the time of rebate. Fee income for non-file insurance is recognized using the sum-of-the-years' digits method over the loan term.

Charges for late fees are recognized as income when collected.

***Share-Based Compensation.***

We measure compensation cost for share-based awards at estimated fair value and recognize compensation expense over the service period for awards expected to vest. We use the closing stock price on the date of grant as the fair value of restricted stock awards. The fair value of stock options is determined using the Black-Scholes valuation model. The Black-Scholes model requires the input of highly subjective assumptions, including expected volatility, risk-free interest rate, and expected life, changes to which can materially affect the fair value estimate. We estimate volatility using our historical stock prices. The risk-free rate is based on the zero coupon U.S. Treasury bond rate for the expected term of the award on the grant date. 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. 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.

***Income Taxes.***

We record a tax provision for the anticipated tax consequences of our reported operating results. The provision for income taxes is computed using the asset and liability method, under which 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 effects of future tax rate changes are recognized in the period when the enactment of new rates occurs.

We recognize the financial statement effects of a tax position when it is more likely than not that, based on technical merits, the position will be sustained upon examination. The tax benefits of the position recognized in the consolidated financial statements are then measured based on the largest amount of benefit that is greater than 50% likely to be realized upon settlement with a taxing authority.

We recognize the tax benefits or deficiencies from the exercise or vesting of share-based awards in the income tax line of our consolidated statements of income.

**Recently Issued Accounting Standards**

See Note 2, “Significant Accounting Policies,” of the Notes to Consolidated Financial Statements in Part II, Item 8, “Financial Statements and Supplementary Data” for a discussion of recently issued accounting pronouncements, including information on new accounting standards and the future adoption of such standards.

## ITEM 7A. *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 at either 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. Our loan portfolio turns over approximately 1.1 times per year from payments, renewals, and net credit losses. Because our large loans have longer maturities than our small loans and typically renew at a slower rate than our small loans, the rate of turnover of the loan portfolio may change 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 December 31, 2020, the interest rates on 57.3% of our long-term 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 a revolving warehouse credit facility. At December 31, 2020, the balances of the senior revolving credit facility and the revolving warehouse credit facility were $286.1 million and $42.1 million, respectively.

Borrowings under the senior revolving credit facility bear interest, payable monthly, at rates equal to one-month LIBOR, with a LIBOR floor of 1.00%, plus a margin of 3.00%, increasing to 3.25% when the availability percentage is below 10%. Borrowings under the revolving warehouse credit facility bear interest, payable monthly, at a blended rate equal to three-month LIBOR, plus a margin of 2.15% (2.20% prior to the October 2019 amendment). As of December 31, 2020, the LIBOR rates under the senior revolving credit facility and the revolving warehouse credit facility were 0.14% and 0.24%, respectively.

We have purchased interest rate caps to manage the risk associated with an aggregate notional $500.0 million of our LIBOR-based borrowings. These interest rate caps are based on the one-month LIBOR and reimburse us for the difference when the one-month LIBOR exceeds the strike rate. The interest rate caps have maturities of April 2021 ($200.0 million with 3.50% strike rate), March 2023 ($100.0 million with 1.75% strike rate), August 2023 ($50.0 million with 0.50% strike rate), October 2023 ($100.0 million with 0.50% strike rate), and November 2023 ($50.0 million with 0.25% strike rate). See Note 20, “Subsequent Events,” of the Notes to Consolidated Financial Statements in Part II, Item 8, “Financial Statements and Supplementary Data” for information regarding the purchase of an interest rate cap contract in February 2021.

Effective interest rates for borrowings under the senior revolving credit facility and the revolving warehouse credit facility were 4.95% and 4.33%, respectively, for the year ended December 31, 2020, including, in each case, an unused line fee. Based on the LIBOR rates and the outstanding balances at December 31, 2020, an increase of 100 basis points in LIBOR rates would result in approximately $0.8 million of increased interest expense on an annual basis, in the aggregate, under these LIBOR-based borrowings. Our interest rate cap coverage at December 31, 2020 would reduce this increased expense by approximately $1.4 million on an annual basis.

We expect that the LIBOR reference rate will be phased out by the end of 2021. Both our senior revolving credit facility and revolving warehouse credit facility use LIBOR as a benchmark in determining the cost of funds borrowed. Our senior revolving credit facility provides for a process to transition from LIBOR to a new benchmark, if necessary. We plan to continue to work with our banking partners to modify our credit agreements to contemplate the cessation of the LIBOR reference rate. We will also continue to work to identify a replacement rate to LIBOR and look to adjust the pricing structure of our facilities as needed.

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

**ITEM 8.** ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.***

## REGIONAL MANAGEMENT CORP.

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal Year Ended December 31, 2020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## Report of Independent Registered Public Accounting Firm

Stockholders and the Board of Directors of
Regional Management Corp. and Subsidiaries

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Regional Management Corp. and its subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated February 25, 2021, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Emphasis of Matter**

As discussed in Note 1 and Note 4 to the financial statements, the Company has changed its method of accounting for allowance for credit losses in the year ended December 31, 2020, due to the adoption of Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326)*.

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

*Allowance for credit losses*

As described in Note 1 and Note 4 to the consolidated financial statements, the Company established an allowance for credit losses of $150 million as of December 31, 2020, under the current expected credit losses (CECL) model. The allowance for credit losses consists of a base component in which the credit losses for finance receivables are estimated on a collective basis using the static pool Probability of Default/Loss Given Default model segmented by loan product type, credit score, and delinquency status. The Company's base component of the allowance for credit losses also accounts for certain finance receivables that have been modified by bankruptcy proceedings or company loss mitigation policies using a discounted cash flows approach. The base component of the allowance for credit losses is adjusted for quantitative and qualitative factors related to credit metrics, including but not limited to, loan portfolio mix and growth, unemployment, credit loss trends, delinquency trends, changes in lending strategies and

underwriting practices, and operational risks, as well as the current and forecasted direction of the economic and business environment. These adjustments to the base component are determined by management to involve a higher degree of complexity due to the significant judgements surrounding the macroeconomic forecasts and other qualitative factors.

We identified the Company's macroeconomic forecasts and other qualitative factors of the allowance for credit losses as a critical audit matter because of the significant judgments made by management and the fact that the estimates related to macroeconomic and qualitative factors are highly sensitive to changes in the underlying data and assumptions. Significant auditor judgment and an increased extent of effort was required when performing audit procedures to evaluate the Company's estimates and assumptions related to the significant judgments surrounding the macroeconomic forecasts and other qualitative factors of the allowance for credit losses.

The primary audit procedures we performed to address this critical audit matter included the following, among others:

- Obtaining an understanding of the relevant controls related to: (a) management's validation of the macroeconomic forecast spread and scenarios and (b) management's validation of the qualitative factor inputs, authenticity of the calculations, and testing such controls for design and operating effectiveness.
- Testing the completeness and accuracy of data used by management in determining macroeconomic forecast and qualitative factor adjustments by agreeing them to internal and external source data.
- Evaluating the current and forecasted direction and magnitude of the economic and business environment identified by the Company, adjusted for the impacts of the COVID-19 pandemic and internal borrower assistance programs, for reasonableness in relation to internal and external source data provided.
- Evaluating the other qualitative factor adjustments related to credit metrics, including but not limited to, loan portfolio mix and growth, unemployment, credit loss trends, delinquency trends, changes in lending strategies and underwriting practices, and operational risks identified by the Company for reasonableness in relation to internal and external source data provided.

/s/ RSM US LLP

We have served as the Company's auditor since 2007.

Raleigh, North Carolina
February 25, 2021

## Report of Independent Registered Public Accounting Firm

Stockholders and the Board of Directors of
Regional Management Corp. and Subsidiaries

**Opinion on the Internal Control Over Financial Reporting**

We have audited Regional Management Corp. and its subsidiaries' (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, of the Company and our report dated February 25, 2021, expressed an unqualified opinion.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying SOX 404 Management Assessment Report – Effectiveness of Internal Controls over Financial Reporting for the Year Ended December 31, 2020. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ RSM US LLP

Raleigh, North Carolina
February 25, 2021

**Regional Management Corp. and Subsidiaries**
**Consolidated Balance Sheets**
**December 31, 2020 and 2019**
**(in thousands, except par value amounts)**

| | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| Cash | $ 8,052 | $ 2,263 |
| Net finance receivables | 1,136,259 | 1,133,404 |
| Unearned insurance premiums | (34,545) | (28,591) |
| Allowance for credit losses | (150,000) | (62,200) |
| Net finance receivables, less unearned insurance premiums and allowance for credit losses | 951,714 | 1,042,613 |
| Restricted cash | 63,824 | 54,164 |
| Lease assets | 27,116 | 26,438 |
| Property and equipment | 14,458 | 15,301 |
| Deferred tax asset | 14,121 | 619 |
| Intangible assets | 8,689 | 9,438 |
| Other assets | 15,882 | 7,704 |
| **Total assets** | $ 1,103,856 | $ 1,158,540 |
| **Liabilities and Stockholders' Equity** | | |
| Liabilities: | | |
| Long-term debt | $ 768,909 | $ 808,218 |
| Unamortized debt issuance costs | (6,661) | (9,607) |
| Net long-term debt | 762,248 | 798,611 |
| Accounts payable and accrued expenses | 40,284 | 28,676 |
| Lease liabilities | 29,201 | 28,470 |
| Total liabilities | 831,733 | 855,757 |
| Commitments and contingencies (Notes 6, 17, and 18) | | |
| 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, 13,851 shares issued and 10,932 shares outstanding at December 31, 2020 and 13,497 shares issued and 11,013 shares outstanding at December 31, 2019) | 1,385 | 1,350 |
| Additional paid-in capital | 105,483 | 102,678 |
| Retained earnings | 227,343 | 248,829 |
| Treasury stock (2,919 shares at December 31, 2020 and 2,484 shares at December 31, 2019) | (62,088) | (50,074) |
| Total stockholders' equity | 272,123 | 302,783 |
| **Total liabilities and stockholders' equity** | $ 1,103,856 | $ 1,158,540 |

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

| | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| Cash | $ 236 | $ 152 |
| Net finance receivables | 483,674 | 474,340 |
| Allowance for credit losses | (59,046) | (22,015) |
| Restricted cash | 51,849 | 44,221 |
| Other assets | 5 | 68 |
| **Total assets** | $ 476,718 | $ 496,766 |
| **Liabilities** | | |
| Net long-term debt | $ 477,822 | $ 450,297 |
| Accounts payable and accrued expenses | 87 | 86 |
| **Total liabilities** | $ 477,909 | $ 450,383 |

See accompanying notes to consolidated financial statements.

**Regional Management Corp. and Subsidiaries**
**Consolidated Statements of Income**
**Years Ended December 31, 2020, 2019, and 2018**
**(in thousands, except per share amounts)**

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Revenue** | | | |
| Interest and fee income | $ 335,215 | $ 321,169 | $ 280,121 |
| Insurance income, net | 28,349 | 20,817 | 14,793 |
| Other income | 10,342 | 13,727 | 11,792 |
| Total revenue | 373,906 | 355,713 | 306,706 |
| **Expenses** | | | |
| Provision for credit losses | 123,810 | 99,611 | 87,056 |
| | | | |
| Personnel | 109,560 | 94,000 | 84,068 |
| Occupancy | 22,629 | 22,576 | 20,864 |
| Marketing | 10,357 | 8,206 | 7,745 |
| Other | 33,770 | 32,202 | 27,607 |
| Total general and administrative expenses | 176,316 | 156,984 | 140,284 |
| | | | |
| Interest expense | 37,852 | 40,125 | 33,464 |
| Income before income taxes | 35,928 | 58,993 | 45,902 |
| Income taxes | 9,198 | 14,261 | 10,557 |
| **Net income** | $ 26,730 | $ 44,732 | $ 35,345 |
| Net income per common share: | | | |
| Basic | $ 2.45 | $ 3.92 | $ 3.03 |
| Diluted | $ 2.40 | $ 3.80 | $ 2.93 |
| Weighted-average common shares outstanding: | | | |
| Basic | 10,930 | 11,401 | 11,655 |
| Diluted | 11,145 | 11,773 | 12,078 |

See accompanying notes to consolidated financial statements.

**Regional Management Corp. and Subsidiaries**
**Consolidated Statements of Stockholders' Equity**
**Years Ended December 31, 2020, 2019, and 2018**
**(in thousands)**

| | Year Ended December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-in | Retained | Treasury | |
| | Shares | Amount | Capital | Earnings | Stock | Total |
| Balance, December 31, 2019 | 13,497 | $ 1,350 | $ 102,678 | $ 248,829 | $ (50,074) | $ 302,783 |
| Cumulative effect of accounting standard adoption | — | — | — | (45,922) | — | (45,922) |
| Issuance of restricted stock awards | 361 | 36 | (36) | — | — | — |
| Exercise of stock options | 266 | 27 | — | — | — | 27 |
| Repurchase of common stock | — | — | — | — | (12,014) | (12,014) |
| Shares withheld related to net share settlement | (273) | (28) | (2,758) | — | — | (2,786) |
| Share-based compensation | — | — | 5,599 | — | — | 5,599 |
| Cash dividends | — | — | — | (2,294) | — | (2,294) |
| Net income | — | — | — | 26,730 | — | 26,730 |
| Balance, December 31, 2020 | 13,851 | $ 1,385 | $ 105,483 | $ 227,343 | $ (62,088) | $ 272,123 |

| | Year Ended December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-in | Retained | Treasury | |
| | Shares | Amount | Capital | Earnings | Stock | Total |
| Balance, December 31, 2018 | 13,323 | $ 1,332 | $ 98,778 | $ 204,097 | $ (25,046) | $ 279,161 |
| Issuance of restricted stock awards | 211 | 21 | (21) | — | — | — |
| Exercise of stock options | 16 | 2 | — | — | — | 2 |
| Repurchase of common stock | — | — | — | — | (25,028) | (25,028) |
| Shares withheld related to net share settlement | (53) | (5) | (1,226) | — | — | (1,231) |
| Share-based compensation | — | — | 5,147 | — | — | 5,147 |
| Net income | — | — | — | 44,732 | — | 44,732 |
| Balance, December 31, 2019 | 13,497 | $ 1,350 | $ 102,678 | $ 248,829 | $ (50,074) | $ 302,783 |

| | Year Ended December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-in | Retained | Treasury | |
| | Shares | Amount | Capital | Earnings | Stock | Total |
| Balance, December 31, 2017 | 13,205 | $ 1,321 | $ 94,384 | $ 168,752 | $ (25,046) | $ 239,411 |
| Issuance of restricted stock awards | 101 | 10 | (10) | — | — | — |
| Exercise of stock options | 89 | 8 | — | — | — | 8 |
| Shares withheld related to net share settlement | (72) | (7) | (858) | — | — | (865) |
| Share-based compensation | — | — | 5,262 | — | — | 5,262 |
| Net income | — | — | — | 35,345 | — | 35,345 |
| Balance, December 31, 2018 | 13,323 | $ 1,332 | $ 98,778 | $ 204,097 | $ (25,046) | $ 279,161 |

See accompanying notes to consolidated financial statements.

**Regional Management Corp. and Subsidiaries**
**Consolidated Statements of Cash Flows**
**Years Ended December 31, 2020, 2019, and 2018**
**(in thousands)**

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net income | $ 26,730 | $ 44,732 | $ 35,345 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Provision for credit losses | 123,810 | 99,611 | 87,056 |
| Depreciation and amortization | 13,308 | 10,856 | 8,803 |
| Loss on disposal of property and equipment | 180 | 94 | 24 |
| Share-based compensation | 5,599 | 5,147 | 5,262 |
| Fair value adjustment on interest rate caps | 261 | 249 | 330 |
| Deferred income taxes, net | 676 | (1,366) | (4,214) |
| Changes in operating assets and liabilities: | | | |
| (Increase) decrease in other assets | (9,118) | 2,456 | 7,306 |
| Increase in accounts payable and accrued expenses | 11,136 | 3,283 | 6,373 |
| **Net cash provided by operating activities** | 172,582 | 165,062 | 146,285 |
| Cash flows from investing activities: | | | |
| Net originations of finance receivables | (93,011) | (268,281) | (192,446) |
| Purchases of intangible assets | (1,417) | (1,603) | (1,446) |
| Purchases of property and equipment | (4,383) | (5,804) | (5,352) |
| Proceeds from disposal of property and equipment | 2 | 59 | — |
| **Net cash used in investing activities** | (98,809) | (275,629) | (199,244) |
| Cash flows from financing activities: | | | |
| Net advances (payments) on senior revolving credit facility | (64,705) | 22,744 | (123,977) |
| Payments on amortizing loan | — | (21,642) | (31,738) |
| Net advances (payments) on revolving warehouse credit facility | (4,572) | 16,507 | (35,940) |
| Net advances on securitizations | 29,968 | 130,102 | 280,665 |
| Payments for debt issuance costs | (3,170) | (4,891) | (7,235) |
| Taxes paid related to net share settlement of equity awards | (1,635) | (939) | (692) |
| Cash dividends | (2,196) | — | — |
| Repurchases of common stock | (12,014) | (25,028) | — |
| **Net cash provided by (used in) financing activities** | (58,324) | 116,853 | 81,083 |
| **Net change in cash and restricted cash** | 15,449 | 6,286 | 28,124 |
| Cash and restricted cash at beginning of period | 56,427 | 50,141 | 22,017 |
| Cash and restricted cash at end of period | $ 71,876 | $ 56,427 | $ 50,141 |
| Supplemental cash flow information: | | | |
| Interest paid | $ 31,993 | $ 35,478 | $ 30,127 |
| Income taxes paid | $ 7,130 | $ 14,695 | $ 3,600 |

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

| | December 31, 2020 | December 31, 2019 | December 31, 2018 | December 31, 2017 |
|---|---|---|---|---|
| Cash | $ 8,052 | $ 2,263 | $ 3,657 | $ 5,230 |
| Restricted cash | 63,824 | 54,164 | 46,484 | 16,787 |
| Total cash and restricted cash | $ 71,876 | $ 56,427 | $ 50,141 | $ 22,017 |

See accompanying 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. The Company previously offered automobile purchase loans, but ceased such originations in November 2017. As of December 31, 2020, the Company operated under the name "Regional Finance" in 365 branch locations across 11 states in the Southeastern, Southwestern, Mid-Atlantic, and Midwestern United States.

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. The current expected credit loss ("CECL") accounting model requires earlier recognition of credit losses compared to the prior incurred loss approach. This 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 compared to prior years. Consequently, the Company experiences seasonal fluctuations in its operating results and cash needs. However, changes in borrower assistance programs and customer access to external economic stimulus measures related to the novel strain of coronavirus ("COVID-19") have impacted the Company's typical seasonal trends for loan volume and delinquency.

## Note 2. 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 U.S. Generally Accepted Accounting Principles ("GAAP") and conform to general practices within the consumer finance industry.

***Business segments:*** The Company has one reportable segment, which is the consumer finance segment. The other revenue generating activities of the Company, including insurance operations, are performed in the existing branch network in conjunction with or as a complement to the lending operations.

***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.

***Treasury stock:*** The Company records the repurchase of shares of its common stock at cost on the settlement date of the transaction. These shares are considered treasury stock, which is a reduction to stockholders' equity. Treasury stock is included in authorized and issued shares but excluded from outstanding shares.

***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 enhancements to the lenders and investors in the form of overcollateralization (the principal balance of the collateral exceeds the balance of the debt) and reserve funds (restricted cash held by the SPEs). 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.

Material estimates that are particularly susceptible to change relate to the determination of the allowance for credit losses, the fair value of share-based compensation, 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.

***Statement of cash flows:*** Cash flows from finance receivables and the Company's long-term debt are reported on a net basis.

***Net finance receivables:*** 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 closed in the branch 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. Automobile loan receivables consist of direct automobile purchase loans, which were originated at the dealership and closed in one of the Company's branches, and indirect automobile purchase loans, which were originated and closed at a dealership in the Company's network without the need for the customer to visit one of the Company's branches. In each case, these automobile loans are collateralized primarily by the purchased automobiles and, in the case of indirect loans, were initiated by and purchased from automobile dealerships, subject to the Company's credit approval. The Company ceased originating automobile purchase loans in November 2017.

Prior to January 1, 2020, net finance receivables included the customer's unpaid principal balance ("UPB"), accrued interest on interest-bearing accounts, unamortized deferred origination fees and costs, and unearned insurance premiums. The UPB consisted of the unpaid principal balance on interest-bearing accounts and the remaining contractual payments less the unearned amount of pre-computed interest for pre-compute accounts. Unearned insurance premiums represent insurance premiums, net of premiums held by the unaffiliated insurance underwriter, that will be earned over the terms of the policies. See Note 18, "Insurance Products and Reinsurance of Certain Risks" for further information on our insurance premiums.

Effective January 1, 2020, with the adoption of CECL accounting, the Company reclassified unearned insurance premiums out of net finance receivables to align its consolidated balance sheet presentation with the amortized cost definition in the new accounting standard. See Note 3, "Finance Receivables, Credit Quality Information, and Allowance for Credit Losses" for further information about the Company's reclassification of unearned insurance premiums.

***Allowance for credit losses:*** The Financial Accounting Standards Board (the "FASB") issued an accounting update in June 2016 to change the impairment model for estimating credit losses on financial assets. The previous incurred loss impairment model required the recognition of credit losses when it was probable that a loss had been incurred. The incurred loss model was replaced by the CECL model, which requires entities to estimate the lifetime expected credit loss on financial instruments and to record an allowance to offset the amortized cost basis of the financial asset. The CECL model requires earlier recognition of credit losses as compared to the incurred loss approach. The Company adopted this standard effective January 1, 2020.

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.

The Company accounts 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). 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 available 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/or 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 loss rates and estimated recoveries, to estimate the expected cash flows from its TDRs.

***Delinquency:*** The Company determines past due status using the contractual terms of the finance receivable. Delinquency is one of the primary credit quality indicators used to evaluate the allowance for credit losses for each class of finance receivables.

***Property and equipment:*** Leasehold improvements are depreciated over the shorter of their useful lives or the remaining term of the lease. Furniture and equipment are depreciated on the straight-line method over their estimated useful lives, generally five to ten years. Maintenance and repairs are charged to expense as incurred.

***Leases:*** The Company leases its current headquarters building. Branch offices are leased under non-cancellable leases of three to seven years with renewal options. The Company's lease liability is based on the present value of the remaining minimum rental payments using a discount rate that is based on the Company's incremental borrowing rate on its senior revolving credit facility. The Company's lease asset includes right-of-use assets equaling the lease liability, net of prepaid rent and deferred rents that existed as of the adoption of the current lease accounting standard. The Company assesses its leased assets for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If a lease is impaired, the impairment loss is recognized in lease costs and the right-of-use asset is reduced to the impaired value.

The Company made several policy elections related to the January 2019 adoption of the current lease standard. The Company elected to utilize the package of transition practical expedients, which includes not reassessing the following at adoption: (i) whether existing contracts contained leases, (ii) the existing classification of leases as operating or financing, or (iii) the initial direct costs of leases. In addition, the Company did not use hindsight to determine the lease term or include options to extend for leases existing at the transition date.

Lease agreements with terms of twelve months or less are not capitalized as part of lease assets or liabilities and are expensed as incurred. The Company accounts for each separate lease component of a contract and its associated non-lease components as a single lease component for its branch leases. The Company has elected not to apply this policy in relation to the corporate headquarters lease. The Company has also determined that it is reasonably certain that the first option to extend lease contracts will be exercised for new branch locations; therefore, the first option to extend is included in the lease asset and liability calculation.

***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 facility and securitizations.

***Derivative instruments:*** The Company holds derivative instruments in the form of interest rate caps for the purpose of hedging a portion of its exposure to interest rate risk. Derivative instruments are recorded at fair value and included in other assets, with their resulting gains or losses recognized in interest expense. Changes in fair value are reported as an adjustment to net income in computing cash flows from operating activities.

***Income recognition:*** Interest income is recognized using the interest method (constant yield method). Therefore, the Company recognizes revenue from interest at an equal rate over the term of the loan. Unearned finance charges on pre-compute contracts are rebated to customers utilizing statutory methods, which in many cases is the sum-of-the-years' digits method. The difference between income recognized under the constant yield method and the statutory method is recognized as an adjustment to interest income at the time of rebate.

The Company recognizes income on credit life insurance, credit property insurance, and automobile insurance using the sum-of-the-years' digits or straight-line methods over the terms of the policies. The Company recognizes income on credit accident and health insurance using the average of the sum-of-the-years' digits and the straight-line methods over the terms of the policies. The Company recognizes income on credit involuntary unemployment insurance using the straight-line method over the terms of the policies. Rebates are computed using statutory methods, which in many cases match the GAAP method, and where it does not match, the difference between the GAAP method and the statutory method is recognized in income at the time of rebate. Fee income for non-file insurance is recognized using the sum-of-the-years' digits method over the loan term.

Charges for late fees are recognized as income when collected.

***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 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 income at the time that finance receivables are paid in full.

***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. The fair value of stock options is determined using the Black-Scholes valuation model. The Black-Scholes model requires the input of highly subjective assumptions, including expected volatility, risk-free interest rate, and expected life, changes to which can materially affect the fair value estimate. The Company estimates volatility using its historical stock prices. The risk-free rate is based on the zero coupon U.S. Treasury bond rate for the expected term of the award on the grant date. 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. 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.

***Marketing costs:*** Marketing costs are expensed as incurred.

***Income taxes:*** The Company records a tax provision for the anticipated tax consequences of its reported operating results. The provision for income taxes is computed using the asset and liability method, under which 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 effects of future tax rate changes are recognized in the period when the enactment of new rates occurs.

The Company recognizes the financial statement effects of a tax position when it is more likely than not, based on technical merits, the position will be sustained upon examination. The tax benefits of the position recognized in the consolidated financial statements are then measured based on the largest amount of benefit that is greater than 50% likely to be realized upon settlement with a taxing authority.

The Company recognizes the tax benefits or deficiencies from the exercise or vesting of share-based awards in the income tax line of the consolidated statements of income.

***Earnings per share:*** Earnings per share have been computed based on the weighted-average number of common shares outstanding during each reporting period presented. Common shares issuable upon the exercise of share-based compensation, which are computed using the treasury stock method, are included in the computation of diluted earnings per share.

***Recent accounting pronouncements:*** In June 2016, the FASB issued an accounting update significantly changing the impairment model for estimating credit losses on financial assets. While the previous incurred loss impairment model required the recognition of credit losses when it was probable that a loss had been incurred, the new CECL model requires entities to estimate the lifetime expected credit loss on financial instruments and to record an allowance to offset the amortized cost basis of the financial assets. The CECL model requires earlier recognition of credit losses as compared to the incurred loss approach. It uses historical experience, current conditions, and reasonable and supportable economic forecasts to estimate lifetime expected credit losses. The Company adopted the standard as of January 1, 2020.

As a result of the adoption of the new credit loss standard on January 1, 2020, through a modified-retrospective approach, the Company recorded an increase to the allowance for credit losses of $60.1 million and a one-time, cumulative reduction to retained earnings of $45.9 million (net of $14.2 million in taxes). The Company's allowance for credit losses increased from 5.5% to 10.8% as a percentage of the amortized cost basis on January 1, 2020. The CECL accounting adoption did not result in any changes in the cash flows of the financial assets, did not cause the Company to violate any of its existing debt covenants, and did not inhibit the Company in funding its growth or returning capital to its stockholders.

The following table illustrates the impact of the CECL accounting adoption by product:

| | December 31, 2019 | January 1, 2020 | |
|---|---|---|---|
| *In thousands* | Pre-CECL Adoption | Impact of Adoption | Post-CECL Adoption |
| Small loans | $ 30,588 | $ 24,185 | $ 54,773 |
| Large loans | 29,148 | 33,550 | 62,698 |
| Automobile loans | 820 | 599 | 1,419 |
| Retail loans | 1,644 | 1,766 | 3,410 |
| Allowance for credit losses | $ 62,200 | $ 60,100 | $ 122,300 |

In August 2018, the FASB issued an accounting update to provide additional guidance on the accounting for costs of implementation activities performed in a cloud computing arrangement that is a service contract. The amendments aligned the capitalization requirements for hosting arrangements that are service contracts with the capitalization principles for internal-use software. This update was effective for annual and interim periods beginning after December 15, 2019, and early adoption was permitted. The Company adopted and applied the update on a prospective basis, and the adoption did not have a material impact on its financial statements.

**Note 3. Concentrations of Credit Risk**

The Company's portfolio of finance receivables is primarily with customers living in five Southeastern states (Alabama, Georgia, North Carolina, South Carolina, and Tennessee), three Southwestern states (Oklahoma, New Mexico, and Texas), one Mid-Atlantic state (Virginia), and two Midwestern states (Missouri and Wisconsin). Consequently, such customers' ability to honor their installment contracts may be affected by economic conditions in these areas. Additionally, the Company is exposed to a concentration of credit risk inherent in providing consumer finance products to near prime and non-prime borrowers.

The Company also has a risk that its customers will seek protection from creditors by filing under the bankruptcy laws. When a customer files for bankruptcy protection, the Company must cease collection efforts and petition the bankruptcy court to obtain its collateral or work out a court-approved bankruptcy plan involving the Company and all other creditors of the customer. It is the Company's experience that such plans can take an extended period of time to conclude and usually involve a reduction in the interest rate from the rate in the contract to a court-approved rate.

The Company maintains amounts in bank accounts which, at times, may exceed federally insured limits. The Company has not experienced losses in such accounts, which are maintained with large domestic banks. Management believes the Company's exposure to credit risk is minimal for these accounts.

**Note 4. Finance Receivables, Credit Quality Information, and Allowance for Credit Losses**

Finance receivables for the periods indicated consisted of the following:

| | December 31, | |
|---|---|---|
| *In thousands* | 2020 | 2019 |
| Small loans | $ 403,062 | $ 467,613 |
| Large loans | 715,210 | 632,068 |
| Automobile loans | 3,889 | 9,640 |
| Retail loans | 14,098 | 24,083 |
| Net finance receivables | $ 1,136,259 | $ 1,133,404 |

Net finance receivables included net deferred origination fees of $12.6 million and $13.4 million as of December 31, 2020 and 2019, respectively.

Effective January 1, 2020, with the adoption of CECL accounting, the Company reclassified unearned insurance premiums out of the net finance receivables line item to align its consolidated balance sheet presentation with the amortized cost definition in the new accounting standard.

The tables below (unaudited) illustrate the impacts of this reclassification to the Company's previously reported balance sheet presentation of receivables and other key metrics:

| | Quarterly Trend (Unaudited) – As Reported (Pre-CECL Adoption) | | | |
|---|---|---|---|---|
| *In thousands* | 3/31/2019 | 6/30/2019 | 9/30/2019 | 12/31/2019 |
| Gross finance receivables | $ 1,204,495 | $ 1,300,043 | $ 1,404,172 | $ 1,500,962 |
| Unearned finance charges | (273,651) | (305,063) | (337,086) | (367,558) |
| Unearned insurance premiums | (18,594) | (21,546) | (24,900) | (28,591) |
| **Finance receivables** | **912,250** | **973,434** | **1,042,186** | **1,104,813** |
| Allowance for credit losses | (56,400) | (57,200) | (60,900) | (62,200) |
| Net finance receivables | $ 855,850 | $ 916,234 | $ 981,286 | $ 1,042,613 |
| Average finance receivables | $ 924,948 | $ 934,373 | $ 1,010,515 | $ 1,071,265 |
| **As a % of finance receivables:** | | | | |
| Allowance for credit losses | 6.2% | 5.9% | 5.8% | 5.6% |
| 30+ day contractual delinquency | 7.0% | 6.4% | 6.6% | 7.2% |
| **As a % of average finance receivables:** | | | | |
| Interest and fee yield (annualized) | 32.1% | 32.5% | 32.9% | 32.8% |
| Operating expense ratio (annualized) | 16.5% | 16.2% | 15.9% | 15.3% |
| Net credit loss ratio (annualized) | 10.9% | 10.7% | 8.2% | 9.2% |

| | Quarterly Trend (Unaudited) – Amortized Cost Basis (Post-CECL Adoption) | | | |
|---|---|---|---|---|
| *In thousands* | 3/31/2019 | 6/30/2019 | 9/30/2019 | 12/31/2019 |
| **Net finance receivables** | **$ 930,844** | **$ 994,980** | **$ 1,067,086** | **$ 1,133,404** |
| Unearned insurance premiums | (18,594) | (21,546) | (24,900) | (28,591) |
| Allowance for credit losses | (56,400) | (57,200) | (60,900) | (62,200) |
| Net finance receivables, less unearned insurance premiums and allowance for credit losses | $ 855,850 | $ 916,234 | $ 981,286 | $ 1,042,613 |
| Average net finance receivables | $ 944,763 | $ 954,940 | $ 1,033,939 | $ 1,098,410 |
| **As a % of net finance receivables:** | | | | |
| Allowance for credit losses | 6.1% | 5.7% | 5.7% | 5.5% |
| 30+ day contractual delinquency | 6.9% | 6.3% | 6.5% | 7.0% |
| **As a % of average net finance receivables:** | | | | |
| Interest and fee yield (annualized) | 31.5% | 31.8% | 32.1% | 32.0% |
| Operating expense ratio (annualized) | 16.2% | 15.8% | 15.5% | 14.9% |
| Net credit loss ratio (annualized) | 10.7% | 10.4% | 8.1% | 9.0% |

| | Quarterly Trend (Unaudited) – Reclassification Change | | | |
|---|---|---|---|---|
| *In thousands* | 3/31/2019 | 6/30/2019 | 9/30/2019 | 12/31/2019 |
| **Net finance receivables** | **$ 18,594** | **$ 21,546** | **$ 24,900** | **$ 28,591** |
| Average net finance receivables | $ 19,815 | $ 20,567 | $ 23,424 | $ 27,145 |
| **As a % of net finance receivables:** | | | | |
| Allowance for credit losses | (0.1)% | (0.2)% | (0.1)% | (0.1)% |
| 30+ day contractual delinquency | (0.1)% | (0.1)% | (0.1)% | (0.2)% |
| **As a % of average net finance receivables:** | | | | |
| Interest and fee yield (annualized) | (0.6)% | (0.7)% | (0.8)% | (0.8)% |
| Operating expense ratio (annualized) | (0.3)% | (0.4)% | (0.4)% | (0.4)% |
| Net credit loss ratio (annualized) | (0.2)% | (0.3)% | (0.1)% | (0.2)% |

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 the FICO scores. The first FICO band category includes the lowest FICO scores, while the sixth FICO band category includes the highest FICO scores.

Form 10-K

Net finance receivables by product, FICO band, and origination year as of December 31, 2020 are as follows:

| | Net Finance Receivables by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| *In thousands* | 2020 | 2019 | 2018 | 2017 | 2016 | Prior | Total Net Finance Receivables |
| **Small Loans:** | | | | | | | |
| FICO Band | | | | | | | |
| 1 | $ 71,903 | $ 17,229 | $ 1,947 | $ 209 | $ 34 | $ 12 | $ 91,334 |
| 2 | 38,548 | 7,538 | 595 | 40 | 6 | 3 | 46,730 |
| 3 | 39,864 | 7,942 | 580 | 27 | 2 | 3 | 48,418 |
| 4 | 42,972 | 8,446 | 589 | 18 | 3 | 1 | 52,029 |
| 5 | 45,678 | 10,322 | 505 | 13 | 4 | — | 56,522 |
| 6 | 86,293 | 20,975 | 739 | 20 | 2 | — | 108,029 |
| Total small loans | $ 325,258 | $ 72,452 | $ 4,955 | $ 327 | $ 51 | $ 19 | $ 403,062 |
| **Large Loans:** | | | | | | | |
| FICO Band | | | | | | | |
| 1 | $ 46,971 | $ 25,644 | $ 7,515 | $ 2,991 | $ 741 | $ 335 | $ 84,197 |
| 2 | 35,514 | 14,256 | 2,405 | 562 | 106 | 97 | 52,940 |
| 3 | 72,192 | 34,235 | 6,287 | 1,123 | 51 | 53 | 113,941 |
| 4 | 86,483 | 41,440 | 6,762 | 1,193 | 61 | 19 | 135,958 |
| 5 | 79,936 | 38,027 | 7,049 | 1,342 | 20 | 16 | 126,390 |
| 6 | 129,706 | 58,564 | 11,635 | 1,800 | 65 | 14 | 201,784 |
| Total large loans | $ 450,802 | $ 212,166 | $ 41,653 | $ 9,011 | $ 1,044 | $ 534 | $ 715,210 |
| **Automobile Loans:** | | | | | | | |
| FICO Band | | | | | | | |
| 1 | $ — | $ — | $ — | $ 901 | $ 582 | $ 229 | $ 1,712 |
| 2 | — | — | — | 374 | 293 | 49 | 716 |
| 3 | — | — | — | 481 | 237 | 23 | 741 |
| 4 | — | — | — | 226 | 89 | 33 | 348 |
| 5 | — | — | — | 69 | 105 | 10 | 184 |
| 6 | — | — | — | 105 | 81 | 2 | 188 |
| Total automobile loans | $ — | $ — | $ — | $ 2,156 | $ 1,387 | $ 346 | $ 3,889 |
| **Retail Loans:** | | | | | | | |
| FICO Band | | | | | | | |
| 1 | $ 439 | $ 893 | $ 236 | $ 18 | $ 1 | $ 1 | $ 1,588 |
| 2 | 267 | 676 | 217 | 14 | 1 | 1 | 1,176 |
| 3 | 847 | 715 | 263 | 20 | 3 | 2 | 1,850 |
| 4 | 1,677 | 1,320 | 546 | 43 | 1 | 2 | 3,589 |
| 5 | 1,364 | 1,076 | 436 | 51 | 1 | 1 | 2,929 |
| 6 | 1,412 | 1,057 | 449 | 44 | 2 | 2 | 2,966 |
| Total retail loans | $ 6,006 | $ 5,737 | $ 2,147 | $ 190 | $ 9 | $ 9 | $ 14,098 |
| **Total Loans:** | | | | | | | |
| FICO Band | | | | | | | |
| 1 | $ 119,313 | $ 43,766 | $ 9,698 | $ 4,119 | $ 1,358 | $ 577 | $ 178,831 |
| 2 | 74,329 | 22,470 | 3,217 | 990 | 406 | 150 | 101,562 |
| 3 | 112,903 | 42,892 | 7,130 | 1,651 | 293 | 81 | 164,950 |
| 4 | 131,132 | 51,206 | 7,897 | 1,480 | 154 | 55 | 191,924 |
| 5 | 126,978 | 49,425 | 7,990 | 1,475 | 130 | 27 | 186,025 |
| 6 | 217,411 | 80,596 | 12,823 | 1,969 | 150 | 18 | 312,967 |
| Total loans | $ 782,066 | $ 290,355 | $ 48,755 | $ 11,684 | $ 2,491 | $ 908 | $ 1,136,259 |

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

| | December 31, 2020 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Small | | Large | | Automobile | | Retail | | Total | |
| *In thousands* | $ | % | $ | % | $ | % | $ | % | $ | % |
| Current | $342,744 | 85.0% | $633,806 | 88.6% | $2,729 | 70.2% | $11,188 | 79.3% | $ 990,467 | 87.2% |
| 1 to 29 days past due | 32,615 | 8.1% | 50,145 | 7.0% | 864 | 22.2% | 1,718 | 12.2% | 85,342 | 7.5% |
| Delinquent accounts | | | | | | | | | | |
| 30 to 59 days | 8,195 | 2.1% | 9,808 | 1.4% | 49 | 1.2% | 329 | 2.3% | 18,381 | 1.6% |
| 60 to 89 days | 6,907 | 1.7% | 7,639 | 1.1% | 119 | 3.1% | 290 | 2.1% | 14,955 | 1.3% |
| 90 to 119 days | 4,866 | 1.2% | 5,407 | 0.8% | 29 | 0.7% | 194 | 1.4% | 10,496 | 0.9% |
| 120 to 149 days | 4,193 | 1.0% | 4,648 | 0.6% | 37 | 1.0% | 207 | 1.5% | 9,085 | 0.8% |
| 150 to 179 days | 3,542 | 0.9% | 3,757 | 0.5% | 62 | 1.6% | 172 | 1.2% | 7,533 | 0.7% |
| Total delinquency | $ 27,703 | 6.9% | $ 31,259 | 4.4% | $ 296 | 7.6% | $ 1,192 | 8.5% | $ 60,450 | 5.3% |
| Total net finance receivables | $403,062 | 100.0% | $715,210 | 100.0% | $3,889 | 100.0% | $14,098 | 100.0% | $1,136,259 | 100.0% |
| Net finance receivables in nonaccrual status | $ 14,617 | 3.6% | $ 16,683 | 2.3% | $ 216 | 5.6% | $ 723 | 5.1% | $ 32,239 | 2.8% |

| | December 31, 2019 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Small | | Large | | Automobile | | Retail | | Total | |
| *In thousands* | $ | % | $ | % | $ | % | $ | % | $ | % |
| Current | $377,775 | 80.7% | $546,415 | 86.4% | $6,921 | 71.8% | $18,093 | 75.1% | $ 949,204 | 83.8% |
| 1 to 29 days past due | 47,463 | 10.2% | 51,732 | 8.2% | 1,964 | 20.4% | 3,531 | 14.7% | 104,690 | 9.2% |
| Delinquent accounts | | | | | | | | | | |
| 30 to 59 days | 12,702 | 2.8% | 11,480 | 1.8% | 241 | 2.5% | 853 | 3.6% | 25,276 | 2.2% |
| 60 to 89 days | 9,916 | 2.1% | 8,192 | 1.3% | 110 | 1.1% | 563 | 2.3% | 18,781 | 1.7% |
| 90 to 119 days | 7,518 | 1.6% | 5,894 | 1.0% | 129 | 1.4% | 375 | 1.5% | 13,916 | 1.2% |
| 120 to 149 days | 6,584 | 1.4% | 4,588 | 0.7% | 127 | 1.3% | 357 | 1.5% | 11,656 | 1.0% |
| 150 to 179 days | 5,655 | 1.2% | 3,767 | 0.6% | 148 | 1.5% | 311 | 1.3% | 9,881 | 0.9% |
| Total delinquency | $ 42,375 | 9.1% | $ 33,921 | 5.4% | $ 755 | 7.8% | $ 2,459 | 10.2% | $ 79,510 | 7.0% |
| Total net finance receivables | $467,613 | 100.0% | $632,068 | 100.0% | $9,640 | 100.0% | $24,083 | 100.0% | $1,133,404 | 100.0% |
| Net finance receivables in nonaccrual status | $ 22,773 | 4.9% | $ 17,924 | 2.8% | $ 591 | 6.1% | $ 1,186 | 4.9% | $ 42,474 | 3.7% |

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. The Company reversed $10.7 million of accrued interest as a reduction of interest and fee income for the year ended December 31, 2020.

The following table illustrates the impacts to the allowance for credit losses for the periods indicated:

| | | Three Months Ended (Unaudited) | | | | Year Ended |
|---|---|---|---|---|---|---|
| *In thousands* | January 1, 2020 | March 31, 2020 | June 30, 2020 | September 30, 2020 | December 31, 2020 | December 31, 2020 |
| Beginning balance | $ 62,200 | $ 122,300 | $ 142,400 | $ 142,000 | $ 144,000 | $ 62,200 |
| Impact of CECL adoption | 60,100 | — | — | — | — | 60,100 |
| COVID reserve build / (release) | — | 23,900 | 9,500 | (1,500) | (1,500) | 30,400 |
| Other | — | (3,800) | (9,900) | 3,500 | 7,500 | (2,700) |
| Ending balance | $ 122,300 | $ 142,400 | $ 142,000 | $ 144,000 | $ 150,000 | $ 150,000 |
| Allowance for credit losses as a percentage of net finance receivables | 10.8% | 12.9% | 13.9% | 13.6% | 13.2% | 13.2% |

The allowance for credit losses was $62.2 million, or 5.5% of net finance receivables, as of December 31, 2019. The Company adopted CECL accounting on January 1, 2020, and increased the allowance for credit losses to $122.3 million, or 10.8% of net finance receivables.

In March 2020, the spread of COVID-19 was declared a pandemic by the World Health Organization. Subsequently, the pandemic was declared a national emergency in the United States and several government stimulus programs were signed into law which provided a variety of financial aid to a meaningful portion of the Company's customer base.

During the year ended December 31, 2020, the Company increased the allowance for credit losses by $27.7 million, which included a $30.4 million reserve related to the economic impact of COVID-19, offset by a base reserve release of $2.7 million. The ending balance of the allowance for credit losses as a percentage of net finance receivables was 13.2% as of December 31, 2020. The Company ran several macroeconomic stress scenarios, and its final forecast assumed unemployment of 9% at the end of 2021. The macroeconomic scenario was adjusted for the potential benefits of internal borrower assistance programs and the Consolidated Appropriations Act signed into law in December 2020.

During 2018, three changes occurred that impacted the Company's estimate of the allowance for credit losses. The changes collectively increased the allowance for credit losses as of December 31, 2018 and the provision for credit losses for the year ended December 31, 2018, which decreased net income by $0.2 million, or $0.02 diluted earnings per share. The three changes are described in more detail in the paragraphs below.

Certain of the Company's loan origination fees are non-refundable, and the unearned portion of those non-refundable fees reduces the Company's recorded investment in the related finance receivables (non-refundable fees are included in "Net finance receivables" on the Company's consolidated balance sheets). When using unearned non-refundable fees to estimate an allowance for credit losses, an allowance can be established when the recorded investment in the finance receivables is accreted past the estimated incurred loss amount. Prior to September 30, 2018, the Company properly reduced estimated future net credit losses in its allowance modeling for the reversal of unearned non-refundable fees and, accordingly, did not reduce the required allowance by the remaining unearned non-refundable fees on the Company's consolidated balance sheets. Effective September 30, 2018, the Company changed its estimated future net credit losses in its allowance modeling to exclude the reversal of unearned non-refundable fees and, accordingly, reduced the required allowance by the remaining unearned non-refundable fees on the Company's consolidated balance sheets. This change in estimate had the impact of reducing the allowance for credit losses as of December 31, 2018 and the provision for credit losses for the year ended December 31, 2018 by $6.6 million, which increased net income by $5.0 million, or $0.41 diluted earnings per share.

In September 2018, the Company updated modeling assumptions used in estimating the specific component of the allowance for credit losses related to impaired finance receivables. The Company obtained additional performance data on finance receivables that had been modified under Company loss mitigation policies. Loss mitigation policies were formalized during 2016, and the impacted finance receivables subsequently had more seasoning and predictable performance data by 2018. As a result of this change in estimate, the Company increased the allowance for credit losses as of December 31, 2018 and the provision for credit losses for the year ended December 31, 2018 by $2.8 million, which decreased net income by $2.1 million, or $0.18 diluted earnings per share.

Apart from the various optional payment and collateral protection insurance products that the Company offers to customers, on certain loans, the Company also collects a fee from customers and, in turn, purchases non-file insurance for the Company's benefit in lieu of recording and perfecting the Company's security interest in personal property collateral. Non-file insurance protects the Company from credit losses where, following an event of default, the Company is unable to take possession of personal property collateral because the Company's security interest is not perfected (for example, in certain instances where a customer files for bankruptcy). In such circumstances, non-file insurance generally will pay an amount equal to the lesser of the loan balance or the collateral value. In September 2018, the non-file insurance product had been operating at a loss, and the Company was implementing a policy change that would reduce the amount of claims filed, which would have the impact of increasing future net credit losses and, in turn, increasing the required allowance for credit losses. As a result of the policy change, the Company increased the allowance for credit losses as of December 31, 2018 and the provision for credit losses for the year ended December 31, 2018 by $4.1 million, which decreased net income by $3.1 million, or $0.25 diluted earnings per share.

Separate from the changes noted above, the December 31, 2018 allowance for credit losses included a $3.6 million increase related to estimated incremental credit losses on customer accounts impacted by hurricanes. As of June 30, 2019, the allowance for credit losses no longer required or included an incremental hurricane allowance.

Prior to the adoption of CECL on January 1, 2020, the Company updated the estimated loss emergence period for each finance receivable type annually. During 2018, the loss emergence period for each finance receivable type changed as follows: small loan finance receivables increased from seven to eight months; large loan finance receivables decreased from ten to eight months; automobile loan finance receivables decreased from twelve to nine months; and retail loan finance receivables decreased from

eleven to eight months. These net changes in the loss emergence periods decreased the Company's allowance for credit losses by $0.2 million, which increased net income for the year ended December 31, 2018 by $0.2 million, or $0.01 diluted earnings per share.

During 2019, the loss emergence period for each finance receivable type neither required nor included any changes.

The following is a reconciliation of the allowance for credit losses by product for the periods indicated:

| *In thousands* | Small | Large | Automobile | Retail | Total |
|---|---|---|---|---|---|
| Beginning balance at January 1, 2020 | $ 30,588 | $ 29,148 | $ 820 | $ 1,644 | $ 62,200 |
| Impact of CECL adoption | 24,185 | 33,550 | 599 | 1,766 | 60,100 |
| Provision for credit losses | 57,271 | 65,032 | (143) | 1,650 | 123,810 |
| Credit losses | (55,144) | (42,447) | (583) | (2,662) | (100,836) |
| Recoveries | 2,510 | 1,992 | 90 | 134 | 4,726 |
| Ending balance at December 31, 2020 | $ 59,410 | $ 87,275 | $ 783 | $ 2,532 | $ 150,000 |
| Net finance receivables at December 31, 2020 | $ 403,062 | $ 715,210 | $ 3,889 | $ 14,098 | $ 1,136,259 |
| Allowance as percentage of net finance receivables at December 31, 2020 | 14.7% | 12.2% | 20.1% | 18.0% | 13.2% |

| *In thousands* | Small | Large | Automobile | Retail | Total |
|---|---|---|---|---|---|
| Beginning balance at January 1, 2019 | $ 30,759 | $ 23,702 | $ 1,893 | $ 1,946 | $ 58,300 |
| Provision for credit losses | 54,842 | 41,278 | 575 | 2,916 | 99,611 |
| Credit losses | (57,323) | (37,475) | (1,893) | (3,365) | (100,056) |
| Recoveries | 2,310 | 1,643 | 245 | 147 | 4,345 |
| Ending balance at December 31, 2019 | $ 30,588 | $ 29,148 | $ 820 | $ 1,644 | $ 62,200 |
| Net finance receivables at December 31, 2019 | $ 467,613 | $ 632,068 | $ 9,640 | $ 24,083 | $ 1,133,404 |
| Allowance as percentage of net finance receivables at December 31, 2019 | 6.5% | 4.6% | 8.5% | 6.8% | 5.5% |

| *In thousands* | Small | Large | Automobile | Retail | Total |
|---|---|---|---|---|---|
| Beginning balance at January 1, 2018 | $ 24,749 | $ 17,548 | $ 4,025 | $ 2,588 | $ 48,910 |
| Provision for credit losses | 51,859 | 31,103 | 1,300 | 2,794 | 87,056 |
| Credit losses | (48,333) | (26,337) | (4,085) | (3,586) | (82,341) |
| Recoveries | 2,484 | 1,388 | 653 | 150 | 4,675 |
| Ending balance at December 31, 2018 | $ 30,759 | $ 23,702 | $ 1,893 | $ 1,946 | $ 58,300 |
| Net finance receivables at December 31, 2018 | $ 442,162 | $ 452,377 | $ 26,215 | $ 30,429 | $ 951,183 |
| Allowance as percentage of net finance receivables at December 31, 2018 | 7.0% | 5.2% | 7.2% | 6.4% | 6.1% |

The Company makes modifications to its finance receivables to assist borrowers experiencing financial difficulties. 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:

| | December 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| *In thousands* | TDR Net Finance Receivables | TDR Allowance for Credit Losses | TDR Net Finance Receivables | TDR Allowance for Credit Losses |
| Small loans | $ 4,991 | $ 2,087 | $ 9,225 | $ 3,479 |
| Large loans | 15,140 | 5,229 | 19,555 | 6,763 |
| Automobile loans | 307 | 132 | 591 | 253 |
| Retail loans | 75 | 32 | 106 | 45 |
| Total | $ 20,513 | $ 7,480 | $ 29,477 | $ 10,540 |

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

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | 2018 | |
| *Dollars in thousands* | Number of Loans | TDR Net Finance Receivables (1) | Number of Loans | TDR Net Finance Receivables (1) | Number of Loans | TDR Net Finance Receivables (1) |
| Small loans | 4,074 | $ 12,677 | 8,416 | $ 23,606 | 7,451 | $ 21,490 |
| Large loans | 2,704 | 8,559 | 4,632 | 13,431 | 3,646 | 10,578 |
| Automobile loans | 1 | 3 | 12 | 43 | 33 | 120 |
| Retail loans | 28 | 105 | 75 | 240 | 70 | 208 |
| Total | 6,807 | $ 21,344 | 13,135 | $ 37,320 | 11,200 | $ 32,396 |

(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:

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | 2018 | |
| *Dollars in thousands* | Number of Loans | TDR Net Finance Receivables (1) | Number of Loans | TDR Net Finance Receivables (1) | Number of Loans | TDR Net Finance Receivables (1) |
| Small loans | 1,846 | $ 3,266 | 3,161 | $ 5,641 | 2,328 | $ 3,893 |
| Large loans | 1,128 | 5,633 | 1,674 | 8,374 | 1,112 | 6,104 |
| Automobile loans | 1 | 8 | 6 | 50 | 25 | 252 |
| Retail loans | 34 | 57 | 44 | 80 | 37 | 58 |
| Total | 3,009 | $ 8,964 | 4,885 | $ 14,145 | 3,502 | $ 10,307 |

(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 5. Property and Equipment**

For the periods indicated, property and equipment consisted of the following:

| | December 31, | |
|---|---|---|
| *In thousands* | 2020 | 2019 |
| Furniture, fixtures, and equipment | $ 25,108 | $ 25,185 |
| Leasehold improvements | 13,180 | 12,110 |
| Property and equipment cost | 38,288 | 37,295 |
| Less accumulated depreciation | 23,830 | 21,994 |
| Property and equipment, net of accumulated depreciation | $ 14,458 | $ 15,301 |

Depreciation expense for the years ended December 31, 2020, 2019, and 2018 totaled $5.0 million, $4.3 million, and $3.7 million, respectively.

**Note 6. Leases**

The Company maintains lease agreements related to its branch network and for its corporate headquarters. The branch lease agreements range from three to seven years and generally contain options to extend from three to five years. The corporate headquarters lease agreement is for eleven years and contains an option to extend for ten years. All of the Company's lease agreements are considered operating leases. None of the Company's lease payments are dependent on an index that may change after the commencement date.

Future maturities of the Company's operating lease liabilities are as follows:

| In thousands | December 31, 2020 |
|---|---|
| 2021 | $ 7,164 |
| 2022 | 6,768 |
| 2023 | 6,122 |
| 2024 | 4,841 |
| 2025 | 3,061 |
| Thereafter | 5,569 |
| Total future minimum lease payments | 33,525 |
| Present value adjustment | (4,324) |
| Operating lease liability | $ 29,201 |

The Company's operating and short-term lease expenses are presented below:

| | Year Ended December 31, | |
|---|---|---|
| In thousands | 2020 | 2019 |
| Operating leases | $ 8,268 | $ 7,929 |
| Short-term leases | 381 | 435 |
| Total lease expense | $ 8,649 | $ 8,364 |

Supplemental cash flow and non-cash information related to the Company's operating leases is presented below:

| | Year Ended December 31, | |
|---|---|---|
| In thousands | 2020 | 2019 |
| Cash paid for operating leases | $ 8,251 | $ 7,379 |
| Lease assets and liabilities acquired (1) | $ 7,910 | $ 10,102 |

(1) Fiscal year 2019 excludes $24.1 million of lease assets and liabilities recorded on the transition date.

As of December 31, 2020, the weighted-average remaining lease term and weighted-average discount rate were 5.6 years and 4.91%, respectively.

Rent expense for the years ended December 31, 2020, 2019, and 2018 equaled $8.8 million, $8.4 million, and $8.1 million, respectively. In addition to rent, the Company typically pays for all operating expenses, property taxes, and repairs and maintenance on properties that it leases.

**Note 7. Intangible Assets**

The following table provides the gross carrying amount and related accumulated amortization of intangible assets:

| | December 31, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| In thousands | Gross Carrying Amount | Accumulated Amortization | Net Amount | Gross Carrying Amount | Accumulated Amortization | Net Amount |
| Software | $ 16,588 | $ (8,615) | $ 7,973 | $ 15,389 | $ (6,667) | $ 8,722 |
| Goodwill | 950 | (234) | 716 | 950 | (234) | 716 |
| Total intangible assets | $ 17,538 | $ (8,849) | $ 8,689 | $ 16,339 | $ (6,901) | $ 9,438 |

Intangible amortization expense for the years ended December 31, 2020, 2019, and 2018 totaled $2.2 million, $2.2 million, and $2.0 million, respectively. The following table sets forth the future amortization of intangible assets:

| *In thousands* | Amount |
|---|---|
| 2021 | $ 2,287 |
| 2022 | 2,185 |
| 2023 | 1,899 |
| 2024 | 1,030 |
| 2025 | 301 |
| Thereafter | 271 |
| **Total** | $ 7,973 |

The Company performs an annual impairment test on goodwill during the fourth quarter of each fiscal year. There were no goodwill additions or impairment losses for the years ended December 31, 2020 and 2019, respectively.

**Note 8. Other Assets**

Other assets include the following as of the periods indicated:

| | December 31, | |
|---|---|---|
| *In thousands* | 2020 | 2019 |
| Prepaid expenses | $ 8,499 | $ 3,256 |
| Credit insurance receivable | 3,262 | 2,061 |
| Card payments receivable | 3,170 | 1,853 |
| Other | 951 | 534 |
| Total other assets | $ 15,882 | $ 7,704 |

**Note 9. Interest Rate Caps**

The Company has interest rate cap contracts with an aggregate notional principal amount of $500.0 million. Each contract contains a strike rate against the one-month LIBOR (0.14% and 1.76% as of December 31, 2020 and 2019, respectively). The interest rate caps have maturities of April 2021 ($200.0 million with 3.50% strike rate), March 2023 ($100.0 million with 1.75% strike rate), August 2023 ($50.0 million with 0.50% strike rate), October 2023 ($100.0 million with 0.50% strike rate), and November 2023 ($50.0 million with 0.25% strike rate). When the one-month LIBOR exceeds the strike rate, the counterparty reimburses the Company for the excess over the strike rate. No payment is required by the Company or the counterparty when the one-month LIBOR is below the strike rate. The following is a summary of changes in the rate caps:

| | December 31, | | |
|---|---|---|---|
| *In thousands* | 2020 | 2019 | 2018 |
| Balance at beginning of period | $ — | $ 249 | $ 98 |
| Purchases | 526 | — | 481 |
| Fair value adjustment included as an increase in interest expense | (261) | (249) | (330) |
| Balance at end of period, included in other assets | $ 265 | $ — | $ 249 |

See Note 20, “Subsequent Events,” for information regarding the purchase of an interest rate cap contract in February 2021.

**Note 10. Long-Term Debt**

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

| | December 31, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| *In thousands* | Long-Term Debt | Unamortized Debt Issuance Costs | Net Long-Term Debt | Long-Term Debt | Unamortized Debt Issuance Costs | Net Long-Term Debt |
| Senior revolving credit facility | $ 286,113 | $ (1,687) | $ 284,426 | $ 350,818 | $ (2,504) | $ 348,314 |
| Revolving warehouse credit facility | 42,061 | (1,486) | 40,575 | 46,633 | (1,875) | 44,758 |
| RMIT 2018-1 securitization | — | — | — | 150,246 | (1,558) | 148,688 |
| RMIT 2018-2 securitization | 130,349 | — | 130,349 | 130,349 | (1,687) | 128,662 |
| RMIT 2019-1 securitization | 130,172 | (1,216) | 128,956 | 130,172 | (1,983) | 128,189 |
| RMIT 2020-1 securitization | 180,214 | (2,272) | 177,942 | — | — | — |
| Total | $ 768,909 | $ (6,661) | $ 762,248 | $ 808,218 | $ (9,607) | $ 798,611 |
| Unused amount of revolving credit facilities (subject to borrowing base) | $ 438,082 | | | $ 369,271 | | |

**Senior Revolving Credit Facility:** In September 2019, the Company amended and restated its senior revolving credit facility to, among other things, increase the availability under the facility from $638 million to $640 million and extend the maturity of the facility from June 2020 to September 2022. The facility has an accordion provision that allows for the expansion of the facility to $650 million. 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 85% of eligible secured finance receivables, 80% of eligible unsecured finance receivables, and 60% of eligible delinquent renewals (84% of eligible secured finance receivables, 79% of eligible unsecured finance receivables, and 59% of eligible delinquent renewals as of December 31, 2020). As of December 31, 2020, the Company had $186.3 million of available liquidity under the facility and held $8.1 million in unrestricted cash. Borrowings under the facility bear interest, payable monthly, at rates equal to one-month LIBOR, with a LIBOR floor of 1.00%, plus a 3.00% margin, increasing to 3.25% when the availability percentage is below 10%. The one-month LIBOR rate was 0.14% and 1.76% at December 31, 2020 and 2019, respectively. The amended and restated facility provides for a process to transition from LIBOR to a new benchmark in certain circumstances. The Company pays an unused line fee between 0.375% and 0.65% based upon the average outstanding balance of the facility. See Note 20, "Subsequent Events," for information regarding the amendment of this facility following the end of the fiscal year.

**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 long-term 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 $46.6 million and $39.4 million as of December 31, 2020 and 2019, 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.

***Revolving Warehouse Credit Facility:*** In October 2019, the Company and its wholly-owned SPE, Regional Management Receivables II, LLC ("RMR II"), amended the credit agreement that provides for a $125 million revolving warehouse credit facility to RMR II. The

amendment extended the date at which the facility converts to an amortizing loan and the termination date to April 2021 and April 2022, respectively. The facility has an accordion provision that allows for the expansion of the facility to $150 million. 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. Advances on the facility are capped at 80% of eligible finance receivables. RMR II held $0.5 million in restricted cash reserves as of December 31, 2020 to satisfy provisions of the credit agreement. Borrowings under the facility bear interest, payable monthly, at a blended rate equal to three-month LIBOR, with a LIBOR floor of 0.25%, plus a margin of 2.15% (2.20% prior to the October 2019 amendment). The three-month LIBOR was 0.24% and 1.91% at December 31, 2020 and 2019, respectively. RMR II pays an unused commitment fee between 0.35% and 0.85% based upon the average daily utilization of the facility.

***RMIT 2018-1 Securitization:*** In June 2018, the Company, its wholly-owned SPE, Regional Management Receivables III, LLC ("RMR III"), and its indirect wholly-owned SPE, Regional Management Issuance Trust 2018-1 ("RMIT 2018-1"), completed a private offering and sale of $150 million of asset-backed notes. Prior to maturity in July 2027, the Company could redeem the notes in full, but not in part, at its option on any remaining note payment date. In September 2020, the Company and RMR III exercised the right to make an optional principal repayment in full, and in connection with such prepayment, the securitization terminated in September 2020.

***RMIT 2018-2 Securitization:*** In December 2018, the Company, its wholly-owned SPE, RMR III, and the Company's indirect wholly-owned SPE, Regional Management Issuance Trust 2018-2 ("RMIT 2018-2"), completed a private offering and sale of $130 million of asset-backed notes. The transaction consisted of the issuance of four classes of fixed-rate asset-backed notes by RMIT 2018-2. 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 2018-2. The notes had a revolving period through December 2020 and have a final maturity date in January 2028. RMIT 2018-2 held $1.4 million in restricted cash reserves as of December 31, 2020 to satisfy provisions of the transaction documents. Borrowings under the RMIT 2018-2 securitization bear interest, payable monthly, at a weighted-average rate of 4.87%. Prior to maturity in January 2028, the Company could 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 January 2021. No payments of principal of the notes were made during the revolving period. See Note 20, "Subsequent Events," for information regarding the termination of this facility following the end of the year.

***RMIT 2019-1 Securitization:*** In October 2019, the Company, its wholly-owned SPE, RMR III, and the Company's indirect wholly-owned SPE, Regional Management Issuance Trust 2019-1 ("RMIT 2019-1"), completed a private offering and sale of $130 million of asset-backed notes. The transaction consisted of the issuance of three classes of fixed-rate asset-backed notes by RMIT 2019-1. 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 2019-1. The notes have a revolving period ending in October 2021, with a final maturity date in November 2028. RMIT 2019-1 held $1.4 million in restricted cash reserves as of December 31, 2020 to satisfy provisions of the transaction documents. Borrowings under the RMIT 2019-1 securitization bear interest, payable monthly, at a weighted-average rate of 3.17%. Prior to maturity in November 2028, 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 November 2021. No payments of principal of the notes will be made during the revolving period.

***RMIT 2020-1 Securitization:*** In September 2020, the Company, its wholly-owned SPE, 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 December 31, 2020 to satisfy provisions of the transaction documents. Borrowings under the RMIT 2020-1 securitization bear interest, payable monthly, at a weighted-average rate of 2.85%. 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.

See Note 20, "Subsequent Events," for information regarding the completion of a private offering and sale of $248.7 million of asset-backed notes following the end of the year.

The carrying amounts of consolidated VIE assets and liabilities are as follows:

| In thousands | December 31, 2020 | 2019 |
|---|---|---|
| Assets | | |
| Cash | $ 236 | $ 152 |
| Net finance receivables | 483,674 | 474,340 |
| Allowance for credit losses | (59,046) | (22,015) |
| Restricted cash | 51,849 | 44,221 |
| Other assets | 5 | 68 |
| **Total assets** | $ 476,718 | $ 496,766 |
| **Liabilities** | | |
| Net long-term debt | $ 477,822 | $ 450,297 |
| Accounts payable and accrued expenses | 87 | 86 |
| **Total liabilities** | $ 477,909 | $ 450,383 |

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, maintenance of a minimum allowance for credit losses, and certain other restrictions. At December 31, 2020, the Company was in compliance with all debt covenants.

The following is a summary of estimated future principal payments required on outstanding debt:

| In thousands | Amount |
|---|---|
| 2021 | $ 99,073 |
| 2022 | 446,069 |
| 2023 | 78,623 |
| 2024 | 87,139 |
| 2025 | 44,672 |
| Thereafter | 13,333 |
| **Total** | $ 768,909 |

**Note 11. Stockholders' Equity**

***Stock repurchase program:*** In October 2020, the Company's Board of Directors (the "Board") authorized a new stock repurchase program allowing for the repurchase of up to $30.0 million of the Company's outstanding shares of common stock in open market purchases, privately negotiated transactions, or through other structures in accordance with applicable federal securities laws. The authorization was effective immediately and extends through October 22, 2022. As of December 31, 2020, the Company had repurchased 435 thousand shares of common stock at a total cost of $12.0 million.

***Quarterly cash dividend:*** The Board may in its discretion declare and pay cash dividends on the Company's common stock. Total dividends declared were $0.20 per common share during the year ended December 31, 2020. No dividends were paid prior to the three months ended December 31, 2020.

**Note 12. 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.

**Net finance receivables:** Given the short turnover of our portfolio (approximately 1.1 times per year) and the fact that receivables are originated at prevailing market rates, the Company believed the carrying amount of net finance receivables, less unearned insurance premiums and allowance for credit losses, approximated the fair value of its finance receivable portfolio as of December 31, 2019.

Due to the adoption of CECL in January 2020 and the addition of lifetime losses to the allowance for credit losses, the carrying amount of its finance receivable portfolio no longer approximates fair value. 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:** The fair value of the interest rate caps is the estimated amount the Company would receive to terminate the cap agreements at the reporting date, taking into account current interest rates and the creditworthiness of the counterparty.

**Long-term debt:** As of December 31, 2019, the Company believed the carrying amount of long-term debt approximated its fair value in consideration of the Company's creditworthiness and frequent long-term debt renewals, amendments, and recent originations.

Effective March 2020, the Company estimates the fair value of long-term 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.

The carrying amount and estimated fair values of the Company's financial instruments summarized by level are as follows:

| | December 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| *In thousands* | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| **Assets** | | | | |
| Level 1 inputs | | | | |
| Cash | $ 8,052 | $ 8,052 | $ 2,263 | $ 2,263 |
| Restricted cash | 63,824 | 63,824 | 54,164 | 54,164 |
| Level 2 inputs | | | | |
| Interest rate caps | 265 | 265 | — | — |
| Level 3 inputs | | | | |
| Net finance receivables, less unearned insurance premiums and allowance for credit losses | 951,714 | 1,032,558 | 1,042,613 | 1,042,613 |
| **Liabilities** | | | | |
| Level 3 inputs | | | | |
| Long-term debt | 768,909 | 767,185 | 808,218 | 808,218 |

Certain of the Company's assets carried at 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 market-based inputs or unobservable inputs that are corroborated by 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 carried 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 table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of December 31, 2020 and 2019:

| | Interest Rate Caps | | | |
|---|---|---|---|---|
| *In thousands* | Total | Level 1 | Level 2 | Level 3 |
| 2020 | $ 265 | $ — | $ 265 | $ — |
| 2019 | $ — | $ — | $ — | $ — |

**Note 13. Income Taxes**

The Company and its subsidiaries file a consolidated federal income tax return. The Company files consolidated or separate state income tax returns as required by individual states in which it operates. The Company is generally no longer subject to federal, state, or local income tax examinations by taxing authorities before 2017, though the Company remains subject to examination for the Texas tax return for the 2016 tax year.

Income tax expense differed from the amount computed by applying the federal income tax rate to total income before income taxes as a result of the following:

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | 2018 | |
| *In thousands* | $ | % | $ | % | $ | % |
| Federal tax expense at statutory rate | $ 7,545 | 21.0% | $ 12,389 | 21.0% | $ 9,639 | 21.0% |
| Increase (reduction) in income taxes resulting from: | | | | | | |
| State tax, net of federal benefit | 1,086 | 3.0% | 1,961 | 3.3% | 1,478 | 3.2% |
| Section 162(m) limitation | 837 | 2.3% | 362 | 0.6% | 105 | 0.2% |
| Excess tax benefits from share-based awards | (93) | (0.3)% | (152) | (0.3)% | (329) | (0.7)% |
| Other | (177) | (0.4)% | (299) | (0.4)% | (336) | (0.7)% |
| | $ 9,198 | 25.6% | $ 14,261 | 24.2% | $ 10,557 | 23.0% |

Income tax expense attributable to total income before income taxes consists of the following for the periods indicated:

| | Year Ended December 31, | | |
|---|---|---|---|
| *In thousands* | 2020 | 2019 | 2018 |
| Current: | | | |
| Federal | $ 5,874 | $ 13,270 | $ 12,442 |
| State and local | 2,648 | 2,357 | 2,329 |
| | 8,522 | 15,627 | 14,771 |
| Deferred: | | | |
| Federal | 585 | (1,298) | (3,705) |
| State and local | 91 | (68) | (509) |
| | 676 | (1,366) | (4,214) |
| Total | $ 9,198 | $ 14,261 | $ 10,557 |

Net deferred tax assets and liabilities consist of the following as of the periods indicated:

| In thousands | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Deferred tax assets: | | |
| Allowance for credit losses | $ 35,400 | $ 12,879 |
| Lease liability | 6,863 | 6,687 |
| Unearned insurance premiums | 5,932 | 5,058 |
| Share-based compensation | 2,530 | 2,933 |
| Accrued expenses | 2,296 | 1,928 |
| CARES Act payroll tax deferral | 739 | — |
| State net operating loss carryforward | 457 | 262 |
| Other | 493 | 342 |
| **Gross deferred tax assets** | 54,710 | 30,089 |
| Deferred tax liabilities: | | |
| Fair market value adjustment of net finance receivables | 26,748 | 16,853 |
| Lease assets | 6,372 | 6,207 |
| Depreciation and software amortization | 4,000 | 3,735 |
| Deferred loan costs | 1,757 | 1,983 |
| Prepaid expenses | 1,207 | 316 |
| Deferred rent | 234 | 349 |
| Other | 271 | 27 |
| **Gross deferred tax liabilities** | 40,589 | 29,470 |
| **Net deferred tax asset** | $ 14,121 | $ 619 |

The Company had a state net operating loss carryforward of approximately $13.9 million as of December 31, 2020. This carryforward is available to offset future taxable income. If not used, the carryforward will expire beginning in 2032.

Companies are not permitted to recognize the tax benefit attributable to a tax position unless such position is more likely than not to be sustained upon examination by taxing authorities, based solely on the technical merits of the position. The Company had $0.8 million of unrecognized tax benefits as of December 31, 2019. Included in these amounts were interest and penalties accrued related to unrecognized tax benefits of $52 thousand for the year ended December 31, 2019. These components are included in the income tax line of the consolidated statements of income. As of and for the year ended December 31, 2020, the Company neither required nor included an unrecognized tax benefit.

The following schedule reconciles unrecognized tax positions for the periods indicated:

| In thousands | Year Ended December 31, 2020 | Year Ended December 31, 2019 |
|---|---|---|
| Balance at January 1 | $ 815 | $ — |
| Additions based on tax positions related to the current year | — | 363 |
| Additions for tax positions of prior years | — | 452 |
| Reductions for tax positions of prior years | (815) | — |
| Settlements | — | — |
| Balance at December 31 | $ — | $ 815 |

### Note 14. Earnings Per Share

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

| *In thousands, except per share amounts* | Year Ended December 31, 2020 | 2019 | 2018 |
|---|---|---|---|
| Numerator: | | | |
| Net income | $ 26,730 | $ 44,732 | $ 35,345 |
| Denominator: | | | |
| Weighted-average shares outstanding for basic earnings per share | 10,930 | 11,401 | 11,655 |
| Effect of dilutive securities | 215 | 372 | 423 |
| Weighted-average shares adjusted for dilutive securities | 11,145 | 11,773 | 12,078 |
| Earnings per share: | | | |
| Basic | $ 2.45 | $ 3.92 | $ 3.03 |
| Diluted | $ 2.40 | $ 3.80 | $ 2.93 |

Options to purchase 0.3 million, 0.3 million, and 0.1 million shares of common stock were outstanding during the years ended December 31, 2020, 2019, and 2018, respectively, but were not included in the computation of diluted earnings per share because they were anti-dilutive.

### Note 15. Employee Benefit Plans

**Retirement savings plan:** The Company has a defined contribution employee benefit plan (401(k) plan) covering full-time employees who have at least six months of service. The Company made a matching contribution equal to 100 percent of the first three percent of an employee's gross income and 50 percent of the next two percent of gross income in 2020, 2019, and 2018. For the years ended December 31, 2020, 2019, and 2018, the Company recorded expense for the Company's match of $1.6 million, $1.5 million, and $0.9 million, respectively.

### Note 16. 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 April 27, 2017, the stockholders of the Company re-approved the 2015 Plan, as amended and restated. As of December 31, 2020, 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) 1.55 million shares plus (ii) any shares (A) 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, and/or (B) subject to an award granted under the 2007 Plan or the 2011 Plan, which award is forfeited, cancelled, terminated, expires, or lapses 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 December 31, 2020, there were 0.4 million shares available for grant under the 2015 Plan.

For the years ended December 31, 2020, 2019, and 2018, the Company recorded share-based compensation expense of $5.6 million, $5.1 million, and $5.3 million, respectively. As of December 31, 2020, unrecognized share-based compensation expense to be recognized over future periods approximated $6.6 million. This amount will be recognized as expense over a weighted-average period of 2.0 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 non-qualified stock options, performance-contingent restricted stock units ("RSUs"), cash-settled performance units ("CSPUs"), and restricted stock awards ("RSAs") to certain members of senior management

under a long-term incentive program ("LTIP"). The CSPUs are cash incentive awards, and the associated expense is not based on the market price of the Company's common stock. Recurring annual grants are made at the discretion of the Company's 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. 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 net income and net income per share (for the 2018 LTIP and the 2019 LTIP) or the percentile ranking of the Company's compound annual growth rate of pre-provision net income and pre-provision net income per share (for the 2020 LTIP), in each case compared to a public company peer group over a three-year performance period.

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. The Board revised the compensation program in April 2018 to modify the amount of the annual cash retainers for Board and committee members, eliminate committee meeting fees, and modify the value of the RSAs for committee members.

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:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Expected volatility | 45.36% | 41.06% | 41.63% |
| Expected dividends | 0.34% | 0.00% | 0.00% |
| Expected term (in years) | 6.0 | 6.0 | 6.0 |
| Risk-free rate | 0.68% | 2.41% | 2.66% |

Expected volatility is based on the Company's historical stock price volatility. 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 year ended December 31, 2020:

| *In thousands, except per share amounts* | Number of Shares | Weighted-Average Exercise Price Per Share | Weighted-Average Remaining Contractual Life (Years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Options outstanding at January 1, 2020 | 1,067 | $ 19.61 | | |
| Granted | 145 | 18.90 | | |
| Exercised | (266) | 17.73 | | |
| Forfeited | (38) | 27.28 | | |
| Expired | — | — | | |
| Options outstanding at December 31, 2020 | 908 | $ 19.73 | 5.4 | $ 9,308 |
| Options exercisable at December 31, 2020 | 788 | $ 19.60 | 4.8 | $ 8,194 |

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

| | Year Ended December 31, | | |
|---|---|---|---|
| *In thousands, except per share amounts* | 2020 | 2019 | 2018 |
| Weighted-average grant date fair value per share | $ 7.80 | $ 11.82 | $ 12.39 |
| Intrinsic value of options exercised | $ 2,896 | $ 265 | $ 1,604 |
| Fair value of stock options that vested | $ 994 | $ 1,126 | $ 1,809 |

**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 are achieved over the performance period. Compensation cost is estimated based on expected performance and is adjusted at each reporting period.

The following table summarizes RSU activity during the year ended December 31, 2020:

| *In thousands, except per unit amounts* | Units | Weighted-Average Grant Date Fair Value Per Unit |
|---|---|---|
| Non-vested units at January 1, 2020 | 156 | $ 24.57 |
| Granted (target) | 67 | 15.86 |
| Achieved performance adjustment (1) | (2) | 19.99 |
| Vested | (66) | 19.99 |
| Forfeited | (31) | 26.68 |
| Non-vested units at December 31, 2020 | 124 | $ 21.89 |

(1) The 2016 LTIP RSUs were earned and vested at 116.5% of target, as described in greater detail in the Company's definitive proxy statement filed with the SEC on March 27, 2019.

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

| | Year Ended December 31, | | |
|---|---|---|---|
| *In thousands, except per unit amounts* | 2020 | 2019 | 2018 |
| Weighted-average grant date fair value per unit | $ 15.86 | $ 27.89 | $ 28.25 |
| Fair value of RSUs that vested | $ 1,314 | $ 916 | $ — |

**Restricted stock awards:** The fair value and compensation cost of restricted stock is calculated using the Company's closing stock price on the date of grant.

The following table summarizes restricted stock activity during the year ended December 31, 2020:

| *In thousands, except per share amounts* | Shares | Weighted-Average Grant Date Fair Value Per Share |
|---|---|---|
| Non-vested shares at January 1, 2020 | 126 | $ 26.93 |
| Granted | 317 | 19.06 |
| Vested | (155) | 24.27 |
| Forfeited | (22) | 23.92 |
| Non-vested shares at December 31, 2020 | 266 | $ 19.34 |

The following table provides additional restricted stock information:

| | Year Ended December 31, | | |
|---|---|---|---|
| *In thousands, except per share amounts* | 2020 | 2019 | 2018 |
| Weighted-average grant date fair value per share | $ 19.06 | $ 27.02 | $ 25.30 |
| Fair value of RSAs that vested | $ 3,760 | $ 2,803 | $ 1,625 |

**Note 17. 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 18. Insurance Products and Reinsurance of Certain Risks**

RMC Reinsurance, Ltd. is a wholly-owned insurance subsidiary of the Company. The Company sells optional insurance products to its customers in connection with its lending operations. These optional products include credit life, credit accident and health, credit property, vehicle single interest, and credit involuntary unemployment insurance. The type and terms of our optional insurance products vary from state to state based on applicable laws and regulations. Insurance premiums are remitted to an unaffiliated company that issues the policy to the customer. This unaffiliated company cedes the premiums to RMC Reinsurance, Ltd. Life insurance premiums are ceded to the Company as written and non-life products are ceded as earned. Unearned insurance premiums represent insurance premiums, net of premiums held by the unaffiliated insurance underwriter, that will be earned over the terms of the policies.

The Company maintains a cash reserve for life insurance claims in an amount determined by the ceding company. As of December 31, 2020 and 2019, the cash reserves were $12.0 million and $9.9 million, respectively.

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 the Company. Earned premiums are accounted for over the period of the underlying reinsured policies using assumptions consistent with the policy terms. Direct costs included in insurance income, net are claims paid, claims reserves, ceding fees, and premium taxes paid. The Company does not allocate to insurance income, net, any other home office or branch administrative costs associated with managing its insurance operations, managing its captive insurance company, marketing and selling insurance products, legal and compliance review, or internal audits.

The following table summarizes the components of insurance income, net during the years ended December 31, 2020, 2019, and 2018:

| | Insurance Premiums and Direct Expenses | | |
|---|---|---|---|
| *In thousands* | 2020 | 2019 | 2018 |
| Earned premiums | $ 42,816 | $ 35,544 | $ 31,095 |
| Claims, reserves, and certain direct expenses | (14,467) | (14,727) | (16,302) |
| Insurance income, net | $ 28,349 | $ 20,817 | $ 14,793 |

The Company was covered under a blanket vendor single interest insurance policy. The policy protected the Company's interest when the customer failed to maintain the required insurance coverage on an automobile securing an automobile purchase loan. The customer's loan and monthly payment were not impacted by this insurance policy. This blanket vendor single interest insurance policy was cancelled in March 2018.

Apart from the various optional payment and collateral protection insurance products that the Company offers to customers, on certain loans, the Company also collects a fee from customers and, in turn, purchases non-file insurance from an unaffiliated insurance company for its benefit in lieu of recording and perfecting its security interest in personal property collateral. Non-file insurance protects the Company from credit losses where, following an event of default, it is unable to take possession of personal property collateral because its security interest is not perfected (for example, in certain instances where a customer files for bankruptcy). In such circumstances, non-file insurance generally will pay to the Company an amount equal to the lesser of the loan balance or the collateral value. In recent years, as large loans have become a larger percentage of the Company's loan portfolio, the severity of non-file insurance claims has increased and non-file insurance claims expenses have exceeded non-file insurance fees. The resulting net loss from the non-file insurance product has been reflected in the Company's insurance income, net. The Company evaluated various ways to lower its non-file insurance claims, and reduced its utilization of non-file insurance beginning in the fourth quarter of 2018. This policy change caused substantially offsetting increases to insurance income, net and net credit losses in the fourth quarter of 2018 and subsequent periods.

**Note 19. Quarterly Information (unaudited)**

The following tables summarize the Company's quarterly financial information for each of the four quarters of 2020 and 2019:

| | 2020 | | | |
|---|---|---|---|---|
| *In thousands, except per share amounts* | First | Second | Third | Fourth |
| Total revenue | $ 96,074 | $ 89,850 | $ 90,538 | $ 97,444 |
| Provision for credit losses | 49,522 | 27,499 | 22,089 | 24,700 |
| General and administrative expenses | 46,243 | 41,525 | 43,754 | 44,794 |
| Interest expense | 10,159 | 9,137 | 9,300 | 9,256 |
| Income taxes | (3,525) | 4,219 | 4,157 | 4,347 |
| Net income (loss) | $ (6,325) | $ 7,470 | $ 11,238 | $ 14,347 |
| Net income (loss) per common share: | | | | |
| Basic | $ (0.58) | $ 0.68 | $ 1.02 | $ 1.32 |
| Diluted | $ (0.56) | $ 0.68 | $ 1.01 | $ 1.28 |

| *In thousands, except per share amounts* | 2019 | | | |
|---|---|---|---|---|
| | First | Second | Third | Fourth |
| Total revenue | $ 81,748 | $ 84,274 | $ 91,707 | $ 97,984 |
| Provision for credit losses | 23,343 | 25,714 | 24,515 | 26,039 |
| General and administrative expenses | 38,183 | 37,743 | 40,167 | 40,891 |
| Interest expense | 9,721 | 9,771 | 10,348 | 10,285 |
| Income taxes | 2,393 | 2,677 | 4,105 | 5,086 |
| Net income | $ 8,108 | $ 8,369 | $ 12,572 | $ 15,683 |
| Net income per common share: | | | | |
| Basic | $ 0.69 | $ 0.71 | $ 1.11 | $ 1.44 |
| Diluted | $ 0.67 | $ 0.70 | $ 1.08 | $ 1.38 |

**Note 20. Subsequent Events**

***Interest rate cap purchase:*** In February 2021, as a component of its strategy to manage the interest rate risk associated with future interest payments on variable-rate debt, the Company purchased an interest rate cap contract for $0.2 million with an aggregate notional principal amount of $50.0 million. The interest rate cap matures in February 2024 with a 0.25% strike rate against the one-month LIBOR.

***Quarterly cash dividend:*** In February 2021, the Company announced that the Board declared a quarterly cash dividend of $0.20 per share. The dividend will be paid on March 12, 2021 to shareholders of record at the close of business on February 23, 2021. 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.

***Amendment to senior revolving credit facility:*** In February 2021, the Company amended its senior revolving credit facility to provide an additional $20.0 million of flexibility to return capital to shareholders in the future, whether through dividends or share repurchases.

***RMIT 2018-2 securitization:*** In February 2021, the Company and RMR III exercised the right to make an optional principal repayment in full, and in connection with such prepayment, the securitization terminated in February 2021.

***RMIT 2021-1 securitization:*** In February 2021, the Company, its wholly-owned SPE, RMR III, and its indirect wholly-owned SPE, Regional Management Issuance Trust 2021-1 ("RMIT 2021-1"), completed a private offering and sale of $248.7 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. Borrowings under the RMIT 2021-1 securitization bear interest, payable monthly, at a weighted-average rate of 2.08%. Prior to maturity in March 2031, 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 2024. No payments of principal of the notes will be made during the revolving period.

## ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.*

Not applicable.

## ITEM 9A. *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 December 31, 2020. 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 December 31, 2020, 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.

### Management's Report on Internal Control Over Financial Reporting

Our management is responsible for the preparation, integrity, accuracy, and fair presentation of the consolidated financial statements appearing in this Annual Report on Form 10-K for the fiscal year ended December 31, 2020. The financial statements were prepared in conformity with GAAP and include amounts based on judgments and estimates by management.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with GAAP. Our internal control over financial reporting is supported by internal audits, appropriate reviews by management, policies and guidelines, careful selection and training of qualified personnel, and codes of ethics adopted by our Company's Board that are applicable to all directors, officers, and employees of our Company.

Because of its inherent limitations, no matter how well designed, internal control over financial reporting may not prevent or detect all misstatements. Internal controls can only provide reasonable assurance with respect to financial statement preparation and presentation. Further, the evaluation of the effectiveness of internal control over financial reporting was made as of a specific date, and continued effectiveness in future periods is subject to the risks that the controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may decline.

Management assessed the effectiveness of our internal control over financial reporting, with the participation of our chief executive officer and chief financial officer, as of December 31, 2020. In conducting this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework* (2013). Based on this assessment, management believes that we maintained effective internal control over financial reporting as of December 31, 2020. Our independent registered public accounting firm, RSM US LLP, has issued a report on our internal control over financial reporting, which appears in Part II, Item 8, "Financial Statements and Supplementary Data."

### Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Although a substantial portion of our home office workforce continues to work remotely due to the COVID-19 pandemic, this has not materially affected our internal control over financial reporting. We continue to monitor and assess the COVID-19 situation to minimize the potential impacts, if any, it may have on the design and operating effectiveness of our internal control over financial reporting.

**ITEM 9B.** ***OTHER INFORMATION.***

Not applicable.

## PART III

### ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.*

The information required under this item is incorporated herein by reference to the information presented under the headings "Board of Directors and Corporate Governance Matters—Committees of the Board," "Executive Officers," "Stockholder Proposals—Proposal No. 1: Election of Directors," and "Delinquent Section 16(a) Reports" (to the extent reported therein) in the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the SEC not later than 120 days after the end of the Company's fiscal year ended December 31, 2020.

Our Board of Directors has adopted a Code of Business Conduct and Ethics (the "Code of Ethics"). The Code of Ethics applies to all of our directors, officers, and employees and is posted on the Company's Investor Relations website under the "Governance" tab at *www.regionalmanagement.com*. A stockholder may request a copy of the Code of Ethics by contacting our Corporate Secretary at 979 Batesville Road, Suite B, Greer, SC 29651. To the extent permissible under applicable law, the rules of the SEC, and NYSE listing standards, we intend to disclose on our website any amendment to our Code of Ethics, or any grant of a waiver from a provision of our Code of Ethics, that requires disclosure under applicable law, the rules of the SEC, or NYSE listing standards.

### ITEM 11. *EXECUTIVE COMPENSATION.*

The information required under this item is incorporated herein by reference to the information presented under the headings "Board of Directors and Corporate Governance Matters—Compensation Committee Interlocks and Insider Participation," "Board of Directors and Corporate Governance Matters—Director Compensation," "Compensation Discussion and Analysis," "Compensation Committee Report," "Executive Compensation Tables," "Summary of Employment Arrangements with Executive Officers," and "Summary of Company Incentive Plans" in the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the SEC not later than 120 days after the end of the Company's fiscal year ended December 31, 2020.

### ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.*

The information required under this item is incorporated herein by reference to the information presented under the headings "Other Information—Security Ownership of Certain Beneficial Owners and Management" and "Executive Compensation Tables—Equity Compensation Plan Information" in the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the SEC not later than 120 days after the end of the Company's fiscal year ended December 31, 2020.

### ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.*

The information required under this item is incorporated herein by reference to the information presented under the headings "Other Information—Certain Relationships and Related Person Transactions," "Board of Directors and Corporate Governance Matters—Board Independence," and "Board of Directors and Corporate Governance Matters—Current Directors and Director Nominees" in the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the SEC not later than 120 days after the end of the Company's fiscal year ended December 31, 2020.

### ITEM 14. *PRINCIPAL ACCOUNTING FEES AND SERVICES.*

The information required under this item is incorporated herein by reference to the information presented under the heading "Stockholder Proposals—Proposal No. 2: Ratification of Appointment of Independent Registered Public Accounting Firm" in the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the SEC not later than 120 days after the end of the Company's fiscal year ended December 31, 2020.

## PART IV

### ITEM 15. *EXHIBITS, FINANCIAL STATEMENT SCHEDULES.*

(a) The following documents are filed as part of this report:

(1) Financial Statements:

(i) Reports of Independent Registered Public Accounting Firm

(ii) Consolidated Balance Sheets at December 31, 2020 and December 31, 2019

(iii) Consolidated Statements of Income for the Years Ended December 31, 2020, December 31, 2019, and December 31, 2018

(iv) Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2020, December 31, 2019, and December 31, 2018

(v) Consolidated Statements of Cash Flows for the Years Ended December 31, 2020, December 31, 2019, and December 31, 2018

(vi) Notes to Consolidated Financial Statements

(2) Financial Statement Schedules: None. Financial statement schedules have been omitted because the required information is included in our consolidated financial statements contained elsewhere in this Annual Report on Form 10-K.

(3) Exhibits: The exhibits listed in the following index are filed as a part of this Annual Report on Form 10-K.

| | | | Incorporated by Reference | | | |
|---|---|---|---|---|---|---|
| Exhibit Number | Exhibit Description | Filed Herewith | Form | File Number | Exhibit | Filing Date |
| 3.1 | Amended and Restated Certificate of Incorporation of Regional Management Corp. | | 8-K | 001-35477 | 3.1 | 04/02/2012 |
| 3.2 | Amended and Restated Bylaws of Regional Management Corp. | | 8-K | 001-35477 | 3.2 | 04/02/2012 |
| 4.1 | Indenture, dated December 13, 2018, by and among Regional Management Issuance Trust 2018-2, as issuer, Regional Management Corp., as servicer, Wells Fargo Bank, N.A., as indenture trustee, and Wells Fargo Bank, N.A., as account bank | | 8-K | 001-35477 | 4.1 | 12/13/2018 |
| 4.2 | Indenture, dated October 31, 2019, by and among Regional Management Issuance Trust 2019-1, as issuer, Regional Management Corp., as servicer, Wells Fargo Bank, N.A., as indenture trustee, and Wells Fargo Bank, N.A., as account bank | | 8-K | 001-35477 | 4.1 | 10/31/2019 |
| 4.3 | Indenture, dated September 23, 2020, by and among Regional Management Issuance Trust 2020-1, as issuer, Regional Management Corp., as servicer, Wells Fargo Bank, N.A., as indenture trustee, and Wells Fargo Bank, N.A., as account bank | | 8-K | 001-35477 | 4.1 | 09/29/2020 |
| 4.4 | Description of Securities | | 10-K | 001-35477 | 4.4 | 03/16/2020 |
| 10.1 | Cooperation Agreement, dated as of January 26, 2018, by and between Basswood Capital Management, L.L.C. and the Company | | 8-K | 001-35477 | 10.1 | 01/29/2018 |

| Exhibit Number | Exhibit Description | Filed Herewith | Incorporated by Reference Form | File Number | Exhibit | Filing Date |
|---|---|---|---|---|---|---|
| 10.2.1 | Seventh Amended and Restated Loan and Security Agreement, dated September 20, 2019, by and among Regional Management Corp. and certain of 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 | 09/20/2019 |
| 10.2.2 | First Amendment to Seventh Amended and Restated Loan and Security Agreement, dated as of October 15, 2020, by and among Regional Management Corp. 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 | 10/16/2020 |
| 10.3.1 | Amended and Restated Credit Agreement, dated as of November 21, 2017, by and among Regional Management Receivables, LLC, as borrower, Regional Management Corp., as servicer, Wells Fargo Bank, National Association, as lender, the other lenders from time to time parties thereto, Wells Fargo Bank, National Association, as account bank, collateral custodian, and backup servicer, and Wells Fargo Securities, LLC, as administrative agent for the lender and other lenders from time to time parties thereto | | 8-K | 001-35477 | 10.1 | 11/28/2017 |
| 10.3.2 | Amendment No. 1 to the Amended and Restated Credit Agreement, dated as of February 20, 2018, by and among Regional Management Receivables, LLC, as borrower, Regional Management Corp., as servicer, Wells Fargo Bank, National Association, as lender, and Wells Fargo Securities, LLC, as administrative agent | | 10-Q | 001-35477 | 10.3 | 05/01/2018 |
| 10.3.3 | Amendment No. 2 to the Amended and Restated Credit Agreement, dated as of October 30, 2018, by and among Regional Management Receivables, LLC, as borrower, Regional Management Corp., as servicer, Wells Fargo Bank, National Association, as lender, and Wells Fargo Securities, LLC, as administrative agent | | 8-K | 001-35477 | 10.1 | 11/02/2018 |
| 10.4.1 | Amended and Restated Credit Agreement, dated as of October 17, 2019, by and among Regional Management Receivables II, LLC, as borrower, Regional Management Corp., as servicer, the lenders from time to time parties thereto, the agents from time to time parties thereto, Wells Fargo Bank, National Association, as account bank, image file custodian, and backup servicer, Wells Fargo Bank, National Association, as administrative agent, and Credit Suisse AG, New York Branch, as structuring and syndication agent | | 8-K | 001-35477 | 10.1 | 10/22/2019 |

| Exhibit Number | Exhibit Description | Filed Herewith | Incorporated by Reference Form | File Number | Exhibit | Filing Date |
|---|---|---|---|---|---|---|
| 10.4.2 | Omnibus Amendment, dated as of August 18, 2020, by and among Regional Management Receivables II, LLC, as borrower, Regional Management Corp., as servicer, Regional Finance Corporation of Alabama, Regional Finance Company of Georgia, LLC, Regional Finance Company of New Mexico, LLC, Regional Finance Company of Oklahoma, LLC, Regional Finance Corporation of South Carolina, Regional Finance Corporation of Tennessee, Regional Finance Corporation of Texas, Regional Finance Company of Virginia, LLC, Regional Finance Corporation of Wisconsin, Regional Finance Corporation of North Carolina, Regional Finance Company of Missouri, LLC, Regional Management North Carolina Receivables Trust, and Wells Fargo Bank, National Association, as administrative agent, as acknowledged and agreed to by Wells Fargo Bank, National Association, as Class A committed lender, Class B committed lender, Class A lender agent, and Class B lender agent, Credit Suisse AG, Cayman Islands Branch, as Class A committed lender and Class B committed lender, GIFS Capital Company, LLC, as Class A conduit lender and Class B conduit lender, Alpine Securitization Ltd., as Class A conduit lender and Class B conduit lender, Credit Suisse AG, New York Branch, as Class A lender agent and Class B lender agent, and Wells Fargo Bank, National Association, not in its individual capacity but solely as account bank, image file custodian, and backup servicer | | 10-Q | 001-35477 | 10.2 | 11/05/2020 |
| 10.5 | Sale and Servicing Agreement, dated as of December 13, 2018, by and among Regional Management Receivables III, LLC, as depositor, Regional Management Corp., as servicer, the subservicers party thereto, Regional Management Issuance Trust 2018-2, as issuer, and Regional Management North Carolina Receivables Trust, acting thereunder solely with respect to the 2018-2A SUBI | | 8-K | 001-35477 | 10.1 | 12/13/2018 |
| 10.6.1 | Sale and Servicing Agreement, dated October 31, 2019, by and among Regional Management Receivables III, LLC, as depositor, Regional Management Corp., as servicer, the subservicers party thereto, Regional Management Issuance Trust 2019-1, as issuer, and Regional Management North Carolina Receivables Trust, acting thereunder solely with respect to the 2019-1A SUBI | | 8-K | 001-35477 | 10.1 | 10/31/2019 |

| Exhibit Number | Exhibit Description | Filed Herewith | Incorporated by Reference Form | File Number | Exhibit | Filing Date |
|---|---|---|---|---|---|---|
| 10.6.2 | Amendment No. 1 to Sale and Servicing Agreement, dated October 30, 2020, by and among Regional Management Receivables III, LLC, as depositor, Regional Management Corp., as servicer, Regional Management Issuance Trust 2019-1, as issuer, and Regional Management North Carolina Receivables Trust, acting thereunder solely with respect to the 2019-1A-SUBI | | 10-Q | 001-35477 | 10.9 | 11/05/2020 |
| 10.6.3 | Supplemental Indenture, dated October 30, 2020, by and among Regional Management Issuance Trust 2019-1, as issuer, Regional Management Corp., as servicer, and Wells Fargo Bank, National Association, as indenture trustee | | 10-Q | 001-35477 | 10.8 | 11/05/2020 |
| 10.7 | Sale and Servicing Agreement, dated September 23, 2020, by and among Regional Management Receivables III, LLC, as depositor, Regional Management Corp., as servicer, the subservicers party thereto, Regional Management Issuance Trust 2020-1, as issuer, and Regional Management North Carolina Receivables Trust, acting thereunder solely with respect to the 2020-1A SUBI | | 8-K | 001-35477 | 10.1 | 09/29/2020 |
| 10.8.1† | Regional Management Corp. 2011 Stock Incentive Plan and Forms of Nonqualified Stock Option Agreement (forms for grants prior to October 1, 2014) | | S-1/A | 333-174245 | 10.5 | 08/04/2011 |
| 10.8.2† | Form of Stock Award Agreement under the 2011 Stock Incentive Plan | | 10-K | 001-35477 | 10.4.2 | 03/17/2014 |
| 10.8.3† | Form of Restricted Stock Award Agreement under the 2011 Stock Incentive Plan (form for director grants) | | 10-K | 001-35477 | 10.4.3 | 03/17/2014 |
| 10.8.4† | Form of Nonqualified Stock Option Agreement under the 2011 Stock Incentive Plan (form for grants on or after October 1, 2014) | | 8-K | 001-35477 | 10.1 | 10/07/2014 |
| 10.8.5† | Form of Performance-Contingent Restricted Stock Unit Award Agreement under the 2011 Stock Incentive Plan | | 8-K | 001-35477 | 10.2 | 10/07/2014 |
| 10.8.6† | Form of Cash-Settled Performance Share Award Agreement under the 2011 Stock Incentive Plan | | 8-K | 001-35477 | 10.3 | 10/07/2014 |
| 10.8.7† | Form of Restricted Stock Award Agreement under the 2011 Stock Incentive Plan (form for employee grants) | | 8-K | 001-35477 | 10.4 | 10/07/2014 |
| 10.9.1† | Regional Management Corp. 2015 Long-Term Incentive Plan (As Amended and Restated Effective April 27, 2017) | | 8-K | 001-35477 | 10.1 | 05/02/2017 |

| Exhibit Number | Exhibit Description | Filed Herewith | Incorporated by Reference Form | File Number | Exhibit | Filing Date |
|---|---|---|---|---|---|---|
| 10.9.2† | Form of Nonqualified Stock Option Agreement under the 2015 Long-Term Incentive Plan (form for grants prior to April 27, 2017) | | 8-K | 001-35477 | 10.3 | 04/28/2015 |
| 10.9.3† | Form of Performance-Contingent Restricted Stock Unit Award Agreement under the 2015 Long-Term Incentive Plan (form for grants prior to March 29, 2016) | | 8-K | 001-35477 | 10.4 | 04/28/2015 |
| 10.9.4† | Form of Cash-Settled Performance Unit Award Agreement under the 2015 Long-Term Incentive Plan (form for grants prior to March 29, 2016) | | 8-K | 001-35477 | 10.5 | 04/28/2015 |
| 10.9.5† | Form of Restricted Stock Award Agreement under the 2015 Long-Term Incentive Plan (form for grants prior to April 27, 2017) | | 8-K | 001-35477 | 10.6 | 04/28/2015 |
| 10.9.6† | Form of Stock Award Agreement under the 2015 Long-Term Incentive Plan (form for grants prior to April 27, 2017) | | 8-K | 001-35477 | 10.7 | 04/28/2015 |
| 10.9.7† | Form of Performance-Contingent Restricted Stock Unit Award Agreement under the 2015 Long-Term Incentive Plan (form for grants on or after March 29, 2016 through April 26, 2017) | | 8-K | 001-35477 | 10.1 | 04/01/2016 |
| 10.9.8† | Form of Cash-Settled Performance Unit Award Agreement under the 2015 Long-Term Incentive Plan (form for grants on or after March 29, 2016 through April 26, 2017) | | 8-K | 001-35477 | 10.2 | 04/01/2016 |
| 10.9.9† | Form of Nonqualified Stock Option Agreement under the 2015 Long-Term Incentive Plan (form for grants on or after April 27, 2017) | | 8-K | 001-35477 | 10.2 | 05/02/2017 |
| 10.9.10† | Form of Performance-Contingent Restricted Stock Unit Award Agreement under the 2015 Long-Term Incentive Plan (form for grants on or after April 27, 2017) | | 8-K | 001-35477 | 10.3 | 05/02/2017 |
| 10.9.11† | Form of Cash-Settled Performance Unit Award Agreement under the 2015 Long-Term Incentive Plan (form for grants on or after April 27, 2017) | | 8-K | 001-35477 | 10.4 | 05/02/2017 |
| 10.9.12† | Form of Restricted Stock Award Agreement under the 2015 Long-Term Incentive Plan (form for grants on or after April 27, 2017) | | 8-K | 001-35477 | 10.5 | 05/02/2017 |
| 10.9.13† | Form of Stock Award Agreement under the 2015 Long-Term Incentive Plan (form for grants on or after April 27, 2017) | | 8-K | 001-35477 | 10.6 | 05/02/2017 |
| 10.10† | Regional Management Corp. Annual Incentive Plan (as amended and restated effective March 23, 2015) | | 8-K | 001-35477 | 10.2 | 04/28/2015 |
| 10.11† | Form of Key Team Member Incentive Program Agreement | | 8-K | 001-35477 | 10.2 | 09/29/2020 |

| Exhibit Number | Exhibit Description | Filed Herewith | Incorporated by Reference | | | |
|---|---|---|---|---|---|---|
| | | | Form | File Number | Exhibit | Filing Date |
| 10.12† | Summary of Non-Employee Director Compensation Program | | 10-Q | 001-35477 | 10.2 | 08/07/2020 |
| 10.13† | Employment Agreement, dated as of March 26, 2020, between Robert W. Beck and Regional Management Corp. | | 8-K | 001-35477 | 10.1 | 03/30/2020 |
| 10.14† | Employment Agreement, dated as of September 30, 2020, between Harpreet Rana and Regional Management Corp. | | 8-K | 001-35477 | 10.1 | 09/30/2020 |
| 10.15† | Employment Agreement, dated as of July 1, 2020, between John D. Schachtel and Regional Management Corp. | | 8-K | 001-35477 | 10.1 | 07/08/2020 |
| 10.16† | Employment Agreement, dated as of January 6, 2020, between Manish Parmar and Regional Management Corp. | | 10-Q | 001-35477 | 10.2 | 05/08/2020 |
| 10.17† | Employment Agreement, dated as of September 30, 2020, between Brian J. Fisher and Regional Management Corp. | | 8-K | 001-35477 | 10.2 | 09/30/2020 |
| 10.18† | Employment Agreement, dated as of September 30, 2020, between Catherine R. Atwood and Regional Management Corp. | | 10-Q | 001-35477 | 10.7 | 11/05/2020 |
| 10.19† | Employment Agreement, dated as of May 6, 2019, between Peter R. Knitzer and Regional Management Corp. | | 8-K | 001-35477 | 10.1 | 05/08/2019 |
| 10.20† | Consulting Agreement, dated as of April 13, 2020, between Daniel J. Taggart and Regional Management Corp. | | 8-K | 001-35477 | 10.1 | 04/15/2020 |
| 10.21† | Form of Retention Award Agreement | | 8-K | 001-35477 | 10.1 | 03/13/2015 |
| 21.1 | Subsidiaries of Regional Management Corp. | X | | | | |
| 23.1 | Consent of RSM US LLP | X | | | | |
| 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 | | | | | |

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

† Indicates a management contract or a compensatory plan, contract, or arrangement.

## ITEM 16. *FORM 10-K SUMMARY.*

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: February 25, 2021

/s/ Robert W. Beck
Robert W. Beck
President and Chief Executive Officer

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert W. Beck and Harpreet Rana, and each of them, jointly and severally, as true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution for him/her and in his/her name, place, and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all which said attorneys-in-fact and agents or any of them, or their or his/her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 25, 2021.

| Signature | | |
|---|---|---|
| /s/ Robert W. Beck | Name: | Robert W. Beck |
| | Title: | President, Chief Executive Officer, and Director<br>(principal executive officer) |
| /s/ Harpreet Rana | Name: | Harpreet Rana |
| | Title: | Executive Vice President and Chief Financial Officer<br>(principal financial officer) |
| /s/ Michael S. Dymski | Name: | Michael S. Dymski |
| | Title: | Vice President and Chief Accounting Officer<br>(principal accounting officer) |
| /s/ Carlos Palomares | Name: | Carlos Palomares |
| | Title: | Chair of the Board of Directors |
| /s/ Jonathan D. Brown | Name: | Jonathan D. Brown |
| | Title: | Director |
| /s/ Roel C. Campos | Name: | Roel C. Campos |
| | Title: | Director |
| /s/ Maria Contreras-Sweet | Name: | Maria Contreras-Sweet |
| | Title: | Director |
| /s/ Alvaro G. de Molina | Name: | Alvaro G. de Molina |
| | Title: | Director |
| /s/ Michael R. Dunn | Name: | Michael R. Dunn |
| | Title: | Director |
| /s/ Steven J. Freiberg | Name: | Steven J. Freiberg |
| | Title: | Director |
| /s/ Sandra K. Johnson, Ph.D. | Name: | Sandra K. Johnson, Ph.D. |
| | Title: | Director |

# Notice of 2021 Annual Meeting of Stockholders and Proxy Statement

**REGIONAL MANAGEMENT**

**Regional Management Corp.**
**979 Batesville Road, Suite B**
**Greer, South Carolina 29651**
**(864) 448-7000**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**
**To Be Held on May 20, 2021**

To the Stockholders of Regional Management Corp.:

We hereby give notice that the 2021 Annual Meeting of Stockholders (the "Annual Meeting") of Regional Management Corp. will be held exclusively online via the internet on May 20, 2021, at 2:30 p.m. Eastern Daylight Time. The purposes of the meeting are as follows:

(1) To elect the eight nominees named in the accompanying Proxy Statement to serve as members of our Board of Directors until the next annual meeting of stockholders or until their successors are elected and qualified;

(2) To ratify the appointment of RSM US LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2021;

(3) To re-approve the Regional Management Corp. 2015 Long-Term Incentive Plan (as amended and restated effective May 20, 2021);

(4) To hold an advisory vote to approve executive compensation; and

(5) To transact such other business as may properly come before the Annual Meeting or any adjournments thereof.

We began mailing this Notice of Annual Meeting of Stockholders and our Proxy Statement to stockholders on or about April 16, 2021. Only stockholders whose names appear of record on our books at the close of business on April 5, 2021 will be entitled to notice of and to vote at the Annual Meeting or at any adjournments thereof.

In light of the continued impact of the coronavirus ("COVID-19") pandemic, for the safety of our directors, team members, and stockholders, and taking into account federal, state, and local guidance related to COVID-19 and the size of gatherings, we have once again determined that the Annual Meeting will be held in a virtual meeting format only, via the internet, with no physical in-person meeting. If you plan to participate in the virtual meeting, please see "General Information and Frequently Asked Questions" in this Proxy Statement. Stockholders will be able to attend, vote, and submit questions (both before, and during a designated portion of, the meeting) from any location via the internet. The Annual Meeting will be presented exclusively online at www.virtualshareholdermeeting.com/RM2021. You will be able to attend the Annual Meeting online, vote your shares electronically, and submit your questions to management during the Annual Meeting by visiting www.virtualshareholdermeeting.com/RM2021. At this time, we intend to resume holding in-person meetings beginning with our 2022 Annual Meeting of Stockholders.

To participate in the Annual Meeting (e.g., submit questions and/or vote), you will need the control number provided on your proxy card or voting instruction form. If you are not a stockholder or do not have a control number, you may still access the Annual Meeting as a guest, but you will not be able to participate.

**Your vote is important. Whether or not you plan to attend the virtual Annual Meeting, you are urged to cast your vote promptly in order to assure representation of your shares at the meeting and so that a quorum may be established.** In advance of the Annual Meeting, you may vote by internet or by mail. If you attend the virtual Annual Meeting, you may revoke your proxy and vote your shares electronically during the meeting.

To vote by internet prior to the meeting, please visit *www.proxyvote.com*. Have the enclosed proxy card in hand when you access the website, and follow the instructions to obtain your records and to create an electronic voting instruction form.

To vote by mail, please complete, date, and sign the enclosed proxy card, and mail it in the enclosed envelope. No postage need be affixed if the proxy card is mailed in the United States.

On behalf of our Board of Directors and our management team, we thank you for your interest in Regional and for your participation in the Annual Meeting.

By Order of the Board of Directors

Catherine R. Atwood
SVP, General Counsel, and Secretary

Greer, South Carolina
April 16, 2021

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 20, 2021: The Notice of Annual Meeting of Stockholders, Proxy Statement, and Annual Report on Form 10-K are available free of charge at *https://materials.proxyvote.com/75902K* and on our Investor Relations website at *www.regionalmanagement.com*.**

**PROXY STATEMENT**

2021 Annual Meeting of Stockholders

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**REGIONAL MANAGEMENT CORP.**
**979 Batesville Road, Suite B**
**Greer, South Carolina 29651**

# PROXY STATEMENT

**For the Annual Meeting of Stockholders to Be Held on May 20, 2021**

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 20, 2021:**

**The Notice of Annual Meeting of Stockholders, Proxy Statement, and Annual Report on Form 10-K are available free of charge at *https://materials.proxyvote.com/75902K* and on the Investor Relations website of Regional Management Corp. at *www.regionalmanagement.com.***

**April 16, 2021**

## 2021 PROXY STATEMENT SUMMARY

*This summary highlights information contained elsewhere in this Proxy Statement. It does not contain all of the information that you should consider. You should read the entire Proxy Statement carefully before voting.*

### Annual Meeting of Stockholders

| | |
|---|---|
| **Date:** | May 20, 2021 |
| **Time:** | 2:30 p.m. Eastern Daylight Time |
| **Access:** | Virtually via the internet at www.virtualshareholdermeeting.com/RM2021. Instructions as to how you may attend and participate in the virtual Annual Meeting are set forth in the Proxy Statement under "General Information and Frequently Asked Questions – How do I attend and participate in the Annual Meeting online?" |
| **Record Date:** | April 5, 2021 |
| **Voting:** | Stockholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each other proposal. Stockholders may vote by proxy or electronically during the virtual Annual Meeting by visiting www.virtualshareholdermeeting.com/RM2021. Instructions as to how you may cast your vote are found on the accompanying proxy card and are set forth in the Proxy Statement under "General Information and Frequently Asked Questions – How do I vote?" |
| **Proxy Materials:** | The Proxy Statement and the accompanying proxy card are first being mailed on or about April 16, 2021 to the stockholders of Regional Management Corp. |

### Meeting Agenda

| Proposal | Board Vote Recommendation | Page Reference (for more detail) |
|---|---|---|
| Election of eight directors | FOR ALL | 65 |
| Ratification of the appointment of RSM US LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2021 | FOR | 65 |
| Re-approval of the Regional Management Corp. 2015 Long-Term Incentive Plan (as amended and restated effective May 20, 2021) | FOR | 67 |
| Advisory vote to approve executive compensation | FOR | 80 |
| Transact other business as may properly come before the meeting | | |

## Election of Director Nominees

The following table provides summary information about each director nominee. The nominees receiving a plurality of the votes cast at the meeting will be elected as directors. Alvaro G. de Molina, who currently serves as a director on our Board, will not be standing for re-election at the Annual Meeting. Mr. de Molina's decision not to stand for re-election was not the result of any disagreement relating to our operations, policies, or practices, including financial reporting. In March 2021, the Board, acting on the recommendation of the Corporate Governance and Nominating Committee, decided to reduce its overall size from nine directors to eight directors, effective from the date of the Annual Meeting.

| Name | Director Since | Experience/Qualifications | Independent | Committees AC | CC | CGN | RC |
|---|---|---|---|---|---|---|---|
| Carlos Palomares, Chair of the Board | 2012 | Financial Services Industry, Leadership, Credit Risk, Corporate Finance, Executive Compensation, Accounting, Risk Management | ✓ | ✓ | ✓ | | |
| Robert W. Beck | 2020 | Financial Services Industry, Leadership, Credit Risk, Corporate Finance, Marketing, M&A, Accounting, Risk Management, Investor Relations | | | | | |
| Jonathan D. Brown | 2018 | Financial Services Industry, Capital Allocation, M&A, Corporate Governance, Investor Relations | ✓ | | | | |
| Roel C. Campos | 2012 | Leadership, Cybersecurity, Corporate Governance, Government Affairs, Securities Compliance, Regulatory | ✓ | | | C | ✓ |
| Maria Contreras-Sweet | 2018 | Financial Services Industry, Leadership, Corporate Finance, Technology/Innovation, Corporate Governance, Regulatory, Public Relations, Government Affairs | ✓ | | ✓ | ✓ | |
| Michael R. Dunn | 2014 | Financial Services Industry, Leadership, Credit Risk, Corporate Finance, M&A, Risk Management, Investor Relations | | | | | C |
| Steven J. Freiberg | 2014 | Financial Services Industry, Leadership, Credit Risk, Corporate Finance, Marketing, M&A, Executive Compensation, Technology, Risk Management, Investor Relations | ✓ | ✓ | C | | |
| Sandra K. Johnson | 2020 | Financial Services Industry, Leadership, Information Technology, Cybersecurity, Blockchain Technology, Technology/Innovation, Entrepreneurship | ✓ | | | ✓ | ✓ |

AC = Audit Committee    CC = Compensation Committee    CGN = Corporate Governance and Nominating Committee    RC = Risk Committee    C = Committee Chair

Proxy Statement

**Ratification of Independent Registered Public Accounting Firm**

As a matter of good corporate governance, we are asking our stockholders to ratify the selection of RSM US LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2021.

**Re-Approval of the Regional Management Corp. 2015 Long-Term Incentive Plan**

We are proposing that our stockholders re-approve the Regional Management Corp. 2015 Long-Term Incentive Plan (as amended and restated effective May 20, 2021) (the "2015 Plan") to, among other things, increase the number of shares of stock that may be issued under the 2015 Plan. We believe that our long-term incentive compensation program, currently implemented under the 2015 Plan, allows us to compete with comparable companies in our industry in order to attract and retain talented individuals who contribute to our long-term success. We also believe that the 2015 Plan effectively provides substantial incentive to achieve our business objectives and build stockholder value, thereby aligning the interests of plan participants with the interests of our stockholders. Approval of the amended and restated 2015 Plan should provide us with the continued flexibility needed to use equity compensation and other incentive awards to attract, retain, and motivate talented employees, directors, and consultants who are important to our long-term growth and success.

The following "best practices" are integrated into the 2015 Plan, as amended and restated:

- ✓ Limitation on Shares Issued
- ✓ No "Evergreen" Provision or Liberal Share Recycling
- ✓ Robust Minimum Vesting and Award Practices
- ✓ No Dividends or Dividend Equivalents on Unvested Awards
- ✓ Reasonable Plan Duration
- ✓ Administered by Independent Committee
- ✓ No Discounted Stock Options or Stock Appreciation Rights ("SARs") and Limit on Option and SAR Terms
- ✓ No Stock Option or SAR Re-Pricings Without Stockholder Approval
- ✓ Prudent Change of Control Provisions
- ✓ Efficient Use of Equity

**Advisory Vote to Approve Executive Compensation**

As required by Section 14A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we are providing our stockholders with the opportunity to vote on a non-binding advisory resolution to approve the compensation of our named executive officers (commonly known as a "Say-on-Pay Vote").

**2020 Compensation-Related Highlights**

- ✓ **Continued alignment of executive pay with company performance**:
  - o **2020 incentives are largely performance-contingent**, with long-term incentive awards roughly one-half performance-contingent and short-term incentive awards entirely performance-contingent
  - o **Performance goals are rigorous** and are based almost exclusively on objective, quantitative criteria
  - o **Implemented temporary changes to the 2020 short-term incentive program metrics** in light of the unique operating environment resulting from the COVID-19 pandemic
- ✓ **Maintained competitive compensation and incentive program target opportunities** for our executives in order to continue to align their overall compensation with the market for executive talent
- ✓ **Set our short-term incentive payout opportunities** to provide high upside if performance goals are exceeded, while paying low or no bonus amounts if goals are not achieved
- ✓ **Granted long-term incentives**, which include a significant portion that is contingent upon the achievement of rigorous and clearly-defined performance measures, to named executive officers and other key contributors, effectively aligning such individuals' interests with the long-term interests of our stockholders

## Compensation Program "Best Practices" Summary

- ✓ Compensation program designed to closely align pay with performance
- ✓ Significant share ownership guidelines for executives (5x base salary for CEO, 2x for other executive officers)
- ✓ Significant share ownership guidelines for directors (5x annual cash retainer)
- ✓ Significant portion of compensation is variable and/or performance-based
- ✓ No excessive perquisites
- ✓ No excise tax gross-ups
- ✓ Formalized clawback policy
- ✓ Double-trigger change-in-control provisions
- ✓ Prohibition against hedging and pledging
- ✓ No re-pricing of equity incentive awards without stockholder approval
- ✓ Independent Compensation Committee
- ✓ Independent compensation consultant

## Fiscal 2020 Compensation Summary

The following table sets forth the cash and other compensation that we paid to our named executive officers or that was otherwise earned by our named executive officers for their services in all employment capacities during 2020. See the Summary Compensation Table of the Proxy Statement for additional information.

| Name and Principal Position | Salary ($) | Bonus ($) | Stock Awards ($) | Option Awards ($) | Non-Equity Incentive Plan Compensation ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|
| Robert W. Beck, President and Chief Executive Officer (Former Executive Vice President and Chief Financial Officer) | 557,036 | — | 829,495 | 400,000 | 984,205 | 30,157 | **2,800,893** |
| Peter R. Knitzer, Former President and Chief Executive Officer | 140,984 | — | — | — | 754,457 | 2,546,375 | **3,441,816** |
| Harpreet Rana, Executive Vice President and Chief Financial Officer | 42,623 | 100,000 | 166,242 | 166,240 | 53,279 | 7,500 | **535,884** |
| Michael S. Dymski, Vice President of Financial Planning and Analysis (Former Interim Chief Financial Officer and Vice President and Chief Accounting Officer) | 256,672 | 40,989 | 420,306 | — | 192,500 | 14,269 | **924,736** |
| John D. Schachtel, Executive Vice President and Chief Operating Officer | 415,000 | — | 322,722 | 155,625 | 833,488 | 59,585 | **1,786,420** |
| Brian J. Fisher, Executive Vice President and Chief Strategy and Development Officer | 370,164 | — | 279,956 | 134,997 | 577,155 | 21,271 | **1,383,543** |
| Manish Parmar, Executive Vice President and Chief Credit Risk Officer | 330,423 | 250,000 | 477,045 | 125,617 | 413,029 | 171,100 | **1,767,214** |

## 2022 Annual Meeting of Stockholders

- Stockholder proposals submitted pursuant to SEC Rule 14a-8 must be received by us no later than December 17, 2021.
- Notice of stockholder proposals outside of SEC Rule 14a-8 must be delivered to us not earlier than January 20, 2022 and not later than February 19, 2022.

## GENERAL INFORMATION AND FREQUENTLY ASKED QUESTIONS

This proxy statement (the "Proxy Statement") and the accompanying proxy card are first being sent on or about April 16, 2021, to the stockholders of Regional Management Corp., a Delaware corporation ("Regional," the "Company," "we," "us," and "our"), in connection with the solicitation of proxies by our Board of Directors (the "Board") for use at the Annual Meeting of Stockholders (the "Annual Meeting") to be held on May 20, 2021, at 2:30 p.m. Eastern Daylight Time and any postponement or adjournment thereof. Our Annual Report on Form 10-K, containing financial statements for the fiscal year ended December 31, 2020, is being mailed together with this Proxy Statement to all stockholders entitled to vote at the Annual Meeting.

**Why did I receive a proxy card and Proxy Statement?**

As a stockholder of record on April 5, 2021, you are entitled to vote at the Annual Meeting. The accompanying proxy card is for use at the Annual Meeting if a stockholder either will be unable to attend virtually on May 20, 2021 or will attend virtually but wishes to vote by proxy in advance of the Annual Meeting. Even if you plan to attend the virtual Annual Meeting, you are encouraged to vote by proxy in advance. Instructions as to how you may cast your vote by proxy are found on the proxy card. If you attend the virtual Annual Meeting, you may revoke your proxy and vote your shares electronically during the virtual Annual Meeting.

The proxy card is solicited by mail by and on behalf of the Board, and the cost of soliciting proxies will be borne by us. In addition to solicitations by mail, proxies may be solicited in person, by telephone, or via the internet by our directors and officers who will not receive additional compensation for such services. We will request banks, brokerage houses, and other institutions, nominees, and fiduciaries to forward the soliciting material to beneficial owners and to obtain authorization for the execution of proxies. We will, upon request, reimburse these parties for their reasonable expenses in forwarding proxy materials to our beneficial owners.

**Why is the Annual Meeting taking place virtually this year?**

We will host the Annual Meeting exclusively live online this year due to the circumstances surrounding the continued existence and spread of the coronavirus ("COVID-19") pandemic. Federal, state, and local governments have encouraged businesses to restrict all unnecessary travel and limit the size of gatherings to avoid the spread of COVID-19. As a result, and in order to protect the health and well-being of our directors, team members, and stockholders, we have once again decided to hold the Annual Meeting exclusively online. At this time, we intend to resume holding in-person meetings beginning with the 2022 Annual Meeting of Stockholders (the "2022 Annual Meeting").

**How do I attend and participate in the Annual Meeting online?**

We will host the Annual Meeting exclusively live online. Any stockholder can attend the Annual Meeting live online at www.virtualshareholdermeeting.com/RM2021. To enter the Annual Meeting, you will need to log in with the control number provided on your proxy card or voting instruction form. Once you are logged in to the Annual Meeting, instructions on how to participate, including how to submit questions and vote during the meeting, will be provided at www.virtualshareholdermeeting.com/RM2021. If you are not a stockholder or do not have a control number, you may still access the meeting as a guest, but you will not be able to participate. We are committed to ensuring that our stockholders have the same rights and opportunities to participate in the Annual Meeting as if it had been held in a physical location. If you have questions about accessing the website for the virtual Annual Meeting, please contact the Company's Corporate Secretary by sending an email to investor.relations@regionalmanagement.com or calling (864) 448-7000 by May 17, 2021. If you encounter any technical difficulties with the log-in process or during the Annual Meeting, please call the technical support number that will be posted on the virtual Annual Meeting website.

The virtual meeting platform is fully supported across browsers (Internet Explorer, Firefox, Chrome, and Safari) and devices (desktops, laptops, tablets, and mobile phones) running the most updated version of applicable software and plugins. Stockholders (or their authorized representatives) should ensure that they have a strong Wi-Fi connection wherever they intend to participate in the meeting. Stockholders (or their authorized representatives) should also give themselves plenty of time to log in and ensure that they can hear streaming audio prior to the start of the meeting.

**What is the purpose of the Annual Meeting?**

The purpose of the Annual Meeting is:

(i) to elect the eight nominees named in the Proxy Statement to serve as members of the Board until the next annual meeting of stockholders or until their successors are elected and qualified;

(ii) to ratify the appointment of RSM US LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2021;

(iii) to re-approve the Regional Management Corp. 2015 Long-Term Incentive Plan (as amended and restated effective May 20, 2021);

(iv) to hold an advisory vote to approve executive compensation; and

(v) to transact such other business as may properly come before the Annual Meeting or any adjournments thereof.

**Who is entitled to vote?**

Only stockholders of record at the close of business on April 5, 2021 (the "Record Date"), will be entitled to receive notice of and to vote at the Annual Meeting. As of the Record Date, 10,773,719 shares of our common stock, $0.10 par value per share, were outstanding. The holders of common stock are entitled to one vote per share for each director nominee and to one vote per share on any other proposal presented at the Annual Meeting.

Brokers that are members of certain securities exchanges and that hold shares of our common stock in "street name" on behalf of beneficial owners have authority to vote on certain items when they have not received instructions from beneficial owners. Under the New York Stock Exchange ("NYSE") rules and regulations governing such brokers, the proposal to ratify the appointment of RSM US LLP as our independent registered public accounting firm is considered a "discretionary" item. This means that brokers may vote in their discretion on this proposal on behalf of beneficial owners who have not furnished voting instructions. In contrast, certain items are considered "non-discretionary," and a "broker non-vote" occurs when a broker or other nominee holding shares for a beneficial owner votes on one proposal but does not vote on another proposal because, with respect to such other proposal, the nominee does not have discretionary voting power and has not received instructions from the beneficial owner. The proposals to elect directors, re-approve the Regional Management Corp. 2015 Long-Term Incentive Plan, and to approve executive compensation are considered "non-discretionary," and therefore, brokers cannot vote your shares on these proposals when they do not receive voting instructions from you.

**What constitutes a quorum?**

The representation, virtually or by proxy, of at least a majority of the outstanding shares of common stock entitled to vote at the Annual Meeting is necessary to constitute a quorum for the transaction of business. Votes withheld from any nominee, abstentions, and "broker non-votes" are counted as present or represented for purposes of determining the presence or absence of a quorum for the Annual Meeting. Virtual attendance at our Annual Meeting constitutes presence in person for purposes of determining whether there is a quorum at the meeting.

**Can I ask questions at the virtual Annual Meeting?**

Stockholders as of the Record Date who attend and participate in our virtual Annual Meeting at www.virtualshareholdermeeting.com/RM2021 will have an opportunity to submit questions about topics of importance to the Company's business and affairs live via the internet during a designated portion of the meeting. Instructions for submitting questions during the virtual Annual Meeting will be available at www.virtualshareholdermeeting.com/RM2021 during the meeting. Stockholders may also submit a question in advance of the Annual Meeting at www.proxyvote.com. In both cases, stockholders must have available their control number provided on their proxy card or voting instruction form. All questions from stockholders that are pertinent to Annual Meeting matters will be answered during the meeting, subject to time limitations.

**How do I vote?**

Stockholders may vote by proxy or by attending the virtual Annual Meeting online and voting electronically during the Annual Meeting. Instructions as to how you may cast your vote by proxy are set forth below and are found on the accompanying proxy card.

**Vote by Internet:**

*Before the Meeting* – Go to ***www.proxyvote.com***

Use the internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Daylight Time on May 19, 2021. Have your proxy card in hand when you access the website, and follow the instructions to obtain your records and to create an electronic voting instruction form.

*During the Meeting* – Go to ***www.virtualshareholdermeeting.com/RM2021***

You may attend the meeting via the internet and vote electronically during the meeting. Have your proxy card in hand when you access the website, and follow the instructions.

**Vote by Mail:** Mark, sign, and date your proxy card and promptly return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.



**Will other matters be voted on at the Annual Meeting?**

Aside from the four proposals described above, the Board knows of no other matters to be presented at the Annual Meeting. If any other matter should be presented at the Annual Meeting upon which a vote properly may be taken, shares represented by all proxies received by the Board will be voted with respect thereto in accordance with the best judgment of the persons named as proxy holders and attorneys-in-fact in the proxies.

**May I revoke my proxy instructions?**

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted at the Annual Meeting. Proxies may be revoked by (i) filing with our Corporate Secretary, before the taking of the vote at the Annual Meeting, a written notice of revocation bearing a later date than the proxy; (ii) duly completing a later-dated proxy card relating to the same shares and delivering it to our Corporate Secretary before the taking of the vote at the Annual Meeting; or (iii) attending the virtual Annual Meeting and voting electronically (although attendance at the Annual Meeting will not in and of itself constitute a revocation of a proxy). Any written notice of revocation or subsequent proxy should be sent so as to be delivered to Regional Management Corp., 979 Batesville Road, Suite B, Greer, South Carolina 29651, Attention: Corporate Secretary, before the taking of the vote at the Annual Meeting.

**How many votes are required to approve each proposal?**

With respect to the proposal to elect directors (Proposal No. 1), the eight nominees receiving the highest number of affirmative votes of the shares present, virtually or represented by proxy, and entitled to vote at the Annual Meeting shall be elected as directors. Regarding the proposals to ratify the appointment of RSM US LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2021 (Proposal No. 2) and re-approve the Regional Management Corp. 2015 Long-Term Incentive Plan (as amended and restated effective May 20, 2021) (Proposal No. 3), an affirmative vote of a majority of the shares present, virtually or represented by proxy, and voting on such matter is required for approval of each proposal. Likewise, the compensation of executive officers (Proposal No. 4) will be approved, on an advisory basis, if a majority of the shares present, virtually or represented by proxy, and voting on such matter is cast in favor of the proposal. "Broker non-votes" are not considered voted for the particular matter, and for proposals subject to majority voting that are considered "non-discretionary" (Proposal No. 3 and Proposal No. 4), "broker non-votes" have the effect of reducing the number of affirmative votes required to achieve a majority for such matter by reducing the total number of shares from which the majority is calculated. For proposals subject to majority voting that are considered "discretionary" (Proposal No. 2), there will be no "broker non-votes" and brokers may vote in their discretion on behalf of beneficial owners who have not furnished voting instructions. Virtual attendance at our Annual Meeting constitutes presence for purposes of the vote required under our Amended and Restated Bylaws (the "Bylaws").

Because your vote on Proposal No. 4 is advisory, it will not be binding on us, our Board, or our Compensation Committee. However, the Board and the Compensation Committee will consider the outcome of this vote when making future compensation decisions for our executive officers.

The persons named as proxy holders and attorneys-in-fact in the proxy card, Robert W. Beck and Catherine R. Atwood, were selected by the Board and are officers of the Company. All properly executed proxy cards returned in time to be counted at the Annual Meeting will be voted by such persons at the Annual Meeting. Where a choice has been specified on the proxy card with respect to the foregoing matters, the shares represented by the proxy will be voted in accordance with the specifications. If no such specifications are indicated, such shares will be voted “FOR” the election of all director nominees, “FOR” the ratification of the appointment of our independent registered public accounting firm, “FOR” re-approval of the Regional Management Corp. 2015 Long-Term Incentive Plan (as amended and restated effective May 20, 2021), and “FOR” the advisory approval of executive compensation.

**How can I correspond directly with Regional Management Corp.?**

The address of our principal executive office is 979 Batesville Road, Suite B, Greer, South Carolina 29651, and our telephone number is (864) 448-7000. In addition, any person interested in communicating directly with the Chair of our Board or with any other Board member may address such communication to our Corporate Secretary, 979 Batesville Road, Suite B, Greer, South Carolina 29651, who will forward such communication to the appropriate party.

## BOARD OF DIRECTORS AND CORPORATE GOVERNANCE MATTERS

The Board is responsible for directing and overseeing the management of our business and affairs in a manner consistent with the best interests of the Company and its stockholders. The Board has implemented written Corporate Governance Guidelines designed to assist the Board in fulfilling its duties and responsibilities. The Corporate Governance Guidelines address a number of matters applicable to directors, including Board composition, structure, and policies; director qualification standards; Board meetings; committees of the Board; roles and expectations of the Board and its directors; director compensation; management succession planning; and other matters. These Corporate Governance Guidelines are available on our Investor Relations website at *www.regionalmanagement.com*. A stockholder may request a copy of the Corporate Governance Guidelines by contacting our Corporate Secretary at 979 Batesville Road, Suite B, Greer, South Carolina 29651.

**Director Qualifications**

Our Corporate Governance and Nominating Committee (the "Nominating Committee") is responsible for reviewing the qualifications of potential director candidates and recommending to the Board those candidates to be nominated for election to the Board. The Nominating Committee considers minimum individual qualifications, including relevant career experience, strength of character, mature judgment, familiarity with our business and industry, independence of thought, and an ability to work collegially with the other members of the Board, and all other factors it considers appropriate, which may include age, diversity of background, existing commitments to other businesses, potential conflicts of interest with other pursuits, legal considerations (such as antitrust issues), corporate governance background, financial and accounting background, executive compensation background, and the size, composition, and combined expertise of the existing Board. The Board and the Nominating Committee monitor the mix of specific experience, qualifications, and skills of the Company's directors in order to ensure that the Board, as a whole, has the necessary tools to perform its oversight function effectively in light of our business and structure. Stockholders may also nominate directors for election at our annual stockholders' meeting by following the provisions set forth in our Bylaws, and in such a case, the Nominating Committee will consider the qualifications of directors proposed by stockholders.

When determining whether director nominees have the experience, qualifications, attributes, and professional and functional skills, taken as a whole, to enable our Board to satisfy its oversight responsibilities effectively in light of our business and structure, the Nominating Committee has focused primarily on the valuable contributions of incumbent directors to our success in recent years and on the skills, experience, and individual attributes that each director nominee brings to the Board, including those discussed in the biographical descriptions and matrix set forth below.

**Board Diversity**

The Board recognizes and embraces the value of a diverse board of directors in improving the quality of its performance and our success. Diversity promotes the exchange of different perspectives and ideas, mitigates against groupthink, and ensures that the Board has the opportunity to benefit from all available talent. The Board is committed to inclusion – ensuring that all directors feel welcomed, valued, and able to contribute their opinions. The Board also recognizes the need for its directors to understand and to be able to respond effectively to the financial needs of its diverse customer base. The promotion of a diverse Board makes prudent business sense and makes for better corporate governance.

In February 2018, the Board approved its Board Diversity Policy (the "Diversity Policy"), which is available on our Investor Relations website at *www.regionalmanagement.com,* and most recently amended the Diversity Policy in March 2021. The Diversity Policy establishes the Board's approach to achieving and maintaining diversity on the Board. The Board and the Nominating Committee are committed to actively seeking out highly qualified, diverse candidates to include in the pool from which Board nominees are chosen. The Board seeks to comprise itself of talented and dedicated directors with a diverse mix of expertise in areas needed to foster our business success, as well as a diversity of personal characteristics that include, but are not limited to, gender, race, ethnicity, national origin, sexual orientation, age, and geography. The Board and the Nominating Committee implement the Diversity Policy by maintaining a director candidate list comprised of individuals qualified to fill openings on the Board, which includes candidates with useful expertise who possess diverse personal backgrounds. When conducting searches for new directors, the Nominating Committee will include qualified female and/or ethnically diverse individuals from the list in the pool of candidates. Ultimately, the selection of new directors will be based on the Board's judgment of the overall contributions that a candidate will bring to the Board, giving due weight to diverse personal characteristics that contribute to the Board achieving the objectives of the Diversity Policy.

The Nominating Committee is charged with reviewing all steps taken pursuant to the Diversity Policy on an annual basis, assessing the Board's progress in achieving and maintaining diversity, and presenting its findings and assessment to the full Board for input. In 2019, the Board was awarded the Latino Corporate Directors Association 2019 Corporate Visionary Award in recognition

of Regional's commitment to an inclusive and diverse Board, which includes four Latino members. The Board was also nominated in 2019 for NACD NXT™ recognition by the National Association of Corporate Directors, which applauds exemplary board leadership practices that promote greater diversity and inclusion. In 2020, the Board appointed Sandra K. Johnson, Ph.D. as its newest independent director. Dr. Johnson is our second female director and first African American director. More than 50% of the current Board is racially or ethnically diverse.

The Nominating Committee and the Board are proud of the diverse characteristics of the Company's directors and will continue to promote diversity initiatives at the Board level and throughout the Company.

**Current Directors and Director Nominees**

The Board has the discretion to determine the size of the Board, the members of which are elected at each year's annual meeting of stockholders. Our Board currently consists of nine directors: Carlos Palomares, Robert W. Beck, Jonathan D. Brown, Roel C. Campos, Maria Contreras-Sweet, Michael R. Dunn, Steven J. Freiberg, Sandra K. Johnson, and Alvaro G. de Molina, with Mr. Palomares serving as Chair of the Board. Each of these individuals, other than Mr. de Molina, have been nominated and will stand as a director candidate for election at the Annual Meeting.

On March 1, 2021, Mr. de Molina notified the Board that he would not stand for re-election to the Board at the end of his current term, which expires at the Annual Meeting. Mr. de Molina will continue to serve as a member of the Board, Chair of its Audit Committee, and a member of its Compensation Committee until the expiration of his term at the Annual Meeting, at which time he will end his service as a member of the Board. Mr. de Molina's decision not to stand for re-election was not the result of any disagreement relating to the Company's operations, polices, or practices, including financial reporting. After careful consideration, in March 2021, the Board, acting on the recommendation of the Nominating Committee, decided to reduce its overall size from nine directors to eight directors, effective from the date of the Annual Meeting.

Biographical information of each of our directors is provided below. In addition, following the biographical information of our directors, we have provided a matrix summarizing the background, skills, experience, qualifications, and other attributes of our directors that led the Nominating Committee and the Board to conclude that such individuals would provide valuable contributions to our business and should therefore serve our company as its directors.

***Director Nominees***

**CARLOS PALOMARES**

*Age: 76*

*Director Since: 2012*

*Chair of the Board*

*Member of the Audit Committee and Compensation Committee*

Mr. Palomares has been a director of Regional since March 2012 and currently serves as Chair of the Board. Since 2007, Mr. Palomares has been President and Chief Executive Officer of SMC Resources, a consulting practice that advises senior executives on business and marketing strategy. From 2001 to 2007, Mr. Palomares was Senior Vice President at Capital One Financial Corp., and he was Chief Operating Officer of Capital One Federal Savings Bank banking unit from 2004 to 2007. Prior to joining Capital One, Mr. Palomares held a number of senior positions with Citigroup Inc. and its affiliates, including Chief Operating Officer of Citibank Latin America Consumer Bank from 1998 to 2001, Chief Financial Officer of Citibank North America Consumer Bank from 1997 to 1998, Chairman and CEO of Citibank Italia from 1990 to 1992, and President and CEO of Citibank FSB Florida from 1992 to 1997. Mr. Palomares serves on the boards of directors of Pan American Life Insurance Group, Inc. and Banesco USA, a privately held financial institution. Mr. Palomares earned a B.S. degree in Quantitative Analysis from New York University.

**ROBERT W. BECK**

*Age: 57*

*President and Chief Executive Officer*

*Director Since: 2020*

Mr. Beck has served as President and Chief Executive Officer and as a director of Regional since March 2020. From July 2019 until March 2020, Mr. Beck served as Executive Vice President and Chief Financial Officer of Regional. Prior to joining Regional as Chief Financial Officer in July 2019, he was Executive Vice President and Chief Operating Officer of the Leukemia and Lymphoma Society. Before that, he spent 29 years at Citibank, serving in various roles. Most recently, Mr. Beck was the Chief Operating Officer of Citibank's US Retail Bank, after previously serving as Chief Financial Officer of Citibank's US Consumer and Commercial Bank. Prior to that, Mr. Beck served in a number of different roles at Citibank, including head of Citigroup Corporate Finance, head of Citigroup Reengineering, and co-head of Citigroup Corporate M&A. Mr. Beck serves on the board of directors of CSI of St. Louis, Inc., a telecom system and consulting company. Mr. Beck received his BS in Business Administration and Management from Washington University in St. Louis and his MBA in Finance and International Business from New York University's Stern School of Business.

**JONATHAN D. BROWN**

*Age: 36*

*Director Since: 2018*

Mr. Brown has served as a director of Regional since January 2018. He is a partner with Basswood Capital Management L.L.C. ("Basswood"), an alternative asset manager. Mr. Brown joined Basswood in 2009. In his current role, Mr. Brown is responsible for the research and investment analysis of companies across a broad range of sectors, with a specialized focus on financial services. Prior to Basswood, Mr. Brown worked at Sandelman Partners and Goldman Sachs. Mr. Brown graduated from Emory University's Goizueta School of Business in 2006 with a B.B.A., holding dual concentrations in Finance and Strategy & Management Consulting, as well as a minor in History.

Mr. Brown is the representative of Basswood, our largest stockholder. For a description of our cooperation agreement with Basswood, pursuant to which Mr. Brown is nominated, see "Other Information – Certain Relationships and Related Person Transactions – Cooperation Agreement," below.

**ROEL C. CAMPOS**

*Age: 72*

*Director Since: 2012*

*Chair of the Corporate Governance and Nominating Committee*

*Member of the Risk Committee*

Mr. Campos has served as a director of Regional since March 2012. He has been a partner and currently serves as Senior Counsel with the law firm of Hughes Hubbard & Reed LLP since February 2016, where he practices in the areas of securities regulation, corporate governance, and securities enforcement. Prior to joining Hughes Hubbard & Reed LLP, Mr. Campos was a partner with Locke Lord LLP (April 2011 to February 2016) and Cooley LLP (September 2007 to April 2011). Prior to that, he received a presidential appointment and served as a Commissioner of the Securities and Exchange Commission (the "SEC") from 2002 to 2007. Prior to serving with the SEC, Mr. Campos was a founding partner of a Houston-based radio broadcaster. Earlier in his career, he practiced corporate law and served as a federal prosecutor in Los Angeles, California. Mr. Campos also previously served from January 2013 to May 2017 on the board of directors of WellCare Health Plans, Inc., a publicly-held entity which provides managed care services targeted to government-sponsored health care programs. He is also a director of a private registered broker-dealer, Liquidnet Holdings, Inc. Mr. Campos also serves on the Board of Visitors to the United States Air Force Academy, and on various non-profit boards. From 2008 to 2013, Mr. Campos served by selection of President Barack Obama on the President's citizen Presidential Intelligence Advisory Board. Mr. Campos earned a B.S. degree from the United States Air Force Academy, an M.B.A. degree from the University of California, Los Angeles, and a J.D. degree from Harvard Law School.

**MARIA CONTRERAS-SWEET**

*Age: 65*

*Director Since: 2018*

*Member of the Corporate Governance and Nominating Committee and the Compensation Committee*

Ms. Contreras-Sweet has been a director of Regional since January 2018. She is the Managing Member of Rockway Equity Partners, LLC and Contreras Sweet Companies, LLC. She previously served as a member of President Obama's cabinet as the 24th Administrator of the U.S. Small Business Administration from April 2014 to January 2017, where she was responsible for a $132 billion loan portfolio. Since March 2017, Ms. Contreras-Sweet has served as a director and member of the audit and compensation committees of Sempra Energy, a publicly-traded energy-services company that invests in, develops, and operates energy infrastructure and provides electric and gas services. Ms. Contreras-Sweet also serves on the board of directors of TriNet Group, Inc., a publicly-traded professional employer organization. She was a founder of ProAmerica Bank, where she served as Executive Chairwoman from 2006 to 2014, and Co-Founder and Managing Partner of Fortius Holdings, LLC, from 2003 to 2006. Prior to that, Ms. Contreras-Sweet served as the California cabinet Secretary of the Business, Transportation and Housing Agency from 1999 to 2003, where she oversaw 14 departments including the Department of Financial Institutions and Department of Corporations. Earlier in her career, she was a senior executive with Westinghouse Electric Company's 7-Up/RC Bottling Company. Ms. Contreras-Sweet serves on the board of the Bipartisan Policy Center. She has been bestowed with numerous honorary doctorates including from Tufts University; Whittier College; and California State University, Los Angeles.

**MICHAEL R. DUNN**

*Age: 69*

*Director Since: 2014*

*Chair of the Risk Committee*

Mr. Dunn has been a director of Regional since July 2014. He previously served as Chief Executive Officer of Regional from October 2014 through July 2016 and as Executive Chairman of the Board from August 2016 through December 2016. Prior to joining Regional, Mr. Dunn was a partner at the private equity firm of Brysam Global Partners, a specialized firm focusing on investment in international banking and consumer lending companies, from 2007 through 2013. Mr. Dunn served as a board or alternate board member for all of Brysam's portfolio companies. Prior to that, Mr. Dunn was with Citigroup for over 30 years, where he was the Chief Financial Officer of the Global Consumer Group from 1996 through 2007, adding the title of Chief Operating Officer of the Group in 2005. He was also a member of the Citigroup Management and Operating Committees. Mr. Dunn previously served on the boards of Banamex, a wholly-owned Mexican bank subsidiary of Citigroup, and on the U.S.-based Student Loan Corporation, of which Citigroup owned a majority interest. He holds a B.S. degree from New York University and attended the University of Michigan Executive Program. He is a Certified Public Accountant in New York State.

**STEVEN J. FREIBERG**

*Age: 64*

*Director Since: 2014*

*Chair of the Compensation Committee*

*Member of the Audit Committee*

Mr. Freiberg has been a director of Regional since July 2014. He is the founder of Grand Vista Partners (a private investment office), a Senior Advisor to Towerbook Capital Partners (a private equity firm), and a Senior Advisor to The Boston Consulting Group. Previously, Mr. Freiberg served as Interim Chief Financial Officer of Social Finance, Inc. from May 2017 until April 2018, and as a director and the Chief Executive Officer of E*TRADE Financial Corporation from April 2010 until August 2012. Prior to joining E*TRADE, Mr. Freiberg spent 30 years at Citigroup and its predecessor companies and affiliates. Among his notable roles at Citigroup, Mr. Freiberg served as Co-Chairman/Chief Executive Officer of Citigroup's Global Consumer Group, Chairman and Chief Executive Officer of Citi Cards—Citigroup's leading global credit card business—and Chairman and Chief Executive Officer of Citigroup's North American Investment Products Division. Additionally, he was a member of Citigroup's Executive, Management, and Operating Committees, and he served on the board of directors of several of Citigroup's affiliates, including Citibank N.A., Citicorp Credit Services Inc., Citicorp Investment Services, Citicorp Insurance Group, Citibank Trust N.A., Citibank FSB, and the Citigroup Foundation. Mr. Freiberg has served on the board of directors of MasterCard Incorporated, a publicly-traded multinational financial services corporation, since September 2006 and currently chairs its audit committee. He also served on the former U.S. region board of MasterCard from January 2001 until May 2006 and served as Chairman of MasterCard's United States region board from 2004 until May 2006. In addition, Mr. Freiberg currently serves as Vice Chair of the board of directors of Social Finance, Inc., a private online personal finance company that provides student loan refinancing, mortgages, and personal loans. Mr. Freiberg also serves on the board of directors or equivalent governing body of Fair Square Financial, LLC (a private credit card issuer that provides credit cards to "near-prime" customers) and Purchasing Power, LLC (a private specialty e-retailer offering consumer products, vacations, and online education services through payment plans). Mr. Freiberg is also the Chair of The Rewards Network, one of the largest merchant-funded, card-linked reward networks in the United States.

**SANDRA K. JOHNSON, PH.D.**

*Age: 60*

*Director Since: 2020*

*Member of the Corporate Governance and Nominating Committee and Risk Committee*

Dr. Johnson has been a director of Regional since April 2020. She is the founder, Chief Executive Officer, and Chief Technology Officer of Global Mobile Finance, Inc., a fintech startup company based in Research Triangle Park, North Carolina, as well as the founder and Chief Executive Officer of SKJ Visioneering, LLC, a technology consulting company. Dr. Johnson currently serves as a Visiting Scholar at North Carolina A&T University. From November 2012 to February 2014, Dr. Johnson served as the Chief Technology Officer for IBM Central, East and West Africa. Prior to 2014, she spent 11 years as a Senior Technical Staff Member of the IBM Systems and Technology Group, serving in various roles, including Business Development Executive for IBM Middle East and Africa, Chief Technology Officer for IBM's Global Small and Medium Business, and the Linux Performance Architect. Dr. Johnson has conducted extensive research and published her findings in a number of computer-related and information technology areas, she has authored and co-authored over 80 publications, and she was part of the design team that developed the prototype for the IBM Scalable Parallel Processor (SP2), the base machine for "Deep Blue," IBM's world famous chess machine. Dr. Johnson was a member of the IBM Academy of Technology, a group consisting of the top 1% of IBM's over 250,000 technical professionals. She has also received numerous technical and professional awards, and is an IBM Master Inventor with over 40 patents issued and pending. Dr. Johnson earned her B.S., M.S., and Ph.D. degrees in electrical engineering from Southern University, Stanford University, and Rice University, respectively. She is the first African-American woman to earn a Ph.D. in electrical engineering, with a concentration in computer engineering, in the United States. Dr. Johnson is a member of the Institute of Electrical and Electronics Engineers ("IEEE") and the Association for Computing Machinery ("ACM"). She is also an IEEE Fellow and an ACM Distinguished Engineer.

***Current Director Not Standing for Re-Election***

**ALVARO G. DE MOLINA**

*Age: 63*

*Director Since: 2012*

*Chair of the Audit Committee*

*Member of the Compensation Committee*

Mr. de Molina has been a director of Regional since March 2012. Until 2009, Mr. de Molina was the Chief Executive Officer of GMAC LLC, which he originally joined as Chief Operating Officer in 2007. Since departing GMAC LLC, Mr. de Molina has been a private investor. He joined Cerberus Capital Management for a period during 2007 where he worked with the operations group, following a 17-year career at Bank of America, where he most recently served as its Chief Financial Officer from 2005 until 2007. During his tenure at Bank of America, Mr. de Molina also served as Chief Executive Officer of Banc of America Securities, President of Global Capital Markets and Investment Banking, head of Market Risk Management, and Corporate Treasurer. Previously, he also served in key roles at JPMorgan Chase Bank, N.A., Becton, Dickinson and Company, and PriceWaterhouse LLP (now PricewaterhouseCoopers LLP). From September 2012 until February 2018, Mr. de Molina served on the board of directors of Walter Investment Management Corp., a publicly-held entity which is an asset manager, mortgage servicer, and mortgage portfolio owner specializing in less-than-prime, non-conforming, and other credit-challenged mortgage assets. He holds a B.S. degree in Accounting from Fairleigh Dickinson University and an M.B.A. degree from Rutgers Business School and is a graduate of the Duke University Advanced Management Program.

There are no family relationships among any of our directors or executive officers.

## Matrix of Director Skills, Experience, and Demographic Background

The following table provides our stockholders and other interested parties with an overview of our directors' skills, experience, and demographic background. These qualities are of particular value to our business and led the Nominating Committee and the Board to conclude that such individuals would provide valuable contributions to our company and should therefore serve our company as its directors.

| | Robert W. Beck | Jonathan D. Brown | Roel C. Campos | Maria Contreras-Sweet | Michael R. Dunn | Steven J. Freiberg | Sandra K. Johnson | Alvaro G. de Molina(1) | Carlos Palomares |
|---|---|---|---|---|---|---|---|---|---|
| **Skills and Experience** | | | | | | | | | |
| Financial Services Industry | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Other Public Co. Board of Directors | | | ✓ | ✓ | | ✓ | | ✓ | |
| Executive Management | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Entrepreneurship/Business Operations | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Credit Risk Management | ✓ | | | | ✓ | ✓ | | ✓ | ✓ |
| Corporate Finance or Capital Allocation | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Marketing and/or Public Relations | ✓ | | ✓ | ✓ | | ✓ | ✓ | | |
| Marketing to Hispanic Population | | | ✓ | ✓ | | | | | ✓ |
| Mergers and Acquisitions | ✓ | ✓ | ✓ | | ✓ | ✓ | | ✓ | |
| Human Resources/Executive Comp | ✓ | | | | | ✓ | | | ✓ |
| Cybersecurity or Technology/Innovation | ✓ | | ✓ | ✓ | | ✓ | ✓ | | |
| Information Technology or Blockchain | | | | | | | ✓ | | |
| Corporate Governance | | ✓ | ✓ | ✓ | | | | | |
| Government Affairs | | | ✓ | ✓ | | | | | |
| Regulatory and/or SEC Compliance | | | ✓ | ✓ | | | | | |
| Audit Committee Financial Expert | | | | | | ✓ | | ✓ | ✓ |
| SOX and Internal Audit | ✓ | | ✓ | | ✓ | ✓ | | | ✓ |
| Risk Management | ✓ | | | | ✓ | ✓ | | ✓ | ✓ |
| Business Ethics | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Investor Relations | ✓ | ✓ | | | ✓ | ✓ | | | |
| **Demographic Background** | | | | | | | | | |
| ***Board Tenure and Independence*** | | | | | | | | | |
| Year First Appointed or Elected | 2020 | 2018 | 2012 | 2018 | 2014 | 2014 | 2020 | 2012 | 2012 |
| Board Independent | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ |
| ***Gender*** | | | | | | | | | |
| Male | ✓ | ✓ | ✓ | | ✓ | ✓ | | ✓ | ✓ |
| Female | | | | ✓ | | | ✓ | | |
| ***Age*** | | | | | | | | | |
| Years Old | 57 | 36 | 72 | 65 | 69 | 64 | 60 | 63 | 76 |
| ***Race/Ethnicity*** | | | | | | | | | |
| White/Caucasian | ✓ | ✓ | | | ✓ | ✓ | | | |
| Hispanic/Latino | | | ✓ | ✓ | | | | ✓ | ✓ |
| African American | | | | | | | ✓ | | |

(1) Mr. de Molina will not be standing for re-election at the Annual Meeting. Mr. de Molina's decision not to stand for re-election was not the result of any disagreement relating to the Company's operations, polices, or practices, including financial reporting.

## Board Independence

Ms. Contreras-Sweet, Dr. Johnson, and Messrs. Brown, Campos, Freiberg, de Molina, and Palomares are each independent in accordance with the criteria established by the NYSE for independent board members. The Board performed a review to determine the independence of its members and made a subjective determination as to each of these independent directors that no transactions, relationships, or arrangements exist that, in the opinion of the Board, would interfere with the exercise of independent

judgment in carrying out the responsibilities of a director of the Company. In making these determinations, the Board reviewed the information provided by the directors and the Company with regard to each director's business and personal activities as they may relate to the Company and its management. We define an "independent" director in accordance with Section 303A.02 of the NYSE Rules. The categorical standards that the Board has established to assist it in making independence determinations can be found in our Corporate Governance Guidelines on our Investor Relations website at *www.regionalmanagement.com*.

**Leadership Structure**

As described in the Corporate Governance Guidelines, the Board may select its Chair and our Chief Executive Officer in any way that it considers to be in our best interests. Therefore, the Board does not have a policy on whether the roles of Chair and Chief Executive Officer should be separate or combined and, if they are to be separate, whether the Chair should be selected from the independent directors.

Mr. Palomares was appointed to serve as Chair of our Board in July 2019, replacing Mr. de Molina who previously served as Chair. At this time, the Board believes that the separation of the roles of Chair and Chief Executive Officer promotes communication between the Board, the Chief Executive Officer, and other senior management, and enhances the Board's oversight of management. We believe that our leadership structure provides increased accountability of our Chief Executive Officer to the Board and encourages balanced decision-making. We also separate the roles in recognition of the differences in the roles. While the Chief Executive Officer is responsible for day-to-day leadership of the Company and the setting of strategic direction, the Chair provides guidance to the Chief Executive Officer and coordinates and manages the operations of the Board and its committees.

At this time, the Board believes that its current leadership structure, with an independent Chair, is appropriate for the Company and provides many advantages to the effective operation of the Board. The Board will periodically evaluate and reassess the effectiveness of this leadership structure.

**Meetings**

The Board held 18 meetings during the fiscal year ended December 31, 2020. During 2020, each current director then in office attended more than 75% of the total number of meetings of the Board and committees on which he or she served. In addition to formal Board meetings, our Board communicates from time to time via telephone, electronic mail, and informal meetings, and our Board and its committees may act by written consent in lieu of a formal meeting. Our non-employee directors met in executive session following each of our regular, quarterly Board meetings in 2020, and the independent members of our Board also periodically met in executive session in 2020. Mr. Palomares presides over each executive session of our non-employee directors and independent directors.

Other than an expectation set forth in our Corporate Governance Guidelines that each director will make every effort to attend the annual meeting of stockholders, we do not have a formal policy regarding the directors' attendance at annual meetings. All of our directors then in office attended our last annual meeting of stockholders held on May 21, 2020.

**Committees of the Board**

Our Board has four standing committees: the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee, and the Risk Committee. The composition and responsibilities of each committee are described below. Members serve on these committees until their resignation or until otherwise determined by our Board.

| Directors | Audit | Compensation | Corporate Governance and Nominating | Risk |
|---|---|---|---|---|
| **Roel C. Campos** | | | Chair | ✓ |
| **Maria Contreras-Sweet** | | ✓ | ✓ | |
| **Michael R. Dunn** | | | | Chair |
| **Steven J. Freiberg** | ✓ | Chair | | |
| **Sandra K. Johnson** | | | ✓ | ✓ |
| **Alvaro G. de Molina(1)** | Chair | ✓ | | |
| **Carlos Palomares** | ✓ | ✓ | | |
| **Number of Meetings Held in 2020:** | **6** | **11** | **5** | **3** |

(1) Mr. de Molina will not be standing for re-election at the Annual Meeting. Mr. de Molina's decision not to stand for re-election was not the result of any disagreement relating to the Company's operations, polices, or practices, including financial reporting.

*Audit Committee*

The Audit Committee is a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee currently consists of Messrs. de Molina (Chair), Freiberg, and Palomares. In accordance with SEC rules and NYSE rules, each of the members of our Audit Committee is an independent director in accordance with the criteria established by the NYSE for the purpose of audit committee membership independence. In addition, the Board has examined the SEC's definition of "audit committee financial expert" and has determined that Messrs. de Molina, Freiberg, and Palomares satisfy this definition.

Pursuant to the Audit Committee's written charter, our Audit Committee is responsible for, among other things:

- appointing and overseeing our independent registered public accounting firm and pre-approving the audit and non-audit services to be performed by our independent auditors;
- discussing the scope and results of the audit with the independent registered public accounting firm;
- assisting the Board in evaluating the qualifications, performance, and independence of our independent auditors;
- assisting the Board in monitoring the quality and integrity of our financial statements and our accounting and financial reporting processes;
- assisting the Board in monitoring our compliance with legal and regulatory requirements;
- assisting the Board in reviewing the adequacy and effectiveness of our internal control over financial reporting processes;
- assisting the Board in monitoring the performance of our internal audit function;
- reviewing with management and our independent auditors our annual and quarterly financial statements;
- establishing procedures for the receipt, retention, and treatment of complaints received by us regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters; and
- preparing the audit committee report that the SEC requires in our annual proxy statement.

The Audit Committee Charter, which contains a more complete explanation of the roles and responsibilities of the Audit Committee, is posted on our Investor Relations website at *www.regionalmanagement.com*. A stockholder may request a copy of the Audit Committee Charter by contacting our Corporate Secretary at 979 Batesville Road, Suite B, Greer, South Carolina 29651. The Audit Committee held six meetings during the fiscal year ended December 31, 2020.

*Compensation Committee*

Our Compensation Committee consists of Mr. Freiberg (Chair), Ms. Contreras-Sweet, Mr. de Molina, and Mr. Palomares. Mr. de Molina was appointed to the Compensation Committee in May 2020, replacing Mr. Campos. In accordance with NYSE rules, each of the members of our Compensation Committee is an independent director in accordance with the criteria established by the NYSE for the purpose of compensation committee membership independence. Pursuant to the Compensation Committee's written charter, our Compensation Committee is responsible for, among other things:

- reviewing and approving, or making recommendations to the Board with respect to, corporate goals and objectives relevant to the compensation of our Chief Executive Officer, evaluating our Chief Executive Officer's performance in light of those goals and objectives, and either as a committee or together with the other independent directors (as directed by the Board), determining and approving our Chief Executive Officer's compensation level based on such evaluation;
- reviewing and approving the compensation of our executive officers, including annual base salaries, annual incentive bonuses, equity compensation, employment agreements, and severance and termination arrangements;
- reviewing and recommending to the Board the compensation of our non-employee directors;
- reviewing and discussing annually with management our "Compensation Discussion and Analysis";
- preparing the Report of the Compensation Committee; and
- reviewing and making recommendations with respect to our equity compensation plans.

The Compensation Committee is entitled to delegate any or all of its responsibilities to subcommittees of the Compensation Committee. Additionally, the Compensation Committee may delegate to one or more of our officers the authority to make grants and awards of cash or options or other equity securities to any of our non-Section 16 officers under our incentive-compensation or other equity-based plans, as the Compensation Committee deems appropriate and in accordance with the terms of such plans, provided that such delegation is in compliance with such plans and applicable law.

The Compensation Committee has the authority to hire outside advisors and experts, including compensation consultants to assist it with director and executive officer compensation determinations. See "Compensation Discussion and Analysis – Compensation Objectives and Approaches – Compensation Determination Process" for information about our independent compensation consultant.

The Compensation Committee Charter, which contains a more complete explanation of the roles and responsibilities of the Compensation Committee, is posted on our Investor Relations website at *www.regionalmanagement.com*. A stockholder may request a copy of the Compensation Committee Charter by contacting our Corporate Secretary at 979 Batesville Road, Suite B, Greer, South Carolina 29651. The Compensation Committee held eleven meetings during the fiscal year ended December 31, 2020.

***Corporate Governance and Nominating Committee***

Our Nominating Committee consists of Mr. Campos (Chair), Ms. Contreras-Sweet, and Dr. Johnson. Mr. de Molina ended service to the Committee in May 2020. In accordance with NYSE rules, each of the members of our Nominating Committee is an independent director in accordance with the criteria established by the NYSE for the purpose of corporate governance and nominating committee membership independence. Pursuant to the Nominating Committee's written charter, the Nominating Committee is responsible for, among other things:

- assisting our Board in identifying prospective director nominees and recommending nominees to the Board;
- recommending members for each committee of our Board; and
- reviewing (i) developments in corporate governance practices, (ii) the adequacy of our certificate of incorporation and by-laws, and (iii) the Company's Corporate Governance Guidelines (on a biennial basis).

The Nominating Committee will consider a candidate for director proposed by a stockholder. A candidate must be highly qualified and be both willing to serve and expressly interested in serving on the Board. A stockholder wishing to propose a candidate for the Nominating Committee's consideration in connection with the 2022 Annual Meeting should forward the candidate's name and information about the candidate's qualifications to Regional Management Corp., 979 Batesville Road, Suite B, Greer, South Carolina 29651, Attn: Corporate Secretary, not earlier than January 20, 2022 nor later than February 19, 2022.

The Nominating Committee will select individuals, including candidates proposed by stockholders, as director nominees who have the highest personal and professional integrity, who have demonstrated exceptional ability and judgment, and who will be most effective, in conjunction with the other nominees to the Board, in collectively serving the long-term interests of our stockholders. In evaluating nominees, the Nominating Committee will consider, among other things, the director qualifications described above and will apply the objectives outlined in our Diversity Policy.

The Nominating Committee Charter, which contains a more complete explanation of the roles and responsibilities of the Nominating Committee, is posted on our Investor Relations website at *www.regionalmanagement.com*. A stockholder may request a copy of the Nominating Committee Charter by contacting our Corporate Secretary at 979 Batesville Road, Suite B, Greer, South Carolina 29651. The Nominating Committee held five meetings during the fiscal year ended December 31, 2020.

***Risk Committee***

Our Risk Committee consists of Mr. Dunn (Chair), Mr. Campos, and Dr. Johnson. The committee was established in May 2020 to assist the Board in its oversight of the Company's risk management function and assumed many of the risk-related functions formerly overseen by the Nominating Committee. Pursuant to the Risk Committee's written charter, the Risk Committee is responsible for, among other things:

- reviewing and discussing our enterprise risk management program with management and our independent registered public accounting firm;
- reviewing the key risks facing the Company and discussing those risks with management;
- assessing the allocation of risk oversight among the committees of the Board; and
- reviewing and discussing with management the Company's preparedness for handling business interruption and annually approving the Company's Business Continuity Plan.

The Risk Committee held three meetings during the fiscal year ended December 31, 2020.

***Availability of Committee Charters***

The charters of each of our Board committees, which contain more complete explanations of the roles and responsibilities of each of our Board committees, are posted on our Investors Relations website at *www.regionalmanagement.com*. A stockholder may request a copy of any or all of these committee charters by contacting our Corporate Secretary at 979 Batesville Road, Suite B, Greer, South Carolina 29651.

**Role in Risk Oversight**

As part of its role in risk oversight, our Risk Committee is responsible for reviewing our risk assessment and risk management practices, and for discussing its findings with both management and our independent registered public accounting firm. The Board and the Risk Committee periodically review the risks that may potentially affect us and management's efforts to manage those risks, including risks reflected in our periodic filings. For example, on a periodic basis, members of the Board and the Risk Committee engage with management and/or third-party consultants to assess the cyber threat landscape, to evaluate our information security program, to review the results of penetration testing, and to analyze the design, effectiveness, and ongoing enhancement of our capabilities to monitor, prevent, and respond to cyber threats and events. The Company has a comprehensive enterprise-wide cybersecurity program aligned to NIST Cybersecurity Framework (CSF) industry standard and maintains cybersecurity risk insurance coverage to defray the costs of potential information security breaches. The Company conducts automated online training at least once a year for its employees and mock phishing campaigns on a regular basis throughout the year. Management briefs the Risk Committee quarterly on information security matters, including the status of the Company's security posture and our efforts to identify and mitigate cybersecurity risks, and briefs the full Board on such matters at least annually.

The Board may also request supplemental information and disclosure about any other specific area of interest and concern relevant to risks it believes are faced by us and our business. The Board also considers emerging or evolving risks as they arise, such as risks related to the COVID-19 pandemic, and may either meet as a full Board or assign risks to a committee for continuing oversight. The Board and its committees have been actively overseeing the Company's response to and risk management of the ongoing COVID-19 pandemic, including regular updates from and discussions with Company management. Topics around this ongoing crisis span a broad range of matters, including: maintaining the health and safety of our employees; minimizing adverse financial impact on affected employees; evaluating the impact of the pandemic on strategy, operations, liquidity, and financial matters; and supporting the communities in which we operate.

The Board believes that our current leadership structure enhances its oversight of risk management because our Chief Executive Officer, who is ultimately responsible for our risk management process, is in the best position to discuss with the Board these key risks and management's response to them by also serving as a director of the Company.

**Code of Business Conduct and Ethics**

Our Board has adopted a Code of Business Conduct and Ethics (the "Code of Ethics"). The Code of Ethics applies to all of our directors, officers, and employees and must be acknowledged in writing by our Chief Executive Officer and Chief Financial Officer. The Code of Ethics is posted on our Investor Relations website at *www.regionalmanagement.com*. A stockholder may request a copy of the Code of Ethics by contacting our Corporate Secretary at 979 Batesville Road, Suite B, Greer, South Carolina 29651. To the extent permissible under applicable law, the rules of the SEC, and NYSE listing standards, we intend to disclose on our website any amendment to our Code of Ethics, or any grant of a waiver from a provision of our Code of Ethics, that requires disclosure under applicable laws, the rules of the SEC, or NYSE listing standards.

**Compensation Committee Interlocks and Insider Participation**

During the fiscal year ended December 31, 2020, Ms. Contreras-Sweet, Mr. Freiberg, Mr. de Molina, and Mr. Palomares served on our Compensation Committee. Mr. Campos also served on the Compensation Committee until May 2020, at which time Mr. de Molina joined the committee. No member of the Compensation Committee has ever served as an officer or employee of the Company or any of its subsidiaries or had any relationship during the fiscal year ended December 31, 2020 that would be required to be disclosed pursuant to Item 404 of Regulation S-K. In addition, during the fiscal year ended December 31, 2020, none of our executive officers served on the compensation committee (or equivalent) or the board of directors of another entity whose executive officer(s) served on our Board or Compensation Committee.

**Communications with the Board**

Each member of the Board is receptive to and welcomes communications from our stockholders and other interested parties. Stockholders and other interested parties may contact any member (or all members) of the Board, including, without limitation, the

Chair of the Board, any independent director, or the independent directors as a group, by addressing such communications or concerns to our Corporate Secretary, 979 Batesville Road, Suite B, Greer, South Carolina, 29651, who will forward such communications to the appropriate party.

If a complaint or concern involves accounting, internal accounting controls, or auditing matters, the correspondence will be forwarded to the chair of the Audit Committee. If no particular director is named, such communication will be forwarded, depending on the subject matter, to the chair of the Audit Committee, Compensation Committee, Nominating Committee, or Risk Committee, as appropriate.

Anyone who has concerns regarding (i) questionable accounting, internal accounting controls, and auditing matters, including those regarding the circumvention or attempted circumvention of internal accounting controls or that would otherwise constitute a violation of our accounting policies, (ii) compliance with legal and regulatory requirements, or (iii) retaliation against employees who voice such concerns, may communicate these concerns by writing to the attention of the Audit Committee as set forth above or by calling (800) 224-2330 at any time.

**Director Compensation**

Quality non-employee directors are critical to our success. We believe that the two primary duties of non-employee directors are to effectively represent the long-term interests of our stockholders and to provide guidance to management. As such, our compensation program for non-employee directors is designed to meet several key objectives:

- **Adequately compensate directors** for their responsibilities and time commitments and for the personal liabilities and risks that they face as directors of a public company;
- **Attract the highest caliber non-employee directors** by offering a compensation program consistent with those at companies of similar size, complexity, and business character;
- **Align the interests of directors with our stockholders** by providing a significant portion of compensation in equity and requiring directors to own our stock; and
- **Provide compensation that is simple and transparent** to stockholders and reflects corporate governance best practices.

The Compensation Committee, with the assistance of the Compensation Committee's executive compensation consultant, reviews the compensation of our non-employee directors. In benchmarking director compensation, we use the same compensation peer group that is used to benchmark compensation for our named executive officers (see "Compensation Discussion and Analysis – Compensation Objectives and Approaches – Compensation Determination Process" for information about the peer group).

Our employees who serve as directors receive no separate compensation for service on the Board or on committees of the Board. We maintain a non-employee director compensation program structured as follows:

- **Board Cash Retainer:** Each non-employee director receives an annual cash retainer of $70,000 payable in quarterly installments (prior to April 29, 2020, $90,000 in the case of the chair or lead independent director, if applicable, of the Board, and effective April 29, 2020, $95,000 in the case of the chair or lead independent director, if applicable, of the Board).
- **Committee Member Cash Retainer:** Each member of a Board committee receives an additional annual cash retainer of $8,750 per committee service payable in quarterly installments ($17,500 in the case of the chair of each committee).
- **Board Equity-Based Award:** Each non-employee director receives, on an annual basis, shares of restricted common stock with a value equal to $90,000 (prior to April 29, 2020, $110,000 in the case of the chair or lead independent director, if applicable, of the Board, and effective April 29, 2020, $115,000 in the case of the chair or lead independent director, if applicable, of the Board).
- **Committee Member Equity-Based Award:** Each member of a Board committee receives, on an annual basis, additional shares of restricted common stock with a value equal to $8,750 per committee service ($17,500 in the case of the chair of each committee).

The restricted stock awards (each, an "RSA") are granted on the fifth business day following the date of the annual stockholders' meeting at which directors are elected. In 2020, due to market instability related to the COVID-19 pandemic, the number of shares subject to the RSA was determined by dividing the value of the award by the weighted average of the price per share of the Company's common stock on the 25 days immediately preceding the date of grant (rounded down to the nearest whole share). The RSA vests and becomes non-forfeitable as to 100% of the underlying shares on the earlier of the first anniversary of the grant date or the date of the next annual stockholders' meeting, subject to the director's continued service from the grant date until the vesting date, or upon the earlier occurrence of the director's termination of service as a director by reason of death or disability

or upon a change in control of the Company. In the event of the director's termination of service for any other reason, the director forfeits the RSA immediately. The RSA is subject to the terms and conditions of the Regional Management Corp. 2015 Long-Term Incentive Plan (as amended and restated, effective April 27, 2017) (the "2015 Plan") and an RSA agreement, the form of which was previously approved by the Compensation Committee and the Board and filed with the SEC.

Under the 2015 Plan, the maximum number of shares of common stock subject to awards granted during any 12-month period to a non-employee director, taken together with any cash fees paid during such 12-month period to such non-employee director in respect of Board service, may not exceed $600,000 in total value (calculating the value of any such awards based on the fair market value per share of common stock on the grant date of the award). In the event that the service of a director as a director, committee member, or Board or committee chair commences or terminates during the director's annual service to us, the director's cash compensation will be adjusted on a pro-rata basis. Annual service relates to the approximately 12-month period between our annual meetings of stockholders. Each director is also reimbursed for reasonable out-of-pocket expenses incurred in connection with his or her service on our Board, including the cost of attending continuing education seminars related to corporate board of directors service and other topics relevant to the Company.

The following table provides information regarding the compensation paid to each of our non-employee directors for their service as non-employee directors during the fiscal year ended December 31, 2020.

| Directors(1) | Fees Earned or Paid in Cash ($) | Stock Awards(2) ($) | Total ($) |
|---|---|---|---|
| Jonathan D. Brown | 70,000 | 96,635 | 166,635 |
| Roel C. Campos | 96,250 | 124,818 | 221,068 |
| Maria Contreras-Sweet | 87,500 | 115,429 | 202,929 |
| Michael R. Dunn | 80,721 | 115,429 | 196,150 |
| Steven J. Freiberg | 96,250 | 124,818 | 221,068 |
| Sandra K. Johnson | 60,096 | 115,429 | 175,525 |
| Alvaro G. de Molina | 96,250 | 124,818 | 221,068 |
| Carlos Palomares | 110,563 | 142,264 | 252,827 |

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(1) The compensation shown in the table reflects pro-rated amounts based on the following: (a) Dr. Johnson joined the Board in March 2020; (b) effective April 29, 2020, the Board approved an aggregate $10,000 increase (a $5,000 increase in the cash retainer and a $5,000 increase in the equity-based award) in the compensation of the Board Chair; and (c) the Risk Committee was formed in May 2020.

(2) On May 28, 2020, in accordance with the non-employee director compensation program outlined above, we awarded all of the Company's non-employee directors then in office shares of restricted common stock in the following amounts: Mr. Brown, 6,093 shares; Mr. Campos, 7,870 shares; Ms. Contreras-Sweet, 7,278 shares; Mr. Dunn, 7,278 shares; Mr. Freiberg, 7,870 shares; Dr. Johnson, 7,278 shares; Mr. de Molina, 7,870 shares; and Mr. Palomares, 8,970 shares. Due to the market volatility caused by the COVID-19 pandemic, the Compensation Committee and the Board decided to calculate the number of shares subject to the 2020 annual RSAs using a 25-day weighted average stock price. However, amounts shown in the above table are the aggregate grant date fair value of stock awards computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718. These annual RSAs vest on the earlier of the first anniversary of the grant date or the date of the next annual stockholders' meeting, subject to continued service of the director until the vesting date or as otherwise provided in the award agreement.

The total number of shares subject to RSAs held by each of our non-employee directors as of December 31, 2020 was: Mr. Brown, 6,093 shares; Mr. Campos, 7,870 shares; Ms. Contreras-Sweet, 7,278 shares; Mr. Dunn, 7,278 shares; Mr. Freiberg, 7,870 shares; Dr. Johnson, 7,278; Mr. de Molina, 7,870 shares; and Mr. Palomares, 8,970 shares. The total number of shares subject to non-qualified stock options held by each of our non-employee directors as of December 31, 2020 was: Mr. Campos, 28,670 shares; Mr. Dunn, 148,866 shares; Mr. Freiberg, 17,941 shares; Mr. de Molina, 20,166 shares; and Mr. Palomares, 28,670 shares. As of December 31, 2020, Mr. Brown, Ms. Contreras-Sweet, and Dr. Johnson had no option awards outstanding. The outstanding equity awards held by Mr. Beck as of December 31, 2020 are set forth in the Outstanding Equity Awards at Fiscal Year-End table that is presented elsewhere in this Proxy Statement.

Currently, our director stock ownership requirement is 5x the annual cash retainer, placing the dollar value of the ownership requirement above the $88^{th}$ percentile of our peer group.

## EXECUTIVE OFFICERS

The following is a brief description of the background, business experience, and certain other information regarding each of our executive officers:

***Robert W. Beck*** (age 57) has served as President and Chief Executive Officer and as a director of Regional since March 2020. From July 2019 until March 2020, Mr. Beck served as Executive Vice President and Chief Financial Officer of Regional. Mr. Beck's full biographical information is set forth above under "Board of Directors and Corporate Governance Matters – Current Directors and Director Nominees."

***Harpreet Rana*** (age 49) has served as Executive Vice President and Chief Financial Officer of Regional since November 2020. Ms. Rana has 20 years of financial services experience, with extensive skills related to capital and credit management, driving profitable portfolio growth, digital product development and transformation, and retail banking management. From 2016 through 2020, Ms. Rana was Managing Director, North America Retail Bank at Citigroup. From 2013 through 2015, she held various additional lead positions in business and finance roles at Citigroup, including Head of US Retail Deposit & Lending Products. Ms. Rana received her B.A. from the University of British Columbia in Vancouver, Canada and her M.B.A. from the University of Rochester in Rochester, New York.

***John D. Schachtel*** (age 59) has served as Executive Vice President and Chief Operating Officer of Regional since May 2017. Mr. Schachtel has more than 30 years of experience in consumer financial services. From 2013 until 2016, Mr. Schachtel was the Chief Operating Officer of OneMain Financial Holdings, Inc. (formerly known as CitiFinancial). As Chief Operating Officer of OneMain Financial, Mr. Schachtel's responsibilities included management and oversight of sales, field operations, marketing, and collections. Prior to assuming the Chief Operating Officer role, Mr. Schachtel served for over 10 years as OneMain/CitiFinancial's Executive Vice President, Northeast and Midwest Division. Mr. Schachtel also held various other positions at OneMain/CitiFinancial during his 29-year career with the company, including Operations Director and Director of Field Compensation, New Branch Development, and Project Management, before becoming Senior Vice President of Corporate Marketing in 1999. Since March 2017, Mr. Schachtel has also served as a member of the Board of Directors of SilverSun Technologies, Inc., a publicly-traded business application, technology, and consulting company. He serves as the chairman of SilverSun's compensation committee and as a member of its audit committee and its nominating and corporate governance committee. He received his M.B.A. in Finance from New York University and his B.S. degree in Industrial Engineering and Economics from Northwestern University.

***Brian J. Fisher*** (age 37) has served as Executive Vice President and Chief Strategy and Development Officer since September 2020. Between January 2013 and September 2020, Mr. Fisher served as General Counsel and Secretary of Regional. Prior to joining Regional, Mr. Fisher was an attorney in the Corporate and Securities practice group of Womble Carlyle Sandridge and Rice, LLP (now known as Womble Bond Dickinson (US) LLP) from 2009 to 2013. Mr. Fisher holds a B.A. degree in Economics from Furman University and a J.D. degree from the University of South Carolina School of Law.

***Manish Parmar*** (age 43) has served as Executive Vice President and Chief Credit Risk Officer of Regional since January 2020. Mr. Parmar has nearly 20 years of credit and financial experience across a broad range of functions, including credit risk, analytics, financial partnerships, database marketing, and modeling. Prior to joining Regional, Mr. Parmar was Chief Credit and Analytics Officer at Conn's, Inc., a publicly-traded specialty retailer, since 2018. Prior to his tenure at Conn's, Mr. Parmar held several senior management roles at Discover Financial Services from 2013 to 2018, ultimately becoming its Head of Consumer Credit Risk Management. Mr. Parmar received a Bachelor of Chemical Engineering from the University of Mumbai in India, and his M.B.A. from Bauer College of Business at the University of Houston.

***Catherine R. Atwood*** (age 38) has served as Senior Vice President, General Counsel, and Secretary of Regional since September 2020. Prior to September 2020, Ms. Atwood served as VP, Deputy General Counsel, and Chief Compliance Officer since May 2017. From August 2014 (when she joined Regional) until May 2017, she served as Deputy General Counsel. Prior to joining Regional, Ms. Atwood was an attorney in the Business Litigation practice group of Womble Carlyle Sandridge & Rice, LLP (now known as Womble Bond Dickinson (US) LLP) from 2008 to 2014. Ms. Atwood holds a B.A. degree in Political Science from Clemson University and a J.D. degree from the University of Georgia School of Law.

There are no family relationships among any of our directors or executive officers.

## COMPENSATION DISCUSSION AND ANALYSIS

*The following discussion of the compensation arrangements of our executive officers should be read together with the compensation tables and related disclosures contained elsewhere in this proxy statement. Actual compensation programs that we adopt following the date of this proxy statement may differ materially from the existing and currently planned programs summarized in this discussion.*

### Executive Summary of Compensation Programs

**Company Performance and Business Highlights in 2020**

In 2020, we produced strong operating and financial results in an extremely challenging year. Our results included core loan portfolio growth of $19 million for the year. We grew our total revenue by 5% from 2019 while also maintaining a stable credit profile throughout the year, which included months of historically low delinquency rates. Net income for 2020 was $27 million and diluted EPS was $2.40.

- **Loan Portfolio Growth and Increased Revenues:** In 2020, we ended the year with $1.136 billion in outstanding finance receivables, which was a slight increase from the prior year. In addition, revenues of $374 million in 2020 were up 5% from 2019.
- **Improved Delinquency and Net Credit Losses:** Our contractual delinquency as a percentage of net finance receivables improved to 5.3% in 2020, from 7.0% in 2019. Net credit losses as a percentage of average net finance receivables were 9.5% in 2020, representing a year-over-year improvement of 0.6%. Our credit performance was strong throughout 2020 as a result of the quality and adaptability of our underwriting criteria, custom scorecards, and borrower assistance programs, as well as the bridge provided by government stimulus.
- **Long-Term Stock Price Appreciation:** Our stock price at the close of 2020 was $29.86, which was only slightly down from $30.03 at the end of 2019, but reflects significant multi-year growth from the $15.47 close at the end of 2015. Following the release of our fourth quarter 2020 earnings report in February 2021, our stock price continued to climb, reaching historically high levels and closing at $38.49 on April 15, 2021.
- **Return of Capital:** In 2020, we continued to return excess capital to our stockholders by initiating a stock repurchase program for up to $30 million of our common stock and a new quarterly dividend program of $0.20 per share. During 2020, we repurchased approximately $18 million in shares of our common stock pursuant to the stock repurchase program at a weighted average price of $27.58 per share.

In 2020, we also achieved a number of other operating milestones in the face of new challenges and the uncertainty presented by the COVID-19 pandemic.

- **Prudent COVID-19 Response:** As a result of the COVID-19 environment, we initiated a new remote work policy for all non-essential team members, covered virtual health visits for our team members, provided paid leave for team members impacted by COVID-19, accelerated remote loan closings using digital signatures, and provided enhanced safety measures in our branches and at our home office.
- **Digital and Technological Advancements:** As part of our ongoing business initiatives, we migrated our IT infrastructure to the cloud, continued to improve upon our loan origination and servicing system, implemented successful new growth initiatives designed to grow the business responsibly in the face of the pandemic, and launched new digital initiatives designed to improve the customer experience and facilitate long-term sustainability and growth.
- **Focus on DE&I Initiatives:** We appointed our first Director of Diversity, Equity, and Inclusion ("DE&I") and established a DE&I program, which includes a DE&I Committee made up of team members from across the Company's footprint.
- **Established Community Outreach Platform:** We introduced "Regional Reach," a Company-wide initiative dedicated to creating positive social change and goodwill through community service, charitable giving, and the promotion of DE&I.
- **Diversified Funding Sources:** In the second half of 2020, we continued to improve upon and diversify our funding sources by closing our fourth asset-backed securitization transaction in September.

2020 was a year filled with uncertainty and new challenges. We were pleased with our 2020 results, and we believe that the compensation paid to our named executive officers (our "NEOs") for 2020 appropriately reflects and rewards their contributions to our performance.

**Compensation Program Highlights in 2020**

Consistent with prior years, our 2020 annual meeting of stockholders included a proposal that provided our stockholders with the opportunity to vote to approve, on an advisory basis, the compensation of our NEOs. Because we only ceased to be an emerging growth company under the Jumpstart Our Business Startups Act in 2018, this was our third annual meeting of stockholders that included such a "say-on-pay" proposal. We were pleased to report substantial stockholder approval of our NEOs' compensation, with 88.28% of voted shares having been voted in favor of approval.

In 2020, our Compensation Committee carefully reviewed our executive compensation program to ensure that its design continued to achieve our intended objectives and reflect executive compensation "best practices." Because certain key 2020 compensation metrics had not yet been set at the onset of the COVID-19 pandemic, the Compensation Committee was able to give thoughtful consideration to the impact of and uncertainties created by the COVID-19 pandemic in establishing our 2020 executive compensation program. The Compensation Committee set 2020 performance goals that were reflective of the macroeconomic environment in which we were operating and sought to incentivize our executives to protect our company and stockholder interests, making two material changes to our executive compensation program in 2020:

- **Changes to short-term incentive program metrics:** As discussed in more detail later in this proxy statement, in light of the unique operating environment resulting from the COVID-19 pandemic, the Compensation Committee decided to make temporary changes to our short-term incentive program metrics: (1) the net income from operations metric was replaced with a stockholders' equity metric in order to measure and incentivize management's ability to maintain stockholder value during the COVID-19 pandemic; (2) the return on assets and average finance receivables metrics were removed in order to avoid incentivizing management to grow the loan portfolio during a macroeconomic crisis, which our Compensation Committee felt was inconsistent with Company and stockholder interests at a time of great economic uncertainty; and (3) available liquidity was added as a metric because the Compensation Committee felt it was vitally important to maintain a strong liquidity profile in order to fund operations during such uncertain economic times. The remaining two metrics, general and administrative expense and net credit losses, were similar to the 2019 metrics, except that they were established as absolute values, rather than as a percentages of revenue and average net receivables, respectively. For 2021, the Compensation Committee has decided to revert to the short-term incentive program metrics previously utilized in 2019 and prior years.
- **Reduction of short-term incentive opportunity percentage target:** Due to the uncertain economic and operating environment that existed during 2020, and to align the interests of our executives with our stakeholders, the Compensation Committee limited our executives' short-term incentive program opportunity target to a maximum of 125% of target (previously, annual bonuses were capped at 150% of target).

In making these determinations, our Compensation Committee received advice from its independent compensation consultant, Veritas Executive Compensation Consultants ("Veritas"). The Compensation Committee did not make any changes to our long-term incentive program in response to COVID-19; however, as described in greater detail later in this proxy statement, the Compensation Committee did adjust the type of performance measures used in our long-term incentive programs on account of the introduction of the current expected credit loss accounting standard.

**Compensation Program Best Practices**

We compensate our executive officers primarily through a mix of base salary, performance-based annual cash awards, and service- and performance-based long-term incentive awards. Consistent with our pay-for-performance philosophy, a substantial portion of our executives' compensation is at risk and linked to the successful performance and management of our company, as measured against rigorous performance goals established by our Compensation Committee. Our 2020 executive compensation program included a number of best compensation practices, including the following:

✓ **Alignment of executive pay with company performance**:

- **2020 incentives are largely performance-contingent**, with long-term incentive awards roughly one-half performance-contingent and short-term incentive awards entirely performance-contingent
- **Performance goals are rigorous** and are based almost exclusively on objective, quantitative criteria
    - **Results exceeded the quantitative 2020 short-term incentive performance goals**, resulting in annual bonus payments at 125% of target bonuses
    - Our compound annual growth rates ("CAGR") of pre-provision net income and pre-provision earnings per share between 2018 and 2020 **ranked in the 63rd percentile of our peer group, contributing to the payment of 114.5% of target performance-contingent restricted stock units and target cash-settled performance**

**units** for current employees and 99.5% of target performance-contingent restricted stock units and target cash-settled performance units for former employees under the performance-contingent awards associated with the 2018 long-term incentive program

- ✓ **Competitive compensation and incentive program target opportunities** for our executives in order to continue to align their overall compensation with the market for executive talent
- ✓ **Highly variable short-term incentive payout opportunities** to provide high upside if performance goals are exceeded, while paying low or no bonus amounts if goals are not achieved
- ✓ **Focus on long-term strategic goals through long-term incentive grants** to NEOs and other key contributors, which include a significant portion that is contingent upon the achievement of rigorous and clearly-defined performance measures over a three-year period
- ✓ **No payment of excessive perquisites** to any NEO or other key employee
- ✓ **No excise tax gross-up payments** to any NEO or other key employee
- ✓ **Double-trigger change-in-control provisions** included in all employment agreements and long-term incentive award agreements
- ✓ **Prohibition against re-pricing of equity incentive awards without stockholder approval** under our 2015 Plan
- ✓ **Stock Ownership and Retention Policy** for NEOs and directors (5x base salary for CEO, 2x base salary for other NEOs, and 5x annual cash retainer for directors)
- ✓ **Compensation Recoupment Policy, or "clawback policy,"** for NEOs and other key employees
- ✓ **Prohibition against hedging and pledging**, as set forth in our Code of Ethics and our Stock Ownership and Retention Policy
- ✓ Compensation program governed by an **independent Compensation Committee** with input from an **independent compensation consultant**

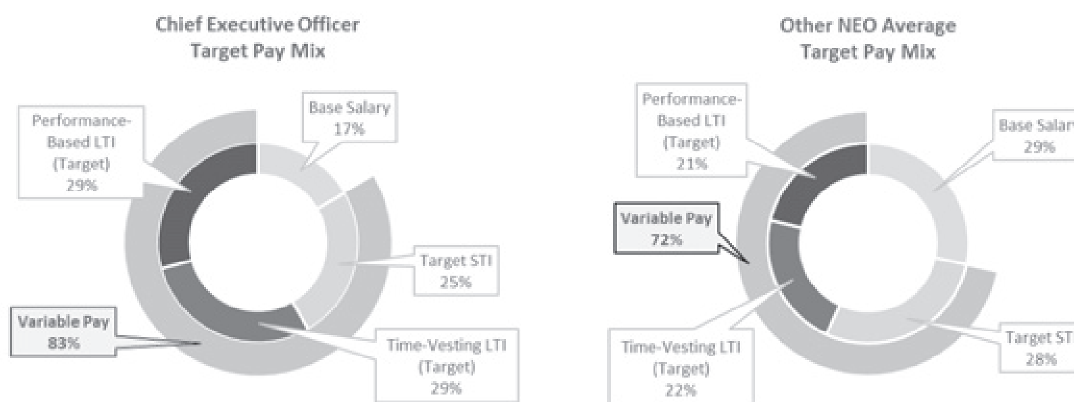
**Aligning Pay with Performance**

We believe that a substantial portion of our executive officers' compensation should be tied to their performance and the short- and long-term financial and operating results of our company. We developed our long-term incentive program in 2014 in consultation with Veritas. We believe that the evolution of our long-term incentive program since 2014 has been critical to our ability to link our executives' pay with the performance of our company, align our executives' interests with those of our stockholders, and remain competitive in the marketplace for executive talent.

Our executive compensation program now embodies our pay-for-performance philosophy and closely ties the interests of our key executives to those of our stockholders. We heavily weight our executive officers' compensation in performance-based short- and long-term incentive awards that are designed to reward exceptional performance. The following table describes the program design for each element of our incentive-based pay in 2020.

| Pay Elements | Program Design |
| --- | --- |
| **Short-Term Incentive Program** | • **Consists entirely of performance-based cash awards:**<br>o Metrics include objective measures of stockholders' equity, available liquidity, net credit losses and general and administrative expense, as well as an analysis by our Compensation Committee of our executives' execution against short-term strategic objectives<br>• **Motivates our executives and brings total cash opportunities to competitive levels**<br>• **Significant upside opportunity for high performance, but with a challenging threshold** |
| **Long-Term Incentive Program** | • **Consists of performance-contingent RSUs, cash-settled performance units, non-qualified stock options, and restricted stock awards:**<br>o Vesting of performance-contingent RSUs and cash-settled performance units is based primarily on the CAGRs of pre-provision net income and pre-provision basic earnings per share, respectively, compared to our peer group over a three-year performance period<br>o Roughly one-half of grant date fair value is in the form of performance-contingent awards<br>o Non-qualified stock options and restricted stock awards vest in three equal annual installments, subject to continued employment<br>• **Provides strong incentive to meet or exceed pre-established long-term financial goals that align with long-term stockholder interests, and is utilized to attract, retain, and motivate executive talent** |

The compensation packages of our Chief Executive Officer and our other NEOs are closely aligned with performance. For 2020, the majority of compensation was variable and performance-based:

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*Note: The Chief Executive Officer Target Pay Mix is a reflection of the total compensation package of Mr. Beck based on his base salary of $600,000 and the terms of his employment agreement with the Company and does not reflect the lesser proration amount resulting from his transition from Chief Financial Officer to Chief Executive Officer in 2020. The Other NEO target pay mix set forth above is the average for Messrs. Schachtel, Fisher, and Parmar. The target pay amounts for Ms. Rana and Mr. Dymski are not included in light of the Chief Financial Officer transition that occurred in 2020. The presentation excludes perquisites, which are an immaterial component of our executives' compensation.*

**Results of Short- and Long-Term Incentive Programs**

Our short-term incentive program provides our executives with the opportunity to earn performance-based annual cash awards pursuant to our Annual Incentive Plan (as amended and restated, the "Annual Incentive Plan"). The achievement and payment of annual cash awards in 2020 was tied directly to our financial and operational performance, based primarily (80%) on clearly-defined, objective performance measures and, to a lesser extent (20%), on our Compensation Committee's assessment of our executive team's achievement of its short-term strategic objectives. For 2020, our executive officers were paid 125% of their target annual bonuses under our Annual Incentive Plan as a result of our strong financial and operating results during an extremely difficult year, as well as the execution of key strategic objectives, including the successful initiation of a $30 million stock repurchase program and a new quarterly dividend program of $0.20 per share, the successful closing of an asset-backed securitization, the migration of our technology infrastructure to the cloud, and the successful implementation of COVID-19-related initiatives, such as borrower assistance programs and remote loan closings.

In 2018, our long-term incentive program provided for the delivery of long-term incentive awards through a combination of three award vehicles: (i) non-qualified stock options, (ii) performance-contingent RSUs, and (iii) cash-settled performance units. Vesting of each of the performance-contingent awards was subject to, among other things, the achievement of performance objectives over a three-year performance period that began on January 1, 2018 and ended on December 31, 2020. Vesting of the performance-contingent RSUs and cash-settled performance units granted in 2018 was based primarily (90%) on our CAGRs of pre-provision net income (in the case of the performance-contingent RSUs) and pre-provision basic earnings per share (in the case of the cash-settled performance units) compared to our peer group over the three-year performance period, and to a lesser extent (10%) on our Compensation Committee's assessment of our executive team's achievement of its long-term strategic objectives over the same time period. In March 2021, as described in greater detail later in this proxy statement, based upon results achieved during the performance period, our Compensation Committee determined that currently employed participants and former employee participants in the 2018 long-term incentive program earned 114.5% and 99.5%, respectively, of their target performance-contingent RSUs and target cash-settled performance units.



**Stockholder Outreach and Engagement**

Stockholder outreach is a central feature of our investor relations philosophy. We provide numerous opportunities for current and prospective stockholders to gain access to our management team through attendance at investor conferences, one-on-one in-person meetings, and telephone calls. Through these interactions, we are able to educate current and prospective investors about our company, learn about concerns of stockholders, and provide investors with a better understanding of our business model and philosophy. We also receive valuable feedback from investors on topics including strategy, corporate governance, and compensation, which the Board and management take into consideration in making future business and compensation decisions.

Since our 2020 annual meeting of stockholders, we reached out to institutional investors owning more than 60% of our outstanding common stock (as of September 30, 2020), specifically for the purpose of receiving their feedback regarding executive compensation practices and corporate governance matters. Based on the feedback received, we have made and expect to continue to make certain changes to our compensation and corporate governance practices and disclosures. For example, in the past, certain investors requested that we increase the percentage of independent directors on our Board and improve the gender diversity of our Board. In response, in 2018, we added two new independent directors and adopted a Board Diversity Policy (see "Board of Directors and Corporate Governance Matters – Board Diversity"). Independent directors now hold 78% of our Board seats. In addition, in 2020, we added our second female director to our Board.

In 2021 and beyond, we expect to continue our stockholder outreach, including by making ourselves available to hear stockholder feedback regarding executive compensation and corporate governance practices.

## Compensation Objectives and Approaches

**Compensation Program Objectives**

The primary objectives of our executive compensation program are to attract and retain talented executives to effectively manage and lead our company and to create long-term stockholder value. The compensation packages for our executive officers for 2020 generally included a base salary, performance-based annual cash awards, service- and performance-based long-term incentive awards, and other benefits. Our current compensation program for our executive officers has been designed based on our view that each component of executive compensation should be set at levels that attract and retain skilled executives, within reasonable parameters, and that are fair and equitable in light of market practices.

Base salaries are intended to provide a minimum, fixed level of cash compensation sufficient to attract and retain an effective management team when considered in combination with other components of our executive compensation program. The base

salary element is meant to provide our executive officers with a stable income stream that is commensurate with their responsibilities and to compensate them for services rendered during the fiscal year.

Consistent with our pay-for-performance strategy, our performance-based annual cash incentive program is customized to achieve specific objectives, reward increased levels of operational success, and place emphasis on appropriate levels of performance measurement. The key goals addressed by our short-term incentive program include (1) achievement of short-term financial and operational objectives, (2) increased stockholder value, (3) motivation and attraction of key management talent, (4) rewarding key contributors for performance against established criteria, and (5) focusing on our pay-for-performance compensation strategy. Benefits earned under our short-term incentive program are paid under our Annual Incentive Plan.

Our long-term incentive program, which for 2020 included non-qualified stock options, performance-contingent RSUs, cash-settled performance units, and restricted stock awards, operates in tandem with our short-term incentive program and is consistent with our pay-for-performance strategy. Performance-based long-term incentives and service-based option and restricted stock awards can provide significant benefits to both our employees and stockholders. These long-term incentives generally are intended to create (1) a strong sense of ownership, (2) focus on achievement of long-term, strategic business objectives, (3) an enhanced linkage between the interests of our executives and stockholders, (4) an enhanced relationship between pay and performance, and (5) an incentive to attract and retain superior employees. Long-term incentive program benefits are issued under our 2015 Plan, which was approved by our stockholders at our 2015 annual meeting of stockholders and re-approved, as amended and restated, at our 2017 annual meeting of stockholders.

The discussion below includes a review of our compensation program for 2020 and a preview of certain aspects of our compensation program for 2021. Our NEOs for 2020 were:

| | |
|---|---|
| Robert W. Beck | President and Chief Executive Officer<br>(Former Executive Vice President and Chief Financial Officer) |
| Peter R. Knitzer | Former President and Chief Executive Officer |
| Harpreet Rana | Executive Vice President and Chief Financial Officer |
| Michael S. Dymski | Vice President of Financial Planning and Analysis (Former Interim Chief Financial Officer and Vice President and Chief Accounting Officer) |
| John D. Schachtel | Executive Vice President and Chief Operating Officer |
| Brian J. Fisher | Executive Vice President and Chief Strategy and Development Officer<br>(Former Executive Vice President, General Counsel, and Secretary) |
| Manish Parmar | Executive Vice President and Chief Credit Risk Officer |

*Note: As described in more detail elsewhere in this proxy statement, in March 2020, Robert W. Beck succeeded Peter R. Knitzer as the Company's President and Chief Executive Officer. In addition, Michael S. Dymski served as interim Chief Financial Officer from March 2020 to November 2020, at which time Harpreet Rana was appointed as the Company's Executive Vice President and Chief Financial Officer. Other than in connection with his service as interim Chief Financial Officer, Mr. Dymski has not been and is not currently one of our executive officers. Finally, in September 2020, Brian J. Fisher was appointed as Executive Vice President and Chief Strategy and Development Officer of the Company, having previously served as the Company's Executive Vice President, General Counsel, and Secretary.*

**Compensation Determination Process**

The Compensation Committee reviews and approves the compensation determinations for all of our executive officers. In setting an executive officer's compensation package and the relative allocation among different types of compensation, we consider the nature of the position, the scope of associated responsibilities, the individual's prior experience and skills, and the individual's compensation expectations, as well as the compensation of our existing executive officers and our general impressions of prevailing conditions in the market for executive talent.

***Engagement and Use of an Independent Compensation Consultant***

The Compensation Committee has the authority to hire outside advisors and experts, including compensation consultants, to assist it with director and executive officer compensation determinations. Since 2014, the Compensation Committee has retained the services of Veritas Executive Compensation Consultants, an independent compensation consultant, to better ensure that our

compensation practices are appropriate for our industry, to review and to make recommendations with respect to executive officer and director cash and equity compensation, and to update our peer group, in each case for the Compensation Committee's use in setting compensation. In 2021, the Compensation Committee engaged Frederic W. Cook & Co., Inc. ("FW Cook") as an independent compensation consultant.

Veritas' recommendations to the Compensation Committee have generally been in the form of suggested compensation ranges or descriptions of policies that Veritas currently considers "best practice" in our industry and for publicly-traded companies. The Compensation Committee used Veritas' reports to further its understanding of executive officer cash and equity compensation practices in the market.

During 2020, Veritas worked only for the Compensation Committee and performed no additional services for the Company or any of our executive officers. The Compensation Committee Chair approved all work performed by Veritas. During 2020, the Compensation Committee and the Company did not use the services of any other compensation consultant.

Our Compensation Committee has assessed the independence of Veritas and FW Cook, taking into account, among other things, the factors set forth in NYSE rules, and has concluded that no conflict of interest exists with respect to the work either Veritas or FW Cook performed or performs for our Compensation Committee and that each of Veritas and FW Cook is independent under NYSE rules.

***Establishment and Use of a Peer Group***

We generally monitor compensation practices in the markets where we compete for executive talent to obtain an overview of market practices and to ensure that we make informed decisions on executive pay packages. For 2020 compensation decisions, we reviewed the compensation awarded by a peer group of publicly-traded companies. In addition, as described in greater detail below, the vesting of certain of our executives' long-term incentive awards is determined based upon our financial performance compared to the financial performance of our peer group over a three-year performance period.

At the outset of 2020, based upon prior peer group reviews conducted with the assistance of Veritas, our peer group consisted of the following companies:

- America's Car-Mart, Inc.
- Atlanticus Holdings Corp.
- Consumer Portfolio Services, Inc.
- Credit Acceptance Corp.
- CURO Group Holdings Corp.
- Elevate Credit, Inc.
- Encore Capital Group, Inc.
- Enova International, Inc.
- EZCORP, Inc.
- FirstCash, Inc.
- Green Dot Corporation
- JMP Group LLC
- LendingClub Corporation
- Marlin Business Services Corp.
- Nicholas Financial, Inc.
- On Deck Capital, Inc.
- OneMain Holdings, Inc.
- PRA Group, Inc.
- World Acceptance Corporation

In the third quarter of 2020, with assistance from Veritas, we updated our peer group using a scorecard-based approach that involved applying several filters (e.g., strong financial health, positive shareholder standing, similar in size, similar in industry classification, presence of overlapping peers, and identification as a peer by a proxy advisory firm) and selecting the most qualified peer companies from a broader list of candidates. Based on the evaluation, our Compensation Committee determined to remove Atlanticus Holdings Corp., JMP Group LLC, Nicholas Financial, Inc., and On Deck Capital, Inc. from our peer group and to add Goeasy Ltd. and Oportun Financial Corp. As a result, our new peer group for 2021 consists of the following companies:

- America's Car-Mart, Inc.
- Consumer Portfolio Services, Inc.
- Credit Acceptance Corp.
- CURO Group Holdings Corp.
- Elevate Credit, Inc.
- Encore Capital Group, Inc.
- Enova International, Inc.
- EZCORP, Inc.
- FirstCash, Inc.
- Goeasy Ltd.
- Green Dot Corporation
- LendingClub Corporation
- Marlin Business Services Corp.
- OneMain Holdings, Inc.
- Oportun Financial Corp.
- PRA Group, Inc.
- World Acceptance Corporation

As of the time that the Compensation Committee approved our new peer group, we were in the 1st quartile of the peer group based on revenue and market capitalization and in the 2nd quartile of the peer group based on enterprise value.

Proxy advisory firms Institutional Shareholder Services, Inc. and/or Glass, Lewis & Co. have identified eight of these companies (or 47% of our total peer group) as peers of Regional. These companies are largely within the consumer finance or specialty finance industries, are similar in size and/or scope to Regional, and/or are companies that Regional competes against for products, services, and human capital. Some companies included in our peer group will meet some, but not all, of these criteria. For example, OneMain Holdings, Inc. (doing business as OneMain Financial) is larger than us, but it competes directly with us in the consumer finance industry both for customers and for human capital. As a result, despite being a larger company, we believe it is important to include OneMain in our peer group to ensure that we maintain awareness of our direct competition, which will assist in our efforts to retain talented executives and other employees. However, in setting compensation levels for our executive officers, as noted below, our Compensation Committee remains cognizant that OneMain and certain other of our peer companies are larger than us.

Consistent with our compensation objectives of attracting and retaining top executive talent, we believe that the base salaries and performance-based short- and long-term incentive compensation of our executive officers should be set at levels which are competitive with our peer group companies of comparable size, although we do not target any specific pay percentile for our executive officers. The peer group is used more as a general guide, being mindful of the following:

- Appropriate base salaries for our executive officers should generally be in line with those paid by peer group companies of comparable size.
- Performance-based short- and long-term incentive awards should reward exceptional performance, which can result in overall compensation that can exceed those of peer group companies of comparable size.
- Total compensation for executive officers may approach the higher end of the compensation at such peer group companies of comparable size, but only if high levels of short- and long-term performance are achieved.

## Elements of Compensation

Each executive officer is eligible to receive a balance of variable and fixed compensation. The following table describes the various forms of compensation used in 2020:

| Pay Elements | Component(s) | Rationale for Form of Compensation |
|---|---|---|
| **Base Salary** | • Cash | • To attract and retain executive talent<br>• To provide a fixed base of compensation generally aligned to peer group levels |
| **Short-Term Incentive** | • Performance-based annual cash bonus | • To drive the achievement of key business results on an annual basis<br>• To recognize individual executives based on their specific and measurable contributions<br>• To structure a meaningful amount of at-risk, performance-based annual compensation |
| **Long-Term Incentive** | • Performance-based long-term incentives:<br>o Performance-contingent RSUs<br>o Cash-settled performance units<br>• Service-based long-term incentives:<br>o Non-qualified stock options<br>o Restricted stock awards | • To drive the sustainable achievement of key long-term business results<br>• To align the interests of executives with stockholders<br>• To structure a meaningful amount of at-risk, performance-based long-term compensation<br>• To attract, retain, and motivate executive talent |



### Base Salary

Annual base salaries are established on the basis of market conditions at the time we hire an executive, as well as by taking into account the particular executive's level of qualifications, experience, duties, and responsibilities. The Compensation Committee reviews the base salaries of our executive officers annually, and any subsequent modifications to annual base salaries are made in consideration of the appropriateness of each executive officer's compensation, both individually and relative to the other executive officers, the individual performance of each executive officer, changes in duties and responsibilities, and any significant changes in market conditions. We do not apply specific formulas to determine increases.

The Compensation Committee approved NEO annual base salaries for 2019, 2020, and 2021 as described in the following table. Annual base salaries are pro-rated for any partial year.

| Name | 2019 Base Salary | 2020 Base Salary | 2021 Base Salary | 2021 Base Salary Percentile Rank Relative to Peer Companies |
|---|---|---|---|---|
| Robert W. Beck | $400,000 | $600,000 | $640,000 | 25th |
| Peter R. Knitzer | $600,000 | $600,000 | N/A | N/A |
| Harpreet Rana | N/A | $400,000 | $400,000 | 14th |
| Michael S. Dymski | N/A | $260,000 | N/A | N/A |
| John D. Schachtel | $400,000 | $415,000 | $428,000 | 25th |
| Brian J. Fisher | $335,000 | $400,000 | $400,000 | 36th |
| Manish Parmar | N/A | $335,000 | $352,000 | 25th |

In March 2020, following a total compensation analysis conducted by Veritas in late 2019 and early 2020, the Compensation Committee elected to increase each executive officer's base salary in order to better align their base salaries with those paid by peer companies. Following these increases in 2020, our executive officers' base salaries ranged between the 21$^{st}$ and 28$^{th}$ percentile relative to comparable executive officers at peer companies. In March 2020, Mr. Beck succeeded Mr. Knitzer as the Company's President and Chief Executive Officer, and his salary was increased accordingly in recognition of his increased duties and

responsibilities and new position and title. Mr. Dymski served as our interim Chief Financial Officer from March 2020 to November 2020 and received a quarterly bonus of $15,000 (pro-rated for any partial quarter) in recognition of his increased duties and responsibilities, but did not receive a base salary adjustment. Other than in connection with his service as interim Chief Financial Officer, Mr. Dymski has not been and is not currently one of our executive officers. In recognition of his performance and service to our company, the Board promoted Mr. Fisher from Senior Vice President to Executive Vice President in February 2020 and from General Counsel and Secretary to Chief Strategy and Development Officer in September 2020. In connection with each of these promotions, the Board increased Mr. Fisher's base salary accordingly, considering his increased duties and responsibilities as well as new position and title in connection with the September 2020 promotion.

Our Compensation Committee believes that it has set base salaries at appropriate levels to attract and retain effective executives and that base salaries, when combined with short- and long-term incentives, are an important component of a holistic compensation approach.

**Performance-Based Annual Cash Awards**

Our executive officers are eligible for performance-based annual cash awards linked to performance targets set by our Compensation Committee. Our annual incentive program is designed to drive achievement of annual corporate goals, including key financial and operating results and strategic goals that create long-term stockholder value.

***Components of Annual Incentive Program***

Traditionally, our annual incentive program awards have been based primarily (85%) on our execution as measured against five quantitative metrics that drive the overall performance of our business from year to year and are elements of our historical financial success. To a lesser extent (15%), our annual incentive awards have been based on our Compensation Committee's assessment of our executive team's achievement of its short-term strategic objectives, which are established in a manner consistent with our Board-approved financial and business plans.

Our annual incentive program components remained substantially similar each year between our initial public offering in 2012 through 2019, with only minor updates from time-to-time to metrics and weightings. In 2019, the Compensation Committee established the five quantitative metrics outlined in the table below. A threshold level of performance must have been exceeded in order to earn any award in relation to a metric, and for each metric, participants were eligible to earn an award in an amount up to 150% of the target opportunity.

| Performance Metric | What It Measures | Rationale for Metric |
|---|---|---|
| **Net Income from Operations** | Profitability | • Measures the effectiveness of our management team's execution of our strategic and operational plans<br>• Reflects business variables and factors that are within management's control or are influenced by decisions made by executives |
| **Average Finance Receivables** | Loan Portfolio Growth | • Measures our ability to grow our business |
| **Net Credit Losses as a Percentage of Average Finance Receivables** | Loan Portfolio Control | • Measures the control our management team exerts on our loan portfolio<br>• Ultimately a measure of the quality of underwriting policies and decisions and the effectiveness of collection efforts<br>• When combined with our average finance receivables measure, balances attractive growth with effective portfolio control |
| **Return on Assets** | Efficiency of Profitability | • Measures the effectiveness of our management team's utilization of assets to generate earnings<br>• Holds management accountable for growing the loan portfolio in a controlled and profitable manner |
| **Total General and Administrative Expense as a Percentage of Total Revenue** | Expense Control | • Measures the effectiveness with which our management team utilizes our corporate resources and minimizes our corporate expenses |

In 2020, our Compensation Committee had not yet acted to establish performance targets for our annual incentive program when COVID-19 was declared a pandemic and began to significantly disrupt the United States economy. As a result, our Compensation Committee was able to set 2020 performance goals that were reflective of the macroeconomic environment in which we were operating and sought to incentivize our executives to protect our company and stockholder interests. The Compensation Committee determined that certain performance objectives that had traditionally been incorporated into our annual incentive program, such as those that encouraged loan portfolio growth, were inconsistent with company and stockholder interests at a time of great economic uncertainty and were therefore inappropriate for inclusion in the 2020 annual incentive program. Likewise, the Compensation Committee determined that it would be prudent to emphasize other performance objectives, such as control over general and administrative expenses and net credit losses.

Consequently, the Compensation Committee established the following four quantitative measures for the 2020 annual incentive program, representing 80% of each executive's annual incentive award opportunity:

| Performance Metric | What It Measures | Rationale for Metric |
|---|---|---|
| **Stockholders' Equity** | Stockholder Value | • Measures management's ability to maintain stockholder value during the COVID-19 pandemic |
| **Available Liquidity** | Immediate Access to Cash | • Measures management's ability to continue to fund operations in a challenging economic environment |
| **Net Credit Losses** | Loan Portfolio Control | • Measures management's ability to maintain loan portfolio credit quality and servicing standards during the COVID-19 pandemic |
| **General and Administrative Expense** | Expense Control | • Measures management's ability to maintain expense discipline during the COVID-19 pandemic |

Similar to prior years, 20% of the 2020 annual incentive awards were based on our Compensation Committee's assessment of our executive team's achievement of short-term individual and company-wide goals. In light of ongoing, significant strategic projects and initiatives, our Compensation Committee believes that it is important to appropriately incentivize the achievement of strategic objectives (which often cannot be measured quantitatively) by linking their achievement (and the quality thereof) to our executives' compensation.

***2020 Annual Incentive Program Performance Targets, Results, and Payouts***

For 2020, the following table provides detail regarding the threshold and target levels of performance set by the Compensation Committee for each performance metric, the weighting applied to each metric, our actual annual performance pursuant to each metric, and the percentage payout for each metric and in total. For each metric, as in prior years, a threshold level of performance must have been exceeded in order to earn any award. For 2020, however, the Compensation Committee elected to limit the total payout to 125% of each executive's target award due to the uncertain economic and operating environment caused by the pandemic and to align the interests of our executives with those of our stakeholders.

| Performance Metric | Threshold Performance | Target Performance | Maximum Performance | Actual Performance | Percentage Weight | Percentage Payout |
|---|---|---|---|---|---|---|
| Stockholders' Equity | $192,588,900 | $275,127,000 | $330,152,400 | $286,429,807 | 20.0% | 30.0% |
| Available Liquidity | $92,122,852 | $131,604,075 | $157,924,889 | $194,360,143 | 20.0% | 30.0% |
| Net Credit Losses | $69,549,200 | $99,356,000 | $119,227,200 | $96,109,745 | 20.0% | 25.4% |
| G&A Expenses | $124,881,400 | $178,402,000 | $214,082,400 | $176,315,793 | 20.0% | 25.9% |
| Achievement of Strategic Objectives | N/A | N/A | N/A | N/A | 20.0% | 20.0% |
| Total | | | | | **100.0%** | 131.3% |
| Payout as determined by the Compensation Committee | | | | | | **125.0%** |

As described above, 20% of the total annual incentive program award opportunity is linked to our Compensation Committee's assessment of our executive team's achievement of short-term individual and company-wide goals. For 2020, our Compensation Committee elected to pay 100% of this award opportunity in light of, among other things, the management team's successful navigation of the COVID-19 pandemic, significant improvements made to our technology infrastructure and our loan management system, continued strong execution on funding initiatives, advancements in our diversity, equity, and inclusion programs, maintenance of strong internal controls, and progress on our digital initiatives.

Target annual incentive levels and actual performance-based annual cash awards for each of our NEOs for 2020 (other than Mr. Dymski, who participated in our Key Team Member Incentive Program as described below under “Transitional Officer Compensation”) are detailed below, based upon the 125% performance achievement referenced above, except as otherwise noted.

| Name | 2020 Eligible Base Salary | 2020 Target Award as % of Salary | Target Award | Actual Award |
|---|---|---|---|---|
| Robert W. Beck(1) | See Note | See Note | $787,364 | $984,205 |
| Peter R. Knitzer(2) | $140,984 | 150% | $211,475 | $211,475 |
| Harpreet Rana | $42,623 | 100% | $42,623 | $53,279 |
| John D. Schachtel | $415,000 | 100% | $415,000 | $518,750 |
| Brian J. Fisher | $370,164 | 100% | $370,164 | $462,705 |
| Manish Parmar | $330,423 | 100% | $330,423 | $413,029 |

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(1) Mr. Beck was promoted from Chief Financial Officer to Chief Executive Officer in March 2020. His target award was pro-rated based on his salary and target award percentage (100%) in his position as Chief Financial Officer and his salary and target award percentage (150%) in his position as Chief Executive Officer.

(2) Mr. Knitzer’s employment was terminated in March 2020. The Compensation Committee elected to exercise its negative discretion to limit Mr. Knitzer’s award payout to 100% of his pro-rated target award.

The target award percentages described above were determined by the Compensation Committee and are calibrated so that the total compensation opportunity for each executive officer is commensurate with that executive’s role and responsibilities with us. If an executive voluntarily terminates his employment during the performance year, he generally is ineligible to receive payment of a performance-based annual cash award.

***Annual Incentive Program Opportunities in 2021***

In light of an anticipated steadier macroeconomic environment, our Compensation Committee determined that the 2021 annual incentive program would be identical in structure to the 2019 program described above. Target 2021 incentive levels for each of our NEOs (other than Mr. Dymski, who participates in our Key Team Member Incentive Program as described below under “Transitional Officer Compensation”), as established by our Compensation Committee, are described in the table below.

| Name | 2021 Base Salary | 2021 Target Award as % of Salary | 2021 Target Award |
|---|---|---|---|
| Robert W. Beck | $ 640,000 | 150% | $ 960,000 |
| Harpreet Rana | $ 400,000 | 100% | $ 400,000 |
| John D. Schachtel | $ 428,000 | 100% | $ 428,000 |
| Brian J. Fisher | $ 400,000 | 100% | $ 400,000 |
| Manish Parmar | $ 352,000 | 100% | $ 352,000 |

Our Compensation Committee’s goal is to implement a short-term incentive program that is effective in motivating our executives to achieve short-term financial and operational objectives, in furtherance of our pay-for-performance compensation strategy and our long-term strategic plans.

**Long-Term Incentive Awards**

Our long-term incentive award grants are intended to directly align the interests of our executive officers with those of our stockholders, to give our executive officers a strong incentive to maximize stockholder returns on a long-term basis, and to aid in our recruitment and retention of key executive talent necessary to ensure our continued success.

***Components of Long-Term Incentive Program***

In 2018, our long-term incentive program provided for the delivery of long-term incentive awards through a combination of three award vehicles: (i) non-qualified stock options, (ii) performance-contingent RSUs, and (iii) cash-settled performance units. In 2019, a service-based restricted stock award was added as a fourth component of the program in order to strengthen the retentive nature of the program and to more appropriately balance the allocation of long-term incentive award opportunities between performance-based and service-based awards. As such, our long-term incentive program currently consists of the following award vehicles:

| LTI Vehicle | Performance Period | Weighting |
| --- | --- | --- |
| **Performance-Contingent Restricted Stock Units** | A three-year period beginning January 1st of the grant year | Approximately one-fourth of total target award |
| **Cash-Settled Performance Units** | A three-year period beginning January 1st of the grant year | Approximately one-fourth of total target award |
| **Non-Qualified Stock Options** | N/A – Options vest in three equal annual installments beginning on December 31st of the grant year, subject to continued employment | Approximately one-fourth of total target award |
| **Restricted Stock Awards** | N/A – Shares vest in three equal annual installments beginning on December 31st of the grant year, subject to continued employment | Approximately one-fourth of total target award |

In prior years, vesting of the performance-contingent RSUs and cash-settled performance units was based primarily (90%) on our CAGRs of net income (in the case of the performance-contingent RSUs) and basic earnings per share (in the case of the cash-settled performance units) compared to our peer group over the three-year performance period. In January 2020, we adopted current expected credit loss ("CECL") accounting, as required by the Financial Accounting Standards Board's Accounting Standard Update (ASU) 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This accounting update significantly changes the impairment model for estimating credit losses on financial assets, requiring earlier recognition of and provisioning for credit losses as compared to the prior approach. The impacts of the new accounting standard on the financial results of the companies in our peer group vary widely, including because some peer companies are not lenders and therefore were not materially impacted by the new standard.

In order to eliminate the variability caused by the new CECL accounting standard in comparing our results to peer company results during the performance period, the Compensation Committee determined to evaluate performance of all companies on a pre-provision basis. As a result, vesting of performance-contingent RSUs and cash-settled performance units having performance periods ending in 2020 and beyond is now based primarily (90%) on our CAGRs of pre-provision net income (in the case of the performance-contingent RSUs) and pre-provision basic earnings per share (in the case of the cash-settled performance units) compared to our peer group over the three-year performance period. We sometimes refer to this portion of the performance-contingent RSU and cash-settled performance unit award opportunities as the "Objective Criteria Units" in this proxy statement. Pre-provision net income is defined as net income excluding the impact of the change in the allowance for credit losses but including the impact of recognized net credit losses, and pre-provision basic earnings per share is defined as pre-provision net income divided by the weighted average common shares outstanding during the performance period. Vesting of each award is dependent upon meeting a threshold level of performance, and participants are eligible to earn up to 150% of their target award:

| LTI Vehicle | Principal Performance Metric | Performance Level | Required Performance | % of Target Award Earned and Vested |
|---|---|---|---|---|
| **Performance-Contingent Restricted Stock Units** | CAGR of pre-provision net income compared to our peer group during the three-year performance period | Threshold Performance | Meets or Exceeds Peer Group Performance at the 50th Percentile | 50% |
| | | Target Performance | Meets or Exceeds Peer Group Performance at the 60th Percentile | 100% |
| | | Maximum Performance | Meets or Exceeds Peer Group Performance at the 75th Percentile | 150% |
| **Cash-Settled Performance Units** | CAGR of pre-provision basic earnings per share compared to our peer group during the three-year performance period | Threshold Performance | Meets or Exceeds Peer Group Performance at the 50th Percentile | 50% |
| | | Target Performance | Meets or Exceeds Peer Group Performance at the 60th Percentile | 100% |
| | | Maximum Performance | Meets or Exceeds Peer Group Performance at the 75th Percentile | 150% |

*Note: The percentage of the Objective Criteria Units vested for results between the performance levels stated above is calculated using linear interpolation.*

In addition to the Objective Criteria Units, vesting of the performance-contingent RSUs and cash-settled performance units is based in small part (10%) on our Compensation Committee's qualitative assessment of our executive team's achievement of long-term individual and company-wide goals during the performance period. We sometimes refer to this portion of the performance-contingent RSU and cash-settled performance unit award opportunities as the "Qualitative Criteria Units" in this proxy statement. The Qualitative Criteria Units allow our Compensation Committee to incentivize and make our executives' pay in part contingent on the achievement of strategic goals that may be difficult to quantify.

***2018 Long-Term Incentive Program Performance Results and Payouts***

In 2018, we granted our then-current executive officers long-term incentive awards pursuant to the program described above. Messrs. Knitzer, Schachtel, and Fisher were employed by us in 2018 and participated in the 2018 long-term incentive program. The three-year performance period established under the 2018 long-term incentive program ended on December 31, 2020. Our CAGRs of pre-provision net income and pre-provision earnings per share compared to our peer group over the performance period were as follows:

| Performance Measure | Performance at 25th Percentile of Peer Group | Performance at 50th Percentile of Peer Group | Performance at 75th Percentile of Peer Group | Performance of Regional |
|---|---|---|---|---|
| CAGR of Pre-Provision Net Income | (18.3%) | 7.7% | 52.2% | **10.8%** |
| CAGR of Pre-Provision Basic EPS | (18.2%) | 8.9% | 42.9% | **12.9%** |

Our performance at the above levels resulted in the vesting of 110.5% of the Objective Criteria Units. In calculating the performance of peer companies, the Compensation Committee excluded discontinued operations and utilized pro-forma financial statements filed by any peer company having made a significant acquisition, in each case as disclosed by the peer companies in their public filings. For three peer companies, CAGRs were incalculable because the peers had pre-provision net losses in the base year and pre-provision net income in the performance year. For those three peers, the Compensation Committee determined that two of the peers outperformed us based on the peers' strong results in the performance year and that we outperformed one of the peers due to non-operating tax adjustments impacting the peer's results. Peer companies having net losses in both the base year and the performance year were not credited with positive CAGRs. Two peer companies that were acquired in 2017 and 2018 were removed from the peer group, and where a peer company was acquired in the performance year, the acquired company's performance was calculated using the last four quarters of available information. Our Compensation Committee also removed one peer company from the analysis due to significant governance failures, material weaknesses, and financial statement restatements during the performance period, which call into question the quality and accuracy of its reported earnings.

For Mr. Knitzer, our Compensation Committee elected not to pay any portion of the Qualitative Criteria Units. For Mr. Schachtel and Mr. Fisher, our Compensation Committee elected to pay 150% of the Qualitative Criteria Units in recognition of achievements during the three-year performance period, including the implementation of our new loan origination and servicing platform in each of our branches; the continued customization of the loan origination and servicing platform, including for electronic payments and the online customer portal; the development and completion of custom credit scorecards for marketing and branch underwriting; material improvements in our liquidity profile; the return of capital to our stockholders, including through the initiation of a recurring dividend program; the expansion of our branch footprint to new states; improvements to our compliance management system and enterprise risk management; the introduction of several talent development initiatives, including company-wide district training branches; the successful planning and implementation of our transition to the new CECL accounting standard; and those 2020 achievements outlined in "Performance-Based Annual Cash Awards — 2020 Annual Incentive Program Performance Targets, Results, and Payouts" above.

Based upon the above results, in March 2021, our Compensation Committee determined that Mr. Knitzer vested in and earned 99.5% of his total target performance-contingent RSUs and cash-settled performance units, and that Messrs. Schachtel and Fisher vested in and earned 114.5% of their total target performance-contingent RSUs and cash-settled performance units. Since the development of our performance-based long-term incentive program in 2014, the results have been appropriately punitive during times of poor performance and appropriately rewarding during times of strong performance. The following table provides information regarding the percentage of the target performance-contingent RSUs and cash-settled performance units vested under our long-term incentive programs since 2014 for our NEOs:

| Long-Term Incentive Program Award Component | 2014 Grant Year | 2015 Grant Year | 2016 Grant Year | 2017 Grant Year | 2018 Grant Year | 5-Year Average |
|---|---|---|---|---|---|---|
| Performance-Contingent RSUs | 0.0% | 0.0% | 116.5% | 96.6% | 105.6% | 63.7% |
| Cash-Settled Performance Units | 0.0% | 0.0% | 116.5% | 126.6% | 105.6% | 69.7% |

*Note: The table presents weighted-average results for each grant year based on each executive's target and earned award values.*

Our Compensation Committee believes that vesting at these levels appropriately reflects our operational and financial results over the relevant periods, validates our pay-for-performance strategy, and is supported by our total stockholder return.

***Long-Term Incentive Awards in 2020 and 2021***

Consistent with the parameters of our long-term incentive program described above, we granted the following awards to our NEOs in 2020 and 2021 (other than Mr. Dymski, who participated in our Key Team Member Incentive Program as described below under "Transitional Officer Compensation"):

| | | 2020 Target Grant Date Value | | | |
|---|---|---|---|---|---|
| **Name** | **Total** | **Performance-Contingent RSUs** | **Cash-Settled Performance Units** | **Non-Qualified Stock Options** | **Restricted Stock** |
| Robert W. Beck | **$ 1,600,000** | $ 400,000 | $ 400,000 | $ 400,000 | $ 400,000 |
| Harpreet Rana | **$ 332,500** | N/A | N/A | $ 166,250 | $ 166,250 |
| John D. Schachtel | **$ 622,500** | $ 155,625 | $ 155,625 | $ 155,625 | $ 155,625 |
| Brian J. Fisher | **$ 540,000** | $ 135,000 | $ 135,000 | $ 135,000 | $ 135,000 |
| Manish Parmar | **$ 502,500** | $ 125,625 | $ 125,625 | $ 125,625 | $ 125,625 |

*Note: We did not grant any long-term incentive awards to Mr. Knitzer in 2020. Due to the market volatility caused by the COVID-19 pandemic, the Compensation Committee decided to calculate the number of shares subject to the RSU awards using a 25-day weighted average stock price. The number of shares subject to the RSAs is determined by dividing the value of the award by the closing price per share of common stock on the grant date (rounded down to the nearest whole share). The number of shares subject to the non-qualified stock option awards is determined by dividing the value of the award by the fair value per share of common stock on the grant date calculated using the Black-Scholes valuation model (rounded down to the nearest whole share).*

| | | 2021 Target Grant Date Value | | | |
|---|---|---|---|---|---|
| **Name** | **Total** | **Performance-Contingent RSUs** | **Cash-Settled Performance Units** | **Non-Qualified Stock Options** | **Restricted Stock** |
| Robert W. Beck | **$ 2,240,000** | $ 560,000 | $ 560,000 | $ 560,000 | $ 560,000 |
| Harpreet Rana | **$ 332,500** | $ 166,250 | $ 166,250 | N/A | N/A |
| John D. Schachtel | **$ 642,000** | $ 160,500 | $ 160,500 | $ 160,500 | $ 160,500 |
| Brian J. Fisher | **$ 600,000** | $ 150,000 | $ 150,000 | $ 150,000 | $ 150,000 |
| Manish Parmar | **$ 528,000** | $ 132,000 | $ 132,000 | $ 132,000 | $ 132,000 |

*Note: The number of shares subject to the performance-contingent RSU awards and the RSAs is determined by dividing the value of the award by the closing price per share of common stock on the grant date (rounded down to the nearest whole share). The number of shares subject to the non-qualified stock option awards is determined by dividing the value of the award by the fair value per share of common stock on the grant date calculated using the Black-Scholes valuation model (rounded down to the nearest whole share).*

Our Compensation Committee continues to believe that our long-term incentive program furthers our pay-for-performance objectives, creates a compelling recruitment and retention tool, appropriately focuses our executives on the achievement of long-term financial and business goals, and strengthens the alignment of our executives' interests with those of our stockholders.

**Transitional Officer Compensation**

In September 2019, Daniel J. Taggart, our former Executive Vice President and Chief Credit Risk Officer, tendered his voluntary resignation from the Company, with an anticipated effective date of such resignation in the first quarter of 2020. Manish Parmar was appointed as our Executive Vice President and Chief Credit Risk Officer in January 2020, at which time Mr. Taggart ceased to provide services to the Company in this role. Mr. Taggart's employment with the Company terminated in February 2020, and he provided consulting services to the Company pursuant to a Consulting Agreement from April to June 2020.

In March 2020, Robert W. Beck succeeded Peter R. Knitzer as the Company's President and Chief Executive Officer. At that time, Michael S. Dymski assumed the role of interim Chief Financial Officer and served in that position until November 2020, at which time Harpreet Rana was appointed as the Company's Executive Vice President and Chief Financial Officer. Other than in connection with his service as interim Chief Financial Officer, Mr. Dymski has not been and is not currently one of our executive officers.

***Interim Chief Financial Officer Compensation***

Mr. Dymski participates in our Key Team Member Incentive Program ("KTIP"). KTIP awards are earned based on achievement of annual company and personal performance goals and are paid out 50% in cash and 50% in restricted shares that vest in equal installments on December 31st in the first and second years following grant, pending continued employment with the Company as of such dates.

In 2019, we granted Mr. Dymski an award under the KTIP as follows:

| Award | 2019 Eligible Base Salary | 2019 Target Award as % of Salary | Target Award |
|---|---|---|---|
| 2019 KTIP Award Grant | $ 244,553 | 120% | $ 293,464 |

The earning of the bonus was 50% contingent upon the achievement of Company performance goals substantially the same as those goals established for the Company's 2019 Annual Incentive Program for executive officers, as discussed in the Company's 2020 Proxy Statement, and 50% contingent upon the achievement of personal performance goals. Mr. Dymski could earn between 0% and 150% of the portion of the target bonus attributable to the Company performance components and personal performance goals, respectively; however, the award earned on account of the achievement of the Company performance goals or personal performance goals, respectively, could not exceed 75% of the target bonus. The performance period for Mr. Dymski's 2019 KTIP award ended on December 31, 2019, and Mr. Dymski earned 114.35% of this award. Pursuant to the terms of the KTIP, 50% was paid in cash in an amount equal to $167,788 and 50% was represented by the grant of a restricted stock award in March 2020 for 6,976 shares of our common stock, with such award vesting in equal installments on December 31, 2020 and December 31, 2021, subject to Mr. Dymski's continued employment with the Company.

In 2020, we granted Mr. Dymski an award under the KTIP as follows:

| Award | 2020 Eligible Base Salary | 2020 Target Award as % of Salary | Target Award |
|---|---|---|---|
| 2020 KTIP Award Grant | $ 256,667 | 120% | $ 308,000 |

One-half of Mr. Dymski's target bonus was tied to the achievement of certain Company performance goals, which goals were substantially the same as the 2020 goals established in connection with the 2020 Annual Incentive Program discussed above. The remaining 50% of the target bonus was tied to the achievement of personal performance goals, which could be earned between 0% and 150% of target; however, Mr. Dymski's award attributable to personal performance goal achievement could not exceed 75% of the target bonus, subject to a further limitation that his total earned bonus could not exceed 100% of his target bonus. In addition, Mr. Dymski was eligible to earn a bonus of 7.5% of his target bonus if the Company achieved pre-provision net income of $31,100,000 or greater, with linear interpolation for pre-provision net income falling between $30,400,000 and $31,100,000. The performance period for Mr. Dymski's 2020 KTIP award ended on December 31, 2020, and the Compensation Committee elected to use its positive discretion to increase the payout of Mr. Dymski's award to 125%, which was paid in March 2021, in recognition of Mr. Dymski's performance as interim Chief Financial Officer and our strong financial and operating results during an extremely difficult year. Pursuant to the terms of the KTIP, 50% was paid in cash in an amount equal to $192,500 and 50% was represented by the grant of a restricted stock award in March 2021 for 12,008 shares of our common stock, with such award vesting in equal installments on December 31, 2021 and December 31, 2022, subject to Mr. Dymski's continued employment with the Company.

Additionally, in consultation with our independent compensation consultant Veritas, our Compensation Committee awarded Mr. Dymski a cash bonus of $15,000 and a restricted stock award valued at $80,000 on a quarterly basis during his tenure as interim Chief Financial Officer in order to appropriately compensate him for the additional services he rendered to the Company. The cash bonus was paid ratably over the quarters Mr. Dymski served as interim Chief Financial Officer on regular payroll cycle dates, and the restricted stock awards granted in recognition of Mr. Dymski's service as interim Chief Financial Officer vest in equal installments on December 31, 2020, December 31, 2021, and December 31, 2022, subject to Mr. Dymski's continued employment with the Company. The aggregate cash and restricted stock awards made to Mr. Dymski in recognition of his service as interim Chief Financial Officer during 2020 are as follows:

| Award | Cash Awards ($) | Restricted Stock Awards in Shares of Common Stock (#) |
|---|---|---|
| Interim Chief Financial Officer Bonuses | $ 40,989 | 14,210 |

***Chief Credit Risk Officer Transitional Year Compensation***

In connection with joining the Company, Manish Parmar received (i) a signing bonus of $250,000 to offset the loss of his annual bonus opportunity with his prior employer; (ii) a restricted stock award equal to $22,000 to offset the loss of certain restricted stock vesting opportunities in 2020 with his prior employer, which award was aggregated with his 2020 RSA grant under the LTIP; (iii) relocation expenses in accordance with the Company's relocation policy; and (iv) reimbursement of up to $50,000 to his prior employer for previously-reimbursed relocation expenses (the "Relocation Reimbursement"). Mr. Parmar's signing bonus and Relocation Reimbursement are subject to repayment on a ratable basis to the extent he voluntarily terminates his employment with the Company before January 6, 2023.

In addition, Mr. Parmar received an RSA grant in July 2020 to normalize his long-term incentive plan compensation for 2020 with that of our other executive officers. Mr. Parmar's 2020 long-term incentive plan grants were made in January 2020, at the time he commenced employment with the Company and before the 2020 long-term equity awards were made to our other executive officers. In light of the market disruptions created by the COVID-19 pandemic, Mr. Parmar's January 2020 RSA had less value than those granted to our other executive officers in March 2020 and, therefore, the Compensation Committee believed it appropriate to normalize his award with the second grant in light of his valued service to the Company.

**Perquisites**

We also provide various other limited perquisites and other personal benefits to our executive officers that are intended to be part of a competitive compensation program. For 2020, these benefits included:

- Payment of travel expenses on behalf of Mr. Beck (up to $5,000), Mr. Knitzer, and Mr. Schachtel for travel to and from their out-of-state personal residences (Ms. Rana, who is also entitled to certain travel expense reimbursement, did not incur any such expense in 2020);
- Payment of legal expenses on behalf of our executive officers in connection with the review of their employment agreements;
- Payment of relocation benefits for Mr. Parmar;
- Mobile phone allowance payments to Messrs. Beck, Knitzer, Schachtel, Fisher, and Parmar; and
- Payment of supplemental long-term disability premiums and associated taxes, which is intended, in part, to insure against our severance obligations in the event of a disability termination event under an executive's employment agreement.

We also offer our executive officers benefits that are generally available to all of our employees, including 401(k) plan matching contributions, health insurance, disability insurance, dental insurance, vision insurance, life insurance, paid time off, and the reimbursement of qualified business expenses. The Compensation Committee believes that these benefits are comparable to those offered by other companies that compete with us for executive talent and are consistent with our overall compensation program. Perquisites are not a material part of our compensation program.

## Other Compensation Policies, Practices, and Matters

**Stock Ownership and Retention Policy**

The Compensation Committee believes that significant ownership of common stock by our executives and directors directly aligns their interests with those of our stockholders and also helps to balance the incentives for risk-taking inherent in equity-based awards made to executives. Under our Stock Ownership and Retention Policy, executives and directors are subject to the following ownership guidelines:

| Covered Person | Ownership Guideline |
|---|---|
| Chief Executive Officer | 5x annual base salary |
| Other covered employees (including NEOs) | 2x annual base salary |
| Directors | 5x annual cash retainer |

Persons covered by the policy are expected to utilize grants under equity compensation plans to reach the levels of ownership expected by the policy. The policy also incorporates a retention element requiring such persons to retain 50% of the net shares resulting from the vesting or exercise of equity awards to obtain the required ownership under the policy.

**Clawback Policy**

We have also adopted a Compensation Recoupment Policy, or “clawback policy.” Under the clawback policy, the Chief Executive Officer, the Chief Financial Officer, the Chief Accounting Officer, any other person who is an executive officer, and such other persons as may be determined by the Board or the Compensation Committee, may be required to return to us and/or forfeit all or a portion of any cash-based incentive compensation and/or equity-based incentive compensation received by such covered person.

Such a return or forfeit is required, unless the Compensation Committee determines otherwise, if (i) compensation is received based on financial statements that are subsequently restated in a way that would decrease the amount of the award to which such person was entitled and the restatement is based in whole or in part on the misconduct of the covered person, (ii) such compensation was received by the covered person and the Compensation Committee determines that such person has violated a non-competition, non-solicitation, confidentiality, or other restrictive covenant applicable to such person, or (iii) recoupment is otherwise required under applicable law.

**Prohibition Against Hedging and Pledging**

As stated in our Code of Conduct, directors, officers, employees, and their designees may not engage in activities that are designed to profit from trading activity or hedge against decreases in the value of our securities. This includes purchasing any financial instrument or contract, including prepaid variable forward contracts, equity swaps, collars, and exchange traded funds, which is designed to hedge or offset any risk of decrease in the market value of our common stock. These prohibitions apply regardless of whether the equity securities have been granted to the directors, executive officers, or other employees as part of their compensation or are held, directly or indirectly, by such persons or their designees.

In addition, pursuant to our Stock Ownership and Retention Policy, shares subject to the retention requirements of the policy may not be pledged, hypothecated, or made subject to execution, attachment, or similar process.

**No Excise Tax Gross-Ups**

We did not provide any of our executive officers with a “gross-up” or other reimbursement payment for any tax liability that he might owe as a result of the application of Code Sections 280G, 4999, or 409A during 2020, and we have not agreed and are not otherwise obligated to provide any NEO with such a “gross-up” or other reimbursement.

**Deductibility of Executive Compensation**

Code Section 162(m) generally limits our ability to deduct for tax purposes compensation over $1,000,000 to our principal executive officer, principal financial officer, or any one of our other three highest paid executive officers. However, in the case of tax years commencing before 2018, Code Section 162(m) exempted qualifying performance-based compensation from the deduction limit if certain requirements were met. Code Section 162(m) was amended in December 2017 by the Tax Cuts and Jobs Act to eliminate the exemption for performance-based compensation (other than with respect to payments made pursuant to certain “grandfathered” arrangements entered into prior to November 2, 2017 that are not materially modified after that date and that would otherwise have been deductible under Code Section 162(m) prior to the changes made by the Tax Cuts and Jobs Act) and to expand the group of current and former executive officers who may be covered by the deduction limit under Code Section 162(m). As a result, compensation paid to certain of our executive officers in excess of $1,000,000 will no longer be deductible (other than potentially with respect to certain “grandfathered” arrangements, as noted above). Notwithstanding the elimination of the exemption for performance-based compensation, because of the importance of linking pay and performance, and as a matter of corporate governance best practices, our 2020 and 2021 executive compensation programs continue to impose performance conditions on a significant portion of awards to our executive officers.

The Compensation Committee will review and consider the deductibility of executive compensation under Code Section 162(m) and may authorize certain payments that will be in excess of the $1,000,000 limitation. The Compensation Committee believes that it needs to balance the benefits of designing awards that are tax-deductible with the need to design awards that attract, retain, and reward executives responsible for our success. While mindful of the benefit to us of the full deductibility of compensation, the Compensation Committee believes that it should not be constrained by the requirements of Code Section 162(m) where those requirements may impair flexibility in compensating our executive officers in a manner that can best promote our corporate objectives, which the Compensation Committee believes aligns our executive officers’ interests with our stockholders’ interests, and thus is in the best interests of our stockholders.

**Payments Upon Termination and Change-in-Control**

Pursuant to the terms of each of their employment agreements and certain long-term incentive award agreements, our NEOs, other than Mr. Dymski, are entitled to certain benefits upon the termination of their employment with us, the terms of which are described below under "Summary of Employment Arrangements with Executive Officers." Mr. Dymski does not have an employment agreement and is not otherwise entitled to any payments upon a termination or change-in-in-control, other than in connection with his equity award agreements.

**Risk Assessment of Compensation Policies and Practices**

We have assessed our compensation programs for all employees and have concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on our company. We believe that our compensation programs reflect an appropriate mix of compensation elements and balance current and long-term performance objectives, cash and equity compensation, and risks and rewards. During 2020, the Compensation Committee reviewed our compensation policies and practices for all employees, including our NEOs, particularly as they relate to risk management practices and risk-taking incentives. As part of its review, the Compensation Committee discussed with management the ways in which risk is effectively managed or mitigated as it relates to our compensation programs and policies.

Based on this review, the Compensation Committee believes that our compensation programs do not encourage excessive risk but instead encourage behaviors that support sustainable value creation. The following features of our executive compensation program illustrate this point.

- *Review by Independent Compensation Consultant*. Our executive compensation programs have been reviewed and analyzed by an independent compensation consultant.
- *Compensation Committee Oversight*. Our executive compensation programs are regularly reviewed and overseen by an independent Compensation Committee that retains the discretion to reduce compensation based on corporate and individual performance and other factors.
- *Mix of Incentives*. Our compensation programs provide an appropriate mix of short-term and long-term incentives, as well as cash and equity opportunities.
- *Mix of Performance Metrics*. The performance metrics associated with our incentive programs incorporate a variety of drivers of the business over both annual and three-year time horizons. They also include a qualitative component, providing the Compensation Committee with flexibility beyond its inherent negative discretion.
- *Strong Link to Stockholder Interests*. Equity components and long-term performance metrics create a strong alignment between our executives' interests and our stockholders' interests. Because long-term incentives typically vest over a three-year period, our executives will always have unvested awards that could decrease in value if our business is not well-managed for the long term.
- *Alignment with Annual Budget and Long-Term Strategic Plan*. Performance metrics in our short- and long-term incentive programs are aligned with both our annual budget and our long-term strategic plan.
- *Appropriate Policies*. We have adopted a "clawback" policy, a stock ownership and retention policy, and prohibitions against hedging and pledging, thereby creating additional protections for our company and encouraging an alignment of our executives' and stockholders' interests.
- *Field Incentive Plan*. Our operations field incentive plan is focused on growth, control, and profit—the three primary drivers of success in our branches. This creates appropriate alignment of employee incentive opportunities with company goals.
- *Administration and Disclosure*. Administrative procedures, communication, and disclosure processes closely align with "best practices."
- *Securities Trading Policy*. Officers must obtain permission from the General Counsel before the purchase or sale of any shares, even during an open trading period.

Based on the factors above, we believe that our NEOs and other employees are encouraged to manage our company in a prudent manner and that our incentive programs are not designed to encourage our NEOs or other employees to take excessive risks or risks that are inconsistent with the Company's and our stockholders' best interests. In addition, we have in place various controls and management processes that help mitigate the potential for incentive compensation plans to materially and adversely affect the Company.

## COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the foregoing "Compensation Discussion and Analysis" with management. Based upon such review, the related discussions, and such other matters deemed relevant and appropriate to the Compensation Committee, the Compensation Committee has recommended to the Board of Directors that the "Compensation Discussion and Analysis" be included in this Proxy Statement and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 through incorporation by reference to this Proxy Statement.

Members of the
Compensation Committee:

Steven J. Freiberg (Chair)
Maria Contreras-Sweet
Alvaro G. de Molina
Carlos Palomares

*The Compensation Committee report does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any other filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that we specifically incorporate the Compensation Committee report by reference therein.*

## EXECUTIVE COMPENSATION TABLES

### Summary Compensation Table

The following table sets forth the cash and other compensation that we paid to our named executive officers or that was otherwise earned by our named executive officers for their services in all employment capacities during the fiscal years ended December 31, 2020, 2019, and 2018.

| Name and Principal Position(1) | Year | Salary(2) ($) | Bonus(3) ($) | Stock Awards(4) ($) | Option Awards(5) ($) | Non-Equity Incentive Plan Compensation(6) ($) | All Other Compensation(7) ($) | Total ($) |
|---|---|---|---|---|---|---|---|---|
| Robert W. Beck, | | | | | | | | |
| President and Chief Executive Officer | 2020 | 557,036 | — | 829,495 | 400,000 | 984,205 | 30,157 | **2,800,893** |
| (Former Executive Vice President and | 2019 | 178,630 | — | 224,981 | 224,990 | 178,630 | 73,104 | **880,335** |
| Chief Financial Officer) | 2018 | — | — | — | — | — | — | **—** |
| Peter R. Knitzer, | 2020 | 140,984 | — | — | — | 754,457 | 2,546,375 | **3,441,816** |
| Former President and Chief Executive | 2019 | 600,000 | — | 1,049,946 | 524,997 | 1,928,715 | 82,747 | **4,186,405** |
| Officer | 2018 | 550,000 | — | 733,314 | 733,327 | 548,350 | 83,701 | **2,648,692** |
| Harpreet Rana, | 2020 | 42,623 | 100,000 | 166,242 | 166,240 | 53,279 | 7,500 | **535,884** |
| Executive Vice President and | 2019 | — | — | — | — | — | — | **—** |
| Chief Financial Officer | 2018 | — | — | — | — | — | — | **—** |
| Michael S. Dymski, | | | | | | | | |
| Vice President of Financial Planning and | 2020 | 256,672 | 40,989 | 420,306 | — | 192,500 | 14,269 | **924,736** |
| Analysis (Former Interim Chief Financial | 2019 | N/A | N/A | N/A | N/A | N/A | N/A | **N/A** |
| Officer and Vice President and | 2018 | N/A | N/A | N/A | N/A | N/A | N/A | **N/A** |
| Chief Accounting Officer) | | | | | | | | |
| John D. Schachtel, | 2020 | 415,000 | — | 322,722 | 155,625 | 833,488 | 59,585 | **1,786,420** |
| Executive Vice President and | 2019 | 400,000 | — | 299,984 | 149,994 | 322,800 | 61,705 | **1,234,483** |
| Chief Operating Officer | 2018 | 360,000 | — | 274,986 | — | 358,920 | 72,659 | **1,066,565** |
| Brian J. Fisher, | 2020 | 370,164 | — | 279,956 | 134,997 | 577,155 | 21,271 | **1,383,543** |
| Executive Vice President and Chief | 2019 | 335,000 | — | 217,459 | 133,748 | 371,601 | 15,910 | **1,073,718** |
| Strategy and Development Officer | 2018 | 300,000 | — | 99,977 | 100,000 | 410,774 | 16,963 | **927,714** |
| Manish Parmar, | 2020 | 330,423 | 250,000 | 477,045 | 125,617 | 413,029 | 171,100 | **1,767,214** |
| Executive Vice President and | 2019 | — | — | — | — | — | — | **—** |
| Chief Credit Risk Officer | 2018 | — | — | — | — | — | — | **—** |

(1) Mr. Beck, Mr. Knitzer, Ms. Rana, Mr. Dymski, Mr. Schachtel, Mr. Fisher, and Mr. Parmar commenced employment effective as of July 22, 2019, August 1, 2016, November 23, 2020, July 1, 2013, May 30, 2017, January 14, 2013, and January 6, 2020, respectively. Mr. Knitzer's employment terminated on March 26, 2020. Mr. Beck was promoted to President and Chief Executive Officer and Mr. Dymski began serving as interim Chief Financial Officer, effective March 26, 2020. Mr. Dymski ceased his service as interim Chief Financial Officer on November 23, 2020 when Ms. Rana commenced her employment. Mr. Dymski only served as an executive officer of the Company between March 26, 2020 and November 23, 2020. Mr. Dymski has not been an NEO in any prior year, and, therefore, prior year compensation information has not been provided.

(2) The amounts represent annual base salaries, pro-rated for any partial year of service. For additional information, see "Compensation Discussion and Analysis – Elements of Compensation – Base Salary."

(3) For 2020, Ms. Rana and Mr. Parmar received signing bonuses awarded upon the commencement of their employment with the Company in the amounts of $100,000 and $250,000, respectively. In recognition of his service as interim Chief Financial Officer, Mr. Dymski received a quarterly bonus of $15,000 per quarter, pro-rated for any partial quarter, totaling $40,989.

(4) Amounts shown are the aggregate grant date fair value of awards computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. For a discussion of the assumptions made in such valuation, see note 16 of the notes to our audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

In 2020, Messrs. Beck, Schachtel, Fisher, and Parmar were granted performance-contingent RSUs having the following grant date fair values: Mr. Beck, $429,505; Mr. Schachtel, $167,101; Mr. Fisher, $144,960, and Mr. Parmar, $134,889 (and a maximum potential value of $599,972; $233,425; $202,497; and $188,421, respectively). At the time the award was granted, the Compensation Committee decided to calculate the number of shares subject to the RSU awards using a 25-day weighted average stock price due to the market volatility caused by the COVID-19 pandemic. The actual number of RSUs, if any, that may be earned may range from 0% to 150% of the target number of units, based primarily (90%) on our CAGR of pre-provision

net income compared to our peer group over the performance period, January 1, 2020 through December 31, 2022, and to a lesser extent (10%) on our Compensation Committee's assessment of our executive team's achievement of its long-term strategic objectives over the same time period.

In 2020, Mr. Beck, Ms. Rana, and Messrs. Dymski, Schachtel, Fisher, and Parmar were granted RSAs having the following total grant date fair values: Mr. Beck, $399,990; Ms. Rana, $166,242; Mr. Dymski, $420,306; Mr. Schachtel, $155,621; Mr. Fisher, $134,996; and Mr. Parmar, $342,156. One-third of the shares subject to the RSA granted to each of Messrs. Beck, Schachtel, and Fisher vests on each of December 31, 2020, December 31, 2021, and December 31, 2022, so long as such employee's employment continues (or is deemed to continue) from the grant date through the respective vesting dates or as otherwise provided in the applicable RSA agreement. In 2020, Mr. Dymski, was granted four RSAs. The first RSA was granted on March 26, 2020 and has a grant date fair value of $180,330. One-half of the shares subject to Mr. Dymski's March 26, 2020 RSA vests on each of December 31, 2020 and December 31, 2021, so long as his employment continues (or is deemed to continue) from the grant date through the respective vesting dates or as otherwise provided in the applicable RSA agreement. Mr. Dymski's second RSA was granted on March 26, 2020 and has a grant date fair value of $79,985, his third RSA was granted on July 1, 2020 and has a grant date fair value of $79,995, and his fourth RSA was granted on September 23, 2020 and has a grant date fair value of $79,996. One-third of the shares subject to Mr. Dymski's second, third, and fourth RSAs vests on each of December 31, 2020, December 31, 2021, and December 31, 2022, so long as his employment continues (or is deemed to continue) from the grant date through the respective vesting dates or as otherwise provided in the applicable RSA agreement. In 2020, Mr. Parmar was granted two RSAs. The first RSA was granted on January 6, 2020 and has a grant date fair value of $147,622. One-third of the shares subject to Mr. Parmar's January 6, 2020 RSA vests on each of December 31, 2020, December 31, 2021, and December 31, 2022, so long as his employment continues (or is deemed to continue) from the grant date through the respective vesting dates or as otherwise provided in the applicable RSA agreement. Mr. Parmar's second RSA was granted on July 1, 2020 and has a grant date fair value of $194,534. One-fourth of the shares subject to Mr. Parmar's July 1, 2020 RSA vests on each of December 31, 2020, December 31, 2021, December 31, 2022, and December 31, 2023, so long as his employment continues (or is deemed to continue) from the grant date through the respective vesting dates or as otherwise provided in the applicable RSA agreement. Ms. Rana's RSA was granted on November 23, 2020 and has a grant date fair value of $166,242. One-third of the shares subject to Ms. Rana's RSA vests on each of December 31, 2021, December 31, 2022, and December 31, 2023, so long as her employment continues (or is deemed to continue) from the grant date through the respective vesting dates or as otherwise provided in the applicable RSA agreement.

In 2019, Messrs. Knitzer, Schachtel, and Fisher were granted performance-contingent RSUs having the following grant date fair values: Mr. Knitzer, $524,973; Mr. Schachtel, $149,992; and Mr. Fisher, $83,726 (and a maximum potential value of $787,446; $224,989; and $125,589, respectively). The actual number of RSUs, if any, that may be earned may range from 0% to 150% of the target number of units, based primarily (90%) on our CAGR of net income compared to our peer group over the performance period, January 1, 2019 through December 31, 2021, and to a lesser extent (10%) on our Compensation Committee's assessment of our executive team's achievement of its long-term strategic objectives over the same time period.

In 2019, Messrs. Beck, Knitzer, Schachtel, and Fisher were granted RSAs having the following grant date fair values: Mr. Beck, $224,981; Mr. Knitzer, $524,973; Mr. Schachtel, $149,992; and Mr. Fisher, $133,733. One-third of the shares subject to the RSA granted to each of Messrs. Knitzer, Schachtel, and Fisher vests on each of December 31, 2019, December 31, 2020, and December 31, 2021, so long as such employee's employment continues (or is deemed to continue) from the grant date through the respective vesting dates or as otherwise provided in the applicable RSA agreement. The shares subject to the RSA granted to Mr. Beck vest on December 31, 2019 (20%), December 31, 2020 (40%), and December 31, 2021 (40%), so long as Mr. Beck's employment continues (or is deemed to continue) from the grant date through the respective vesting dates or as otherwise provided in the RSA agreement.

In 2018, Messrs. Knitzer, Schachtel, and Fisher were granted performance-contingent RSUs having the following grant date fair values: Mr. Knitzer, $733,314; Mr. Schachtel, $274,986; and Mr. Fisher, $99,977 (and a maximum potential value of $1,099,970; $412,478; and $149,951, respectively). The actual number of RSUs, if any, that may be earned may range from 0% to 150% of the target number of units, based primarily (90%) on our CAGR of pre-provision net income compared to our peer group over the performance period, January 1, 2018 through December 31, 2020, and to a lesser extent (10%) on our Compensation Committee's assessment of our executive team's achievement of its long-term strategic objectives over the same time period. In March 2021, based upon results achieved during the performance period, our Compensation Committee determined that Mr. Knitzer earned 99.5% of his 2018 target RSUs, and Messrs. Schachtel and Fisher earned 114.5% of their 2018 target RSUs.

The performance-contingent RSUs and RSAs are subject to further terms and conditions, including as to vesting, as set forth in an award agreement. As a result of his termination, Mr. Knitzer remains eligible to vest in only a pro-rata portion of each of his performance-contingent RSUs, subject to our performance over the three-year performance period. Effective as of his termination date, Mr. Knitzer vested in a pro-rata amount of the unvested portion of his RSA and forfeited the balance of the

unvested award. For additional information, see "Compensation Discussion and Analysis – Elements of Compensation – Long-Term Incentive Awards" and "Summary of Employment Arrangements with Executive Officers – Potential Payments Upon Termination or Change-in-Control."

(5) Amounts shown are the aggregate grant date fair value of awards computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. For a discussion of the assumptions made in such valuation, see note 16 of the notes to our audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

For 2020, the option awards granted to Messrs. Beck, Schachtel, Fisher, and Parmar vest in three equal installments on each of December 31, 2020, 2021, and 2022. The option award granted to Ms. Rana vests in three equal installments on each of December 31, 2021, 2022, and 2023.

For 2019, the option awards granted to Messrs. Knitzer, Schachtel, and Fisher vest in three equal installments on each of December 31, 2019, 2020, and 2021. The option award granted to Mr. Beck vests on December 31, 2019 (20%), December 31, 2020 (40%), and December 31, 2021 (40%).

For 2018, the option awards granted to Messrs. Knitzer and Fisher vest in three equal installments on each of December 31, 2018, 2019, and 2020.

The option awards are subject to further terms and conditions, including as to vesting, as set forth in an award agreement. Effective as of his termination date, Mr. Knitzer vested in a pro-rata amount of the unvested portion of each of his option awards and forfeited the balance of the unvested awards. For additional information, see "Compensation Discussion and Analysis – Elements of Compensation – Long-Term Incentive Awards."

(6) For 2020, the amounts for Mr. Beck, Ms. Rana, and Mr. Parmar represent performance-based annual cash awards earned in 2020. For Messrs. Knitzer, Schachtel and Fisher, the amounts represent performance-based annual cash awards earned in 2020, and cash-settled performance units that were granted in 2018 and earned over a performance period of January 1, 2018 through December 31, 2020. For Mr. Dymski, the amounts represent the annual cash award earned in 2020 pursuant to the key team member incentive program. We paid all such earned amounts in 2021. In the case of the performance-based annual cash awards, Messrs. Knitzer, Schachtel and Fisher earned $211,475, $518,750 and $462,705, respectively. In the case of the cash-settled performance units, Messrs. Knitzer, Schachtel and Fisher earned $542,982, $314,738 and $114,450, respectively. We paid all such earned amounts in 2021.

For 2019, the amounts for Messrs. Beck and Schachtel represent performance-based annual cash awards earned in 2019. For Messrs. Knitzer and Fisher, the amounts represent performance-based annual cash awards earned in 2019, and cash-settled performance units that were granted in 2017 and earned over a performance period of January 1, 2017 through December 31, 2019. In the case of the performance-based annual cash awards, Messrs. Knitzer and Fisher earned $726,300 and $270,345, respectively. In the case of the cash-settled performance units, Messrs. Knitzer and Fisher earned $1,202,415 and $101,256, respectively. We paid all such earned amounts in 2020.

For 2018, the amounts for Messrs. Knitzer and Schachtel represent performance-based annual cash awards earned in 2018. For Mr. Fisher, the amount represents a performance-based annual cash award earned in 2018 and cash-settled performance units that were granted in 2016 and earned over a performance period of January 1, 2016 through December 31, 2018. In the case of the performance-based annual cash award, Mr. Fisher earned $299,100. In the case of the cash-settled performance units, Mr. Fisher earned $111,674. We paid all such earned amounts in 2019.

For additional information, see "Compensation Discussion and Analysis – Elements of Compensation – Performance-Based Annual Cash Awards" and "Compensation Discussion and Analysis – Elements of Compensation – Long-Term Incentive Awards."

(7) The following table provides detail regarding the amounts in the “All Other Compensation” column. Mr. Knitzer’s severance benefits reflected below included 30 days’ base salary in lieu of notice ($49,180), salary continuation ($2,398,154), executive outplacement services ($50,000), and reimbursement of attorney fees ($10,000), all of which are consistent with the terms of his employment agreement with the Company. The amounts attributable to Mr. Parmar’s legal expenses and reimbursement to his former employer for relocation benefits shown below include tax reimbursements in the amount of $311 and $17,939, respectively. For additional information, see “Compensation Discussion and Analysis – Elements of Compensation – Perquisites” and “Summary of Employment Arrangements with Executive Officers – Agreements with Former Executive Officer.”

| Name | Year | Dividends ($) | 401(k) Plan Match ($) | Travel Expense to/from Personal Residence ($) | Optional Annual Health Screening ($) | Mobile Phone Allowance ($) | Legal Expenses ($) | Travel with Spouse ($) | Relocation Benefits ($) | Reimbursement to Former Employer for Relocation Benefits ($) | Long-Term Disability Insurance Benefits ($) | Severance Benefits ($) | Total ($) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Robert W. Beck | 2020 | 2,311 | 11,400 | 876 | — | 675 | 10,000 | — | — | — | 4,895 | — | **30,157** |
| | 2019 | — | — | — | — | — | 7,500 | — | 65,604 | — | — | — | **73,104** |
| | 2018 | — | — | — | — | — | — | — | — | — | — | — | **—** |
| Peter R. Knitzer | 2020 | — | 11,400 | 7,853 | — | 225 | 10,000 | — | — | — | 9,563 | 2,507,334 | **2,546,375** |
| | 2019 | — | 11,200 | 30,088 | — | 1,085 | 10,000 | — | — | — | 30,374 | — | **82,747** |
| | 2018 | — | 11,000 | 39,551 | 3,546 | 900 | — | — | — | — | 28,704 | — | **83,701** |
| Harpreet Rana | 2020 | — | — | — | — | — | 7,500 | — | — | — | — | — | **7,500** |
| | 2019 | — | — | — | — | — | — | — | — | — | — | — | **—** |
| | 2018 | — | — | — | — | — | — | — | — | — | — | — | **—** |
| Michael S. Dymski | 2020 | 2,389 | 11,400 | — | — | 480 | — | — | — | — | — | — | **14,269** |
| | 2019 | — | — | — | — | — | — | — | — | — | — | — | **—** |
| | 2018 | — | — | — | — | — | — | — | — | — | — | — | **—** |
| John D. Schachtel | 2020 | 981 | 11,400 | 7,727 | — | 900 | 4,750 | — | — | — | 33,827 | — | **59,585** |
| | 2019 | — | 11,200 | 26,097 | 2,686 | 900 | — | 5,669 | — | — | 15,153 | — | **61,705** |
| | 2018 | — | 11,000 | 33,088 | 3,966 | 900 | — | 3,271 | — | — | 20,434 | — | **72,659** |
| Brian J. Fisher | 2020 | 860 | 11,400 | — | — | — | — | — | — | — | 9,011 | — | **21,271** |
| | 2019 | — | 11,200 | — | — | — | — | — | — | — | 4,710 | — | **15,910** |
| | 2018 | — | 11,000 | — | — | — | — | — | — | — | 5,963 | — | **16,963** |
| Manish Parmar | 2020 | 881 | 11,400 | — | — | 900 | 911 | — | 104,236 | 52,497 | 274 | — | **171,099** |
| | 2019 | — | — | — | — | — | — | — | — | — | — | — | **—** |
| | 2018 | — | — | — | — | — | — | — | — | — | — | — | **—** |

### Grants of Plan-Based Awards

The following table provides information concerning annual and long-term incentive awards granted in 2020 to each of our named executive officers pursuant to our Annual Incentive Plan and our 2015 Plan.

| | | | Estimated Future Payouts Under Non-Equity Incentive Plan Awards | | | Estimated Future Payouts Under Equity Incentive Plan Awards | | | All Other Stock Awards: Number of Shares of Stock or Units | All Other Option Awards: Number of Securities Underlying Options | Exercise or Base Price of Option Awards | Grant Date Fair Value of Stock and Option Awards(3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Award Type(1) | Grant Date | Threshold(2) ($) | Target ($) | Maximum ($) | Threshold(2) (#) | Target (#) | Maximum (#) | (#) | (#) | ($/Sh) | ($) |
| Robert W. Beck | Annual | 01/01/20 | — | 787,364 | 984,205 | | | | | | | |
| | NQSO | 03/26/20 | | | | | | | | 55,788 | 16.66 | 400,000 |
| | RSU | 05/29/20 | | | | 12,186 | 27,081 | 40,621 | | | | 429,505 |
| | CSPU | 05/29/20 | 180,000 | 400,000 | 600,000 | | | | | | | |
| | RSA | 03/26/20 | | | | | | | 24,009 | | | 399,990 |
| Peter R. Knitzer | Annual | 01/01/20 | — | 211,475 | 264,344 | | | | | | | |
| Harpreet Rana | Annual | 01/01/20 | — | 42,623 | 53,279 | | | | | | | |
| | NQSO | 11/23/20 | | | | | | | | 17,371 | 28.21 | 166,240 |
| | RSA | 11/23/20 | | | | | | | 5,893 | | | 166,242 |
| Michael S. Dymski | Annual | 01/01/20 | — | 154,000 | 192,500 | | | | | | | |
| | RSA | 03/26/20 | | | | | | | 11,777 | | | 260,314 |
| | RSA | 07/01/20 | | | | | | | 4,474 | | | 79,995 |
| | RSA | 09/23/20 | | | | | | | 4,935 | | | 79,996 |
| John D. Schachtel | Annual | 01/01/20 | — | 415,000 | 518,750 | | | | | | | |
| | NQSO | 03/26/20 | | | | | | | | 21,705 | 16.66 | 155,625 |
| | RSU | 05/29/20 | | | | 4,741 | 10,536 | 15,804 | | | | 167,101 |
| | CSPU | 05/29/20 | 70,031 | 155,625 | 233,438 | | | | | | | |
| | RSA | 03/26/20 | | | | | | | 9,341 | | | 155,621 |
| Brian J. Fisher | Annual | 01/01/20 | — | 370,164 | 462,705 | | | | | | | |
| | NQSO | 03/26/20 | | | | | | | | 18,828 | 16.66 | 134,997 |
| | RSU | 05/29/20 | | | | 4,113 | 9,140 | 13,710 | | | | 144,960 |
| | CSPU | 05/29/20 | 60,750 | 135,000 | 202,500 | | | | | | | |
| | RSA | 03/26/20 | | | | | | | 8,103 | | | 134,996 |
| Manish Parmar | Annual | 01/06/20 | — | 330,423 | 413,029 | | | | | | | |
| | NQSO | 01/06/20 | | | | | | | | 10,442 | 29.18 | 125,617 |
| | RSU | 05/29/20 | | | | 3,827 | 8,505 | 12,757 | | | | 134,889 |
| | CSPU | 05/29/20 | 56,531 | 125,625 | 188,438 | | | | | | | |
| | RSA | 01/06/20 | | | | | | | 5,059 | | | 147,622 |
| | RSA | 07/01/20 | | | | | | | 10,880 | | | 194,534 |

(1) "Annual" refers to performance-based annual cash incentive award opportunities granted under our Annual Incentive Plan, including annual cash incentives awarded under the Key Team Member Incentive Program ("KTIP") for Mr. Dymski. "NQSO" refers to non-qualified stock options, "RSU" refers to performance-contingent restricted stock units, "CSPU" refers to cash-settled performance units (with each unit's target value denominated as $1.00), and "RSA" refers to restricted stock award, each granted under our 2015 Plan. For additional information, see "Compensation Discussion and Analysis – Elements of Compensation – Performance-Based Annual Cash Awards" and "Compensation Discussion and Analysis – Elements of Compensation – Long-Term Incentive Awards."

(2) The threshold number of units indicated will be earned only if a threshold level of performance is achieved.

(3) Amounts shown are the aggregate grant date fair value of awards computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. For a discussion of the assumptions made in such valuation, see note 16 of the notes to our audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

### Outstanding Equity Awards at Fiscal Year-End

The following table provides information concerning equity awards that were outstanding as of December 31, 2020, for each of our named executive officers.

| | Option Awards | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|
| Name | Number of Securities Underlying Unexercised Options Exercisable (#) | Number of Securities Underlying Unexercised Options Unexercisable (#) | Option Exercise Price ($) | Option Expiration Date | Number of Shares or Units of Stock that Have Not Vested (#) | Market Value of Shares or Units of Stock that Have Not Vested(1) ($) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested(1) ($) |
| Robert W. Beck | 12,892 | 8,597(2) | 25.35 | 07/22/29 | 3,550(6) | 106,003 | 27,081(13) | 808,639 |
| | 18,596 | 37,192(3) | 16.66 | 03/26/30 | 16,006(7) | 477,939 | | |
| Peter R. Knitzer(16) | 53,970 | — | 28.25 | 03/26/25 | — | — | 19,219(14) | 573,879 |
| | 28,831 | — | 27.89 | 03/26/25 | | | 7,745(15) | 231,266 |
| Harpreet Rana | | 17,371(4) | 28.21 | 11/23/30 | 5,893(8) | 175,965 | | |
| Michael S. Dymski | 3,322 | — | 17.76 | 10/01/24 | 3,868(9) | 115,498 | | |
| | 5,500 | — | 15.06 | 03/11/25 | 3,201(7) | 95,582 | | |
| | 3,871 | — | 14.75 | 04/22/25 | 2,983(7) | 89,072 | | |
| | | — | | | 3,488(10) | 104,152 | | |
| | | — | | | 3,290(7) | 98,239 | | |
| John D. Schachtel | 34,403 | — | 20.00 | 05/30/27 | 1,794(11) | 53,569 | 11,140(14) | 332,640 |
| | 8,284 | 4,143(5) | 27.89 | 02/06/29 | 6,228(7) | 185,968 | 5,378(15) | 160,587 |
| | 7,235 | 14,470(3) | 16.66 | 03/26/30 | | | 10,536(13) | |
| Brian J. Fisher | 9,644 | — | 17.76 | 10/01/24 | 1,599(11) | 47,746 | 4,050(14) | 120,933 |
| | 11,500 | — | 15.06 | 03/11/25 | 5,402(7) | 161,304 | 3,002(15) | 89,640 |
| | 13,143 | — | 14.75 | 04/22/25 | | | 9,140(13) | 272,920 |
| | 12,379 | — | 17.08 | 03/29/26 | | | | |
| | 8,918 | — | 19.99 | 03/15/27 | | | | |
| | 8,071 | — | 28.25 | 02/07/28 | | | | |
| | 7,386 | 3,695(5) | 27.89 | 02/06/29 | | | | |
| | 6,276 | 12,552(3) | 16.66 | 03/26/30 | | | | |
| Manish Parmar | 3,480 | 6,962(3) | 29.18 | 01/06/30 | 3,373(7) | 100,718 | 8,505(13) | 253,959 |
| | | — | | | 8,160(12) | 243,658 | | |

(1) Amounts are calculated based on the closing price ($29.86) of our common stock on December 31, 2020, the last trading day of 2020.

(2) This option vests on December 31, 2019 (20%), December 31, 2020 (40%), and December 31, 2021 (40%).

(3) This option vests in three equal annual installments on each of December 31, 2020, 2021, and 2022.

(4) This option vests in three equal annual installments on each of December 31, 2021, 2022, and 2023.

(5) This option vests in three equal annual installments on each of December 31, 2019, 2020, and 2021.

(6) This amount represents the unvested portion of a restricted stock award, which vests on December 31, 2019 (20%), December 31, 2020 (40%), and December 31, 2021 (40%).

(7) This amount represents the unvested portion of a restricted stock award, which vests in three equal annual installments on each of December 31, 2020, 2021, and 2022.

(8) This amount represents the unvested portion of a restricted stock award, which vests in three equal annual installments on each of December 31, 2021, 2022, and 2023.

(9) This amount represents the unvested portion of a restricted stock award, which vests in three equal annual installments on each of July 24, 2020, 2021, and 2022.

(10) This amount represents the unvested portion of a restricted stock award, which vests in two equal annual installments on each of December 31, 2020 and 2021.

(11) This amount represents the unvested portion of a restricted stock award, which vests in three equal annual installments on each of December 31, 2019, 2020, and 2021.

(12) This amount represents the unvested portion of a restricted stock award, which vests in four equal annual installments on each of December 31, 2020, 2021, 2022, and 2023.

(13) This amount represents a performance-contingent RSU, assuming an achievement level at target. The actual number of RSUs, if any, that may be earned may range from 0% to 150% of the target number of units set forth in the table above, based primarily (90%) on our CAGR of pre-provision net income compared to our peer group over the performance period, January 1, 2020 through December 31, 2022, and to a lesser extent (10%) on our Compensation Committee's assessment of our executive team's achievement of its long-term strategic objectives over the same time period. Vesting is also contingent upon the continued employment of the executive through December 31, 2022, or as otherwise provided in the applicable award agreement. For additional information, see "Compensation Discussion and Analysis – Elements of Compensation – Long-Term Incentive Awards."

(14) This amount represents the earned portion of a performance-contingent RSU that became eligible to vest on December 31, 2020, subject to our Compensation Committee's certification as to the achievement of certain performance goals. The actual number of RSUs, if any, that may have been earned ranged from 0% to 150% of the target number of units, based primarily (90%) on our CAGR of pre-provision net income compared to our peer group over the performance period, January 1, 2018 through December 31, 2020, and to a lesser extent (10%) on our Compensation Committee's assessment of our executive team's achievement of its long-term strategic objectives over the same time period. The number of target RSUs granted to Messrs. Knitzer, Schachtel, and Fisher were as follows: Mr. Knitzer, 25,958 units; Mr. Schachtel, 9,734 units; and Mr. Fisher, 3,539 units. Vesting was also contingent upon the continued employment of the executive through December 31, 2020. In March 2021, based upon results achieved during the performance period, our Compensation Committee determined that Mr. Knitzer earned 99.5% of his target RSUs, which were pro-rated for his partial period of service, and Messrs. Schachtel and Fisher earned 114.5% of their target RSUs. For additional information, see "Compensation Discussion and Analysis – Elements of Compensation – Long-Term Incentive Awards."

(15) This amount represents a performance-contingent RSU, assuming an achievement level at target. The actual number of RSUs, if any, that may be earned may range from 0% to 150% of the target number of units set forth in the table above, based primarily (90%) on our CAGR of net income compared to our peer group over the performance period, January 1, 2019 through December 31, 2021, and to a lesser extent (10%) on our Compensation Committee's assessment of our executive team's achievement of its long-term strategic objectives over the same time period. Vesting is also contingent upon the continued employment of the executive through December 31, 2021, or as otherwise provided in the applicable award agreement. For additional information, see "Compensation Discussion and Analysis – Elements of Compensation – Long-Term Incentive Awards."

(16) The Board terminated Mr. Knitzer's employment without cause, effective March 26, 2020. Pursuant to the terms of his award agreements, a pro-rata portion of his option awards and RSAs vested as of the termination date, and Mr. Knitzer forfeited the remaining shares subject to the awards. In addition, pursuant to the terms of his award agreements, Mr. Knitzer remains eligible to vest in and earn a pro-rata portion of his performance-contingent RSUs, subject to our Compensation Committee's certification as to the achievement of relevant performance goals over the associated performance period.

### Option Exercises and Stock Vested

The following table summarizes the exercise of options and the vesting of stock awards by each of our named executive officers during the fiscal year ended December 31, 2020.

| | Option Awards | | Stock Awards | |
|---|---|---|---|---|
| Name | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise(1) ($) | Number of Shares Acquired on Vesting(2) (#) | Value Realized on Vesting(3) ($) |
| Robert W. Beck | — | — | 11,553 | 344,973 |
| Peter R. Knitzer | 127,169 | 3,656,109 | 25,421 | 789,636 |
| Harpreet Rana | — | — | — | — |
| Michael S. Dymski | — | — | 13,881 | 319,507 |
| John D. Schachtel | — | — | 16,045 | 544,273 |
| Brian J. Fisher | — | — | 8,349 | 272,994 |
| Manish Parmar | — | — | 4,406 | 131,563 |

(1) The value realized upon exercise of stock option awards was calculated by determining the difference between the market price of the underlying securities at exercise and the exercise price of the options.

(2) For Messrs. Beck, Dymski, Schachtel, Fisher, and Parmar the amounts represent the number of shares delivered following the vesting of restricted stock subject to RSAs on December 31, 2020. For Mr. Knitzer, the amounts represent the number of shares delivered following the vesting of a pro-rata portion of an RSA on his date of termination. For Messrs. Knitzer, Schachtel, and Fisher, the amounts also include the number of shares delivered following the vesting of performance-contingent RSUs on December 31, 2020, based upon results achieved during a performance period that began on January 1, 2018 and ended on December 31, 2020, as determined by our Compensation Committee in March 2021. For additional information, see "Compensation Discussion and Analysis – Elements of Compensation – Long-Term Incentive Awards."

(3) The value represents the gross number of shares that vested, multiplied by the closing price of our common stock on the applicable vesting date, and includes any amounts that were withheld for applicable taxes.

### Equity Compensation Plan Information

The following table provides information concerning the common stock that may be issued upon the exercise of options, warrants, and rights under all of our existing equity compensation plans as of December 31, 2020. At that date, there were a total of 10,932,000 shares of our common stock outstanding.

| Plan Category | (a) Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants, and Rights | (b) Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights ($) | (c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) |
|---|---|---|---|
| Equity Compensation Plans Approved by Security Holders | | | |
| 2011 Stock Incentive Plan(1) | 160,836(3) | 18.78 | — |
| 2015 Long-Term Incentive Plan(2) | 1,036,254(4) | 19.93(5) | 380,320 |
| Equity Compensation Plans Not Approved by Security Holders | — | — | — |
| **Total:** | 1,197,090 | 19.73 | 380,320 |

(1) Regional Management Corp. 2011 Stock Incentive Plan (the "2011 Plan"). In 2015, our stockholders approved the 2015 Plan, at which time all shares then available for issuance under the 2011 Plan rolled over to the 2015 Plan. Awards may no longer be granted under the 2011 Plan. However, awards that are outstanding under the 2011 Plan will continue in accordance with their respective terms.

(2) Regional Management Corp. 2015 Long-Term Incentive Plan. As of April 5, 2021, there were 166,440 shares that remained available for issuance under the 2015 Plan, which allows for grants of incentive stock options, non-qualified stock options, stock appreciation rights ("SARs"), unrestricted shares, restricted shares, RSUs, phantom stock awards, and awards that are valued in whole or in part by reference to, or otherwise based on, the fair market value of shares, including performance-based awards.

(3) This amount represents shares of common stock underlying non-qualified stock option awards.

(4) This amount represents 746,984 shares of common stock underlying non-qualified stock option awards, 185,559 shares of common stock underlying performance-contingent RSU awards, and 103,711 restricted shares of common stock underlying and issuable pursuant to key team member incentive program award agreements. Share amounts are determined based upon the maximum number of shares that may be delivered pursuant to the performance-based awards. Under the key team member incentive program, each participant is eligible to earn an RSA, subject to the achievement of performance goals over a one-year period. 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). No current executive officer participates in our key team member incentive program. There is no exercise price associated with the RSU awards or restricted shares.

(5) Calculation excludes shares subject to RSU awards and shares underlying and issuable pursuant to key team member incentive program award agreements.



**CEO Pay Ratio**

The following table provides our calculation under applicable SEC regulations of the ratio of the annual total compensation of our Chief Executive Officer to the median of the annual total compensation of our other employees for 2020.

| Compensation Component | CEO ($) | Median Employee ($) |
|---|---|---|
| Salary | 600,000 | 33,652 |
| Stock Awards | 829,495 | — |
| Option Awards | 400,000 | — |
| Non-Equity Incentive Plan Compensation | 984,205 | 2,828 |
| All Other Compensation | 30,157 | 2,565 |
| **Total Compensation:** | **2,843,857** | **39,045** |
| **CEO to Median Employee Pay Ratio:** | **73:1** | |

We took the following steps in calculating the ratio of the annual total compensation of our Chief Executive Officer to the median of the annual total compensation of our other employees in 2020:

(1) We determined that, as of December 31, 2020, our employee population was equal to 1,542 individuals, all located in the United States. This number includes all the individuals determined to be employees for federal tax purposes, whether full-time, part-time, or temporary, as of that date. We chose December 31, 2020, which is within the last three months of our fiscal year as required by applicable SEC regulations, because it aligned with our calendar year payroll procedures.

(2) We next identified the employee receiving the median amount of compensation in our employee population. To do this, we compared the amount of wages and other compensation received by each employee, other than Mr. Beck, as reflected in our payroll records and reported to the Internal Revenue Service in Box 5 of Form W-2 for the calendar year ended December 31, 2020. This compensation measure was annualized for permanent employees who were employed on the measurement date but who did not work for the full calendar year. The compensation measure was consistently applied to all of our employees.

(3) Once we identified our median employee, we measured that employee's annual total compensation for the 2020 fiscal year by adding together (a) the same elements of compensation that are included in Mr. Beck's total fiscal 2020 compensation, as reported in our Summary Compensation Table above, and (b) non-discriminatory health and welfare benefits paid by Regional, which we have included as "All Other Compensation" in the table above.

(4) For Mr. Beck, we used a combination of his annualized base salary following his appointment as Chief Executive Officer of the Company on March 26, 2020 and the amounts reported in the "Stock Awards," "Option Awards," "Non-Equity Incentive Plan Compensation," and "All Other Compensation" columns of our Summary Compensation Table above. Mr. Beck was eligible for but did not elect to participate in non-discretionary health and welfare benefit plans offered by Regional.

The resulting pay ratio was calculated in a manner consistent with SEC regulations, and we believe that it constitutes a reasonable estimate. However, as contemplated by SEC regulations, we relied on methods and assumptions that we determined to be appropriate for calculating the Chief Executive Officer pay ratio at Regional. Other public companies will use methods and assumptions that differ from the ones we chose but are appropriate for their circumstances. It may therefore be difficult, for this and other reasons, to compare our reported pay ratio to pay ratios reported by other companies, including companies in our industry.

## SUMMARY OF EMPLOYMENT ARRANGEMENTS WITH NAMED EXECUTIVE OFFICERS

In 2020, the following individuals served as our named executive officers:

- Robert W. Beck, our current President and Chief Executive Officer and former Executive Vice President and Chief Financial Officer;
- Peter R. Knitzer, our former President and Chief Executive Officer;
- Harpreet Rana, our Executive Vice President and Chief Financial Officer;
- Michael S. Dymski, our Vice President of Financial Planning and Analysis and former interim Chief Financial Officer and Vice President and Chief Accounting Officer;
- John D. Schachtel, our Executive Vice President and Chief Operating Officer;
- Brian J. Fisher, our Executive Vice President and Chief Strategy and Development Officer and former General Counsel and Secretary; and
- Manish Parmar, our Executive Vice President and Chief Credit Risk Officer.

Messrs. Beck, Knitzer, Schachtel, and Fisher served as executive officers at the beginning of 2020. Mr. Parmar was appointed Executive Vice President and Chief Credit Risk Officer on January 6, 2020. Mr. Fisher assumed the title of Executive Vice President, General Counsel, and Secretary on February 6, 2020. Mr. Knitzer's termination as President and Chief Executive Officer and as a director occurred in March 2020, and Mr. Beck assumed the title of President and Chief Executive Officer on March 26, 2020. Further, Mr. Dymski assumed the title of Vice President, Chief Accounting Officer, and interim Chief Financial Officer on March 26, 2020. Mr. Fisher was promoted to Executive Vice President and Chief Strategy and Development Officer on September 30, 2020. Ms. Rana was appointed as Executive Vice President and Chief Financial Officer on November 23, 2020, at which time, Mr. Dymski relinquished his title of interim Chief Financial Officer. Finally, Mr. Dymski was appointed Vice President of Financial Planning and Analysis on April 1, 2021.

We entered into employment letters or agreements with each of our named executive officers other than Mr. Dymski shortly before each commenced employment with us. We entered into initial employment agreements with each of these executives as follows: Mr. Beck (July 2019), Mr. Knitzer (August 2016), Ms. Rana (September 2020), Mr. Schachtel (May 2017), and Mr. Parmar (January 2020). We entered into an employment letter with Mr. Fisher in January 2013, and in August 2017, we entered into an employment agreement with Mr. Fisher that superseded his prior employment letter agreement and amended the employment agreements of Messrs. Knitzer and Schachtel. In addition, in May 2019, we entered into an employment agreement with Mr. Knitzer that superseded his prior employment agreement. In March 2020, we entered into an employment agreement with Mr. Beck in connection with his assumption of the title of President and Chief Executive Officer, which superseded his prior employment agreement. Further, in July 2020 and September 2020, we entered into employment agreements with Messrs. Schachtel and Fisher, respectively, that superseded each executive's prior employment agreement. Mr. Fisher's new employment agreement occurred in the context of his appointment as Executive Vice President and Chief Strategy and Development Officer. We did not enter into an employment agreement with Mr. Dymski during his term as interim Chief Financial Officer.

We describe below the material terms of our named executive officer's current and prior employment agreements in effect during 2020. Additional information regarding the compensation that our named executive officers are eligible for, earned, and were paid is set forth elsewhere in this Proxy Statement, including in the Compensation Discussion and Analysis and the Executive Compensation Tables set forth above.

### Employment Agreements with Named Executive Officers

Mr. Knitzer's employment agreement was terminated effective March 26, 2020, and his termination was treated as a termination without cause under the terms of his employment agreement. As a result, Mr. Knitzer received severance and other benefits in accordance with the terms of his employment agreement, which is described in further detail below. As indicated above, Mr. Dymski does not have an employment agreement with the Company.

The employment agreements with each of our named executive officers who are currently serving as executive officers provide for a three-year term. The three-year term ends for these officers as follows:

| Name | Employment Agreement Term End Date |
|---|---|
| Robert W. Beck | March 25, 2023 |
| Harpreet Rana | November 23, 2023 |
| John D. Schachtel | July 1, 2023 |
| Brian J. Fisher | September 30, 2023 |
| Manish Parmar | January 6, 2023 |

The employment agreements generally provide for compensation to our executives in the form of annual base salaries, annual cash incentive opportunities, long-term incentive opportunities, and various other limited perquisites and personal benefits. Our executives have also agreed to certain restrictive covenants set forth in the employment agreements, including a covenant not to compete.

Pursuant to his current employment agreement, Mr. Beck is entitled to an annual base salary of no less than $600,000 (while his prior employment agreement provided for an annual base salary of no less than $400,000). Pursuant to their current employment agreements, Messrs. Schachtel and Fisher are entitled to an annual base salary of no less than $415,000 and $400,000, respectively. Their prior employment agreements provided for respective annual base salaries of no less than $350,000 and $240,000. Ms. Rana and Mr. Parmar are entitled to an annual base salary of no less than $400,000 and $335,000, respectively. Mr. Knitzer was entitled to an annual base salary of no less than $600,000. All base salaries are (or were) pro-rated for any partial year pursuant to the terms of each executive's employment agreement.

For each calendar year during the employment term under Mr. Beck's current employment agreement and Mr. Knitzer's former employment agreement, each of Messrs. Beck and Knitzer is (or was) also eligible to earn an annual bonus award under our Annual Incentive Plan based upon the achievement of performance targets established by our Compensation Committee, with a target bonus equal to no less than 150% of such executive's base salary, pro-rated for any partial year. Mr. Beck's current employment agreement provides that Mr. Beck's target annual bonus award under our Annual Incentive Plan for 2020 was $787,364. Under Mr. Beck's prior employment agreement, Mr. Beck was eligible to earn an annual bonus with a target bonus equal to no less than 100% of Mr. Beck's base salary, pro-rated for any partial year. For each calendar year during the employment term, our other named executive officers with employment agreements are eligible to earn an annual bonus award under our Annual Incentive Plan based upon the achievement of performance targets established by our Compensation Committee, with a target bonus equal to no less than 100% of the executive's base salary, in each case pro-rated for any partial year. Notwithstanding the foregoing, Mr. Fisher's target bonus for 2020 was $370,164.

We paid a $100,000 cash signing bonus to Ms. Rana in 2020 to offset her loss of forfeited incentive and/or equity-based compensation with her former employer. Ms. Rana's signing bonus is subject to repayment in full if she voluntarily terminates her employment before the first anniversary of her employment date. We also paid a $250,000 cash signing bonus to Mr. Parmar in 2020 to offset his loss of his annual bonus opportunity with his prior employer. Mr. Parmar must repay a ratable portion of his signing bonus if he terminates his employment before the third anniversary of his employment date.

The current employment agreement of Mr. Beck provides that he is entitled to receive a non-qualified stock option award, a restricted stock award, a performance-contingent RSU award, and a cash-settled performance unit award as soon as practicable after the effective date of his current employment agreement, with the vesting of each such award subject to continued employment through the vesting date and, in the case of the performance-contingent RSU award and the cash-settled performance unit award, the achievement of performance objectives established by our Compensation Committee. The employment agreements of Ms. Rana and Mr. Parmar provide that each executive is entitled to receive a non-qualified stock option award, a restricted stock award, a performance-contingent RSU award, and a cash-settled performance unit award. Ms. Rana's non-qualified stock option and restricted stock award are to be granted as soon as practicable following her commencement date, while her performance-contingent RSU award and cash-settled performance unit award are to be granted in connection with the grant of other executive 2021 long-term incentive plan awards. The non-qualified stock option award and restricted stock award provided for in Mr. Parmar's employment agreement are to be granted as soon as practicable following his commencement date, while his performance-contingent RSU award and cash-settled performance unit award are to be granted in connection with the grant of other executive 2020 long-term incentive plan awards. The vesting of each of Ms. Rana's and Mr. Parmar's awards is subject to continued employment through the vesting date and, in the case of the performance-contingent RSU awards and the cash-settled performance unit awards, the achievement of performance objectives established by our Compensation Committee. Each named executive officer, other than Mr. Dymski who participates in our Key Team Member Incentive Program, is (or was) otherwise eligible to participate in our long-term incentive program at the sole discretion of our Compensation Committee and our Board.

Commencing in 2021, Mr. Beck will be eligible to receive an annual base salary, annual cash incentive opportunity, and long-term incentive opportunity totaling in the aggregate at least $3,600,000 under his current employment agreement; his prior employment agreement provided for an annual base salary, annual cash incentive opportunity, and long-term incentive opportunity totaling in the aggregate at least $1,400,000. Commencing in 2021 (or 2022, in the case of Ms. Rana, and 2020, in the case of Mr. Schachtel), the employment agreements of our other current executives provide for an annual base salary, annual cash incentive opportunity, and long-term incentive opportunity totaling in the aggregate of at least the following amounts: Ms. Rana ($1,400,000), Mr. Schachtel ($1,452,500), Mr. Fisher ($1,400,000), and Mr. Parmar ($1,172,500). The prior employment agreements of Mr. Fisher provided for an annual base salary, annual cash incentive opportunity, and long-term incentive opportunity totaling in the aggregate no less than $720,000. Mr. Knitzer was eligible to receive an annual base salary, annual cash incentive opportunity, and long-term incentive opportunity totaling in the aggregate at least $3,600,000 in 2020. Each executive's annual total compensation opportunity is subject to our Compensation Committee's discretion to adjust base salary, determine allocations between cash and equity compensation opportunities, establish performance and/or multi-year service criteria, and determine if and to the extent any incentive compensation is earned and payable based on the attainment of performance criteria and other terms and conditions established by our Compensation Committee, and further subject to the terms and conditions of the applicable incentive plan and related award agreements (including, if applicable under any such plan or award agreement, multi-year vesting). Long-term incentive awards are subject to the terms of the 2015 Plan and the related award agreements.

We also provide our executives with benefits generally available to our other employees, including medical and retirement plans. In addition, we provide our executives with the use of a mobile phone (or the provision of a stipend for a mobile phone), disability insurance policies, and reasonable travel expenses. In the case of Ms. Rana and Messrs. Schachtel and Knitzer, we pay (or paid) for reasonable expenses associated with their travel to and from their personal residences to our headquarters in South Carolina. Pursuant to Mr. Beck's current employment agreement, in 2020 we paid for reasonable expenses (not to exceed $5,000) associated with Mr. Beck's travel to and from his additional Connecticut residence to our headquarters in South Carolina. Additionally, we provided relocation benefits to Mr. Parmar in 2020 to relocate to the Dallas–Fort Worth–Arlington, Texas metropolitan area, which include reimbursement of commuting expenses to our Flower Mound, Texas office from his residence and reasonable temporary living expenses in the Dallas–Fort Worth–Arlington, Texas metropolitan area. Mr. Parmar is also eligible for reimbursement of amounts up to $50,000 in the event that he is required to reimburse his immediate past employer for all or a portion of his previously-reimbursed relocation expenses, with any such reimbursed amounts subject to ratable repayment in the event Mr. Parmar voluntarily terminates his employment before the third anniversary of his commencement date.

Our executive employment agreements and long-term incentive award agreements also provide for certain severance benefits following an executive's termination by us without cause, by the executive as a result of good reason, due to the executive's disability, due to the executive's death, or following a "double-trigger" change-in-control event. A "double-trigger" change-in-control event requires both (1) a change-in-control and (2) an executive's termination by us without cause or by the executive as a result of good reason within certain timeframes. The terms "cause," "good reason," "disability," and "change-in-control" are defined in the 2011 Plan, the 2015 Plan, and/or each executive's employment agreement and/or long-term incentive award agreements, as applicable. The severance benefits are described in "Summary of Employment Arrangements with Executive Officers – Potential Payments Upon Termination or Change-in-Control," below. An executive's receipt of any severance benefits will be subject to the executive's execution of a release of claims within the time period specified in the employment agreement and the continued compliance with the restrictive covenants described below.

Each named executive officer with an employment agreement is also subject to various restrictive covenants pursuant to his or her employment agreement, and his or her entitlement to certain benefits is contingent upon his or her compliance with such covenants. Specifically, the employment agreements make each executive party thereto subject to a covenant not to disclose our confidential information during his employment and at all times thereafter, a covenant not to compete during his employment and for a period of one year (or two years, in the case of Mr. Beck under his current employment agreement and Mr. Knitzer) following his or her termination of employment, a covenant not to solicit competitive "business services" through or from "loan sources" (each as defined in the employment agreements) during his or her employment and for a period of one year (or two years, in the case of Mr. Beck under his current employment agreement and Mr. Knitzer) following his or her termination of employment, a covenant not to solicit or hire our employees during his or her employment and for a period of one year (or two years, in the case of Mr. Beck under his current employment agreement and Mr. Knitzer) following his or her termination of employment, and a non-disparagement covenant effective during the employment term and at all times thereafter. Each executive's covenant not to compete is limited to an area within 25 miles of any of our branches or other offices.

In addition, each named executive officer must abide by any applicable equity retention policy, compensation recovery policy, stock ownership guidelines, or other similar policies that we maintain.

**Potential Payments Upon Termination or Change-in-Control**

Under their employment agreements and long-term incentive award agreements, our executive officers are entitled to certain severance benefits following termination by us without cause, by the executive as a result of good reason, due to the executive's disability, due to the executive's death, and following a "double-trigger" change-in-control. These benefits ensure that our executives are motivated primarily by the needs of our business, rather than circumstances that are outside of the ordinary course of business (such as circumstances that might lead to the termination of an executive's employment or that might lead to a change-in-control). Severance benefits provide for a level of continued compensation if an executive's employment is adversely affected in these circumstances, subject to certain conditions. We believe that these benefits enable executives to focus fully on their duties while employed by us, ensure that our executives act in the best interests of our stockholders, even if such actions are otherwise contrary to our executives' personal interests, and alleviate concerns that may arise in the event of an executive's separation from service with us. We believe that these severance benefits are in line with current market practices. As Mr. Dymski is not currently an executive officer, and was only an executive officer for his period of service as interim Chief Financial Officer, he does not have an employment agreement and the amounts shown for his in the table below represent payments under the terms of his long-term incentive award agreements.

The rights to and level of benefits are determined by the type of termination event. Our executive employment agreements provide for the following cash and other benefits:

| Termination Event | Severance Benefits |
|---|---|
| **By the Company Without Cause or by the Executive for Good Reason** | (1) *Payment in Lieu of 30 Days' Notice*. At our election, 30 days' base salary in lieu of allowing the executive to work through any required 30-day termination notice period.<br><br>(2) *Base Salary Continuation*. In the case of Mr. Beck under his current employment agreement and Mr. Knitzer under his former employment agreement, an amount equal to two times his salary in effect on the termination date, payable over a period of 24 months following his termination date, and in the case of each other executive subject to a current employment agreement, an amount equal to his salary in effect on the termination date, payable over a period of 12 months following his termination date.<br><br>(3) *Average Bonus*. In the case of Mr. Beck under his current employment agreement and Mr. Knitzer under his former employment agreement, an amount equal to two times his average bonus determined as of the termination date, payable over a period of 24 months following his termination date, and in the case of each other executive subject to a current employment agreement, an amount equal to his average bonus determined as of the termination date, payable over a period of 12 months following his termination date. An executive's "average bonus" is defined in his employment agreement, generally as the average annual bonus paid for the three fiscal years prior to the year of termination or such lesser number of full fiscal years that the executive has been employed. If employment is terminated before the last day of the executive's first full fiscal year, the average bonus is calculated as the executive's target bonus.<br><br>(4) *Annual Incentive Compensation*. The pro-rata portion of any bonus for the year in which termination occurs, to the extent earned, plus, if termination occurs after year-end but before the bonus for the preceding year is paid, the bonus for the preceding year.<br><br>(5) *Health Benefits Continuation Coverage*. Reimbursement of COBRA premiums for continuation coverage under our group medical plan for 24 months (in the case of Mr. Beck under his current employment agreement and Mr. Knitzer under his former employment agreement) or 12 months (in the case of each other executive subject to a current employment agreement) following his termination date, so long as he is not entitled to obtain insurance from a subsequent employer.<br><br>(6) *Outplacement Services*. Reasonable outplacement service expenses for 24 months (in the case of Mr. Beck under his current employment agreement and Mr. Knitzer under his former employment agreement) or 12 months (in the case of each other executive subject to a current employment agreement) following the termination date, not exceeding $25,000 per year. |
| **"Double-Trigger" Change-in-Control** | Excluding Mr. Beck under his current employment agreement and Mr. Knitzer under his former employment agreement, if employment is terminated by us without cause or by the executive as a result of good reason, and such termination occurs within six months before or one year after the effective date of a change-in-control, then the executive is entitled to the benefits described immediately above, plus the additional benefit that the amounts described in items (2) and (3) will be increased by a factor of 100% (for a total of two times salary and average bonus). |
| **Disability** | If employment is terminated due to the executive's disability, he will be entitled to the same benefits as if employment were terminated by us without cause or by the executive as a result of good reason, except that he is not entitled to 30 days' notice of termination (or payment in lieu thereof). The disability severance benefits will be reduced by the amount of any disability benefits paid to the executive pursuant to any disability insurance, plan, or policy provided by us to or for the benefit of the executive. If any disability benefits paid to an executive pursuant to any disability insurance, plan, or policy provided by us are not subject to local, state, or federal taxation, then our severance obligations in the event of termination due to the executive's disability will be reduced by an amount equal to the gross taxable amount that we would have been required to pay in order to yield the net, after-tax benefit that the executive actually received pursuant to such disability insurance, plan, or policy. |
| **Death** | *Annual Incentive Compensation*. The pro-rata portion of any bonus for the year in which death occurs, to the extent earned, plus, if death occurs after year-end but before the bonus for the preceding year is paid, the bonus for the preceding year (paid to the executive's designated beneficiary or estate, as applicable). |

| Termination Event | Severance Benefits |
| --- | --- |
| **Voluntary Termination** | *Annual Incentive Compensation*. If termination occurs after year-end but before the bonus for the preceding year is paid, the bonus for the preceding year (the executive is not entitled to any bonus for the year during which voluntary termination occurs). |
| **Cause** | None. |

In addition to the benefits provided for under our executive employment agreements, our long-term incentive award agreements provide for the following treatment of awards following termination:

| Termination Event | Award Treatment |
| --- | --- |
| **By the Company Without Cause, by the Executive for Good Reason, Due to Disability, or Due to Death** | • *Non-Qualified Stock Option Awards*: Pro-rata accelerated vesting of any unvested shares.<br>• *Restricted Stock Awards:* Pro-rata accelerated vesting of any unvested shares.<br>• *Performance-Contingent RSUs:* Eligibility to vest in a pro-rata portion of the award, subject to actual performance over the full performance period.<br>• *Cash-Settled Performance Units:* Eligibility to vest in a pro-rata portion of the award, subject to actual performance over the full performance period. |
| **"Double-Trigger" Change-in-Control** | • *Non-Qualified Stock Option Awards:* Full accelerated vesting in the event of a termination of employment by us without cause or by the executive as a result of good reason within six months before or one year after the effective date of a change-in-control.<br>• *Restricted Stock Awards:* Full accelerated vesting in the event of a termination of employment by us without cause or by the executive as a result of good reason within six months before or one year after the effective date of a change-in-control.<br>• *Performance-Contingent RSUs:* Full accelerated vesting at target in the event of a termination of employment by us without cause or by the executive as a result of good reason within six months before or one year after the effective date of a change-in-control.<br>• *Cash-Settled Performance Units:* Full accelerated vesting at target in the event of a termination of employment by us without cause or by the executive as a result of good reason within six months before or one year after the effective date of a change-in-control. |
| **Retirement** | • *Non-Qualified Stock Option Awards:* Continued vesting as if the executive remained employed.<br>• *Restricted Stock Awards:* Unvested shares are forfeited as of the termination date.<br>• *Performance-Contingent RSUs:* Eligibility to vest in a pro-rata portion of the award, subject to actual performance over the full performance period.<br>• *Cash-Settled Performance Units:* Eligibility to vest in a pro-rata portion of the award, subject to actual performance over the full performance period.<br>An executive is generally eligible for "Retirement" when he or she (i) is 65 or older at the time of termination, or (ii) is 55 or older at the time of termination and has completed ten (10) years of service to Regional. |

The following table provides information concerning the payments and the value of other benefits that our NEOs would have been eligible to receive if their employment had been terminated under the described circumstances. Our obligation to provide the payments and other benefits described in the table are found in each NEO's employment agreement and in long-term incentive award agreements, in each case as described above.

In calculating the amounts included in the table below, we have assumed (i) that the termination event and/or change-in-control occurred on December 31, 2020, (ii) a share price of $29.86 (our closing share price on December 31, 2020), and (iii) the following:

- "Payment in Lieu of 30 Days' Notice": We have assumed that we will elect to pay 30 days' base salary in lieu of allowing the NEO to work through any required 30-day termination notice period.
- "Severance Payment": The amount represents a combination of the "Base Salary Continuation" and "Average Bonus" payments described above.
- "Annual Incentive Compensation": The amount is based upon the level of performance and percentage payout actually achieved, as determined by the Compensation Committee in March 2021.
- "Long-Term Incentive Award Vesting": The value associated with accelerated non-qualified stock option awards has been calculated by multiplying the number of accelerated shares by the amount by which our stock price as of December 31, 2020 exceeded (if at all) the exercise price of the option. For any performance-contingent long-term incentive award where vesting remains subject to actual performance over a performance period, (1) we have calculated the value (if any) of awards associated with performance periods ending in 2020 based on actual performance, and (2) we have ascribed no value to awards associated with performance periods ending after 2020 because there is no guarantee that we will meet the threshold performance criteria required for these awards to vest and be paid.
- "Other Benefits": The amount includes reimbursement of COBRA premiums for continuation coverage and the value of outplacement services. We have assumed (1) that the NEO will not become entitled to obtain insurance from a subsequent employer, and (2) that the NEO will receive the maximum value of outplacement services.

| Name | Type of Payment or Benefit | Termination Event: Termination by the Company Without Cause or by the Executive for Good Reason ($) | Termination by the Company Without Cause or by the Executive for Good Reason in Connection with a Change in Control ($) | Termination Due to Disability ($) | Termination Due to Death ($) | Voluntary Termination by the Executive(1) ($) |
|---|---|---|---|---|---|---|
| Robert W. Beck | Payment in Lieu of 30 Days' Notice | 49,180 | 49,180 | — | — | — |
| | Severance Payment | 3,168,410 | 3,168,410 | 3,168,410 | — | — |
| | Annual Incentive Compensation | 984,205 | 984,205 | 984,205 | 984,205 | — |
| | Long-Term Incentive Award Vesting(2) | 430,979 | 2,322,287 | 430,979 | 430,979 | — |
| | Other Benefits | 50,000 | 50,000 | 50,000 | — | — |
| | **Total** | **4,682,774** | **6,574,082** | **4,633,594** | **1,415,184** | **—** |
| Peter R. Knitzer(3) | Payment in Lieu of 30 Days' Notice | 49,180 | — | — | — | — |
| | Severance Payment | 2,398,154 | — | — | — | — |
| | Annual Incentive Compensation | 211,475 | — | — | — | — |
| | Long-Term Incentive Award Vesting(2) | 966,496 | — | — | — | — |
| | Other Benefits | 50,000 | — | — | — | — |
| | **Total** | **3,675,306** | **—** | **—** | **—** | **—** |
| Harpreet Rana | Payment in Lieu of 30 Days' Notice | 32,787 | 32,787 | — | — | — |
| | Severance Payment | 442,623 | 885,246 | 442,623 | — | — |
| | Annual Incentive Compensation | 53,279 | 53,279 | 53,279 | 53,279 | — |
| | Long-Term Incentive Award Vesting(2) | 12,333 | 204,626 | 12,333 | 12,333 | — |
| | Other Benefits | 25,000 | 25,000 | 25,000 | — | — |
| | **Total** | **566,022** | **1,200,938** | **533,235** | **65,612** | **—** |
| Michael S. Dymski(4) | Payment in Lieu of 30 Days' Notice | — | — | — | — | — |
| | Severance Payment | — | — | — | — | — |
| | Annual Incentive Compensation | — | — | — | — | — |
| | Long-Term Incentive Award Vesting(2) | 188,924 | 188,924 | 188,924 | 188,924 | — |
| | Other Benefits | — | — | — | — | — |
| | **Total** | **188,924** | **188,924** | **188,924** | **188,924** | **—** |
| John D. Schachtel | Payment in Lieu of 30 Days' Notice | 34,016 | 34,016 | — | — | — |
| | Severance Payment | 815,157 | 1,630,314 | 815,157 | — | — |
| | Annual Incentive Compensation | 518,750 | 518,750 | 518,750 | 518,750 | — |
| | Long-Term Incentive Award Vesting(2) | 822,176 | 1,785,177 | 822,176 | 822,176 | — |
| | Other Benefits | 41,246 | 41,246 | 41,246 | — | — |
| | **Total** | **2,231,345** | **4,009,503** | **2,197,329** | **1,340,926** | **—** |
| Brian J. Fisher | Payment in Lieu of 30 Days' Notice | 32,787 | 32,787 | — | — | — |
| | Severance Payment | 744,050 | 1,488,100 | 744,050 | — | — |
| | Annual Incentive Compensation | 462,705 | 462,705 | 462,705 | 462,705 | — |
| | Long-Term Incentive Award Vesting(2) | 387,942 | 1,169,000 | 387,942 | 387,942 | — |
| | Other Benefits | 33,914 | 33,914 | 33,914 | — | — |
| | **Total** | **1,661,397** | **3,186,506** | **1,628,610** | **850,647** | **—** |
| Manish Parmar | Payment in Lieu of 30 Days' Notice | 27,459 | 27,459 | — | — | — |
| | Severance Payment | 665,423 | 1,330,846 | 665,423 | — | — |
| | Annual Incentive Compensation | 413,029 | 413,029 | 413,029 | 413,029 | — |
| | Long-Term Incentive Award Vesting(2) | 98,855 | 728,694 | 98,855 | 98,855 | — |
| | Other Benefits | 25,000 | 25,000 | 25,000 | — | — |
| | **Total** | **1,229,766** | **2,525,028** | **1,202,307** | **511,884** | **—** |

(1) A voluntary termination that is treated as a "retirement" may result in pro-rata or continued vesting of certain long-term incentive awards. None of our NEOs were eligible for "retirement" as of December 31, 2020.

(2) See "Executive Compensation Tables – Outstanding Equity Awards at Fiscal Year-End" for a summary of equity-based long-term incentive awards outstanding as of December 31, 2020. As of December 31, 2020, in addition to equity-based long-term incentive awards, Messrs. Beck, Knitzer, Schachtel, Fisher, and Parmar held one or more cash-settled performance unit awards having an aggregate target value of $400,000; $1,258,333; $580,625; $318,750; and $125,625, respectively.

(3) Mr. Knitzer's employment was terminated without cause, effective March 26, 2020. He received severance benefits pursuant to the terms of his employment agreement, calculated as of the effective date of his termination.

(4) Because Mr. Dymski's employment is not subject to an employment agreement, the Company's obligations to provide payments to him in the event of his termination are present only in his long-term incentive award agreements.

The amounts shown in the table do not include payments and benefits to the extent they are provided generally to all salaried employees upon termination of employment and do not discriminate in scope, terms, or operation in favor of our NEOs. Because the amounts in the table are calculated subject to the assumptions provided and on the basis of the occurrence of a termination as of a particular date and under a particular set of circumstances, the actual amount to be paid to each of our NEOs upon a termination or change in control may vary significantly from the amounts included in the table. Factors that could affect these amounts include the timing during the year of the termination event and the type of termination event that occurs.

## SUMMARY OF COMPANY INCENTIVE PLANS

The discussion that follows describes certain material terms of our principal long-term incentive plans and our principal cash incentive plan.

### Long-Term Incentive Plans

#### *2015 Long-Term Incentive Plan*

The 2015 Plan became effective April 22, 2015, and was amended and restated effective April 27, 2017. The purposes of the 2015 Plan are (i) to encourage and enable selected employees, directors, and consultants to acquire or increase their holdings of our common stock and other equity-based interests and/or to provide other incentive awards in order to promote a closer identification of their interests with our interests and those of our stockholders, and (ii) to provide us with flexibility to motivate, attract, and retain the services of participants upon whose judgment, interest, and special effort the successful conduct of our operation largely depends. Awards granted under the 2015 Plan may be in the form of incentive or non-qualified stock options, SARs (including related or freestanding SARs), RSAs, RSU awards, performance share awards, performance unit awards, phantom stock awards, other stock-based awards, and/or dividend equivalent awards. Awards may be granted under the 2015 Plan until April 21, 2025 or the plan's earlier termination by the Board.

The 2015 Plan is administered by the Compensation Committee, subject to Board oversight. The maximum aggregate number of shares of common stock that we may issue pursuant to awards granted under the 2015 Plan may not exceed the sum of (i) 1,550,000 shares, plus (ii) any shares (A) remaining available for grant as of the effective date of the 2015 Plan under any prior plan and/or (B) subject to an award granted under a prior plan, which award is forfeited, canceled, terminated, expires, or lapses for any reason without the issuance of shares or pursuant to which such shares are forfeited. In addition, shares subject to certain awards will again be available for issuance (or otherwise not counted against the maximum number of available shares) under the 2015 Plan, including unissued or forfeited shares subject to awards that are canceled, terminate, expire, are forfeited, or lapse for any reason; awards settled in cash; dividends (including dividends paid in shares) or dividend equivalents paid in cash in connection with outstanding awards; and shares subject to an award other than an option or SAR that are not issued for any reason (including failure to achieve maximum performance criteria). Further, the following will not reduce the maximum number of shares available under the 2015 Plan: (i) shares issued under the 2015 Plan through the settlement, assumption, or substitution of outstanding awards granted by another entity or obligations to grant future awards in connection with a merger or similar transaction that involves our acquisition of another entity, and (ii) available shares under a shareholder approved plan of an acquired company (as adjusted to reflect the transaction) that are used for awards under the 2015 Plan, in each case, subject to NYSE listing requirements. The number of shares reserved for issuance under the 2015 Plan, the participant award limitations, and the terms of awards may also be adjusted in the event of an adjustment in our capital structure (due to a merger, recapitalization, stock split, stock dividend, or similar event).

We are proposing that our stockholders re-approve the 2015 Plan (as amended and restated effective May 20, 2021) to, among other things, increase the number of shares of stock that may be issued under the 2015 Plan. We believe that our long-term incentive compensation program, currently implemented under the 2015 Plan, allows us to compete with comparable companies in our industry in order to attract and retain talented individuals who contribute to our long-term success. We also believe that the 2015 Plan effectively provides substantial incentive to achieve our business objectives and build stockholder value, thereby aligning the interests of plan participants with the interests of our stockholders. Approval of the amended and restated 2015 Plan should provide us with the continued flexibility needed to use equity compensation and other incentive awards to attract, retain, and motivate talented employees, directors, and consultants who are important to our long-term growth and success.

Additional information regarding our 2015 Plan, including proposed amendments to the 2015 Plan, can be found below under the caption "Proposal Three: Re-Approval of the Regional Management Corp. 2015 Long-Term Incentive Plan (as amended and restated effective May 20, 2021)."

#### *2011 Stock Incentive Plan*

The 2011 Plan provides for the issuance of a maximum of 950,000 shares of common stock pursuant to awards granted under the plan. Awards may include incentive or non-qualified stock options, SARs (including related or freestanding SARs), other stock-based awards (including shares of common stock, restricted shares, RSUs, and awards that are valued in whole or in part by reference to, or are otherwise based on, the fair market value of our common stock), and/or performance-based awards to our and our subsidiaries' key employees, directors, or other service providers. The number of shares reserved for issuance under the plan and the terms of awards may be adjusted upon certain events affecting our capitalization. The 2011 Plan is administered by the Compensation Committee and was replaced by the 2015 Plan. Awards may no longer be granted under the 2011 Plan, and any

shares that remained available for grant have been rolled over to the 2015 Plan. However, awards that remain outstanding under the 2011 Plan will continue in accordance with their respective terms.

**Annual Incentive Plan**

The Annual Incentive Plan is administered by the Compensation Committee and provides for the payment of incentive bonuses based on the attainment of performance objectives in the form of cash or, at the discretion of the Compensation Committee, in awards of shares under the 2015 Plan. The purpose of the Annual Incentive Plan is to enable us to attract, retain, motivate, and reward selected officers and other employees by providing them with the opportunity to earn annual incentive compensation awards based on the attainment of certain performance objectives. The Compensation Committee will establish the performance periods over which performance objectives will be measured. A performance period may be for a fiscal year or a shorter period, as determined by the Compensation Committee, and performance periods may overlap. For a given performance period, the Compensation Committee will establish (i) the performance objective or objectives that must be achieved for a participant to be eligible to receive a bonus for such performance period, and (ii) the target incentive bonus for each participant. The Compensation Committee may adjust awards as appropriate for partial achievement of goals or other factors, and may interpret and make necessary and appropriate adjustments to performance goals and the manner in which goals are evaluated. The Compensation Committee has absolute discretion to reduce or eliminate the amount of an award granted to a participant, including an award otherwise earned and payable under the Annual Incentive Plan, and to establish rules or procedures that have the effect of limiting the amount payable to each participant to an amount that is less than the maximum amount otherwise authorized as that participant's target incentive bonus. No participant may receive a bonus under the Annual Incentive Plan, with respect to any fiscal year, in excess of $2,500,000.

## STOCKHOLDER PROPOSALS

We are seeking stockholder action on the following four proposals, which are described in greater detail below:

1. The election of the eight nominees named in this Proxy Statement to serve as members of the Board until the next annual meeting of stockholders or until their successors are elected and qualified;
2. The ratification of the appointment of RSM US LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2021;
3. The re-approval of the Regional Management Corp. 2015 Long-Term Incentive Plan (as amended and restated effective May 20, 2021); and
4. The approval, on an advisory basis, of our executive compensation.

### Proposal No. 1: Election of Directors

Our Bylaws currently provide that the number of directors of the Company shall be fixed from time to time by resolution adopted by the Board. There are presently nine directors. Alvaro G. de Molina, who currently serves as a director on our Board, will not be standing for re-election at the Annual Meeting. Mr. de Molina's decision not to stand for re-election was not the result of any disagreement relating to our operations, policies, or practices, including financial reporting. In March 2021, the Board, acting on the recommendation of the Nominating Committee, decided to reduce its overall size from nine directors to eight directors, effective from the date of the Annual Meeting.

The Nominating Committee evaluates the size and composition of the Board on at least an annual basis. In connection therewith, the Nominating Committee has nominated and recommends for election as directors the following eight nominees: Robert W. Beck, Jonathan D. Brown, Roel C. Campos, Maria Contreras-Sweet, Michael R. Dunn, Steven J. Freiberg, Sandra K. Johnson, and Carlos Palomares. Each nominee presently serves as a director. Directors shall be elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified or until their earlier resignation, removal, or death.

A candidate for election as a director is nominated to stand for election based on his or her professional experience, recognized achievements in his or her respective fields, an ability to contribute to some aspect of our business, and the willingness to make the commitment of time and effort required of a director. A description of the background, business experience, skills, qualifications, attributes, and certain other information with respect to each of the nominees for election to the Board can be found above in the "Board of Directors and Corporate Governance Matters" section of this Proxy Statement. Each of the above-listed nominees has been identified as possessing an appropriate diversity of background and experience, good judgment, deep knowledge of our industry, strength of character, and an independent mind, as well as a reputation for integrity and high personal and professional ethics. Each nominee also brings a strong and unique background and set of skills to the Board, giving the Board, as a whole, competence and experience in a wide variety of areas.

In selecting this slate of nominees for 2021, the Nominating Committee specifically considered the background and business experience of each of the nominees, along with the familiarity of the nominees with our business and prospects, which has been developed as a result of their service on our Board. The Nominating Committee believes that such familiarity will be helpful in addressing the opportunities and challenges that we face in the current business environment.

Each of the eight nominees has consented to being named in this Proxy Statement and to serve as a director, if elected. In the event that any nominee withdraws, or for any reason is unable to serve as a director, the proxies will be voted for such other person as may be designated by the Nominating Committee as a substitute nominee, but in no event will proxies be voted for more than eight nominees. The Nominating Committee has no reason to believe that any nominee will not continue to be a candidate or will not serve if elected.

*The Board unanimously recommends a vote "FOR" the election of each of the nominees listed above.*

### Proposal No. 2: Ratification of Appointment of Independent Registered Public Accounting Firm

RSM US LLP has served as our independent registered public accounting firm since 2007. The Audit Committee has selected RSM US LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2021, and the Audit Committee and the Board recommend that the stockholders ratify the appointment of RSM US LLP as our independent registered public accounting firm for fiscal 2021.

A representative of RSM US LLP plans to attend the virtual Annual Meeting, will have the opportunity to make a statement, and will be available to respond to appropriate questions. Although ratification is not required, the Board is submitting the

appointment of RSM US LLP to the stockholders for ratification as a matter of good corporate governance. In the event that the stockholders fail to ratify the appointment, the Audit Committee will consider whether to appoint another independent registered public accounting firm.

The following table sets forth the aggregate fees billed to us by our independent registered public accounting firm, RSM US LLP, during the fiscal years ended December 31, 2020 and 2019.

| | Year Ended December 31, 2020 | Year Ended December 31, 2019 |
|---|---|---|
| Audit Fees | $ 894,826 | $ 916,325 |
| Audit-Related Fees | 40,125 | 19,688 |
| Tax Fees | — | — |
| All Other Fees | — | — |
| **Total** | $ 934,951 | $ 936,013 |

In the above table, in accordance with applicable SEC rules:

- "Audit Fees" are fees billed for professional services rendered by the independent registered public accounting firm for the audit of our annual consolidated financial statements, review of consolidated financial statements included in our Forms 10-Q, and services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements.
- "Audit-Related Fees" are fees billed for assurance and related services performed by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements that are not reported above under "Audit Fees." In 2020 and 2019, these fees were for attest services performed by the independent registered public accounting firm related to financial reporting that are not required by statute or regulation.
- "Tax Fees" are fees billed for professional services rendered by the independent registered public accounting firm for tax compliance, tax advice, and tax planning. There were no such fees incurred in 2020 or 2019.
- "All Other Fees" represent fees billed for ancillary professional services that are not reported above under "Audit Fees," "Audit-Related Fees," or "Tax Fees." There were no such fees incurred in 2020 or 2019.

It is the policy of the Audit Committee to pre-approve all audit and permitted non-audit services proposed to be performed by our independent registered public accounting firm. The Audit Committee reviewed and pre-approved all of the services performed by RSM US LLP. The process for such pre-approval is typically as follows: Audit Committee pre-approval is sought at one of the Audit Committee's regularly scheduled meetings following the presentation of information at such meeting detailing the particular services proposed to be performed. The authority to pre-approve audit and non-audit services may be delegated by the Audit Committee to the Chair of the Audit Committee, who shall present any decision to pre-approve an activity to the full Audit Committee at the first regular meeting following such decision. None of the services described above were approved by the Audit Committee pursuant to the exception provided by Rule 2-01(c)(7)(i)(C) under Regulation S-X.

The Audit Committee has reviewed the non-audit services provided by RSM US LLP and has determined that the provision of such services is compatible with maintaining RSM US LLP's independence.

*The Board unanimously recommends a vote "FOR" the ratification of the appointment of RSM US LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2021.*

**Proposal No. 3: Re-approval of the Regional Management Corp. 2015 Long-Term Incentive Plan (As Amended and Restated Effective May 20, 2021)**

**General Information; Proposed Amendments**

The Compensation Committee and the Board have approved the amendment and restatement of the Regional Management Corp. 2015 Long-Term Incentive Plan, subject to stockholder approval at the Annual Meeting. References in this proposal to the "2015 Plan" also refer to the 2015 Long-Term Incentive Plan, as proposed to be amended and restated effective May 20, 2021, unless the context indicates otherwise.

Stockholder approval of the amended and restated 2015 Plan is required, among other things, in order to comply with NYSE rules requiring stockholder approval of certain material amendments to equity compensation plans and certain tax regulations related to incentive stock options.

The material changes to the 2015 Plan, as proposed to be amended and restated, include:

- an increase in the number of shares of common stock that may be issued under the 2015 Plan from 1,550,000 shares to 2,600,000 shares (i.e. a proposal for the authorization of 1,050,000 additional or "new" shares), which will be in addition to those shares that were available for the grant of awards as of the 2015 Plan effective date (April 22, 2015) under any prior plan plus any shares subject to an award granted under the 2015 Plan or a prior plan, which award is forfeited, cash-settled, cancelled, terminated, expires, or lapses without the issuance of shares or pursuant to which such shares are forfeited, and further subject to adjustment as described in the 2015 Plan;
- an increase in the maximum number of shares of common stock that may be issued under the 2015 Plan pursuant to the grant of incentive stock options from 1,550,000 to 2,600,000, subject to adjustment as described in the 2015 Plan;
- a revision to the authority of the Administrator (as defined in this proposal below under "Description of 2015 Plan – Administration; Amendment and Termination") clarifying that the Administrator's existing authority to accelerate the exercisability, vesting, or earning of an award may be exercised without regard to the 2015 Plan's minimum vesting provisions otherwise applicable to awards under the 2015 Plan, which is a customary provision that enables flexibility;
- a revision to the share counting provisions where shares withheld from or delivered by a participant to satisfy tax withholding requirements for full value awards (*i.e.,* awards other than options or stock appreciation rights) may now be made available again for issuance as awards under the 2015 Plan; and
- a new requirement that the minimum vesting requirement for equity awards granted to non-employee directors will occur as of our annual meeting of stockholders following the year of grant (to the extent such date occurs prior to the first anniversary of grant) only for so long as the period between the date of the annual meeting of the Company's stockholders related to the grant date and the date of the next annual meeting of the Company's stockholders is not less than 50 weeks (for vesting dates occurring on or after the 2022 Annual Meeting of Stockholders).

If the amended and restated 2015 Plan is not approved by our stockholders, the 2015 Plan in its current form will remain in effect, subject to Board authority to approve plan amendments in the future that do not require stockholder approval.

The discussion that follows is qualified in all respects by reference to the terms of the 2015 Plan, which is attached as Appendix A to this Proxy Statement. We will promptly provide, upon request and without charge, a copy of the full text of the 2015 Plan to each person to whom a copy of this Proxy Statement is delivered. Requests should be directed to our Corporate Secretary at 979 Batesville Road, Suite B, Greer, South Carolina 29651. An electronic copy of the 2015 Plan is also available free of charge as Appendix A to the electronic version of this Proxy Statement on the SEC's website at www.sec.gov, and a copy of the 2015 Plan, prior to its current amendment and restatement, is accessible via the SEC's website at www.sec.gov as an exhibit to our Current Report on Form 8-K filed with the SEC on May 2, 2017. Stockholders should refer to the 2015 Plan for more complete and detailed information about the 2015 Plan.

The Board believes that our long-term incentive compensation program, currently implemented under the 2015 Plan, allows us to compete with comparable companies in our industry in order to attract and retain talented individuals who contribute to our long-term success. The Board also believes that the 2015 Plan effectively provides substantial incentive to achieve our business objectives and build stockholder value, thereby aligning the interests of plan participants with the interests of our stockholders. Approval of the amended and restated 2015 Plan should provide us with the continued flexibility we need to use equity compensation and other incentive awards to attract, retain, and motivate talented employees, directors, and consultants who are important to our long-term growth and success.

**“Best Practices” Integrated Into Regional’s Equity Compensation Program and the 2015 Plan**

Our compensation practices include a number of features that the Board believes reflect responsible compensation and governance practices and promote the interests of stockholders, including the following:

- ✓ ***Limitation on Shares Issued*.** Assuming the approval of the 2015 Plan, as amended and restated, no more than 2,600,000 shares will be authorized for issuance under the 2015 Plan, plus any shares (i) remaining available for the grant of awards as of April 22, 2015 under the 2011 Stock Incentive Plan and the 2007 Management Incentive Plan (each a “Prior Plan”) and/or (ii) subject to an award granted under the 2015 Plan or a Prior Plan that is forfeited (and further subject to adjustment for anti-dilution purposes). The 2015 Plan also imposes limitations on the amount of participant awards, which limitations are not proposed to be increased. See “Description of 2015 Plan – Share Limitations” in this proposal below.
- ✓ ***No Discounted Stock Options or SARs and Limit on Option and SAR Terms*.** Under the 2015 Plan, stock options and stock appreciation rights, or SARs, must have an exercise price or base price, as applicable, equal to or greater than the fair market value of our common stock on the date of grant. In addition, the term of an option or SAR is limited to 10 years.
- ✓ ***No “Evergreen” Provision*.** The 2015 Plan requires stockholder approval of any additional authorization of shares (other than adjustments for anti-dilution purposes), rather than permitting an annual “replenishment” of shares under a plan “evergreen” provision.
- ✓ ***Conservative Share Counting Provisions for Options and SARs*.** The 2015 Plan imposes conservative counting and share recycling provisions discussed in more detail in this proposal under “Description of 2015 Plan – Share Limitations.” Specifically, shares subject to option and SAR awards tendered or withheld to satisfy tax withholding requirements, in payment of an award’s exercise price, or in connection with net settlement will not be added back for reuse under the 2015 Plan, nor will any shares repurchased on the open market with the proceeds of an option price.
- ✓ ***No Stock Option or SAR Re-Pricings*.** The 2015 Plan prohibits the re-pricing of stock options or SARs without the approval of stockholders. This 2015 Plan provision applies to (i) direct re-pricings (lowering the exercise price of an option or the base price of a SAR), (ii) indirect re-pricings (exchanging an outstanding option or SAR that is underwater in exchange for cash, for options or SARs with an option price or base price less than that applicable to the original option or SAR, or for another equity award), and (iii) any other action that would be treated as a re-pricing under applicable stock exchange rules (subject to anti-dilution adjustments).
- ✓ ***Robust Minimum Vesting and Award Practices*.** The 2015 Plan generally imposes minimum vesting periods of one year. Regional has granted employees performance-contingent restricted stock units, cash-settled performance units, service-based restricted stock awards, and service-based stock options, each with vesting periods generally ranging from eighteen months to three years.
- ✓ ***Prudent Change of Control Provisions*.** The 2015 Plan includes prudent change of control triggers, such as requiring a change in beneficial ownership of more than 50% of our voting stock, consummation (rather than stockholder approval) of a significant merger or other transaction, or a change in a majority of our Board within a 12-month period in order for a change of control to be deemed to have occurred. In addition, the 2015 Plan generally provides that awards will vest upon a change of control only if (i) awards are not assumed, substituted, or continued, or (ii) even if such awards are assumed, substituted, or continued, a participant’s employment is terminated by Regional without cause or by the participant for good reason within specified time periods prior to or following the change of control.
- ✓ ***Forfeiture and Recoupment Policies*.** The 2015 Plan authorizes the Compensation Committee or the Board to require forfeiture and/or recoupment of plan benefits if a participant engages in certain types of detrimental conduct and to require that a participant be subject to any compensation recovery policy or similar policies that may apply to the participant or be imposed under applicable laws. Regional maintains a compensation recoupment policy administered by the Compensation Committee that generally applies to our executive officers, the corporate controller, and such other officers or employees as may be determined from time to time by the Compensation Committee. The recoupment policy provides for recovery of certain incentive compensation paid to a covered person in the event that he or she was awarded incentive compensation based on financial results that are subsequently re-stated due to the misconduct of such person, such person breaches certain restrictive covenants applicable to him or her, or such recovery is otherwise required by applicable laws, rules, or regulations.
- ✓ ***Stock Ownership Guidelines/Equity Retention Policy.*** Regional’s executive officers, other selected officers and employees, and members of the Board are subject to minimum stock ownership and stock retention requirements pursuant to Regional’s Stock Ownership and Retention Policy.

- ✓ ***Administered by Independent Committee*.** The 2015 Plan is administered by the Compensation Committee. All members of the Compensation Committee qualify as "independent directors" under NYSE listing standards, "non-employee directors" under Rule 16b-3 adopted under the Exchange Act, and "outside directors" under Code Section 162(m).
- ✓ ***No Dividends or Dividend Equivalents on Unvested Awards*.** Under the 2015 Plan, dividends and dividend equivalents, if any, on awards issued under the 2015 Plan may only be paid if and to the extent the award (or portion thereof) has vested or been earned.
- ✓ ***Efficient Use of Equity*.** We are committed to the efficient use of equity awards and are mindful of ensuring that our equity compensation program does not overly dilute our existing stockholders.
- ✓ ***Prohibition Against Hedging and Pledging*.** Our Code of Business Conduct and Ethics prohibits directors, officers, and employees from engaging in activities designed to (i) profit from trading (versus investing) activity or (ii) profit from or hedge against decreases in the value of Regional securities. As noted above, we also maintain a stock ownership and retention policy, which prohibits the pledging of any shares subject to the retention requirements thereunder.
- ✓ ***Reasonable Plan Duration.*** If stockholders approve the 2015 Plan, as amended and restated, we currently anticipate that the shares available under the 2015 Plan will meet our expected needs for the next three years. This assumption is based upon our historical grant practices. However, future circumstances and business needs may dictate a different result, and the Compensation Committee retains the discretion to change its grant practices subject to the limits set forth in the 2015 Plan. By its terms, no awards may be granted under the 2015 Plan after April 21, 2025.

## Key Data Regarding Share Usage Under Regional's Long-Term Incentive Plans

### *Outstanding Awards and Share Reserve*

The following table includes information regarding outstanding equity awards and shares available for future awards under Regional's long-term incentive plans as of April 12, 2021 (determined based upon the maximum number of shares that may be delivered pursuant to outstanding performance-contingent equity awards). The Company granted long-term incentive awards to its executive officers and certain other key contributors in February and March 2021, and those awards are included in the data below. As of April 12, 2021, there were a total of 10,748,552 shares of our common stock outstanding. The closing price per share of our common stock on the New York Stock Exchange as of April 12, 2021, was $37.20.

| Name of Equity Plan | Total Shares Underlying Outstanding Stock Options (#) | Weighted Average Exercise Price of Outstanding Stock Options ($) | Weighted Average Remaining Contractual Life of Outstanding Stock Options (Years) | Total Shares Underlying Outstanding Unvested, Performance-Contingent Restricted Stock Units(3) (#) | Total Shares Underlying Outstanding Unvested, Performance-Based Restricted Stock Awards(4) (#) | Total Shares Underlying Outstanding Unvested, Time-Based Restricted Stock Awards(5) (#) | Total Shares Currently Available for Grant (#) |
|---|---|---|---|---|---|---|---|
| 2007 Management Incentive Plan(1) | — | — | — | — | — | — | — |
| 2011 Stock Incentive Plan(2) | 115,916 | 20.19 | 3.00 | — | — | — | 62,991 |
| 2015 Long Term Incentive Plan | 789,026 | 22.28 | 6.25 | 128,966 | 111,939 | 285,322 | 103,449 |
| **Totals:** | **904,942** | **22.01** | **5.84** | **128,966** | **111,939** | **285,322** | **166,440** |

(1) Regional Management Corp. 2007 Management Incentive Plan, as amended. On April 22, 2015, the Company's stockholders approved the 2015 Plan, at which time all shares then available for issuance under the 2007 Plan rolled over to the 2015 Plan. Awards may no longer be granted under the 2007 Plan. The last remaining options outstanding under the 2007 Plan were exercised in January 2017.

(2) Regional Management Corp. 2011 Stock Incentive Plan, as amended. On April 22, 2015, the Company's stockholders approved the 2015 Plan, at which time all shares then available for issuance under the 2011 Plan rolled over to the 2015 Plan. Awards may no longer be granted under the 2011 Plan. However, awards that are outstanding under the 2011 Plan will continue in accordance with their respective terms.

(3) Share amounts are determined based upon the maximum number of shares that may be delivered pursuant to these performance-based awards.

(4) These shares are included in the Company's outstanding share count and were granted following the achievement of performance objectives set forth in an underlying performance-based award.

(5) These shares are included in the Company's outstanding share count.

### *Historical Annual Share Usage*

The following table provides, for each of the past three fiscal years, detail regarding (i) full-value, performance-based equity awards granted, vested, and forfeited; (ii) full-value, time-based equity awards granted, vested, and forfeited; and (iii) appreciation awards (non-qualified stock options) granted, vested, and forfeited. The table provides aggregate share totals for all such awards from all plans to all plan participants (including, but not limited to, our executive officers). For performance awards that include a time-vesting period following the performance period, the shares will be counted as vested at the end of the time-vesting period. Although this disclosure is not required under applicable disclosure rules, we are providing the disclosure to assist our stockholders and other interested parties in accurately calculating our equity compensation plan burn rate and overhang.

| | Shares Underlying Full-Value, Performance-Based Equity Awards(1) (#) | Shares Underlying Full-Value, Time-Based Equity Awards(2) (#) | Shares Underlying Option Awards(3) (#) |
|---|---|---|---|
| **Non-Vested as of December 31, 2017** | **407,494** | **33,446** | **186,205** |
| Granted in 2018 | 166,377 | 44,259 | 111,787 |
| Vested in 2018 | 46,493 | 35,451 | 188,762 |
| Forfeited in 2018 | 147,179 | - | - |
| **Non-Vested as of December 31, 2018** | **380,199** | **42,254** | **109,230** |
| Granted in 2019 | 163,331 | 112,699 | 124,782 |
| Vested in 2019 | 104,640 | 51,951 | 100,398 |
| Forfeited in 2019 | 78,880 | 2,926 | 22,367 |
| **Non-Vested as of December 31, 2019** | **360,010** | **100,076** | **111,247** |
| Granted in 2020 | 208,828 | 244,126 | 145,392 |
| Vested in 2020 | 127,037 | 93,567 | 98,245 |
| Forfeited in 2020 | 117,639 | 19,989 | 38,328 |
| **Non-Vested as of December 31, 2020** | **324,162** | **230,646** | **120,066** |

(1) The shares reflected in this column are subject to (i) performance-contingent restricted stock units, (ii) awards granted pursuant to our key team member incentive program (which may be settled in shares pursuant to the 2015 Plan), or (iii) performance-contingent restricted stock awards granted in September 2017. The number of shares represents the maximum number of shares that the participants may earn under the associated performance-based award agreements.

For information regarding the terms, conditions, and vesting requirements of the performance-contingent restricted stock units, see "Compensation Discussion and Analysis – Elements of Compensation – Long-Term Incentive Awards" above. Under our key team member incentive program, each participant is eligible to earn restricted stock, subject to the achievement of performance goals over a one-year period. If earned, the restricted stock 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). Restricted shares earned under the key team member incentive program will be reflected as vested in the table above following the end of the time-vesting period. No executive officer currently participates in the key team member incentive program.

(2) The shares reflected in this column were made in the form of restricted stock. At the time of the restricted stock award, the associated shares were added to and included in the Company's total number of outstanding shares. Time-based restricted stock awards granted following the achievement of performance objectives under our key team member incentive program will be included in the "Shares Underlying Full-Value, Performance-Based Equity Awards" column.

(3) The shares reflected in this column were made in the form of non-qualified stock options.

*Burn Rate.* Burn rate provides a measure of the potential dilutive impact of our annual equity award program. Our burn rate for fiscal 2020 was 6.42%. Following the ISS methodology, our three-year average burn rate is 4.18%, which is well below our applicable ISS burn rate benchmark of 7.05%.

*Overhang.* Our overhang (a measure of shares subject to stock-based awards outstanding or reserved for future grants as a percentage of shares outstanding) as of April 12, 2021, was 12.68%. This percentage is in the 59th percentile of our 2020 peer group. If the additional 1,050,000 shares proposed to be authorized for grant under the 2015 Plan are included in the calculation, our overhang would be 19.47%, which is in the 81st percentile of our 2020 peer group.

## Description of 2015 Plan

### *Share Limitations*

As proposed to be amended, the maximum aggregate number of shares of common stock that we may issue pursuant to awards granted under the 2015 Plan may not exceed the sum of (i) 2,600,000 shares (currently 1,550,000 shares), plus (ii) any shares (A) remaining available for grant as of the effective date of the 2015 Plan under any Prior Plan and/or (B) subject to an award granted under the 2015 Plan or a Prior Plan, which award is forfeited, cash-settled, canceled, terminated, expires, or lapses for any reason without the issuance of shares or pursuant to which such shares are forfeited. The maximum aggregate number of shares of common stock that may be issued under the 2015 Plan pursuant to the grant of incentive options is proposed to be increased by the proposed plan amendments from 1,550,000 shares to 2,600,000 shares.

As of the 2015 Plan effective date (April 22, 2015), the maximum aggregate number of shares available under the Prior Plans was 572,061 shares (124,271 shares under the 2011 Plan and 447,790 shares under the 2007 Plan). For information regarding the aggregate number of shares subject to unvested outstanding full-value awards and options, the weighted average exercise price of options, and the weighted average remaining term of options, each as of April 12, 2021, see "Key Data Regarding Share Usage Under Regional's Long-Term Incentive Plans – Outstanding Awards and Share Reserve," above.

Under the 2015 Plan, in any 12-month period, (i) no participant may be granted options and SARs that are not related to an option for more than 450,000 shares of common stock (or the equivalent value thereof based on the fair market value per share of common stock on the grant date of an award); (ii) no participant may be granted awards other than options or SARs that are settled in shares of common stock for more than 450,000 shares of common stock; and (iii) the maximum amount of awards that are settled in cash that can be granted to any one participant will be $2,500,000. These limitations are not proposed to be increased. In addition, under the 2015 Plan, the maximum number of shares of common stock subject to awards granted during any 12-month period to a non-employee director, taken together with any cash fees paid during such 12-month period to such non-employee director in respect of Board service, may not exceed $600,000 in total value (calculating the value of any such awards based on the fair market value per share of common stock on the grant date of the award). These limitations are not proposed to be increased.

The following are not included in calculating the 2015 Plan share limitations described above: (i) shares subject to an award, or any portion thereof, that is canceled, terminates, expires, is forfeited, or lapses for any reason; (ii) awards settled in cash; (iii) dividends, including dividends paid in shares; and (iv) shares withheld from a full value award or delivered by a participant to satisfy tax withholding requirements with respect to a full value award, in each case, after the effective date of the amended and restated 2015 plan, as well as, any shares subject to an award other than an option or SAR that are not issued for any reason, including by reason of failure to achieve maximum performance factors or criteria. The following shares of common stock may not again be made available for issuance as awards under the amended and restated 2015 Plan if approved by our stockholders: (i) shares withheld from an award that is not a full value award (as opposed to any award) or delivered by a participant to satisfy tax withholding requirements for awards that are not full value awards (as opposed to any awards); (ii) shares not issued or delivered as a result of the net settlement of an outstanding award that is not a full value award (as opposed to any award); (iii) shares withheld or delivered to pay the exercise price related to an outstanding award; and (iv) shares repurchased on the open market with the proceeds of an option price. In addition, (i) shares issued under the 2015 Plan through the settlement, assumption, or substitution of outstanding awards granted by another entity or obligations to grant future awards as a condition of or in connection with a merger, acquisition, or similar transaction involving Regional acquiring another entity will not reduce the maximum number of shares available for delivery under the 2015 Plan, and (ii) available shares under a stockholder approved plan of an acquired company (as appropriately adjusted to reflect the transaction) may be used for awards under the 2015 Plan and will not reduce the maximum number of shares available under the 2015 Plan, subject to applicable stock exchange listing requirements.

The number of shares reserved for issuance under the 2015 Plan, the incentive stock option limitation, the participant award limitations, and the terms of awards may be adjusted in the event of an adjustment in the capital structure of Regional (due to a merger, recapitalization, stock dividend, stock split, or similar event). On April 12, 2021, the closing sales price of the common stock as reported on NYSE was $37.20 per share.

### *Purpose and Eligibility; Term*

The purposes of the 2015 Plan are to encourage and enable selected employees, directors, and consultants of Regional and its affiliates to acquire or increase their holdings of our common stock and other equity-based interests in Regional and to provide other incentive awards in order to promote a closer identification of their interests with those of Regional and our stockholders. The 2015 Plan provides flexibility to Regional in its ability to motivate, attract, and retain the services of participants upon whose judgment, interest, and special effort the successful conduct of its operation largely depends. If the amendment and restatement of the 2015 Plan is approved by the stockholders, such amendment and restatement will be effective May 20, 2021. Awards can be granted under the 2015 Plan until April 21, 2025 or the 2015 Plan's earlier termination by the Board. Awards may be granted to selected employees, directors, and consultants of Regional or our affiliates in the discretion of the Administrator. As of April 12, 2021, approximately 1,600 employees, eight non-employee directors, and certain of the Company's consultants (who have not yet

been identified) were eligible to be selected to participate in the 2015 Plan. However, we expect that awards will be made to up to approximately 60 employees annually, including approximately six executive officers of the Company, and the non-employee directors of the Company.

The 2015 Plan's purpose will be carried out by the granting of awards to selected participants. The types of awards authorized under the 2015 Plan include: options in the form of incentive options and/or non-qualified options; SARs in the form of freestanding SARs and/or related SARs; restricted awards in the form of restricted stock awards and/or restricted stock units; performance awards in the form of performance shares and/or performance units; phantom stock awards; other stock-based awards; and/or dividend equivalent awards. We discuss the material terms of each type of award below.

***Administration; Amendment and Termination***

The Compensation Committee administers the 2015 Plan pursuant to Board delegation and subject to Board oversight. Each member of the Compensation Committee is independent under applicable Code Section 162(m), SEC Rule 16b-3, and NYSE listing standards. The Board and the Compensation Committee are referred to in this discussion collectively as the "Administrator."

Subject to the terms of the 2015 Plan, the Administrator's authority includes but is not limited to the authority to: (i) determine all matters relating to awards, including selection of individuals to be granted awards, the types of awards, the number of shares of common stock, if any, subject to an award, and all terms, conditions, restrictions, and limitations of an award; (ii) prescribe the form or forms of agreements evidencing awards granted under the 2015 Plan; (iii) establish, amend, and rescind rules and regulations for the administration of the 2015 Plan; (iv) correct any defect, supply any omission, or reconcile any inconsistency in the 2015 Plan or in any award or award agreement; and (v) construe and interpret the 2015 Plan, awards, and award agreements made under the 2015 Plan, interpret rules and regulations for administering the 2015 Plan, and make all other determinations deemed necessary or advisable for administering the 2015 Plan. In certain circumstances, the Board may expressly delegate to one or more officers of Regional or a special committee consisting of one or more directors who are also officers of Regional the authority, within specified parameters, to grant awards, and to make other determinations under the 2015 Plan with respect to such awards, to persons who are not directors or officers subject to Section 16 under the Exchange Act or covered employees under Code Section 162(m).

Under the 2015 Plan, all awards granted to participants are subject to a minimum vesting (or earning) period of one year (which may include installment vesting within such one year period as determined by the Administrator). Notwithstanding the foregoing, the Administrator may provide for (i) acceleration of vesting of all or a portion of an award in the event of the participant's death, disability, retirement, or qualifying termination or, in certain circumstances, upon a change of control of Regional; (ii) the grant of an award without a minimum vesting period, but only with respect to awards for no more than an aggregate of 5% of the total number of authorized shares under the 2015 Plan; and (iii) the grant of (A) awards to participants that have different vesting terms in the case of awards that are substituted for other equity awards in connection with mergers or similar transactions, (B) awards as an inducement to be employed by Regional or its affiliates or to replace forfeited awards from a former employer, or (C) awards in exchange for foregone cash compensation. In addition, under the amended and restated 2015 Plan, if approved by our stockholders, non-employee directors would also be subject to a minimum vesting period commencing with the date on which such non-employee director is elected or appointed to the Board and ending on the earlier of the one year anniversary of the grant date of the award or the date of the next annual meeting following such non-employee director's election or appointment to the Board (so long as the period between the date of the annual meeting of the Company's stockholders related to the grant date and the date of the next annual meeting of the Company's stockholders is not less than 50 weeks for vesting dates occurring on and after the 2022 Annual Meeting of Stockholders).

The Administrator has discretion to reduce or eliminate the amount of an award granted to any participant, including an award otherwise earned and payable pursuant to the terms of the 2015 Plan. The 2015 Plan and awards may be amended or terminated at any time by the Board, subject to the following: (i) stockholder approval is required of any 2015 Plan amendment if stockholder approval is required by applicable laws, rules, or regulations and (ii) an amendment or termination of an award may not materially adversely affect the rights of a participant without the participant's written consent. In addition, stockholder approval is required to (i) amend the terms of outstanding options or SARs to reduce the option price or base price of such outstanding options or SARs; (ii) exchange outstanding options or SARs for cash, for options or SARs with an option price or base price that is less than the option price or base price of the original option or SAR, or for other equity awards at a time when the original option or SAR has an option price or base price, as the case may be, above the fair market value of the common stock; or (iii) take other action with respect to options or SARs that would be treated as a re-pricing under the rules of the principal stock exchange on which shares of our common stock are listed. The Administrator has unilateral authority to amend the 2015 Plan and any award to the extent necessary to comply with applicable laws, rules, or regulations, or changes thereto. The Administrator may also adjust awards upon the occurrence of certain unusual or nonrecurring events, if the Administrator determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the 2015 Plan or are necessary or appropriate to comply with applicable laws, rules, or regulations.

***Types of Awards***

Other than minor technical amendments, including amendments related to the calculation of the one-year vesting period of non-employee director awards, no amendments are proposed to the types of awards under the 2015 Plan. A summary of the material terms of the types of awards authorized under the 2015 Plan is provided below.

*Options*. The 2015 Plan authorizes the grant of both incentive options and non-qualified options, both of which are exercisable for shares of our common stock, although incentive options may only be granted to our employees. The Administrator will determine the option price at which a participant may exercise an option. The option price must be no less than 100% of the fair market value per share of our common stock on the grant date, or 110% of the fair market value with respect to incentive options granted to an employee who owns stock representing more than 10% of the total combined voting power of all classes of our stock or stock of our parent or subsidiary corporation, if any (except for certain options assumed or substituted in a merger or other transaction where the option price is adjusted in accordance with applicable tax regulations). Unless an individual award agreement provides otherwise, the option price may be paid in the form of cash or cash equivalent. In addition, except where prohibited by the Administrator or applicable laws, rules, and regulations, payment may also be made by: (i) delivery of shares of common stock owned by the participant; (ii) shares of common stock withheld upon exercise; (iii) delivery of written notice of exercise to Regional and delivery to a broker of written notice of exercise and irrevocable instructions to promptly deliver to Regional the amount of sale or loan proceeds to pay the option price; (iv) such other payment methods as may be approved by the Administrator and which are acceptable under applicable law; or (v) any combination of these methods. The Administrator will determine the term and conditions of an option and the period or periods during which, and conditions pursuant to which, a participant may exercise an option. The option term generally may not exceed 10 years, or five years with respect to incentive options granted to an employee who possesses more than 10% of the total combined voting power of all classes of our stock or stock of our parent or subsidiary corporation, if any. Options are generally subject to certain restrictions on exercise if the participant terminates employment or service unless an award agreement provides otherwise.

*Stock Appreciation Rights*. Under the terms of the 2015 Plan, SARs may be granted to the holder of an option (a "related option") with respect to all or a portion of the shares of common stock subject to the related option (a "related SAR") or may be granted separately (a "freestanding SAR"). The consideration to be received by the holder of a SAR may be paid in cash, shares of common stock (valued at fair market value on the date of the SAR exercise), or a combination of cash and shares of common stock, as determined by the Administrator. The holder of a SAR is entitled to receive from us, for each share of common stock with respect to which the SAR is being exercised, consideration equal in value to the excess, if any, of the fair market value of a share of common stock on the date of exercise over the base price per share of such SAR. The base price may be no less than 100% of the fair market value per share of our common stock on the date the SAR is granted (except for certain SARs assumed or substituted in a merger or other transaction where the base price is adjusted in accordance with applicable tax regulations).

SARs are exercisable according to the terms established by the Administrator and stated in the applicable award agreement. Upon the exercise of a related SAR, the related option is deemed to be canceled to the extent of the number of shares of common stock for which the related SAR is exercised. Likewise, a related SAR will be canceled to the extent of the number of shares as to which a related option is exercised or surrendered. A SAR may not be exercised more than 10 years after it was granted, or such shorter period as may apply to related options in the case of related SARs. The Administrator will determine the extent, if any, to which a participant may exercise a SAR following termination of employment or service, which rights, if any, will be stated in an award agreement.

*Restricted Awards*. Under the terms of the 2015 Plan, the Administrator may grant restricted awards to participants for such numbers, upon such terms, and at such times as the Administrator determines. Restricted awards may be in the form of restricted stock awards and/or restricted stock units that are subject to certain conditions, which conditions must be met in order for such award to vest and be earned, in whole or in part, and to no longer be subject to forfeiture. Restricted stock awards are payable in shares of common stock. Restricted stock units may be payable in cash or shares of common stock, or partly in cash and partly in shares of common stock, in accordance with the terms of the 2015 Plan and the discretion of the Administrator.

The Administrator will determine the restriction period for each restricted award and will determine the conditions that must be met in order for a restricted award to be granted or to vest or be earned (in whole or in part). These conditions may include (but are not limited to) payment of a stipulated purchase price, attainment of performance objectives, continued service or employment for a certain period of time (or a combination of attainment of performance objectives and continued service), retirement, disability, death, or any combination of conditions. In the case of restricted awards based upon performance factors or criteria, or a combination of performance factors or criteria and continued service, the Administrator will determine the performance factors or criteria to be used in valuing restricted awards, and these performance measures may vary from participant to participant and between groups of participants and will be based upon such corporate, business unit or division, and/or individual performance factors or criteria as the Administrator determines. The Administrator has authority to determine whether and to what degree restricted awards have vested and been earned and are payable, as well as to establish and interpret the terms and conditions of restricted awards. If a participant's employment or service is terminated for any reason and all or any part of a restricted award has

not vested or been earned pursuant to the terms of the 2015 Plan and the individual award agreement, the award will be forfeited, unless an award agreement or the Administrator provides otherwise.

*Performance Awards*. Under the terms of the 2015 Plan, the Administrator may grant performance awards to participants upon such terms and conditions and at such times as the Administrator determines. Performance awards may be in the form of performance shares and/or performance units. An award of a performance share is a grant of a right to receive shares of common stock or the cash value thereof (or a combination of both) that is contingent upon the achievement of performance or other objectives during a specified period and that has a value on the date of grant equal to the fair market value (as determined in accordance with the 2015 Plan) of a share of common stock. An award of a performance unit is a grant in an amount determined by the Administrator that gives the holder the opportunity to receive shares of common stock, a cash payment, or a combination of common stock and cash (as determined by the Administrator), which is contingent upon the achievement of performance or other objectives during a specified period and which has an initial value determined in a dollar amount established by the Administrator at the time of grant.

The Administrator will determine the performance period for each performance award and will determine the conditions that must be met in order for a performance award to be granted or to vest or be earned (in whole or in part). These conditions may include (but are not limited to) payment of a stipulated purchase price, attainment of performance objectives, continued service or employment for a certain period of time, or a combination of such conditions. In the case of performance awards based upon specified performance objectives, the Administrator will determine the performance factors or criteria to be used in valuing performance awards, and these performance factors or criteria may vary from participant to participant and between groups of participants and will be based upon such corporate, business unit or division, and/or individual performance factors or criteria as the Administrator determines. The Administrator has authority to determine whether and to what degree performance awards have been earned and are payable, as well as to interpret the terms and conditions of performance awards. If a participant's employment or service is terminated for any reason and all or any part of a performance award has not been earned pursuant to the terms of the 2015 Plan and the individual award agreement, the award will be forfeited, unless an award agreement or the Administrator provides otherwise.

*Phantom Stock Awards*. Under the terms of the 2015 Plan, the Administrator may grant phantom stock awards to participants in such numbers, upon such terms and conditions, and at such times as the Administrator may determine. An award of phantom stock is an award of a number of hypothetical share units with respect to shares of our common stock, with a value based on the fair market value of a share of common stock.

Subject to the terms of the 2015 Plan, the Administrator has authority to determine whether and to what degree phantom stock awards have vested and are payable and to interpret the terms and conditions of phantom stock awards. Upon vesting of all or part of a phantom stock award and satisfaction of other terms and conditions that the Administrator establishes, the holder of a phantom stock award will be entitled to a payment of an amount equal to the fair market value of one share of our common stock with respect to each such phantom stock unit that has vested and is payable. We may make payment in cash, shares of common stock, or a combination of cash and stock, as determined by the Administrator. If a participant's employment or service is terminated for any reason and all or any part of a phantom stock award has not vested and become payable pursuant to the terms of the 2015 Plan and the individual award agreement, the participant will forfeit the award unless an award agreement or the Administrator provides otherwise.

*Other Stock-Based Awards*. The Administrator may grant other stock-based awards, which may be valued in whole or in part by reference to, or otherwise based on or related to, shares of common stock or awards for shares of common stock. Such other stock-based awards include, but are not limited to, awards granted in lieu of bonus, salary, or other compensation, awards granted with vesting or performance conditions, and/or, subject to the terms of the 2015 Plan (as amended and restated), awards granted without being subject to vesting or performance conditions. Subject to the provisions of the 2015 Plan, the Administrator will determine the number of shares of common stock to be awarded to a participant under (or otherwise related to) such other stock-based awards, whether such awards may be settled in cash or shares of common stock (or a combination of both), and the other terms and conditions of such awards.

*Dividends and Dividend Equivalents*. The Administrator may provide that awards (other than options and SARs) earn dividends or dividend equivalent rights. Under the 2015 Plan, dividends and dividend equivalent rights (whether paid in cash or shares of common stock), if any, on unearned or unvested awards may not be paid (even if accrued) unless and until the underlying award (or portion thereof) has vested and/or been earned. Any dividends or dividend equivalent rights related to an award will be structured with the intent so as to avoid causing the award and related dividends or dividend equivalent rights to be subject to Code Section 409A or will otherwise be structured with the intent that the award and dividends and dividend equivalent rights are in compliance with Code Section 409A.

***Change of Control***

Under the terms of the 2015 Plan, the following provisions will apply in the event of a change of control (except to the extent otherwise required under Code Section 409A):

- To the extent that the successor or surviving company in the change of control event does not assume or substitute for an award (or in which Regional is the ultimate parent corporation and does not continue the award) on substantially similar terms or with substantially equivalent economic benefits as awards outstanding under the 2015 Plan (as determined by the Administrator), (i) all outstanding options and SARs will become fully vested and exercisable, whether or not then otherwise vested and exercisable; and (ii) any restrictions, including but not limited to the restriction period, performance period, and/or performance factors or criteria, applicable to any award other than options or SARs will be deemed to have been met, and such awards will become fully vested, earned, and payable to the fullest extent of the original grant of the applicable award (or, in the case of performance-based awards, the earning of which is based on attaining a target level of performance, such awards will be deemed earned at target).
- In addition, pursuant to the terms of the 2015 Plan, in the event that an award is substituted, assumed, or continued, the award will become vested (and, in the case of options and SARs, exercisable) in full and any restrictions, including but not limited to the restriction period, performance period, and/or performance factors or criteria, applicable to any outstanding award other than options or SARs will be deemed to have been met and such awards will become fully vested, earned, and payable to the fullest extent of the original award (or, in the case of performance-based awards, the earning of which is based on attaining a target level of performance, such awards will be deemed earned at target), if the employment or service of the participant is terminated within six months before (in which case vesting will not occur until the effective date of the change of control) or one year after the effective date of a change of control if such termination of employment or service (i) is by Regional not for cause or (ii) is by the participant for good reason.

***Transferability***

Incentive options are not transferable other than by will or the laws of intestate succession or, in the Administrator's discretion, as may otherwise be permitted in accordance with Code Section 422 and related regulations. Non-qualified options and SARs generally are not transferable other than by will or the laws of intestate succession, except for transfers if and to the extent permitted by the Administrator in a manner consistent with the registration provisions of the Securities Act. Restricted awards, performance awards, phantom stock awards, and other stock-based awards that have not vested and/or been earned generally are not transferable other than transfers by will or the laws of intestate succession, and participants may not sell, transfer, assign, pledge, or otherwise encumber shares subject to an award until the award has vested and/or been earned and all other conditions established by the Administrator have been met. In addition, the 2015 Plan is proposed to be amended to clarify that in no event may any award be transferred for monetary consideration.

***Forfeiture, Recoupment, and Stock Retention***

As noted above, the 2015 Plan authorizes the Administrator to require forfeiture and/or recoupment of plan benefits if a participant engages in certain types of detrimental conduct and to require that a participant comply with Regional's Compensation Recoupment Policy and Stock Ownership and Retention Policy and/or other similar policies that may apply to the participant or be imposed under applicable laws.

**Performance-Based Compensation – Code Section 162(m)**

The 2015 Plan is intended to comply with the requirements imposed by Code Section 162(m) and related regulations in order to position us to preserve, to the extent available and practicable, Regional's federal income tax deduction for awards made under the 2015 Plan to "covered employees." For taxable years commencing after December 31, 2017, Code Section 162(m) generally disallows a tax deduction to public companies, including us, for compensation in excess of $1 million paid to any person whose compensation was required to be included in the company's proxy statement for any fiscal year after 2016 because such person was either the company's chief executive officer, chief financial officer, or one of the company's three most other highly compensation executive officers for such fiscal year. However, prior to January 1, 2018, an exception to this deduction limit was available for "performance-based compensation" approved by stockholders and otherwise satisfying the requirements of Code Section 162(m), including awards being based on the attainment of certain target levels of, or a specified increase or decrease (as applicable) with respect to, target goals specified in the 2015 Plan. The Tax Cuts and Jobs Act of 2017 (the "TCJA") repealed the performance-based compensation exception for taxable years beginning after December 31, 2017 unless such compensation qualifies for "grandfather" relief for binding written contracts that were in effect on November 2, 2017. The Act also expanded the group of executive officers covered under Code Section 162(m) as described above.

In approving the amount and form of compensation for our NEOs, the Compensation Committee will continue to consider all elements of our cost of providing such compensation, including the potential impact of Code Section 162(m). The Compensation

Committee may approve compensation for our NEOs that is not fully deductible if it believes that such compensation is in the best interests of the Company and our stockholders.

**Certain U.S. Federal Income Tax Consequences**

The following summary generally describes the principal U.S. federal (and not foreign, state, or local) income tax consequences of awards granted under the 2015 Plan as of the date of this Proxy Statement. The summary is general in nature and is not intended to cover all tax consequences that may apply to a particular employee or to Regional. The provisions of the Code and related regulations concerning these matters are complicated and their impact in any one case may depend upon the particular circumstances.

*Incentive Options*. Incentive options granted under the 2015 Plan are intended to qualify as incentive stock options under Code Section 422. Pursuant to Code Section 422, the grant and exercise of an incentive option generally will not result in taxable income to the participant (with the possible exception of alternative minimum tax liability) if the participant does not dispose of shares received upon exercise of such option less than one year after the date of exercise and two years after the date of grant, and if the participant has continuously been our employee from the date of grant to three months before the date of exercise (or 12 months in the event of death or disability). However, the excess of the fair market value of the shares received upon exercise of the incentive option over the option price for such shares generally will constitute an item of adjustment in computing the participant's alternative minimum taxable income for the year of exercise. Thus, certain participants may increase their federal income tax liability as a result of the exercise of an incentive option under the alternative minimum tax rules of the Code.

We generally will not be entitled to a deduction for income tax purposes in connection with the exercise of an incentive option. Upon the disposition of shares acquired upon exercise of an incentive option, the participant will be taxed on the amount by which the amount realized upon such disposition exceeds the option price, and such amount will be treated as capital gain or loss.

If the holding period requirements for incentive option treatment described above are not met, the participant will be taxed as if he or she received compensation in the year of the disposition. The participant must treat gain realized in the premature disposition as ordinary income to the extent of the lesser of: (i) the fair market value of the stock on the date of exercise minus the option price or (ii) the amount realized on disposition of the stock minus the option price. Any gain in excess of these amounts may be treated as capital gain. We generally will be entitled to a corresponding income tax deduction to the extent that the amount represents reasonable compensation and an ordinary and necessary business expense, subject to any required income tax reporting.

Pursuant to the Code and the terms of the 2015 Plan, in no event can there first become exercisable by a participant in any one calendar year incentive options granted by Regional with respect to shares having an aggregate fair market value (determined at the time an option is granted) greater than $100,000. To the extent an incentive option granted under the 2015 Plan exceeds this limitation, it will be treated as a non-qualified option. In addition, no incentive option may be granted to an individual who owns, immediately before the time that the option is granted, stock possessing more than 10% of the total combined voting power of all classes of stock of Regional, unless the option price is equal to or exceeds 110% of the fair market value of the stock and the option period does not exceed five years.

*Non-Qualified Options*. The grant of a non-qualified option should not result in taxable income to a participant or a tax deduction to Regional. The difference between the fair market value of the stock on the date of exercise and the option price will constitute taxable ordinary income to the participant on the date of exercise. We generally will be entitled to a corresponding income tax deduction to the extent that the amount represents reasonable compensation and an ordinary and necessary business expense, subject to any required income tax reporting. The participant's basis in shares of common stock acquired upon exercise of an option will equal the option price plus the amount of income taxable at the time of exercise. Any subsequent disposition of the stock by the participant will be taxed as a capital gain or loss to the participant, and will be long-term capital gain or loss if the participant has held the stock for more than one year at the time of sale.

*Stock Appreciation Rights*. For federal income tax purposes, the grant of a SAR should not result in taxable income to a participant or a tax deduction to Regional. Upon exercise, the amount of cash and fair market value of shares received by the participant, less cash or other consideration paid (if any), is taxed to the participant as ordinary income, and Regional will generally be entitled to a corresponding income tax deduction to the extent the amount represents reasonable compensation and an ordinary and necessary business expense, subject to any required income tax reporting.

*Restricted Stock Awards*. The grant of a restricted stock award will not result in taxable income to the participant or a tax deduction to Regional for federal income tax purposes, unless the restrictions on the stock do not present a substantial risk of forfeiture or the award is transferable, as defined under Code Section 83. In the year that the restricted stock is no longer subject to a substantial risk of forfeiture, or the award is transferable, the fair market value of such shares at such date and any cash amount awarded, less cash or other consideration paid (if any), will be included in the participant's ordinary income as compensation, except that, in the case of restricted stock issued at the beginning of the restriction period, the participant may elect to include in his or her ordinary income as compensation at the time the restricted stock is awarded, the fair market value of such shares at such time, less

any amount paid for the shares. We generally will be entitled to a corresponding income tax deduction to the extent that the amount represents reasonable compensation and an ordinary and necessary business expense, subject to any required income tax reporting.

*Restricted Stock Units, Performance Awards, Phantom Stock Awards, Other Stock-Based Awards, and Dividend Equivalents*. The grant of a restricted stock unit, performance award, phantom stock award, other stock-based awards, or a dividend equivalent award generally should not result in taxable income to the participant or a tax deduction to Regional for federal income tax purposes. However, the participant will recognize income on account of the settlement of such award. The income recognized by the participant at that time will be equal to any cash that is received and the fair market value of any stock that is received in settlement of the award. We generally will be entitled to a corresponding income tax deduction upon the settlement of such an award equal to the ordinary income recognized by the participant to the extent that the amount represents reasonable compensation and an ordinary and necessary business expense, subject to any required income tax reporting.

*Code Section 409A*. Awards granted under the 2015 Plan may be subject to Code Section 409A and related regulations and other guidance. Code Section 409A imposes certain requirements on compensation that is deemed under Code Section 409A to involve deferred compensation. If Code Section 409A applies to the 2015 Plan or any award, and the 2015 Plan and award do not, when considered together, satisfy the requirements of Code Section 409A during a taxable year, the participant will have ordinary income in the year of non-compliance in the amount of all deferrals subject to Code Section 409A to the extent that the award is not subject to a substantial risk of forfeiture. The participant will be subject to an additional tax of 20% on all amounts includable in income and may also be subject to interest charges under Code Section 409A. We do not have any responsibility to take, or to refrain from taking, any actions in order to achieve a certain tax result for any participant.

**Tax Withholding**

Generally, a participant will be required to pay Regional in cash the amount of any tax or other amount required by any governmental authority to be withheld and paid over by Regional to such authority for the account of the recipient. Alternatively, the Administrator may in its discretion establish procedures to permit a recipient to satisfy such obligation in whole or in part, and any local, state, federal, foreign, or other income tax obligations relating to an award, by electing to deliver to Regional shares of common stock held by the participant (which are fully vested and not subject to any pledge or other security interest) or to have Regional withhold shares of common stock from the shares to which the recipient is otherwise entitled. Under the 2015 Plan, the number of shares to be withheld or delivered will have a fair market value (as determined pursuant to the 2015 Plan) as of the date that the amount of tax to be withheld is determined as nearly as equal as possible to, but not exceeding (unless otherwise permitted by the Administrator in a manner in accordance with applicable laws, rules, and regulations and applicable accounting principles), the amount of such obligations being satisfied.

### New Plan Benefits

Awards made under the 2015 Plan are made at the Compensation Committee's discretion. Accordingly, it is not possible to determine at this time the amount of awards that will be granted in the future under the 2015 Plan. The table below summarizes awards granted under the 2015 Plan during the fiscal year ended December 31, 2020, to our named executive officers, all current executive officers as a group, all current directors who are not executive officers as a group, and all employees of Regional other than executive officers, including all current officers who are not executive officers, as a group. The closing price per share of our common stock on April 12, 2021 was $37.20. Additional information regarding grants made under the 2015 Plan in fiscal year 2020 may be found above under the heading "Compensation Discussion and Analysis – Elements of Compensation – Long-Term Incentive Awards."

| Name and Position | Shares Underlying Options Granted ($) | Weighted Average Exercise Price ($) | Shares Underlying Restricted Stock Awards Granted (#) | Shares Underlying Restricted Stock Units Granted(1) (#) | Shares Underlying Other Equity-Based Awards Granted(2) (#) |
|---|---|---|---|---|---|
| Robert W. Beck, President and Chief Executive Officer (Former Executive Vice President and Chief Financial Officer) | 55,788 | 16.66 | 24,009 | 27,081 | — |
| Peter R. Knitzer, Former President and Chief Executive Officer | — | — | — | — | — |
| Harpreet Rana, Executive Vice President and Chief Financial Officer | 17,371 | 28.21 | 5,893 | — | — |
| Michael Dymski, Vice President of Financial Planning and Analysis (Former Interim Chief Financial Officer and Vice President and Chief Accounting Officer) | — | — | 14,210 | — | 6,976 |
| John D. Schachtel, Executive Vice President and Chief Operating Officer | 21,705 | 16.66 | 9,341 | 10,536 | — |
| Brian J. Fisher, Executive Vice President and Chief Strategy and Development Officer | 18,828 | 16.66 | 8,103 | 9,140 | — |
| Manish Parmar, Executive Vice President and Chief Credit Risk Officer | 10,442 | 29.18 | 15,939 | 8,505 | — |
| All current executive officers as a group (six persons) | 124,134 | 19.33 | 75,127 | 55,262 | 5,784 |
| All current directors who are not executive officers, as a group(3) | — | — | 61,057 | — | — |
| All current employees, including officers who are not executive officers, as a group | 21,258 | 16.37 | 107,942 | 11,077 | 66,841 |

(1) The number of shares set forth in the table above represents the maximum number of shares that the participants may earn under the associated performance-contingent RSU award agreements.

(2) The number of shares set forth in the table above represents the maximum number of restricted shares that the participants may earn pursuant to the associated key team member incentive program award agreements. Under the key team member incentive program, each participant is eligible to earn restricted stock, subject to the achievement of performance goals over a one-year period. If earned, the restricted stock 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).

(3) These numbers exclude awards made to Mr. Beck (our President and Chief Executive Officer).

From January 1, 2021 through April 12, 2021, we have granted 103,524 shares underlying non-qualified stock options at a weighted average exercise price of $30.22 to our current executive officers, as a group; 33,716 shares underlying non-qualified stock options at a weighted average exercise price of $31.12 to our other current employees, as a group; 41,195 shares underlying restricted stock units to our current executive officers, as a group; 4,156 shares underlying restricted stock units to our other current employees, as a group; 35,694 shares underlying restricted stock awards to our current executive officers; and 95,107 shares underlying restricted stock awards to our other current employees, as a group (of which 73,453 were shares underlying the "Other Equity-Based Awards" in the table above (the key team member incentive program, described above), with the balance of such shares forfeited).

In addition, through April 12, 2021, the number of shares subject to stock-settled awards granted (without regard to vesting or exercise, and forfeiture or cancellation) under the 2015 Plan since its inception are as follows for the named executive officers and the following groups: Mr. Beck (228,044); Mr. Knitzer (346,589); Ms. Rana (28,765); Mr. Dymski (67,290); Mr. Schachtel (134,927); Mr. Fisher (145,537); Mr. Parmar (56,287); all current executive officers as a group (636,533); all current directors who are not executive officers as a group (including nominees for director) (477,270); and all employees (including all current officers who are not executive officers) as a group (1,380,976).

**Required Vote and Recommendation**

The affirmative vote of the holders of a majority of the votes cast on this proposal at the Annual Meeting in person or by proxy is required to re-approve the 2015 Plan, as amended and restated. Abstentions will have the same effect as a vote against the proposal, but broker non-votes will have no effect on the outcome of the proposal.

The Board believes that approval of the amended and restated 2015 Plan is in the best interests of Regional. The 2015 Plan allows us to further the purposes of our equity compensation program and serves as an important recruitment and retention tool. The Board believes that substantial equity-based ownership and other long-term incentives encourage management to take actions favorable to the long-term interests of Regional and its stockholders. Accordingly, equity-based and other long-term compensation makes up a significant portion of the overall compensation of our executive management team. The Board believes that the adoption of the amended and restated 2015 Plan will allow us to continue the use of equity compensation as a component of a competitive, but measured, overall compensation program.

*The Board unanimously recommends a vote "FOR" the approval of the amended and restated 2015 Long-Term Incentive Plan.*

**Proposal No. 4: Advisory Vote to Approve Executive Compensation**

In accordance with the requirements of Section 14A of the Exchange Act and the related rules of the SEC, our stockholders have the opportunity to cast an advisory vote to approve the compensation of our named executive officers as disclosed pursuant to the SEC's compensation disclosure rules, including the Compensation Discussion and Analysis, the compensation tables, and the narrative disclosures that accompany the compensation tables in this Proxy Statement (a "Say-on-Pay Vote"). Taking into consideration the most recent voting results from our 2018 annual stockholders' meeting concerning the frequency of the Say-on-Pay Vote, we determined that we will hold an annual advisory vote to approve the compensation of our named executive officers until the next required advisory vote on the frequency of such votes.

The Compensation Committee oversees the development of a compensation program designed to attract, retain, and motivate executives who enable us to achieve our strategic and financial goals. The Compensation Discussion and Analysis, the compensation tables, and the accompanying narrative disclosure illustrate the trends in compensation and the application of our compensation philosophies and practices for the years presented. We encourage stockholders to read the Compensation Discussion and Analysis, which describes the details of our executive compensation program and the decisions made by the Compensation Committee in 2020.

The Compensation Committee believes that our executive compensation program achieves an appropriate balance between fixed compensation and variable incentive compensation, pays for performance, and promotes an alignment between the interests of our named executive officers and our stockholders. Accordingly, we are asking our stockholders to vote "FOR" the non-binding advisory resolution approving the compensation of our named executive officers, including as described in the Compensation Discussion and Analysis, compensation tables, and the accompanying narrative discussion.

Because your vote is advisory, it will not be binding upon us, the Compensation Committee, or the Board. However, the Compensation Committee and the Board value the opinions of our stockholders and will take the outcome of the vote into account when considering future executive compensation arrangements.

*The Board unanimously recommends a vote "FOR" the advisory approval of the compensation of our named executive officers.*

## OTHER INFORMATION

### Audit Committee Report

The Audit Committee oversees our financial reporting process on behalf of the Board of Directors. The Audit Committee operates under a written charter, a copy of which is available on our Investor Relations website, *www.regionalmanagement.com*. This report reviews the actions taken by the Audit Committee with regard to our financial reporting process during the fiscal year ended December 31, 2020, and particularly with regard to the audited consolidated financial statements as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019, and 2018.

The Audit Committee is composed solely of independent directors under existing NYSE listing standards and SEC requirements. None of the committee members is or has been an officer or employee of the Company or any of our subsidiaries or has engaged in any business transaction or has any business or family relationship with the Company or any of our subsidiaries or affiliates. In addition, the Board of Directors has determined that Messrs. Steven J. Freiberg, Alvaro G. de Molina, and Carlos Palomares are "audit committee financial experts," as defined by SEC rules.

Our management has the primary responsibility for our financial statements and reporting process, including the systems of internal controls. The independent auditors are responsible for performing an independent audit of our consolidated financial statements in accordance with auditing standards generally accepted in the United States and issuing a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes and to select annually the accountants to serve as our independent auditors for the coming year. The Audit Committee has implemented procedures to ensure that during the course of each fiscal year it devotes the attention that it deems necessary or appropriate to fulfill its oversight responsibilities under the Audit Committee's charter. To carry out its responsibilities, the Audit Committee met five times during the fiscal year ended December 31, 2020.

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, including a discussion of the quality, rather than just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Audit Committee also discussed our audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited consolidated financial statements with accounting principles generally accepted in the United States, their judgments as to the quality, rather than just the acceptability, of our accounting principles, and has discussed with the independent auditors the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board ("PCAOB") and the SEC. In addition, the Audit Committee discussed with the auditors their independence from management and the Company, including the matters in the written disclosures and the letter required by the PCAOB regarding the independent auditors' communications with the Audit Committee regarding independence. The Audit Committee also considered whether the provision of services during the fiscal year ended December 31, 2020, by the auditors that were unrelated to their audit of the consolidated financial statements referred to above and to their reviews of our interim consolidated financial statements during the fiscal year is compatible with maintaining their independence.

Additionally, the Audit Committee discussed with the independent auditors the overall scope and plan for their audit. The Audit Committee met with the independent auditors, with and without management present, to discuss the results of their examination, their evaluation of our internal controls, and the overall quality of our financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, for filing with the SEC. This report of the Audit Committee has been prepared by members of the Audit Committee.

Members of the Audit Committee:

Alvaro G. de Molina (Chair)
Steven J. Freiberg
Carlos Palomares

**Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth certain information regarding the beneficial ownership of our common stock as of the close of trading on April 5, 2021, of: (i) each person known by us to beneficially own more than five percent of our common stock; (ii) each of our directors; (iii) each of our named executive officers; and (iv) all of our directors and executive officers, as a group. For purposes of the following and the accompanying footnotes, references to “executive officers” include our named executive officers.

| Name | Shares Beneficially Owned(1) | |
|---|---|---|
| | Number | Percentage |
| Basswood Capital Management, L.L.C.(2) | 1,422,674 | 13.0% |
| Wellington Management Group LLP and affiliates(3) | 1,089,052 | 10.0% |
| BlackRock, Inc.(4) | 946,039 | 8.6% |
| Dimensional Fund Advisors LP(5) | 915,589 | 8.4% |
| Gregory L. Summe(6) | 714,772 | 6.5% |
| Jonathan D. Brown(7) | 13,149 | * |
| Roel C. Campos(8) | 103,077 | * |
| Maria Contreras-Sweet | 15,387 | * |
| Michael R. Dunn(9) | 189,744 | 1.7% |
| Steven J. Freiberg(10) | 172,057 | 1.6% |
| Sandra K. Johnson | 7,773 | * |
| Alvaro G. de Molina(11) | 37,594 | * |
| Carlos Palomares(12) | 70,246 | * |
| Robert W. Beck(13) | 105,822 | 1.0% |
| John D. Schachtel(14) | 99,761 | * |
| Harpreet Rana | 5,893 | * |
| Michael S. Dymski(15) | 63,873 | * |
| Brian J. Fisher(16) | 116,683 | 1.1% |
| Manish Parmar(17) | 22,712 | * |
| Peter R. Knitzer(18) | 82,801 | * |
| All directors and executive officers, as a group (15 persons) | 1,106,572 | 9.7% |

* Amount represents less than 1.0%

(1) Applicable percentage of ownership is based upon 10,773,719 shares of our common stock outstanding on April 5, 2021. Beneficial ownership is determined in accordance with SEC rules and includes voting and investment power with respect to shares shown as beneficially owned. Shares of common stock subject to options currently exercisable or exercisable within 60 days are deemed outstanding for computing the shares and percentage ownership of the person holding such options, but are not deemed outstanding for computing the percentage ownership of any other person or entity. Except as otherwise indicated, the persons or entities listed in the table have sole voting and investment power with respect to all shares shown as beneficially owned by them. The address for all directors and officers listed in the table is c/o Regional Management Corp., 979 Batesville Road, Suite B, Greer, SC 29651.

(2) The information reported is based on a Form 4 filed with the SEC on September 2, 2020, reporting (i) shared power of Basswood Capital Management, L.L.C. (“Basswood”) to vote or direct the vote and to dispose or direct the disposition of 1,422,674 shares; (ii) shared power of Basswood Opportunity Partners, LP (“BOP”) to vote or direct the vote and to dispose of or direct the disposition of 343,500 shares; (iii) shared power of Basswood Opportunity Fund, Inc. (“BOF”) to vote or direct the vote and to dispose of or direct the disposition of 39,013 shares; (iv) shared power of Basswood Financial Fund, LP (“BFF”) to vote or direct the vote and to dispose of or direct the disposition of 134,705 shares; (v) shared power of Basswood Financial Long Only Fund, LP (“BFLOF”) to vote or direct the vote and to dispose of or direct the disposition of 49,857 shares; (vi) shared power of Basswood, BOP, BOF, BFF, BFLOF, and Basswood Financial Fund, Inc. (“BFF, Inc.”) (collectively, the “Managed Accounts”) to vote or direct the vote and to dispose of or direct the disposition of 842,450 shares; (vii) shared power of BFF, Inc. to vote or direct the vote and to dispose of or direct the disposition of 1,422,674 shares; (viii) shared power of Matthew Lindenbaum to vote or direct the vote and to dispose of or direct the disposition of 1,422,674 shares; and (ix) shared power of Bennett Lindenbaum to vote or direct the vote and to dispose of or direct the disposition of 1,422,674 shares. Matthew Lindenbaum and Bennett Lindenbaum are the Managing Members of Basswood and may be deemed to have a pecuniary interest in the shares held directly or indirectly by the Managed Accounts. The information also includes 13,149 shares held by Mr. Brown, a partner at Basswood, who serves on the Board pursuant to the Cooperation Agreement described in detail below in the section entitled “Other Information – Certain Relationships and Related Person Transactions.” As a result, Basswood is a

"director-by-deputization" solely for the purposes of Section 16 of the Exchange Act. Pursuant to Rule 16a-1 of the Exchange Act, Basswood may be deemed to be a beneficial owner of the shares of common stock issued to Mr. Brown. The business address of Basswood is 645 Madison Avenue, 10th Floor, New York, NY 10022.

(3) The information reported is based on a Schedules 13G/A, filed with the SEC on February 3, 2021 and a Schedule 13G/A filed with the SEC on February 4, 2021, respectively, reporting: (i) shared power of Wellington Management Group LLP ("WMG") to vote or direct the vote and to dispose or direct the disposition of 1,089,052 shares; (ii) shared power of Wellington Group Holdings LLP ("WGH") to vote or direct the vote and to dispose or direct the disposition of 1,089,052 shares; (iii) shared power of Wellington Investment Advisors Holdings LLP ("WIAH") to vote or direct the vote and to dispose or direct the disposition of 1,089,052 shares; (iv) shared power of Wellington Management Company LLP ("WMC") to vote or direct the vote and to dispose or direct the disposition of 1,066,198 shares; and (v) shared power of Wellington Trust Company, NA ("WTC") to vote or direct the vote and to dispose or direct the disposition of 1,066,198 shares. The business address of WMG, WGH, WIAH, WMC, and WTC is 280 Congress Street, Boston, MA 02210.

(4) The information reported is based on a Schedule 13G/A filed with the SEC on February 1, 2021, reporting the sole power of BlackRock, Inc. ("BlackRock") to vote or direct the vote of 886,426 shares and the sole power of BlackRock to dispose or direct the disposition of 946,039 shares. The business address of BlackRock is 55 East 52nd Street, New York, NY 10055.

(5) The information reported is based on a Schedule 13G/A filed with the SEC on February 12, 2021, reporting the sole power of Dimensional Fund Advisors LP ("Dimensional") to vote or direct the vote of 884,719 shares and the sole power of Dimensional to dispose or direct the disposition of 915,589 shares. The business address of Dimensional is 6300 Bee Cave Road, Building One, Austin, TX 78746.

(6) The information reported is based on a Schedule 13G/A filed with the SEC on February 12, 2021, reporting the shared power of Gregory L. Summe to vote or direct the vote and to dispose or direct the disposition of 714,722 shares. This number includes shares held by members of Mr. Summe's family where he shares voting and investment control. Mr. Summe is the sole member of Glen Capital Partners LLC and Glen Capital Partners GP LLC, which is the general partner of Glen Capital Partners Focus Fund, L.P. These entities each report shared power to vote or direct the vote or dispose or direct the disposition of 622,433 shares. The business address of Mr. Summe is 4851 Tamiami Trail N. Suite 200, Naples, FL 34103.

(7) Mr. Brown is a partner at Basswood, serving on the Board pursuant to the Cooperation Agreement described in detail below in the section entitled "Other Information – Certain Relationships and Related Person Transactions." As a result, Basswood is a "director-by-deputization" solely for the purposes of Section 16 of the Exchange Act. Pursuant to Rule 16a-1 of the Exchange Act, Basswood may be deemed to be a beneficial owner of the shares of common stock issued to Mr. Brown.

(8) The amount stated includes 28,670 shares subject to options either currently exercisable or exercisable within 60 days of April 5, 2021, over which Mr. Campos will not have voting or investment power until the options are exercised. The option shares described in this footnote are considered outstanding for the purpose of computing the percentage of outstanding stock owned by Mr. Campos and by directors and executive officers as a group, but not for the purpose of computing the percentage ownership of any other person.

(9) The amount stated includes 98,866 shares subject to options either currently exercisable or exercisable within 60 days of April 5, 2021, over which Mr. Dunn will not have voting or investment power until the options are exercised. The option shares described in this footnote are considered outstanding for the purpose of computing the percentage of outstanding stock owned by Mr. Dunn and by directors and executive officers as a group, but not for the purpose of computing the percentage ownership of any other person.

(10) Mr. Freiberg holds 99,262 shares directly. Additional shares stated are owned by (i) Neena Freiberg (Mr. Freiberg's wife) (30,000 shares), and (ii) the Neena Freiberg Irrevocable Trust, of which Mr. Freiberg is trustee (24,854 shares). The amount stated also includes 17,941 shares subject to options either currently exercisable or exercisable within 60 days of April 5, 2021, over which Mr. Freiberg will not have voting or investment power until the options are exercised. The option shares described in this footnote are considered outstanding for the purpose of computing the percentage of outstanding stock owned by Mr. Freiberg and by directors and executive officers as a group, but not for the purpose of computing the percentage ownership of any other person.

(11) The amount stated includes 20,166 shares subject to options either currently exercisable or exercisable within 60 days of April 5, 2021, over which Mr. de Molina will not have voting or investment power until the options are exercised. The option shares described in this footnote are considered outstanding for the purpose of computing the percentage of outstanding stock owned by Mr. de Molina and by directors and executive officers as a group, but not for the purpose of computing the percentage ownership of any other person.

(12) The amount stated includes 18,670 shares subject to options either currently exercisable or exercisable within 60 days of April 5, 2021, over which Mr. Palomares will not have voting or investment power until the options are exercised. The option shares described in this footnote are considered outstanding for the purpose of computing the percentage of outstanding stock owned by Mr. Palomares and by directors and executive officers as a group, but not for the purpose of computing the percentage ownership of any other person.

(13) The amount stated includes 31,488 shares subject to options either currently exercisable or exercisable within 60 days of April 5, 2021, over which Mr. Beck will not have voting or investment power until the options are exercised. The option shares described in this footnote are considered outstanding for the purpose of computing the percentage of outstanding stock owned by Mr. Beck and by directors and executive officers as a group, but not for the purpose of computing the percentage ownership of any other person.

(14) The amount stated includes 49,922 shares subject to options either currently exercisable or exercisable within 60 days of April 5, 2021, over which Mr. Schachtel will not have voting or investment power until the options are exercised. The option shares described in this footnote are considered outstanding for the purpose of computing the percentage of outstanding stock owned by Mr. Schachtel and by directors and executive officers as a group, but not for the purpose of computing the percentage ownership of any other person.

(15) The amount stated includes 12,693 shares subject to options either currently exercisable or exercisable within 60 days of April 5, 2021, over which Mr. Dymski will not have voting or investment power until the options are exercised. The option shares described in this footnote are considered outstanding for the purpose of computing the percentage of outstanding stock owned by Mr. Dymski and by directors and executive officers as a group, but not for the purpose of computing the percentage ownership of any other person.

(16) The amount stated includes 77,318 shares subject to options either currently exercisable or exercisable within 60 days of April 5, 2021, over which Mr. Fisher will not have voting or investment power until the options are exercised. The option shares described in this footnote are considered outstanding for the purpose of computing the percentage of outstanding stock owned by Mr. Fisher and by directors and executive officers as a group, but not for the purpose of computing the percentage ownership of any other person.

(17) The amount stated includes 3,480 shares subject to options either currently exercisable or exercisable within 60 days of April 5, 2021, over which Mr. Parmar will not have voting or investment power until the options are exercised. The option shares described in this footnote are considered outstanding for the purpose of computing the percentage of outstanding stock owned by Mr. Parmar and by directors and executive officers as a group, but not for the purpose of computing the percentage ownership of any other person.

(18) The amount stated includes 82,801 shares subject to options either currently exercisable or exercisable within 60 days of April 5, 2021, over which Mr. Knitzer will not have voting or investment power until the options are exercised. The option shares described in this footnote are considered outstanding for the purpose of computing the percentage of outstanding stock owned by Mr. Knitzer and by directors and executive officers as a group, but not for the purpose of computing the percentage ownership of any other person.

**Certain Relationships and Related Person Transactions**

***Cooperation Agreement***

On January 26, 2018, we entered into a Cooperation Agreement (the "Cooperation Agreement") with Basswood, pursuant to which we appointed Jonathan D. Brown to the Board, effective January 26, 2018.

Pursuant to the Cooperation Agreement, Mr. Brown is required to, at all times while serving as a member of the Board, comply with all policies, procedures, processes, codes, rules, standards, and guidelines applicable to non-employee Board members. In addition, the Cooperation Agreement provides that Mr. Brown must offer to resign from the Board if (i) Basswood and its affiliates, collectively, no longer beneficially own an aggregate "net long position" of at least 874,705 shares of our common stock (subject to adjustment for stock splits, reverse stock splits, stock dividends, and similar adjustments), or (ii) Basswood fails to comply with or breaches any of the terms of the Cooperation Agreement in any material respect and, if capable of being cured, such material breach or failure has not been cured within 15 days after receipt by Basswood of written notice from us specifying such material breach or failure, provided that we are not in material breach of the Cooperation Agreement at such time. The Cooperation Agreement also provides that, if requested by Basswood, we are obligated to appoint Mr. Brown to any existing or newly created committee of the Board that may be designated to oversee or review strategic alternatives (including an extraordinary transaction).

In the Cooperation Agreement, in addition to certain confidentiality and non-disparagement provisions, Basswood has agreed to various customary standstill provisions for the duration of the Standstill Period (as defined below), which provide, among other

things, that Basswood and its affiliates will not (i) acquire beneficial ownership of 19.9% or more of the outstanding shares of our common stock; (ii) participate in a proxy solicitation with respect to the voting of any shares of our common stock; (iii) submit a proposal for or offer of any extraordinary transaction or propose a change in the structure, size, or composition of the Board or executive officers of the Company; or (iv) subject to certain exceptions for open market and underwritten transactions, sell shares of our common stock to a third party or group that to Basswood's knowledge would result in such third party or group owning 5% or more of the outstanding shares of our common stock.

Basswood has also agreed that, during the Standstill Period, it shall cause the shares of our common stock beneficially owned by it and its affiliates to be voted (i) in favor of each director nominated by the Board for election, and (ii) in accordance with the Board's recommendations on all other matters; provided that Basswood and its affiliates may vote their shares of our common stock in their sole discretion with respect to (a) a proposal to authorize or approve an extraordinary transaction, (b) matters related to the implementation of takeover defenses, (c) new or amended incentive compensation plans submitted for stockholder approval, or (d) any other proposal if either Institutional Shareholder Services Inc. or Glass Lewis & Co., LLC do not recommend voting in accordance with the Board's recommendation with respect to such proposal (other than with respect to the election or removal of directors) at any annual or special meeting of stockholders.

Pursuant to the Cooperation Agreement, the "Standstill Period" was initially defined to mean the period commencing on January 26, 2018 and ending on the earliest of (i) 12:01 a.m. (New York time) on the date that is 20 days prior to the nomination deadline for the 2019 annual meeting of stockholders (the "2019 Annual Meeting"), (ii) if we fail to comply with or breach any of the terms of the Cooperation Agreement in any material respect and, if capable of being cured, such material breach or failure has not been cured within 15 days after receipt by us of written notice from Basswood specifying such material breach or failure, provided that Basswood is not in material breach of the Cooperation Agreement at such time, (iii) the consummation of an extraordinary transaction following which consummation the director designated by Basswood no longer serves on the Board, and (iv) a reorganization of the Company under any federal or state law relating to bankruptcy or insolvency. However, the Cooperation Agreement provides that if we provide written notice to Basswood that we will nominate a director designated by Basswood for election to the Board at the 2019 Annual Meeting or for any annual meeting of stockholders of the Company subsequent thereto (each, an "Applicable Meeting") at least 20 days prior to the nomination deadline for such Applicable Meeting and Basswood has agreed in advance to such nomination, then the Standstill Period will be automatically extended until the date that is 20 days prior to the nomination deadline for the annual stockholders meeting subsequent to such Applicable Meeting. Accordingly, we have provided timely written notice to Basswood that we would nominate a director designated by Basswood for election to the Board at each Applicable Meeting to date, which currently has extended the Standstill Period until the date that is 20 days prior to the nomination deadline for the 2022 Annual Meeting.

The Cooperation Agreement terminates upon the expiration of the Standstill Period (subject to any extensions as provided in the Cooperation Agreement), provided that the confidentiality provisions of the Cooperation Agreement will survive for a period of 18 months following the date upon which no director designated by Basswood serves as a director of the Company.

***Consulting Agreement with Former Chief Credit Risk Officer***

The Company and its former Chief Credit Risk Officer, Daniel J. Taggart, entered into a consulting agreement (the "Consulting Agreement"), dated April 13, 2020. Pursuant to the Consulting Agreement, Mr. Taggart provided consulting and advisory services, including but not limited to services related to credit risk matters, in each calendar month during the term of the Consulting Agreement that ended on June 30, 2020. During the term, Mr. Taggart was entitled to receive a consulting fee equal to $25,000 per calendar month, plus an additional amount of $300 per hour for each hour of services that Mr. Taggart performed in excess of 85 hours in any calendar month. In addition, he was entitled to receive reimbursement for reasonable business expenses incurred in connection with those services. Pursuant to Mr. Taggart's former employment agreement with the Company, Mr. Taggart remains subject to customary restrictive covenants following his termination of employment.

***Statement of Policy Regarding Transactions with Related Persons***

Our Board has adopted a written statement of policy regarding transactions with related persons, which we refer to as our "related person policy." Our related person policy requires that a "related person" (as defined in paragraph (a) of Item 404 of Regulation S-K) must promptly disclose to our general counsel, or other person designated by our Board, any "related person transaction" (defined as any transaction that is anticipated and would be reportable by us under Item 404(a) of Regulation S-K, which includes transactions in which we were or are to be a participant and the amount involved exceeds $120,000 and in which any related person had or will have a direct or indirect material interest) and all material facts with respect thereto. The general counsel, or such other person, will then promptly communicate that information to our Board. No related person transaction will be executed without the approval or ratification of our Board or a committee of the Board. It is our policy that directors interested in a related person transaction will recuse themselves from any vote of a related person transaction in which they have an interest and

provide all material information he or she has concerning the related person transaction to the Board. Our policy does not specify the standards to be applied by directors in determining whether or not to approve or ratify a related person transaction, and we accordingly anticipate that these determinations will be made in accordance with principles of Delaware law generally applicable to directors of a Delaware corporation. In determining whether to approve or ratify a related person transaction, the Board may consider such facts and circumstances as it deems appropriate, including (1) the benefits to us; (2) the availability of other sources for comparable products or services; (3) the terms of the proposed related person transaction; and (4) the terms available to unrelated third parties or to employees generally in an arms-length negotiation.

### ***Indemnification of Directors and Officers***

Our Bylaws provide that we will indemnify our directors and officers to the fullest extent permitted by the Delaware General Corporation Law (the "DGCL"). In addition, our Amended and Restated Certificate of Incorporation provides that our directors will not be liable for monetary damages for breach of fiduciary duty to the fullest extent permitted by the DGCL. There is no pending litigation or proceeding naming any of our directors or officers to which indemnification is being sought, and we are not aware of any pending or threatened litigation that may result in claims for indemnification by any director, officer, or other party.

## **Proposals by Stockholders**

Under certain conditions, stockholders may request that we include a proposal at a forthcoming meeting of our stockholders in our proxy materials for such meeting. Under SEC Rule 14a-8, any stockholder desiring to present such a proposal to be acted upon at the 2022 Annual Meeting and included in the proxy materials for such meeting must ensure that we receive the proposal at our principal executive office in Greer, South Carolina by December 17, 2021, in order for the proposal to be eligible for inclusion in our proxy statement and proxy card relating to such meeting.

If a stockholder desires to propose any business at an annual meeting of stockholders, even if the proposal or proposed director candidate is not to be included in our proxy statement, our Bylaws provide that the stockholder must deliver or mail timely advance written notice of such business to our principal executive office. Under our Bylaws, to be timely, a stockholder's notice generally must be delivered to our Corporate Secretary at our principal executive offices not later than the 90th day before the first anniversary of the date of the preceding year's annual meeting and not earlier than the 120th day prior to such anniversary. However, in the event that the date of the annual meeting is advanced by more than 20 days or delayed by more than 70 days from such anniversary date, notice by the stockholder to be timely must be delivered not earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. Each item of business must be made in accordance with, and must include the information required by, our Bylaws, our Corporate Governance Guidelines, and any other applicable law, rule, or regulation. Assuming that the date of the 2022 Annual Meeting is not advanced or delayed in the manner described above, the required notice for the 2022 Annual Meeting would need to be provided to us not earlier than January 20, 2022 and not later than February 19, 2022.

## **Householding of Annual Meeting Materials**

Some banks, brokers, and other nominee record holders may be participating in the practice of "householding" annual reports and proxy statements. This means that only one copy of our Annual Report on Form 10-K and Proxy Statement, as applicable, may have been sent to multiple stockholders in the same household. We will promptly deliver a separate copy of our Annual Report on Form 10-K and Proxy Statement, as applicable, to any stockholder upon request submitted in writing to us at the following address: Regional Management Corp., 979 Batesville Road, Suite B, Greer, South Carolina, 29651, Attention: Corporate Secretary, or by calling (864) 448-7000. Any stockholder who wants to receive separate copies of our Annual Report on Form 10-K and Proxy Statement in the future, or who is currently receiving multiple copies and would like to receive only one copy for his or her household, should contact his or her bank, broker, or other nominee record holder, or contact us at the above address and telephone number.

## **Other Business**

The Board is not aware of any matters, other than those specified above, to come before the Annual Meeting for action by the stockholders. However, if any matter requiring a vote of the stockholders should be duly presented for a vote at the Annual Meeting, then the persons named in the proxy card intend to vote such proxy in accordance with their best judgment.

**APPENDIX A**

**REGIONAL MANAGEMENT CORP.**

**2015 LONG-TERM INCENTIVE PLAN**
**(As Amended and Restated Effective May 20, 2021)**

**1. Definitions**

In addition to other terms defined herein or in an Award Agreement, the following terms shall have the meanings given below:

(a) Administrator means the Board and, upon its delegation of all or part of its authority to administer the Plan to the Committee, the Committee.

(b) Affiliate means any Parent or Subsidiary of the Company, and also includes any other business entity which is controlled by, under common control with or controls the Company; provided, however, that the term "Affiliate" shall be construed in a manner in accordance with the registration provisions of applicable federal securities laws if and to the extent required.

(c) Applicable Law means any applicable laws, rules, or regulations (or similar guidance), including but not limited to the General Corporation Law of the State of Delaware, the Securities Act, the Exchange Act, the Code, and the listing or other rules of any applicable stock exchange.

(d) Award means, individually or collectively, a grant under the Plan of an Option (including an Incentive Option or a Nonqualified Option); a SAR (including a Related SAR or a Freestanding SAR); a Restricted Award (including a Restricted Stock Award or a Restricted Stock Unit Award); a Performance Award (including a Performance Share Award or a Performance Unit Award); a Phantom Stock Award; an Other Stock-Based Award; a Dividend Equivalent Award; and/or any other award granted under the Plan.

(e) Award Agreement means an award agreement (which may be in written or electronic form, in the Administrator's discretion, and which includes any amendment or supplement thereto) between the Company and a Participant specifying the terms, conditions, and restrictions of an Award granted to the Participant. An Award Agreement may also state such other terms, conditions, and restrictions, including but not limited to terms, conditions, and restrictions applicable to shares of Common Stock or any other benefit underlying an Award, as may be established by the Administrator.

(f) Base Price means, with respect to a SAR, the initial price assigned to the SAR.

(g) Board or Board of Directors means the Board of Directors of the Company.

(h) Cause means, unless the Administrator determines otherwise, a Participant's termination of employment or service resulting from the Participant's (i) termination for "Cause" as defined under the Participant's employment, change in control, consulting, or other similar agreement with the Company or an Affiliate, if any, or (ii) if the Participant has not entered into any such agreement (or, if any such agreement does not define "Cause"), then "Cause" shall mean: (A) the Participant's engagement in misconduct which is materially injurious to the Company or its Affiliates, (B) the Participant's continued refusal to substantially perform his duties to the Company, (C) the Participant's repeated dishonesty in the performance of his duties to the Company, (D) the Participant's commission of an act or acts constituting any (x) fraud against, or misappropriation or embezzlement from, the Company or any of its Affiliates, (y) crime involving moral turpitude, or (z) offense that could result in a jail sentence of at least one year, or (E) the Participant's material breach of any confidentiality, non-solicitation or non-competition covenant entered into between the Participant and the Company. The determination of "Cause" shall be made by the Administrator and its determination shall be final and conclusive. Without in any way limiting the effect of the foregoing, for purposes of the Plan and an Award, a Participant's employment or service shall also be deemed to have terminated for Cause if, after the Participant's employment or service has terminated, facts and circumstances are discovered that would have justified, in the opinion of the Administrator, a termination for Cause.

(i) A Change of Control shall (except as may be otherwise required, if at all, under Code Section 409A) be deemed to have occurred on the earliest of the following dates:

(i) The date any entity or person shall have become the beneficial owner of, or shall have obtained voting control over, more than fifty percent (50%) of the total voting power of the Company's then outstanding voting stock;

(ii) The date of the consummation of (A) a merger, consolidation, recapitalization, or reorganization of the Company (or similar transaction involving the Company), in which the holders of the Common Stock immediately prior to the transaction have voting control over less than fifty percent (50%) of the voting securities of the surviving corporation immediately after such transaction, or (B) the sale or disposition of all or substantially all the assets of the Company; or

(iii) The date there shall have been a change in a majority of the Board within a 12-month period unless the nomination for election by the Company's stockholders or the appointment of each new Director was approved by the vote of two-thirds of the members of the Board (or a committee of the Board, if nominations are approved by a Board committee rather than the Board) then still in office who were in office at the beginning of the 12-month period.

(For the purposes herein, the term "person" shall mean any individual, corporation, partnership, group, association, or other person, as such term is defined in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, other than the Company, a Subsidiary of the Company, or any employee benefit plan(s) sponsored or maintained by the Company or any Subsidiary thereof, and the term "beneficial owner" shall have the meaning given the term in Rule 13d-3 under the Exchange Act.)

For the purposes of clarity, a transaction shall not constitute a Change of Control if its principal purpose is to change the state of the Company's incorporation, create a holding company that would be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction, or is another transaction of other similar effect.

Notwithstanding the preceding provisions of this Section 1(i), in the event that any Awards granted under the Plan are deemed to be deferred compensation subject to (and not exempt from) the provisions of Code Section 409A, then distributions related to such Awards to be made upon a Change of Control may be permitted, in the Administrator's discretion, upon the occurrence of one or more of the following events (as they are defined and interpreted under Code Section 409A): (A) a change in the ownership of the Company; (B) a change in effective control of the Company; or (C) a change in the ownership of a substantial portion of the assets of the Company.

(j) Code means the Internal Revenue Code of 1986, as amended, or any successor thereto. Any reference herein to a specific Code section shall be deemed to include all related regulations or other guidance with respect to such Code section.

(k) Committee means the Compensation Committee of the Board (or a subcommittee thereof), or such other committee of the Board (including, without limitation, the full Board) to which the Board has delegated power to act under or pursuant to the provisions of the Plan. For clarity, the term "Committee" includes the Board (or subcommittee of the Committee or other committee of the Board) if exercising the authority of the Committee under the Plan.

(l) Common Stock means the common stock of Regional Management Corp., $0.10 par value, or any successor securities thereto.

(m) Company means Regional Management Corp., a Delaware corporation, together with any successor thereto. In the Administrator's discretion, the term "Company" may also refer to the Company and any or all of its Affiliates.

(n) Consultant means an independent contractor, consultant, or advisor providing services (other than capital-raising services) to the Company or an Affiliate.

(o) Covered Employee shall have the meaning given the term in Code Section 162(m).

(p) Director means a member of the Board or of the board of directors of an Affiliate.

(q) Disability shall, except as may be otherwise determined by the Administrator (taking into account any Code Section 409A considerations), as applied to any Participant, have the meaning given in any employment, change in control, consulting, or other similar agreement, if any, to which the Participant is a party, or, if there is no such agreement (or if such agreement does not define "Disability"), "Disability" shall mean the inability of the Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death, or which has lasted or can be

expected to last for a continuous period of not less than 12 months. The Administrator shall have authority to determine if a Disability has occurred.

(r) Dividend Equivalent Award shall mean a right granted to a Participant pursuant to Section 13 to receive the equivalent value (in cash or shares of Common Stock) of dividends paid on Common Stock.

(s) Effective Date means the effective date of the Plan, as provided in Section 4.

(t) Employee means any person who is an employee of the Company or any Affiliate (including entities which become Affiliates after the Effective Date of the Plan). For this purpose, an individual shall be considered to be an Employee only if there exists between the individual and the Company or an Affiliate the legal and bona fide relationship of employer and employee (taking into account Code Section 409A considerations if and to the extent applicable); provided, however, that with respect to Incentive Options, "Employee" means any person who is considered an employee of the Company or any Parent or Subsidiary for purposes of Treasury Regulation Section 1.421-1(h) (or any successor provision related thereto).

(u) Exchange Act means the Securities Exchange Act of 1934, as amended, or any successor thereto.

(v) Fair Market Value per share of the Common Stock shall be established in good faith by the Administrator and, unless otherwise determined by the Administrator, the Fair Market Value shall be determined in accordance with the following provisions: (i) if the shares of Common Stock are listed for trading on the New York Stock Exchange, Inc. (the "NYSE") or another national or regional stock exchange, the Fair Market Value shall be the closing sales price per share of the shares on the NYSE or other principal stock exchange on which such securities are listed on the date an Award is granted or other determination is made (such date of determination being referred to herein as a "valuation date"), or, if there is no transaction on such date, then on the trading date nearest preceding the valuation date for which closing price information is available, and, provided further, if the shares are not listed for trading on the NYSE or another stock exchange but are regularly quoted on an automated quotation system (including the OTC Bulletin Board and the quotations published by the OTC Markets Group) or by a recognized securities dealer, the Fair Market Value shall be the closing sales price for such shares as quoted on such system or by such securities dealer on the valuation date, but if selling prices are not reported, the Fair Market Value of a share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the valuation date (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or (ii) if the shares of Common Stock are not listed or reported in any of the foregoing, then the Fair Market Value shall be determined by the Administrator based on such valuation measures or other factors as it deems appropriate. Notwithstanding the foregoing, (x) with respect to the grant of Incentive Options, the Fair Market Value shall be determined by the Administrator in accordance with the applicable provisions of Section 20.2031-2 of the Federal Estate Tax Regulations, or in any other manner consistent with the Code Section 422; and (y) Fair Market Value shall be determined in accordance with Code Section 409A if and to the extent required.

(w) Freestanding SAR means a SAR that is granted without relation to an Option, as provided in Section 8.

(x) Full Value Award means an Award, other than in the form of an Option or SAR, which is settled by the issuance of Common Stock.

(y) Good Reason means, unless the Administrator determines otherwise, (i) "Good Reason" as defined under the Participant's employment, change in control, consulting or other similar agreement with the Company or an Affiliate, if any, or (ii) if the Participant has not entered into any agreement (or, if any such agreement does not define "Good Reason"), then, a "Good Reason" shall mean any of the following without the Participant's consent: (A) with respect to Employees or Consultants, a change caused by the Company in the Participant's duties and responsibilities which is materially inconsistent with the Participant's position at the Company, or a material reduction in the Participant's annual base salary (excluding any reduction in the Participant's salary that is part of a plan to reduce salaries of comparably situated employees of the Company generally); and (B) with respect to Directors, the Participant's ceasing to serve as a Director, or, if the Company is not the surviving Company in a Change of Control event, a member of the board of directors of the surviving entity, in either case, due to the Participant's failure to be nominated to serve as a director of such entity or the Participant's failure to be elected to serve as a director of such entity, but not due to the Participant's decision not to continue service on the Board of Directors of the Company or the board of directors of the surviving entity, as the case may be; provided that, in any case, notwithstanding anything to the contrary in the foregoing subparts (i) or (ii), the Participant shall only have "Good Reason" to terminate employment or service following the applicable entity's failure to remedy the act which is alleged to constitute "Good Reason" within thirty (30) days following such entity's receipt of written notice from the Participant specifying such act, so long as such notice is provided within sixty (60) days after such event has first occurred. The determination of "Good Reason" shall be made by the Administrator and its determination shall be final and conclusive.

(z) Incentive Option means an Option that is designated by the Administrator as an Incentive Option pursuant to Section 7 and intended to meet the requirements of incentive stock options under Code Section 422.

(aa) Nonqualified Option means an Option granted under Section 7 that is not intended to qualify (or does not qualify) as an incentive stock option under Code Section 422.

(bb) Option means a stock option granted under Section 7 that entitles the holder to purchase from the Company a stated number of shares of Common Stock at the Option Price, and subject to such terms and conditions, as may be set forth in the Plan or an Award Agreement or established by the Administrator.

(cc) Option Period means the term of an Option, as provided in Section 7(d).

(dd) Option Price means the price at which an Option may be exercised, as provided in Section 7(b).

(ee) Other Stock-Based Award means a right, granted to a Participant under Section 12, that relates to or is valued by reference to shares of Common Stock or other Awards relating to shares of Common Stock.

(ff) Parent shall mean a "parent corporation," whether now or hereafter existing, as defined in Code Section 424(e).

(gg) Participant means an individual who is an Employee employed by, or a Director or Consultant providing services to, the Company or an Affiliate who satisfies the requirements of Section 6 and is selected by the Administrator to receive an Award under the Plan.

(hh) Performance Award means a Performance Share Award and/or a Performance Unit Award, as provided in Section 10.

(ii) Performance Measures mean one or more performance factors or criteria which may be established by the Administrator with respect to an Award. Performance Measures may be based on such corporate, business unit or division, and/or individual performance factors or criteria as the Administrator in its discretion may deem appropriate; provided, however, that, if and to the extent required under Code Section 162(m) with respect to Awards granted to Covered Employees that are intended to qualify as "performance-based compensation" under Code Section 162(m), such Performance Measures shall be objective and shall be based upon one or more of the following criteria (as determined by the Administrator in its discretion): (i) consolidated income before or after taxes (including income before interest, taxes, depreciation, and amortization); (ii) EBITDA; (iii) adjusted EBITDA; (iv) operating income; (v) net income; (vi) adjusted cash net income; (vii) adjusted cash net income per share; (viii) net income per share and/or earnings per share (in each case, on a basic and/or diluted basis); (ix) book value per share; (x) return on members' or stockholders' equity; (xi) expense management (including, without limitation, total general and administrative expense percentages); (xii) return on investment; (xiii) improvements in capital structure; (xiv) profitability of an identifiable business unit or product; (xv) maintenance or improvement of profit margins; (xvi) stock price; (xvii) market share; (xviii) revenue or sales (including, without limitation, net loans charged off, average finance receivables, net loans charged off as percent of average net finance receivables, and net finance receivables); (xix) costs (including, without limitation, total general and administrative expense percentage); (xx) cash flow; (xxi) working capital; (xxii) multiple of invested capital (xxiii) total debt (including, without limitation, total debt as a multiple of EBITDA), and (xxiv) total return. The Administrator may apply other performance factors and criteria, which need not be objective, with respect to Awards that are not intended to comply with the Code Section 162(m) qualified performance-based compensation exception. To the extent that Code Section 162(m) is applicable, the Administrator shall, within the time and in the manner prescribed by Code Section 162(m), select eligible Participants and define in an objective fashion the manner of calculating the Performance Measures it selects to use for Covered Employees during any specific performance period. The foregoing criteria may relate to the Company, one or more of its Subsidiaries or other Affiliates or one or more of its divisions, departments, units, segments, partnerships, joint ventures or minority investments, facilities, product lines or products, or any combination of the foregoing. The targeted level or levels of performance with respect to such business criteria may be established at such levels and on such terms as the Administrator may determine, in its discretion, including but not limited to on an absolute basis, in relation to performance in a prior performance period, relative to one or more peer group companies or indices, on a per share and/or share per capita basis, on a pre-tax or after-tax basis, and/or any combination thereof.

(jj) Performance Share means an Award granted under Section 10, in an amount determined by the Administrator and specified in an Award Agreement, stated with reference to a specified number of shares of Common Stock, that entitles the holder to receive shares of Common Stock, a cash payment, or a combination of Common Stock and cash (as determined by the Administrator), subject to the terms of the Plan and the terms and conditions established by the Administrator.

(kk) Performance Unit means an Award granted under Section 10, in an amount determined by the Administrator and specified in an Award Agreement, that entitles the holder to receive shares of Common Stock, a cash payment, or a combination of Common Stock and cash (as determined by the Administrator), subject to the terms of the Plan and the terms and conditions established by the Administrator.

(ll) Phantom Stock Award means an Award granted under Section 11, entitling a Participant to a payment in cash, shares of Common Stock, or a combination of cash and Common Stock (as determined by the Administrator), following the completion of the applicable vesting period and compliance with the terms of the Plan and other terms and conditions established by the Administrator. The unit value of a Phantom Stock Award shall be based on the Fair Market Value of a share of Common Stock.

(mm) Plan means the Regional Management Corp. 2015 Long-Term Incentive Plan, as amended and/or restated.

(nn) Prior Plan or Prior Plans means the Regional Management Corp. 2011 Stock Incentive Plan (the “2011 Plan”) and the Regional Management Corp. 2007 Management Incentive Plan (the “2007 Plan”), in each case, as amended and/or restated.

(oo) Qualifying Termination means, unless the Administrator determines otherwise, termination of employment or service of a Participant (i) as a result of the Participant’s death or Disability, (ii) by the Company and/or its Affiliates without Cause, or (iii) by the Participant for Good Reason.

(pp) Related SAR means a SAR granted under Section 8 that is granted in relation to a particular Option and that can be exercised only upon the surrender to the Company, unexercised, of that portion of the Option to which the SAR relates.

(qq) Restricted Award means a Restricted Stock Award and/or a Restricted Stock Unit Award, as provided in Section 9.

(rr) Restricted Stock Award means shares of Common Stock granted to a Participant under Section 9. Shares of Common Stock subject to a Restricted Stock Award shall cease to be restricted when, in accordance with the terms of the Plan and the terms and conditions established by the Administrator, the shares vest and become transferable and free of substantial risks of forfeiture.

(ss) Restricted Stock Unit means a Restricted Award granted to a Participant pursuant to Section 9 which is settled, if at all, (i) by the delivery of one share of Common Stock for each Restricted Stock Unit, (ii) in cash in an amount equal to the Fair Market Value of one share of Common Stock for each Restricted Stock Unit, or (iii) in a combination of cash and shares equal to the Fair Market Value of one share of Common Stock for each Restricted Stock Unit, as determined by the Administrator. A Restricted Stock Unit represents the promise of the Company to deliver shares of Common Stock, cash or a combination thereof, as applicable, at the end of the applicable restriction period if and only to the extent the Award vests and ceases to be subject to forfeiture, subject to compliance with the terms of the Plan and Award Agreement and any performance or other terms and conditions established by the Administrator.

(tt) Retirement shall, except as may be otherwise determined by the Administrator (taking into account any Code Section 409A considerations), as applied to any Participant, have the meaning given in an employment, change in control, consulting, or other similar agreement, if any, to which the Participant is a party, or, if there is no such agreement (or if such agreement does not define “Retirement”), then, unless the Administrator determines otherwise, “Retirement” shall mean the termination of employment by the Participant on or after (i) the Participant’s attainment of age 65, or (ii) the Participant’s attainment of age 55 and completion of ten (10) years of service. The Administrator shall have authority to determine if a Retirement has occurred.

(uu) SAR means a stock appreciation right granted under Section 8 entitling the Participant to receive, with respect to each share of Common Stock encompassed by the exercise of such SAR, the excess of the Fair Market Value on the date of exercise over the Base Price, subject to the terms of the Plan and Award Agreement and any other terms and conditions established by the Administrator. References to “SARs” include both Related SARs and Freestanding SARs, unless the context requires otherwise.

(vv) Securities Act means the Securities Act of 1933, as amended, or any successor thereto.

(ww) Subsidiary shall mean a “subsidiary corporation,” whether now or hereafter existing, as defined in Code Section 424(f) (or any successor section thereto).

(xx) Termination Date means the date of termination of a Participant’s employment or service for any reason, as determined by the Administrator (taking into account any Code Section 409A considerations).

## 2. Purpose

The purposes of the Plan are to encourage and enable selected Employees, Directors, and Consultants of the Company and its Affiliates to acquire or increase their holdings of Common Stock and other equity-based interests in the Company and/or to provide other incentive awards in order to promote a closer identification of their interests with those of the Company and its stockholders, and to provide flexibility to the Company in its ability to motivate, attract, and retain the services of Participants upon whose judgment, interest, and special effort the successful conduct of its operation largely depends. These purposes may be carried out through the granting of Awards to selected Participants, including the granting of Options in the form of Incentive Stock Options and/or Nonqualified Options; SARs in the form of Freestanding SARs and/or Related SARs; Restricted Awards in the form of Restricted Stock Awards and/or Restricted Stock Units; Performance Awards in the form of Performance Shares and/or Performance Units; Phantom Stock Awards; Other Stock-Based Awards; and/or Dividend Equivalent Awards.

## 3. Administration of the Plan

(a) The Plan shall be administered by the Board or, upon its delegation, by the Committee (or a subcommittee thereof). To the extent required under Rule 16b-3 adopted under the Exchange Act, the Committee shall be comprised solely of two or more "non-employee directors," as such term is defined in Rule 16b-3, or as may otherwise be permitted under Rule 16b-3. Further, to the extent required by Code Section 162(m), the Plan shall be administered by a committee comprised of two or more "outside directors" (as such term is defined in Code Section 162(m)) or as may otherwise be permitted under Code Section 162(m). In addition, Committee members shall qualify as "independent directors" under applicable stock exchange rules if and to the extent required.

(b) Subject to the provisions of the Plan, the Administrator shall have full and final authority in its discretion to take any action with respect to the Plan including, without limitation, the authority to (i) determine all matters relating to Awards, including selection of individuals to be granted Awards, the types of Awards, the number of shares of Common Stock, if any, subject to an Award, and all terms, conditions, restrictions, and limitations of an Award; (ii) prescribe the form or forms of Award Agreements evidencing any Awards granted under the Plan; (iii) establish, amend and rescind rules and regulations for the administration of the Plan; (iv) correct any defect, supply any omission, or reconcile any inconsistency in the Plan or in any Award or Award Agreement; and (v) construe and interpret the Plan, Awards, and Award Agreements made under the Plan, interpret rules and regulations for administering the Plan, and make all other determinations deemed necessary or advisable for administering the Plan. In addition, (x) the Administrator shall have the authority to accelerate the date that any Award which was not otherwise exercisable, vested, or earned shall become exercisable, vested, or earned in whole or in part without any obligation to accelerate such date with respect to any other Award granted to any recipient; and (y) the Administrator may in its sole discretion modify or extend the terms and conditions for exercise, vesting, or earning of an Award (in each case, taking into account any Code Section 409A considerations). The Administrator's authority to grant Awards and authorize payments under the Plan shall not in any way restrict the authority of the Company to grant compensation to Employees, Directors, or Consultants under any other compensation plan, program, or arrangement of the Company or an Affiliate. The Administrator may determine that a Participant's rights, payments, and/or benefits with respect to an Award (including but not limited to any shares issued or issuable and/or cash paid or payable with respect to an Award) shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, termination of employment for Cause, violation of policies of the Company or an Affiliate, breach of non-solicitation, non-competition, confidentiality, or other restrictive covenants that may apply to the Participant, other conduct by the Participant that is determined by the Administrator to be detrimental to the business or reputation of the Company or any Affiliate, and/or other circumstances where such reduction, cancellation, forfeiture, or recoupment is required by Applicable Law. Notwithstanding any other provision in the Plan, the Administrator shall have the unilateral right, in its absolute discretion, to reduce or eliminate the amount of an Award granted to any Participant, including an award otherwise earned and payable pursuant to the terms of the Plan. In addition, the Administrator shall have the authority and discretion to establish terms and conditions of Awards (including but not limited to the establishment of subplans) as the Administrator determines to be necessary or appropriate to conform to the applicable requirements or practices of jurisdictions outside of the United States. In addition to action by meeting in accordance with Applicable Law, any action of the Administrator with respect to the Plan may be taken by a written instrument signed by all of the members of the Board or Committee, as appropriate, and any such action so taken by written consent shall be as fully effective as if it had been taken by a majority of the members at a meeting duly held and called. All determinations of the Administrator with respect to the Plan and any Award or Award Agreement will be final and binding on the Company and all persons having or claiming an interest in any Award granted under the Plan. No member of the Board or Committee, as applicable, shall be liable while acting as Administrator for any action or determination made in good faith with respect to the Plan, an Award, or an Award Agreement. The members of the Board or Committee, as applicable, shall be entitled to indemnification and reimbursement in the manner and to the fullest extent provided in the Company's certificate of incorporation and/or bylaws and/or pursuant to Applicable Law.

(c) Notwithstanding the provisions of Section 3(b), Awards granted to a Participant under the Plan shall be subject to a minimum vesting (or earning) (collectively, "vesting") period of one year (which may include installment vesting within such one-year period as determined by the Administrator); provided, however, that (i) the Administrator may provide for the acceleration of vesting and/or exercisability of any Award in its discretion, including but not limited to in cases of death, Disability, Retirement, Qualifying Termination, or (to the extent provided in Section 14 herein) a Change of Control; (ii) the Administrator may provide for the grant of an Award to any Participant without a minimum vesting period, but only with respect to Awards for no more than an aggregate of five percent (5%) of the total number of Shares authorized for issuance under the Plan pursuant to Section 5(a) herein, upon such terms and conditions as the Administrator shall determine; (iii) the Administrator also may provide for the grant of Awards to Participants that have different vesting terms in the case of Awards that are substituted for other equity awards in connection with mergers, consolidations, or other similar transactions, Awards that are granted as an inducement to be employed by the Company or an Affiliate or to replace forfeited awards from a former employer, or Awards that are granted in exchange for foregone cash compensation; and (iv) with respect to Awards granted to non-employee Directors, the minimum vesting period shall be the period commencing with the date on which such non-employee Director is elected or appointed to the Board, and ending on the earlier to occur of (X) the one year anniversary of the grant date of such Award or (Y) the date of the next annual meeting following such non-employee Director's election or appointment to the Board, so long as the period between the date of the annual meeting of the Company's stockholders related to the grant date and the date of the next annual meeting of the Company's stockholders is not less than 50 weeks (for vesting dates occurring on or after the 2022 Annual Meeting of Stockholders).

(d) The Administrator may adjust or modify Performance Measures or other performance factors or terms or conditions of Awards due to extraordinary items, transactions, events, or developments, or in recognition of any other unusual or infrequent events affecting the Company or the financial statements of the Company, or in response to changes in Applicable Law, accounting principles, or business conditions, in each case as determined by the Administrator (provided that any adjustment or modification involving Covered Employees for compensation that is intended to qualify as "performance-based compensation" under Code Section 162(m) shall be subject to any applicable Code Section 162(m) restrictions). By way of example but not limitation, the Administrator may provide with respect to any Award that any evaluation of performance shall exclude or otherwise objectively adjust for any specified circumstance or event that occurs during a performance period, including circumstances or events such as the following: (i) asset write-downs or impairment charges; (ii) significant litigation or claim judgments or settlements; (iii) the effect of changes in tax laws, accounting standards or principles, or other laws or regulatory rules; (iv) any reorganization and restructuring programs; (v) extraordinary nonrecurring items as described in then-current accounting principles; (vi) extraordinary nonrecurring items as described in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders; (vii) acquisitions or divestitures; (viii) a change in the Company's fiscal year; (ix) any other specific unusual or infrequent events; and/or (x) foreign exchange gains and losses.

(e) Notwithstanding the other provisions of this Section 3, the Board may expressly delegate to one or more officers of the Company or a special committee consisting of one or more directors who are also officers of the Company the authority, within specified parameters, to grant Awards to eligible Participants, and to make any or all of the determinations reserved for the Administrator in the Plan and summarized in Section 3(b) with respect to such Awards (subject to any restrictions imposed by Applicable Law and such terms and conditions as may be established by the Administrator); provided, however, that, if and to the extent required by Section 16 of the Exchange Act or Code Section 162(m), the Participant, at the time of said grant or other determination (i) is not deemed to be an officer or director of the Company within the meaning of Section 16 of the Exchange Act; and (ii) is not deemed to be a Covered Employee as defined under Code Section 162(m). To the extent that the Administrator has delegated authority to grant Awards pursuant to this Section 3(e) to an officer(s) and/or a special committee, references to the "Administrator" shall include references to such officer(s) and/or special committee, subject, however, to the requirements of the Plan, Rule 16b-3, Code Section 162(m), and other Applicable Law.

**4. Effective Date**

The Effective Date of the Plan shall be April 22, 2015 (the "Effective Date"). The Plan was amended and restated effective April 27, 2017, and further amended and restated effective May 20, 2021. Awards may be granted on or after the Effective Date, but no Awards may be granted after April 21, 2025. Awards that are outstanding at the end of the Plan term (or such earlier termination date as may be established by the Board pursuant to Section 16(a)) shall continue in accordance with their terms, unless otherwise provided in the Plan or an Award Agreement.

**5. Shares of Stock Subject to the Plan; Award Limitations**

(a) *Shares of Stock Subject to the Plan*: Subject to adjustments as provided in Section 5(d), the maximum aggregate number of shares of Common Stock that may be issued pursuant to Awards granted under the Plan shall not exceed the sum of (i)

2,600,000 shares, plus (ii) any shares remaining available for the grant of awards as of the Effective Date under any Prior Plan, plus (iii) any shares subject to an award granted under a Prior Plan, which award is forfeited, cash-settled, cancelled, terminated, expires or lapses for any reason after the Effective Date without the issuance of shares or pursuant to which such shares are forfeited. Shares delivered under the Plan shall be authorized but unissued shares, treasury shares, or shares purchased on the open market or by private purchase. The Company hereby reserves sufficient authorized shares of Common Stock to meet the grant of Awards hereunder. As of the Effective Date, no further awards shall be granted under the Prior Plans, although Prior Plan awards that are outstanding as of such date shall continue in accordance with their terms.

(b) *Award Limitations*: Notwithstanding any provision in the Plan to the contrary, the following limitations shall apply to Awards granted under the Plan, in each case subject to adjustments pursuant to Section 5(d):

(i) The maximum aggregate number of shares of Common Stock that may be issued under the Plan pursuant to the grant of Incentive Options shall not exceed 2,600,000 shares of Common Stock;

(ii) In any 12-month period, no Participant may be granted Options and SARs that are not related to an Option for more than 450,000 shares of Common Stock (or the equivalent value thereof based on the Fair Market Value per share of the Common Stock on the date of grant of an Award);

(iii) In any 12-month period, no Participant may be granted Awards other than Options or SARs that are settled in shares of Common Stock for more than 450,000 shares of Common Stock;

(iv) In any 12-month period, the maximum amount of Awards that are settled in cash that can be granted to any one Participant shall be $2,500,000; and

(v) Notwithstanding the provisions of Sections 5(b)(ii), 5(b)(iii) and 5(b)(iv) herein, with respect to non-employee Directors, in any 12-month period, the maximum number of shares of Common Stock subject to Awards granted during any 12-month period to any non-employee Director, taken together with any cash fees paid during such 12-month period to such non-employee Director in respect of service as a member of the Board, shall not exceed $600,000 in total value (calculating the value of any such Awards based on the Fair Market Value per share of Common Stock on the date of grant of such an Award).

(For purposes of Section 5(b)(ii), (iii), (iv), and (v), an Option and Related SAR shall be treated as a single Award.)

(c) *Additional Share Counting Provisions*. The following provisions shall apply with respect to the share limitations of Section 5(a):

(i) To the extent that an Award is canceled, terminates, expires, is forfeited, or lapses for any reason, any such unissued or forfeited shares subject to the Award will again be available for issuance pursuant to Awards granted under the Plan.

(ii) Awards settled in cash shall not be counted against the share limitations stated in Section 5(a) herein.

(iii) Dividends, including dividends paid in shares, or dividend equivalents paid in cash in connection with outstanding Awards, will not be counted towards the share limitations in Section 5(a).

(iv) Shares withheld from a Full Value Award (or a full value award under a Prior Plan) or delivered by a Participant to satisfy tax withholding requirements with respect to a Full Value Award (or a full value award under a Prior Plan), in each case after the effective date of this amended and restated Plan (that is, May 20, 2021), will again be available for issuance pursuant to Awards granted under the Plan. Further, to the extent that the full number of shares subject to an Award other than an Option or SAR is not issued for any reason, including by reason of failure to achieve maximum performance factors or criteria, only the number of shares issued and delivered shall be considered for purposes of determining the number of shares remaining available for issuance pursuant to Awards granted under the Plan.

(v) The following shares of Common Stock may not again be made available for issuance as Awards under the Plan: (A) shares withheld from an Award that is not a Full Value Award or delivered by a Participant to satisfy tax withholding requirements for Awards that are not Full Value Awards; (B) shares not issued or delivered as a result of the net settlement

of an outstanding Award that is not a Full Value Award; (C) shares withheld or delivered to pay the exercise price related to an outstanding Award; and (D) shares repurchased on the open market with the proceeds of the Option Price.

(vi) Further, (A) shares issued under the Plan through the settlement, assumption, or substitution of outstanding awards granted by another entity or obligations to grant future awards as a condition of or in connection with a merger, acquisition, or similar transaction involving the Company acquiring another entity shall not reduce the maximum number of shares available for delivery under the Plan, and (B) available shares under a stockholder approved plan of an acquired company (as appropriately adjusted to reflect the transaction) may be used for Awards under the Plan and will not reduce the maximum number of shares available under the Plan, subject, in the case of both (A) and (B) herein, to applicable stock exchange listing requirements.

(d) *Adjustments; Right to Issue Additional Securities*: If there is any change in the outstanding shares of Common Stock because of a merger, consolidation, recapitalization, or reorganization involving the Company, or if the Board declares a stock dividend, stock split distributable in shares of Common Stock or reverse stock split, other distribution (other than an ordinary or regular cash dividend), or combination or reclassification of the Common Stock, or if there is a similar change in the capital stock structure of the Company affecting the Common Stock (excluding conversion of convertible securities by the Company and/or the exercise of warrants by their holders), then the number of shares of Common Stock reserved for issuance under the Plan shall be correspondingly adjusted, and the Administrator shall make such adjustments to Awards or to any provisions of this Plan as the Administrator deems equitable to prevent dilution or enlargement of Awards or as may otherwise be advisable. Nothing in the Plan, an Award, or an Award Agreement shall limit the ability of the Company to issue additional securities (including but not limited to the issuance of other options or other derivative securities, warrants, additional shares or classes of Common Stock, preferred stock, and/or other convertible securities).

**6. Eligibility**

An Award may be granted only to an individual who satisfies all of the following eligibility requirements on the date the Award is granted:

(a) The individual is either (i) an Employee, (ii) a Director, or (iii) a Consultant.

(b) With respect to the grant of Incentive Options, the individual is otherwise eligible to participate under this Section 6, is an Employee of the Company or a Parent or Subsidiary and does not own, immediately before the time that the Incentive Option is granted, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or a Parent or Subsidiary. Notwithstanding the foregoing, an Employee who owns more than 10% of the total combined voting power of all classes of stock of the Company or a Parent or Subsidiary may be granted an Incentive Option if the Option Price is at least 110% of the Fair Market Value of the Common Stock and the Option Period does not exceed five years. For this purpose, an individual will be deemed to own stock which is attributable to him under Code Section 424(d).

(c) With respect to the grant of substitute awards or assumption of awards in connection with a merger, consolidation, acquisition, reorganization, or similar transaction involving the Company or an Affiliate, the recipient is otherwise eligible to receive the Award and the terms of the award are consistent with the Plan and Applicable Law (including, to the extent necessary, the federal securities laws registration provisions, Code Section 409A, and Code Section 424(a)).

(d) The individual, being otherwise eligible under this Section 6, is selected by the Administrator as an individual to whom an Award shall be granted (as defined above, a “Participant”).

**7. Options**

(a) *Grant of Options*: Subject to the limitations of the Plan, the Administrator may in its discretion grant Options to such eligible Participants in such numbers, subject to such terms and conditions, and at such times as the Administrator shall determine. Both Incentive Options and Nonqualified Options may be granted under the Plan, as determined by the Administrator; provided, however, that Incentive Options may only be granted to Employees of the Company or a Parent or Subsidiary. To the extent that an Option is designated as an Incentive Option but does not qualify as such under Code Section 422, the Option (or portion thereof) shall be treated as a Nonqualified Option. An Option may be granted with or without a Related SAR.

(b) *Option Price*: The Option Price per share at which an Option may be exercised shall be established by the Administrator and stated in the Award Agreement evidencing the grant of the Option; provided, that (i) the Option Price of an Option shall be no less than 100% of the Fair Market Value per share of the Common Stock as determined on the date the Option is granted

(or 110% of the Fair Market Value with respect to Incentive Options granted to an Employee who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or a Parent or Subsidiary, as provided in Section 6(b)); and (ii) in no event shall the Option Price per share of any Option be less than the par value per share of the Common Stock. Notwithstanding the foregoing, the Administrator may in its discretion authorize the grant of substitute or assumed options of an acquired entity with an Option Price not equal to 100% of the Fair Market Value of the stock on the date of grant, if the terms of such substitution or assumption otherwise comply, to the extent deemed applicable, with Code Section 409A and/or Code Section 424(a).

(c) *Date of Grant*: An Option shall be considered to be granted on the date that the Administrator acts to grant the Option, or on such later date as may be established by the Administrator in accordance with Applicable Law.

(d) *Option Period and Limitations on the Right to Exercise Options*:

(i) The Option Period shall be determined by the Administrator at the time the Option is granted and shall be stated in the Award Agreement. The Option Period shall not extend more than 10 years from the date on which the Option is granted (or five years with respect to Incentive Options granted to an Employee who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or a Parent or Subsidiary, as provided in Section 6(b)). Any Option or portion thereof not exercised before expiration of the Option Period shall terminate. The period or periods during which, and the terms and conditions pursuant to which, an Option may vest and become exercisable shall be determined by the Administrator in its discretion, subject to the terms of the Plan (including but not limited to the provisions of Section 3(c) herein). Notwithstanding the foregoing, unless the Administrator determines otherwise, in the event that any portion of an exercisable Option is scheduled to expire on the last day of the Option Period or otherwise scheduled to expire pursuant to the applicable Award Agreement and both (A) the date on which such portion of the Option is scheduled to expire falls during a Company blackout trading period applicable to the Participant (whether such period is imposed at the election of the Company or is required by Applicable Law to be imposed) and (B) the Option Price per share of such portion of the Option is less than the Fair Market Value, then on the date that such portion of the Option is scheduled to expire, such portion of the Option (to the extent not previously exercised by the Participant) shall be automatically exercised on behalf of the Participant through a net settlement of both the Option Price and the applicable withholding taxes due (if any) upon such automatic exercise (as described in Section 7(d)(ii)(B), below), and the net number of shares of Common Stock resulting from such automatic exercise shall be delivered to the Participant as soon as practicable thereafter.

(ii) An Option may be exercised by giving written notice to the Company in form acceptable to the Administrator at such place and subject to such conditions as may be established by the Administrator or its designee. Such notice shall specify the number of shares to be purchased pursuant to an Option and the aggregate purchase price to be paid therefor and shall be accompanied by payment of such purchase price. Unless an Award Agreement provides otherwise, such payment shall be in the form of cash or cash equivalent; provided that, except where prohibited by the Administrator or Applicable Law (and subject to such terms and conditions as may be established by the Administrator), payment may also be made:

(A) By delivery (by either actual delivery or attestation) of shares of Common Stock owned by the Participant for such time period, if any, as may be determined by the Administrator;

(B) By shares of Common Stock withheld upon exercise;

(C) By delivery of written notice of exercise to the Company and delivery to a broker of written notice of exercise and irrevocable instructions to promptly deliver to the Company the amount of sale or loan proceeds to pay the Option Price;

(D) By such other payment methods as may be approved by the Administrator and which are acceptable under Applicable Law; and/or

(E) By any combination of the foregoing methods.

Shares delivered or withheld in payment on the exercise of an Option shall be valued at their Fair Market Value on the date of exercise, as determined by the Administrator or its designee.

(iii) The Administrator shall determine the extent, if any, to which a Participant may have the right to exercise an Option following termination of the Participant's employment or service with the Company. Such rights, if any, shall be

subject to the sole discretion of the Administrator, shall be stated in the individual Award Agreement, need not be uniform among all Options issued pursuant to this Section 7, and may reflect distinctions based on the reasons for termination of employment or service.

(e) *Notice of Disposition*: If shares of Common Stock acquired upon exercise of an Incentive Option are disposed of within two years following the date of grant or one year following the transfer of such shares to a Participant upon exercise, the Participant shall, promptly following such disposition, notify the Company in writing of the date and terms of such disposition and provide such other information regarding the disposition as the Administrator may reasonably require.

(f) *Limitation on Incentive Options*: In no event shall there first become exercisable by an Employee in any one calendar year Incentive Options granted by the Company or any Parent or Subsidiary with respect to shares having an aggregate Fair Market Value (determined at the time an Incentive Option is granted) greater than $100,000; provided that, if such limit is exceeded, then the first $100,000 of shares to become exercisable in such calendar year will be Incentive Options and the Options (or portion thereof) for shares with a value in excess of $100,000 that first became exercisable in that calendar year will be Nonqualified Options. In the event the Code is amended after the Effective Date of the Plan to provide for a different limitation on the Fair Market Value of shares permitted to be subject to Incentive Options, then such different limit shall be automatically incorporated herein. To the extent that any Incentive Options are first exercisable by a Participant in excess of the limitation described herein, the excess shall be considered a Nonqualified Option.

(g) *Nontransferability of Options*: Incentive Options shall not be transferable (including by sale, assignment, pledge, or hypothecation) other than transfers by will or the laws of intestate succession or, in the Administrator's discretion, such transfers as may otherwise be permitted in accordance with Treasury Regulation Section 1.421-1(b)(2) or Treasury Regulation Section 1.421-2(c) or any successor provisions thereto for which there is no monetary consideration. Nonqualified Options shall not be transferable (including by sale, assignment, pledge, or hypothecation) other than by will or the laws of intestate succession, except for transfers if and to the extent permitted by the Administrator in a manner consistent with the registration provisions of the Securities Act and for which there is no monetary consideration. Except as may be permitted by the preceding, an Option shall be exercisable during the Participant's lifetime only by him or by his guardian or legal representative. The designation of a beneficiary in accordance with the Plan does not constitute a transfer.

**8. Stock Appreciation Rights**

(a) *Grant of SARs*: Subject to the limitations of the Plan, the Administrator may in its discretion grant SARs to such eligible Participants, in such numbers, upon such terms and at such times as the Administrator shall determine. SARs may be granted to the holder of an Option (a "<u>Related Option</u>") with respect to all or a portion of the shares of Common Stock subject to the Related Option (a "<u>Related SAR</u>") or may be granted separately to an eligible individual (a "<u>Freestanding SAR</u>"). The Base Price per share of a SAR shall be no less than 100% of the Fair Market Value per share of the Common Stock on the date the SAR is granted. Notwithstanding the foregoing, the Administrator may in its discretion authorize the grant of substitute or assumed SARs of an acquired entity with a Base Price per share not equal to at least 100% of the Fair Market Value of the stock on the date of grant, if the terms of such substitution or assumption otherwise comply, to the extent deemed applicable, with Code Section 409A and/or Code Section 424(a). A SAR shall be considered to be granted on the date that the Administrator acts to grant the SAR, or on such other date as may be established by the Administrator in accordance with Applicable Law.

(b) *Related SARs*: A Related SAR may be granted either concurrently with the grant of the Related Option or (if the Related Option is a Nonqualified Option) at any time thereafter prior to the complete exercise, termination, expiration, or cancellation of such Related Option. The Base Price of a Related SAR shall be equal to the Option Price of the Related Option. Related SARs shall be exercisable only at the time and to the extent that the Related Option is exercisable (and may be subject to such additional limitations on exercisability as the Administrator may provide in an Award Agreement), and in no event after the complete termination or full exercise of the Related Option. Notwithstanding the foregoing, a Related SAR that is related to an Incentive Option may be exercised only to the extent that the Related Option is exercisable and only when the Fair Market Value exceeds the Option Price of the Related Option. Upon the exercise of a Related SAR granted in connection with a Related Option, the Option shall be canceled to the extent of the number of shares as to which the SAR is exercised, and upon the exercise of a Related Option, the Related SAR shall be canceled to the extent of the number of shares as to which the Related Option is exercised or surrendered.

(c) *Freestanding SARs*: A SAR may be granted without relationship to an Option (as defined above, a "Freestanding SAR") and, in such case, will be exercisable upon such terms and subject to such conditions as may be determined by the Administrator, subject to the terms of the Plan.

(d) *Exercise of SARs*:

(i) Subject to the terms of the Plan (including but not limited to Section 3(c) herein), SARs shall be vested and exercisable in whole or in part upon such terms and conditions as may be established by the Administrator. The period during which a SAR may be exercisable shall not exceed 10 years from the date of grant or, in the case of Related SARs, such shorter Option Period as may apply to the Related Option. Any SAR or portion thereof not exercised before expiration of the period established by the Administrator shall terminate.

(ii) SARs may be exercised by giving written notice to the Company in form acceptable to the Administrator at such place and subject to such terms and conditions as may be established by the Administrator or its designee. Unless the Administrator determines otherwise, the date of exercise of a SAR shall mean the date on which the Company shall have received proper notice from the Participant of the exercise of such SAR.

(iii) The Administrator shall determine the extent, if any, to which a Participant may have the right to exercise a SAR following termination of the Participant's employment or service with the Company. Such rights, if any, shall be determined in the sole discretion of the Administrator, shall be stated in the individual Award Agreement, need not be uniform among all SARs issued pursuant to this Section 8, and may reflect distinctions based on the reasons for termination of employment or service.

(e) *Payment Upon Exercise*: Subject to the limitations of the Plan, upon the exercise of a SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying (i) the excess, if any, of the Fair Market Value of a share of Common Stock on the date of exercise of the SAR over the Base Price of the SAR by (ii) the number of shares of Common Stock with respect to which the SAR is being exercised. The consideration payable upon exercise of a SAR shall be paid in cash, shares of Common Stock (valued at Fair Market Value on the date of exercise of the SAR), or a combination of cash and shares of Common Stock, as determined by the Administrator.

(f) *Nontransferability*: Unless the Administrator determines otherwise, and only to the extent no monetary consideration is exchanged, SARs shall not be transferable (including by sale, assignment, pledge, or hypothecation) other than by will or the laws of intestate succession, except for transfers if and to the extent permitted by the Administrator in a manner consistent with the registration provisions of the Securities Act. Except as may be permitted by the preceding sentence, SARs may be exercised during the Participant's lifetime only by him or by his guardian or legal representative. The designation of a beneficiary in accordance with the Plan does not constitute a transfer.

**9. Restricted Awards**

(a) *Grant of Restricted Awards*: Subject to the limitations of the Plan, the Administrator may in its discretion grant Restricted Awards to such Participants, for such numbers of shares of Common Stock, upon such terms, and at such times as the Administrator shall determine. Such Restricted Awards may be in the form of Restricted Stock Awards and/or Restricted Stock Units that are subject to certain conditions, which conditions must be met in order for the Restricted Award to vest and be earned (in whole or in part) and no longer subject to forfeiture. Restricted Stock Awards shall be payable in shares of Common Stock. Restricted Stock Units shall be payable in cash or shares of Common Stock, or partly in cash and partly in shares of Common Stock, in accordance with the terms of the Plan and the discretion of the Administrator. Subject to the provisions of Section 3(c) herein, the Administrator shall determine the nature, length and starting date of the period, if any, during which a Restricted Award may be earned (the "Restriction Period"), and shall determine the conditions which must be met in order for a Restricted Award to be granted or to vest or be earned (in whole or in part), which conditions may include, but are not limited to, payment of a stipulated purchase price, attainment of performance objectives, continued service or employment for a certain period of time, a combination of attainment of performance objectives and continued service, Retirement, Disability, death, or any combination of such conditions. In the case of Restricted Awards based upon performance factors or criteria, or a combination of performance factors or criteria and continued service, the Administrator shall determine the Performance Measures applicable to such Restricted Awards (subject to Section 1(ii)).

(b) *Vesting of Restricted Awards*: Subject to the terms of the Plan (and taking into account any Code Section 409A considerations), the Administrator shall have sole authority to determine whether and to what degree Restricted Awards have vested and been earned and are payable and to establish and interpret the terms and conditions of Restricted Awards.

(c) *Termination of Employment or Service; Forfeiture*: Unless the Administrator determines otherwise, if the employment or service of a Participant shall be terminated for any reason (whether by the Company or the Participant and whether voluntary or involuntary) and all or any part of a Restricted Award has not vested or been earned pursuant to the terms of the Plan

and related Award Agreement, such Award, to the extent not then vested or earned, shall be forfeited immediately upon such termination and the Participant shall have no further rights with respect thereto.

(d) *Share Certificates; Escrow*: Unless the Administrator determines otherwise, a certificate or certificates representing the shares of Common Stock subject to a Restricted Stock Award shall be issued in the name of the Participant (or, in the case of uncertificated shares, other written evidence of ownership in accordance with Applicable Law shall be provided) after the Award has been granted. Notwithstanding the foregoing, the Administrator may require that (i) a Participant deliver the certificate(s) (or other instruments) for such shares to the Administrator or its designee to be held in escrow until the Restricted Stock Award vests and is no longer subject to a substantial risk of forfeiture (in which case the shares will be promptly released to the Participant) or is forfeited (in which case the shares shall be returned to the Company); and/or (ii) a Participant deliver to the Company a stock power, endorsed in blank (or similar instrument), relating to the shares subject to the Restricted Stock Award which are subject to forfeiture. Unless the Administrator determines otherwise, a certificate or certificate representing shares of Common Stock issuable pursuant to a Restricted Stock Unit shall be issued in the name of the Participant (or, in the case of uncertificated shares, other written evidence of ownership in accordance with Applicable Law shall be provided) promptly after the Award (or portion thereof) has vested and been earned and is distributable.

(e) *Nontransferability*: Unless the Administrator determines otherwise, and only to the extent no monetary consideration is exchanged, Restricted Awards that have not vested shall not be transferable (including by sale, assignment, pledge, or hypothecation) other than transfers by will or the laws of intestate succession, and the recipient of a Restricted Award shall not sell, transfer, assign, pledge, or otherwise encumber shares subject to the Award until the Restriction Period has expired and until all conditions to vesting have been met. The designation of a beneficiary in accordance with the Plan does not constitute a transfer.

**10. Performance Awards**

(a) *Grant of Performance Awards*: Subject to the terms of the Plan, the Administrator may in its discretion grant Performance Awards to such eligible Participants upon such terms and conditions and at such times as the Administrator shall determine. Performance Awards may be in the form of Performance Shares and/or Performance Units. An Award of a Performance Share is a grant of a right to receive shares of Common Stock, the cash value thereof, or a combination thereof (in the Administrator's discretion), which is contingent upon the achievement of performance or other objectives during a specified period and which has a value on the date of grant equal to the Fair Market Value of a share of Common Stock. An Award of a Performance Unit is a grant in an amount determined by the Administrator that gives the holder the opportunity to receive shares of Common Stock, a cash payment or a combination of Common Stock and cash (as determined by the Administrator), which is contingent upon the achievement of performance or other objectives during a specified period and which has an initial value determined in a dollar amount established by the Administrator at the time of grant. Subject to Section 5(b), the Administrator shall have discretion to determine the number of Performance Units and/or Performance Shares granted to any Participant. Subject to the provisions of Section 3(c) herein, the Administrator shall determine the nature, length, and starting date of the period during which a Performance Award may be earned (the "Performance Period"), and shall determine the conditions which must be met in order for a Performance Award to be granted or to vest or be earned (in whole or in part), which conditions may include but are not limited to payment of a stipulated purchase price, attainment of performance objectives, continued service or employment for a certain period of time, or a combination of any such conditions. Subject to Section 1(ii), the Administrator shall determine the Performance Measures applicable to such Performance Awards.

(b) *Earning of Performance Awards*: Subject to the terms of the Plan (and taking into account any Code Section 409A considerations), the Administrator shall have sole authority to determine whether and to what degree Performance Awards have been earned and are payable and to interpret the terms and conditions of Performance Awards and the provisions of this Section 10.

(c) *Form of Payment*: Payment of the amount to which a Participant shall be entitled upon earning a Performance Award shall be made in cash, shares of Common Stock, or a combination of cash and shares of Common Stock, as determined by the Administrator in its sole discretion. Payment may be made in a lump sum or upon such terms as may be established by the Administrator (taking into account any Code Section 409A considerations).

(d) *Termination of Employment or Service; Forfeiture*: Unless the Administrator determines otherwise (taking into account any Code Section 409A considerations), if the employment or service of a Participant shall terminate for any reason (whether by the Company or the Participant and whether voluntary or involuntary) and the Participant has not earned all or part of a Performance Award pursuant to the terms of the Plan and related Award Agreement, such Award, to the extent not then earned, shall be forfeited immediately upon such termination and the Participant shall have no further rights with respect thereto.

(e) *Nontransferability*: Unless the Administrator determines otherwise, and only to the extent no monetary consideration is exchanged, Performance Awards which have not been earned shall not be transferable (including by sale, assignment, pledge, or hypothecation) other than transfers by will or the laws of intestate succession, and the recipient of a Performance Award shall not sell, transfer, assign, pledge, or otherwise encumber any shares or any other benefit subject to the Award until the Performance Period has expired and the conditions to earning the Award have been met. The designation of a beneficiary in accordance with the Plan does not constitute a transfer.

**11. Phantom Stock Awards**

(a) *Grant of Phantom Stock Awards*: Subject to the terms of the Plan (including but not limited to Section 3(c) herein), the Administrator may in its discretion grant Phantom Stock Awards to such eligible Participants, in such numbers, upon such terms and conditions, and at such times as the Administrator shall determine. A Phantom Stock Award is an Award to a Participant of a number of hypothetical share units with respect to shares of Common Stock, with a value based on the Fair Market Value of a share of Common Stock.

(b) *Vesting of Phantom Stock Awards*: Subject to the terms of the Plan (and taking into account any Code Section 409A considerations), the Administrator shall have sole authority to determine whether and to what degree Phantom Stock Awards have vested and are payable and to interpret the terms and conditions of Phantom Stock Awards.

(c) *Termination of Employment or Service; Forfeiture*: Unless the Administrator determines otherwise (taking into account any Code Section 409A considerations), if the employment or service of a Participant shall be terminated for any reason (whether by the Company or the Participant and whether voluntary or involuntary) and all or any part of a Phantom Stock Award has not vested and become payable pursuant to the terms of the Plan and related Award Agreement, such Award, to the extent not then vested or earned, shall be forfeited immediately upon such termination and the Participant shall have no further rights with respect thereto.

(d) *Payment of Phantom Stock Awards*: Upon vesting of all or a part of a Phantom Stock Award and satisfaction of such other terms and conditions as may be established by the Administrator, the Participant shall be entitled to a payment of an amount equal to the Fair Market Value of one share of Common Stock with respect to each such Phantom Stock unit which has vested and is payable. Payment may be made, in the discretion of the Administrator, in cash or in shares of Common Stock valued at their Fair Market Value on the applicable vesting date or dates (or other date or dates determined by the Administrator), or in a combination thereof. Payment may be made in a lump sum or upon such terms as may be established by the Administrator (taking into account any Code Section 409A considerations).

(e) *Nontransferability*: Unless the Administrator determines otherwise, and only to the extent no monetary consideration is exchanged, (i) Phantom Stock Awards shall not be transferable (including by sale, assignment, pledge, or hypothecation) other than transfers by will or the laws of intestate succession and (ii) shares of Common Stock (if any) subject to a Phantom Stock Award may not be sold, transferred, assigned, pledged, or otherwise encumbered until the Phantom Stock Award has vested and all other conditions established by the Administrator have been met. The designation of a beneficiary in accordance with the Plan does not constitute a transfer.

**12. Other Stock-Based Awards**

The Administrator shall have the authority to grant Other Stock-Based Awards to one or more eligible Participants. Such Other Stock-Based Awards may be valued in whole or in part by reference to, or otherwise based on or related to, shares of Common Stock or Awards for shares of Common Stock, including but not limited to Other Stock-Based Awards granted in lieu of bonus, salary, or other compensation, Other Stock-Based Awards granted with vesting or performance conditions, and/or Other Stock-Based Awards granted without being subject to vesting or performance conditions (subject to the terms of Section 3(c) herein). Subject to the provisions of the Plan, the Administrator shall determine the number of shares of Common Stock to be awarded to a Participant under (or otherwise related to) such Other Stock-Based Awards; whether such Other Stock-Based Awards shall be settled in cash, shares of Common Stock or a combination of cash and shares of Common Stock; and the other terms and conditions of such Awards. Unless the Administrator determines otherwise, and only to the extent no monetary consideration is exchanged, (i) Other Stock-Based Awards shall not be transferable (including by sale, assignment, pledge or hypothecation) other than transfers by will or the laws of intestate succession, and (ii) shares of Common Stock (if any) subject to an Other Stock-Based Award may not be sold, transferred, assigned, pledged, or otherwise encumbered until the Other Stock-Based Award has vested and all other conditions established by the Administrator have been met. The designation of a beneficiary in accordance with the Plan does not constitute a transfer.

## 13. Dividends and Dividend Equivalents

The Administrator may, in its sole discretion, provide that Awards other than Options and SARs earn dividends or dividend equivalents rights ("dividend equivalents"); provided, however, that dividends and dividend equivalents (whether paid in cash or shares of Common Stock), if any, on unearned or unvested Awards shall not be paid (even if accrued) unless and until the underlying Award (or portion thereof) has vested and/or been earned. Any crediting of dividends or dividend equivalents may be subject to such additional restrictions and conditions as the Administrator may establish, including reinvestment in additional shares of Common Stock or share equivalents. Notwithstanding the other provisions herein, any dividends or dividend equivalents related to an Award shall be structured in a manner so as to avoid causing the Award and related dividends or dividend equivalents to be subject to Code Section 409A or shall otherwise be structured so that the Award and dividends or dividend equivalents are in compliance with Code Section 409A.

## 14. Change of Control

Notwithstanding any other provision in the Plan to the contrary, the following provisions shall apply in the event of a Change of Control (except to the extent, if any, otherwise required under Code Section 409A):

(a) To the extent that the successor or surviving company in the Change of Control event does not assume or substitute for an Award (or in which the Company is the ultimate parent corporation and does not continue the Award) on substantially similar terms or with substantially equivalent economic benefits (as determined by the Administrator) as Awards outstanding under the Plan immediately prior to the Change of Control event, (i) all outstanding Options and SARs shall become fully vested and exercisable, whether or not then otherwise vested and exercisable; and (ii) any restrictions, including but not limited to the Restriction Period, Performance Period, and/or performance factors or criteria applicable to any outstanding Awards other than Options or SARs shall be deemed to have been met, and such Awards shall become fully vested, earned, and payable to the fullest extent of the original grant of the applicable Award (or, in the case of performance-based Awards the earning of which is based on attaining a target level of performance, such Awards shall be deemed earned at target).

(b) Further, in the event that an Award is substituted, assumed, or continued as provided in Section 14(a) herein, the Award will nonetheless become vested (and, in the case of Options and SARs, exercisable) in full and any restrictions, including but not limited to the Restriction Period, Performance Period, and/or performance factors or criteria applicable to any outstanding Award other than Options or SARs shall be deemed to have been met, and such Awards shall become fully vested, earned, and payable to the fullest extent of the original award (or, in the case of performance-based Awards the earning of which is based on attaining a target level of performance, such Awards shall be deemed earned at target), if the employment or service of the Participant is terminated within six months before (in which case vesting shall not occur until the effective date of the Change of Control) or one year after the effective date of a Change of Control if such termination of employment or service (i) is by the Company not for Cause or (ii) is by the Participant for Good Reason. For clarification, for the purposes of this Section 14, the "Company" shall include any successor to the Company.

## 15. Withholding

The Company shall withhold all required local, state, federal, foreign, and other taxes and any other amount required to be withheld by any governmental authority or law from any amount payable in cash with respect to an Award. Prior to the delivery or transfer of any certificate for shares or any other benefit conferred under the Plan, the Company shall require any Participant or other person to pay to the Company in cash the amount of any tax or other amount required by any governmental authority to be withheld and paid over by the Company to such authority for the account of such recipient. Notwithstanding the foregoing, the Administrator may in its discretion establish procedures to permit a recipient to satisfy such obligation in whole or in part, and any local, state, federal, foreign or other income tax obligations relating to such an Award, by electing (the "election") to deliver to the Company shares of Common Stock held by the Participant (which are fully vested and not subject to any pledge or other security interest) or to have the Company withhold shares of Common Stock from the shares to which the recipient is otherwise entitled. The number of shares to be withheld or delivered shall have a Fair Market Value as of the date that the amount of tax to be withheld is determined as nearly equal as possible to, but not exceeding (unless otherwise permitted by the Administrator in a manner in accordance with Applicable Law and applicable accounting principles), the amount of such obligations being satisfied. Each election must be made in writing to the Administrator in accordance with election procedures established by the Administrator.

**16. Amendment and Termination of the Plan and Awards**

(a) *Amendment and Termination of Plan; Prohibition on Repricing*: The Plan may be amended, altered, suspended and/or terminated at any time by the Board; provided, that (i) approval of an amendment to the Plan by the stockholders of the Company shall be required to the extent, if any, that stockholder approval of such amendment is required by Applicable Law; and (ii) except for adjustments made pursuant to Section 5(d) the Company may not, without obtaining stockholder approval, (A) amend the terms of outstanding Options or SARs to reduce the Option Price or Base Price of such outstanding Options or SARs; (B) exchange outstanding Options or SARs, at a time when the original Option or SAR has an Option Price or Base Price, as the case may be, above the Fair Market Value of the Common Stock, for (x) cash, (y) Options or SARs with an Option Price or Base Price that is less than the Option Price or Base Price of the original Option or SAR, or (z) other equity awards; or (C) take other action with respect to Options or SARs that would be treated as a repricing under the rules of the principal stock exchange on which shares of the Common Stock are listed.

(b) *Amendment and Termination of Awards*: The Administrator may amend, alter, suspend, and/or terminate any Award granted under the Plan, prospectively or retroactively, but (except as otherwise provided in Section 3(b) or Section 16(c)) such amendment, alteration, suspension, or termination of an Award shall not, without the written consent of the recipient of an outstanding Award, materially adversely affect the rights of the recipient with respect to the Award.

(c) *Amendments to Comply with Applicable Law*: Notwithstanding Section 16(a) and Section 16(b) herein, the following provisions shall apply:

(i) The Administrator shall have unilateral authority to amend the Plan and any Award (without Participant consent) to the extent necessary to comply with Applicable Law or changes to Applicable Law (including but in no way limited to Code Section 409A, Code Section 422, and federal securities laws).

(ii) The Administrator shall have unilateral authority to make adjustments to the terms and conditions of Awards in recognition of unusual or nonrecurring events affecting the Company or any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in Applicable Law, or accounting principles, if the Administrator determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or necessary or appropriate to comply with applicable accounting principles or Applicable Law.

**17. Restrictions on Awards and Shares; Compliance with Applicable Law**

(a) *General*: As a condition to the issuance and delivery of Common Stock hereunder, or the grant of any benefit pursuant to the Plan, the Company may require a Participant or other person at any time and from time to time to become a party to an Award Agreement, other agreement(s) restricting the transfer, purchase, repurchase, and/or voting of shares of Common Stock of the Company, and any employment agreements, consulting agreements, non-competition agreements, confidentiality agreements, non-solicitation agreements, non-disparagement agreements, or other agreements imposing such restrictions as may be required by the Company. In addition, without in any way limiting the effect of the foregoing, each Participant or other holder of shares issued under the Plan shall be permitted to transfer such shares only if such transfer is in accordance with the Plan, the Award Agreement, any other applicable agreements, and Applicable Law. The acquisition of shares of Common Stock under the Plan by a Participant or any other holder of shares shall be subject to, and conditioned upon, the agreement of the Participant or other holder of such shares to the restrictions described in the Plan, the Award Agreement and any other applicable agreements and Applicable Law.

(b) *Compliance with Applicable Laws, Rules and Regulations*: The Company may impose such restrictions on Awards, shares of Common Stock and any other benefits underlying Awards hereunder as it may deem advisable, including without limitation restrictions under the federal securities laws, the requirements of any stock exchange or similar organization, and any blue sky, state, or foreign securities or other laws applicable to such securities. Notwithstanding any other Plan provision to the contrary, the Company shall not be obligated to issue, deliver, or transfer shares of Common Stock under the Plan, make any other distribution of benefits under the Plan, or take any other action, unless such delivery, distribution, or action is in compliance with Applicable Law (including but not limited to the requirements of the Securities Act). The Company will be under no obligation to register shares of Common Stock or other securities with the Securities and Exchange Commission or to effect compliance with the exemption, registration, qualification, or listing requirements of any state securities laws, stock exchange or similar organization, and the Company will have no liability for any inability or failure to do so. The Company may cause a restrictive legend or legends to be placed on any certificate issued pursuant to an Award hereunder in such form as may be prescribed from time to time by Applicable Law or as may be advised by legal counsel.

**18. No Right or Obligation of Continued Employment or Service or to Awards; Compliance with the Plan**

Neither the Plan, an Award, an Award Agreement nor any other action related to the Plan shall confer upon a Participant any right to continue in the employ or service of the Company or an Affiliate as an Employee, Director, or Consultant, or interfere in any way with the right of the Company or an Affiliate to terminate the Participant's employment or service at any time. Except as otherwise provided in the Plan, an Award Agreement, or as may be determined by the Administrator, all rights of a Participant with respect to an Award shall terminate upon the termination of the Participant's employment or service. In addition, no person shall have any right to be granted an Award, and the Company shall have no obligation to treat Participants or Awards uniformly. By participating in the Plan, each Participant shall be deemed to have accepted all of the conditions of the Plan and the terms and conditions of any rules and regulations adopted by the Administrator and shall be fully bound thereby. Any Award granted hereunder is not intended to be compensation of a continuing or recurring nature, or part of a Participant's normal or expected compensation, and in no way represents any portion of a Participant's salary, compensation or other remuneration for purposes of pension benefits, severance, redundancy, resignation, or any other purpose.

**19. General Provisions**

(a) *Stockholder Rights*: Except as otherwise determined by the Administrator (and subject to the provisions of Section 9(d) regarding Restricted Awards), a Participant and his legal representative, legatees, or distributees shall not be deemed to be the holder of any shares of Common Stock subject to an Award and shall not have any rights of a stockholder unless and until certificates for such shares have been issued and delivered to him or them under the Plan. A certificate or certificates for shares of Common Stock acquired upon exercise of an Option or SAR shall be issued in the name of the Participant or his beneficiary and distributed to the Participant or his beneficiary (or, in the case of uncertificated shares, other written notice of ownership in accordance with Applicable Law shall be provided) as soon as practicable following receipt of notice of exercise and, with respect to Options, payment of the Option Price (except as may otherwise be determined by the Company in the event of payment of the Option Price pursuant to Section 7(d)(ii)(C)). Except as otherwise provided in Section 9(d) regarding Restricted Stock Awards or otherwise determined by the Administrator, a certificate for any shares of Common Stock issuable pursuant to a Restricted Award, Performance Award, Phantom Stock Award or Other Stock-Based Award shall be issued in the name of the Participant or his beneficiary and distributed to the Participant or his beneficiary (or, in the case of uncertificated shares, other written notice of ownership in accordance with Applicable Law shall be provided) after the Award (or portion thereof) has vested and been earned.

(b) *Section 16(b) Compliance*: To the extent that any Participants in the Plan are subject to Section 16(b) of the Exchange Act, it is the general intention of the Company that transactions under the Plan shall comply with Rule 16b-3 under the Exchange Act and that the Plan shall be construed in favor of such Plan transactions meeting the requirements of Rule 16b-3 or any successor rules thereto. Notwithstanding anything in the Plan to the contrary, the Administrator, in its sole and absolute discretion, may bifurcate the Plan so as to restrict, limit, or condition the use of any provision of the Plan to Participants who are officers or directors subject to Section 16 of the Exchange Act without so restricting, limiting, or conditioning the Plan with respect to other Participants.

(c) *Code Section 162(m) Performance-Based Compensation*. To the extent to which Code Section 162(m) is applicable, the Company intends that compensation payable under the Plan to Covered Employees will, to the extent practicable, constitute "qualified performance-based compensation" within the meaning of Code Section 162(m), unless otherwise determined by the Administrator. Accordingly, Awards granted to Covered Employees which are intended to qualify for the performance-based exception under Code Section 162(m) shall be deemed to include any such additional terms, conditions, limitations, and provisions as are necessary to comply with the performance-based compensation exemption of Code Section 162(m), unless the Administrator, in its discretion, determines otherwise.

(d) *Unfunded Plan; No Effect on Other Plans*:

(i) The Plan shall be unfunded, and the Company shall not be required to create a trust or segregate any assets that may at any time be represented by Awards under the Plan. The Plan shall not establish any fiduciary relationship between the Company and any Participant or other person. Neither a Participant nor any other person shall, by reason of the Plan, acquire any right in or title to any assets, funds or property of the Company or any Affiliate, including, without limitation, any specific funds, assets, or other property which the Company or any Affiliate, in their discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to shares of Common Stock or other amounts, if any, payable under the Plan, unsecured by any assets of the Company or any Affiliate. Nothing contained in the Plan shall constitute a guarantee that the assets of such entities shall be sufficient to pay any benefits to any person.

(ii) The amount of any compensation deemed to be received by a Participant pursuant to an Award shall not constitute compensation with respect to which any other employee benefits of such Participant are determined, including, without limitation, benefits under any bonus, pension, profit sharing, life insurance, or salary continuation plan, except as otherwise specifically provided by the terms of such plan or as may be determined by the Administrator.

(iii) Except as otherwise provided in the Plan, the adoption of the Plan shall not affect any other stock incentive or other compensation plans in effect for the Company or any Affiliate, nor shall the Plan preclude the Company from establishing any other forms of stock incentive or other compensation for employees or service providers of the Company or any Affiliate.

(e) *Governing Law*: The Plan and Awards shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflict of laws provisions of any state, and in accordance with applicable federal laws of the United States. Any and all disputes between a Participant or person claiming through him and the Company or any Affiliate relating to the Plan or an Award shall be brought only in the state courts of Greenville, South Carolina, or the United States District Court for the District of South Carolina, Greenville division, as appropriate.

(f) *Beneficiary Designation*: The Administrator may, in its discretion, permit a Participant to designate in writing a person or persons as beneficiary, which beneficiary shall be entitled to receive settlement of Awards (if any) to which the Participant is otherwise entitled in the event of death. In the absence of such designation by a Participant, and in the event of the Participant's death, the estate of the Participant shall be treated as beneficiary for purposes of the Plan, unless the Administrator determines otherwise. The Administrator shall have discretion to approve and interpret the form or forms of such beneficiary designation. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent that the Plan and/or Award Agreement provide otherwise, and to any additional restrictions deemed necessary or appropriate by the Administrator.

(g) *Gender and Number*: Except where otherwise indicated by the context, words in any gender shall include any other gender, words in the singular shall include the plural, and words in the plural shall include the singular.

(h) *Severability*: If any provision of the Plan or an Award Agreement shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining parts of the Plan or the Award Agreement, and the Plan or Award Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

(i) *Rules of Construction*: Headings are given to the sections of the Plan solely as a convenience to facilitate reference. The reference to any statute, regulation, or other provision of law shall (unless the Administrator determines otherwise) be construed to refer to any amendment to or successor of such provision of law.

(j) *Successors and Assigns*: The Plan shall be binding upon the Company, its successors and assigns, and Participants, their executors, administrators and permitted transferees and beneficiaries.

(k) *Award Agreement*: The grant of any Award under the Plan shall be evidenced by an Award Agreement between the Company and the Participant. Such Award Agreement may state terms, conditions and restrictions applicable to the Award and any may state such other terms, conditions, and restrictions, including but not limited to terms, conditions and restrictions applicable to shares of Common Stock (or other benefits) subject to an Award, as may be established by the Administrator.

(l) *Right of Offset*: Notwithstanding any other provision of the Plan or an Award Agreement, the Company may at any time (subject to any Code Section 409A considerations) reduce the amount of any payment or benefit otherwise payable to or on behalf of a Participant by the amount of any obligation of the Participant to or on behalf of the Company or an Affiliate that is or becomes due and payable.

(m) *Uncertified Shares*: Notwithstanding anything in the Plan to the contrary, to the extent the Plan provides for the issuance of stock certificates to reflect the issuance of shares of Common Stock, the issuance may, in the Company's discretion, be effected on a non-certificated basis, to the extent not prohibited by the Company's certificate of incorporation or bylaws or by Applicable Law (including but not limited to applicable state corporate law and the applicable rules of any stock exchange on which the Common Stock may be traded).

(n) *Income and Other Taxes*: Participants are solely responsible and liable for the satisfaction of all taxes and penalties that may arise in connection with Awards (including but not limited to any taxes arising under Code Section 409A), and the Company

shall not have any obligation to indemnify or otherwise hold any Participant harmless from any or all of such taxes. The Company shall have no responsibility to take or refrain from taking any actions in order to achieve a certain tax result for a Participant or any other person.

(o) *Effect of Certain Changes in Status*: Notwithstanding the other terms of the Plan or an Award Agreement, the Administrator has sole discretion to determine (taking into account any Code Section 409A considerations), at the time of grant of an Award or at any time thereafter, the effect, if any, on Awards (including but not limited to modifying the vesting, exercisability, and/or earning of Awards) granted to a Participant if the Participant's status as an Employee, Director, or Consultant changes, including but not limited to a change from full-time to part-time, or vice versa, or if other similar changes in the nature or scope of the Participant's employment or service occur.

(p) *Stockholder Approval*: The Plan, as initially adopted, was approved by the stockholders of the Company within 12 months of the Effective Date of the Plan. Amendments to the Plan shall be subject to stockholder approval if and to the extent required under Applicable Law.

(q) *Deferrals*: Subject to the provisions of this Section 19(q) and Section 20, the Administrator may permit or require a Participant to defer such Participant's receipt of the payment of cash or the delivery of shares of Common Stock that would otherwise be payable with respect to an Award. Any such deferral shall be subject to such terms and conditions as may be established by the Administrator and to any applicable Code Section 409A requirements.

(r) *Fractional Shares*: Except as otherwise provided in an Award Agreement or determined by the Administrator, (i) the total number of shares issuable pursuant to the exercise, vesting or earning of an Award shall be rounded down to the nearest whole share, and (ii) no fractional shares shall be issued. The Administrator may, in its discretion, determine that a fractional share shall be settled in cash.

(s) *Compliance with Recoupment, Ownership and Other Policies or Agreements*: Notwithstanding anything in the Plan to the contrary, the Administrator may, at any time, consistent with, but without limiting, the authority granted in Section 3(b) herein, in its discretion provide that an Award or benefits related to an Award shall be forfeited and/or recouped if the Participant, during employment or service or following termination of employment or service for any reason, engages in certain specified conduct, including but not limited to violation of policies of the Company or an Affiliate, breach of non-solicitation, non-competition, confidentiality, or other restrictive covenants, or other conduct by the Participant that is determined by the Administrator to be detrimental to the business or reputation of the Company or any Affiliate. In addition, without limiting the effect of the foregoing, as a condition to the grant of an Award or receipt or retention of shares of Common Stock, cash, or any other benefit under the Plan, the Administrator may, at any time, require that a Participant comply with the Company's Compensation Recoupment Policy and Stock Ownership and Retention Policy (including but not limited to such policy's stock retention requirements) and/or other policies adopted by the Company or an Affiliate, each as in effect from time to time and to the extent applicable to the Participant. Further, each Participant shall be subject to such compensation recovery, recoupment, forfeiture, or other similar provisions as may apply under Applicable Law.

(t) *Attestation*: Wherever in the Plan or any Award Agreement a Participant is permitted to pay the Option Price of an Option or taxes relating to the exercise, vesting or earning of an Award by delivering shares of Common Stock, the Participant may, unless the Committee determines otherwise and subject to procedures satisfactory to the Committee, satisfy such delivery requirement by presenting proof of beneficial ownership of such shares, in which case the Company shall treat the Award as exercised, vested or earned without further payment and/or shall withhold such number of shares from the shares acquired by the exercise, vesting or earning of the Award, as appropriate.

(u) *Plan Controls*: Unless the Administrator determines otherwise, (i) in the event of a conflict between any term or provision contained in the Plan and an express term contained in any Award Agreement, the applicable terms and provisions of the Plan will govern and prevail, and (ii) the terms of an Award Agreement shall not be deemed to be in conflict or inconsistent with the Plan merely because they impose greater or additional restrictions, obligations or duties, or if the Award Agreement provides that such Award Agreement terms apply notwithstanding the provisions to the contrary in the Plan.

**20. Compliance with Code Section 409A**

Notwithstanding any other provision in the Plan or an Award Agreement to the contrary, if and to the extent that Code Section 409A is deemed to apply to the Plan or any Award, it is the general intention of the Company that the Plan and all such Awards shall, to the extent practicable, comply with, or be exempt from, Code Section 409A, and the Plan and any such Award Agreement shall, to

the extent practicable, be construed in accordance therewith. Deferrals of shares or any other benefit issuable pursuant to an Award otherwise exempt from Code Section 409A in a manner that would cause Code Section 409A to apply shall not be permitted unless such deferrals are in compliance with, or exempt from, Code Section 409A. In the event that the Company (or a successor thereto) has any stock which is publicly traded on an established securities market or otherwise, distributions that are subject to Code Section 409A to any Participant who is a "specified employee" (as defined under Code Section 409A) upon a separation from service may only be made following the expiration of the six-month period after the date of separation from service (with such distributions to be made during the seventh month following separation of service), or, if earlier than the end of the six-month period, the date of death of the specified employee, or as otherwise permitted under Code Section 409A. For purposes of Code Section 409A, each installment payment provided under the Plan or an Award Agreement shall be treated as a separate payment. Without in any way limiting the effect of any of the foregoing, (i) in the event that Code Section 409A requires that any special terms, provisions or conditions be included in the Plan or any Award Agreement, then such terms, provisions and conditions shall, to the extent practicable, be deemed to be made a part of the Plan or Award Agreement, as applicable, and (ii) terms used in the Plan or an Award Agreement shall be construed in accordance with Code Section 409A if and to the extent required. Further, in the event that the Plan or any Award shall be deemed not to comply with Code Section 409A, then neither the Company, the Administrator nor its or their designees or agents shall be liable to any Participant or other person for actions, decisions or determinations made in good faith.

*[Signature Page Follows]*

IN WITNESS WHEREOF, this Regional Management Corp. 2015 Long-Term Incentive Plan, as amended and restated effective May 20, 2021, is, by the authority of the Board of Directors of the Company, executed on behalf of the Company, the 20h day of May, 2021.

**REGIONAL MANAGEMENT CORP.**

By: ______________________________
Name: Robert W. Beck
Title: President and Chief Executive Officer

**ATTEST:**

By: ______________________________
Name: Catherine R. Atwood
Title: Senior Vice President, General Counsel, and Secretary

Proxy Statement

REGIONAL MANAGEMENT®

# QUICK FACTS (as of December 31, 2020)

$1.136 billion
in finance receivables

365
branches

11 states
AL • GA • MO • NM • NC
OK • SC • TX • TN • VA • WI

## MANAGEMENT TEAM

**Robert W. Beck**
President and
Chief Executive Officer

**Harpreet Rana**
Executive Vice President and Chief
Financial Officer

**John D. Schachtel**
Executive Vice President and Chief
Operating Officer

**Manish Parmar**
Executive Vice President and
Chief Credit Risk Officer

**Brian J. Fisher**
Executive Vice President and Chief
Strategy and Development Officer

**Catherine R. Atwood**
Senior Vice President, General Counsel,
and Secretary

## CONTACT INFORMATION


Regional Management Corp.
979 Batesville Road, Suite B
Greer, SC 29651

Telephone: (864) 448-7000

RegionalManagement.com


## COMPANY OVERVIEW

Regional Management Corp. (NYSE: RM) is a diversified consumer finance company focused on relationship-based lending. We provide flexible and affordable installment loan products primarily to customers with limited access to consumer credit from banks, thrifts, credit card companies, and other lenders. As of December 31, 2020, we had approximately 410,300 accounts and $1.136 billion in outstanding finance receivables.

## BRANCH NETWORK & ORIGINATION CHANNELS

We operate under the name "Regional Finance" in 365 branches across 11 states as of the end of 2020. Our integrated branch model is the foundation of our multi-channel origination strategy, with nearly all loans, regardless of origination channel, serviced through our branch network. We believe that our high-touch customer service model builds strong relationships, fosters customer loyalty, and improves credit performance. In addition to our branch network, we promote our products and facilitate loan applications and originations through direct mail campaigns, digital partners, retailers, and our consumer website.

## LOAN PRODUCTS

We underwrite our loans based on our customers' ability to make monthly payments out of their discretionary income, with the value of any pledged collateral serving as a credit enhancement rather than the primary underwriting criterion. Our loan products are more affordable and flexible than those offered by alternative financial service providers, such as payday and title lenders. We also report our customers' payment performance to national credit reporting agencies, allowing our customers the opportunity to establish or repair their credit history. In 2020, we worked with many of our deserving customers to refinance nearly 31,000 of our customers' small loans into large loans, representing $155.9 million in finance receivables at origination, and resulting in a decrease in these customers' average APR from 42.5% to 31.4%. 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.

## LOAN FEATURES

- Fixed Rate
- Fixed Term
- Equal Monthly Payments
- Fully-Amortizing
- Flexible Loan Sizes & Maturities
- No Pre-Payment Penalties

| Loan Products | Size* | Term | APR* |
|---|---|---|---|
| Small Installment Loans | Range: $500 – $2,500<br>Average loan size: $2,000 | Up to 48 months | 42.1% |
| Large Installment Loans | Range: $2,501 – $25,000<br>Average loan size: $5,500 | 18 to 60 months | 30.1% |
| Retail Purchase Loans | Range: Up to $7,500<br>Average loan size: $2,300 | 6 to 48 months | 21.3% |

*Average loan sizes and weighted APRs based on 2020 originations.

## OPPORTUNITY FOR GROWTH

We serve a large, addressable market of underbanked and non-prime consumers. We plan to continue to increase the size of our overall loan receivables by focusing on the growth of our core small and large installment loan portfolios within our existing branches, by expanding our branch network in our current footprint and in nearby states, and by further leveraging digital origination channels. We believe that by broadening our origination channels, we will have the opportunity to reach new customers and to offer new products to existing customers as their credit profiles and needs evolve.

## BUSINESS & FINANCIAL HIGHLIGHTS

- Revenue growth at a 5-year CAGR of 11.5%, from $217.3 million in 2015 to $373.9 million in 2020
- 2020 net income of $26.7 million
- 2020 diluted earnings per share of $2.40
- Aggregate receivables growth at a 5-year CAGR of 12.2%, from $637.6 million in 2015 to $1.136 billion in 2020

## INVESTOR INQUIRIES


Garrett Edson, ICR • (203) 682-8331 • investor.relations@regionalmanagement.com

**Regional Management Corp.**
979 Batesville Road, Suite B • Greer, SC 29651