

Consumer Portfolio Services, Inc.

Nasdaq: CPSS

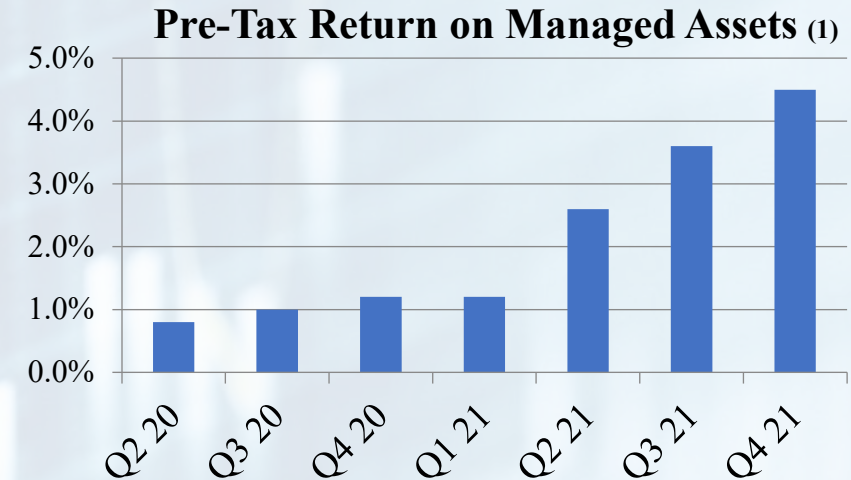
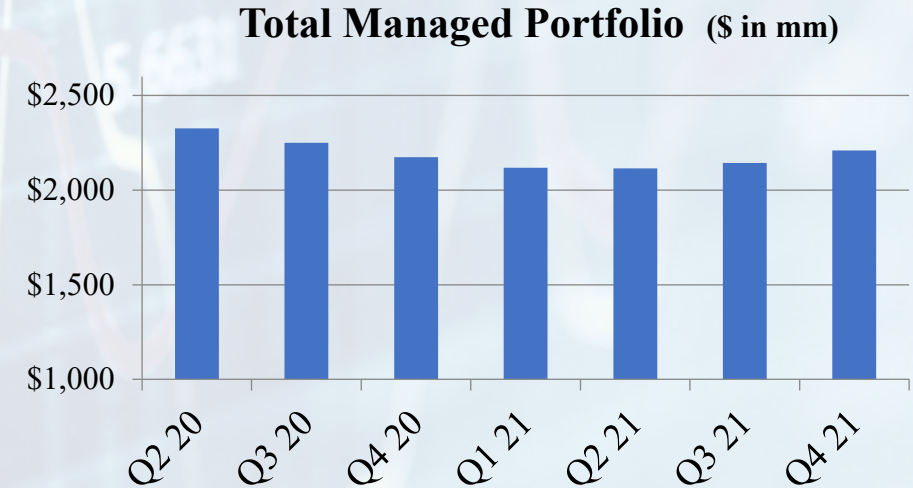
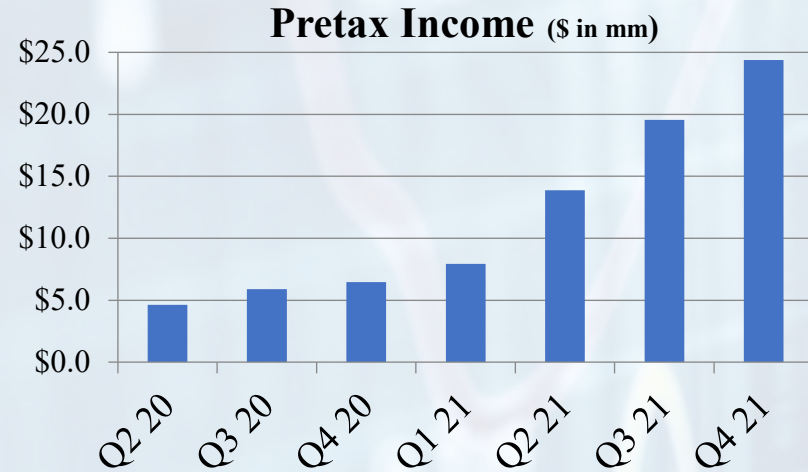
Investor Presentation
As of December 31, 2021



Company Overview

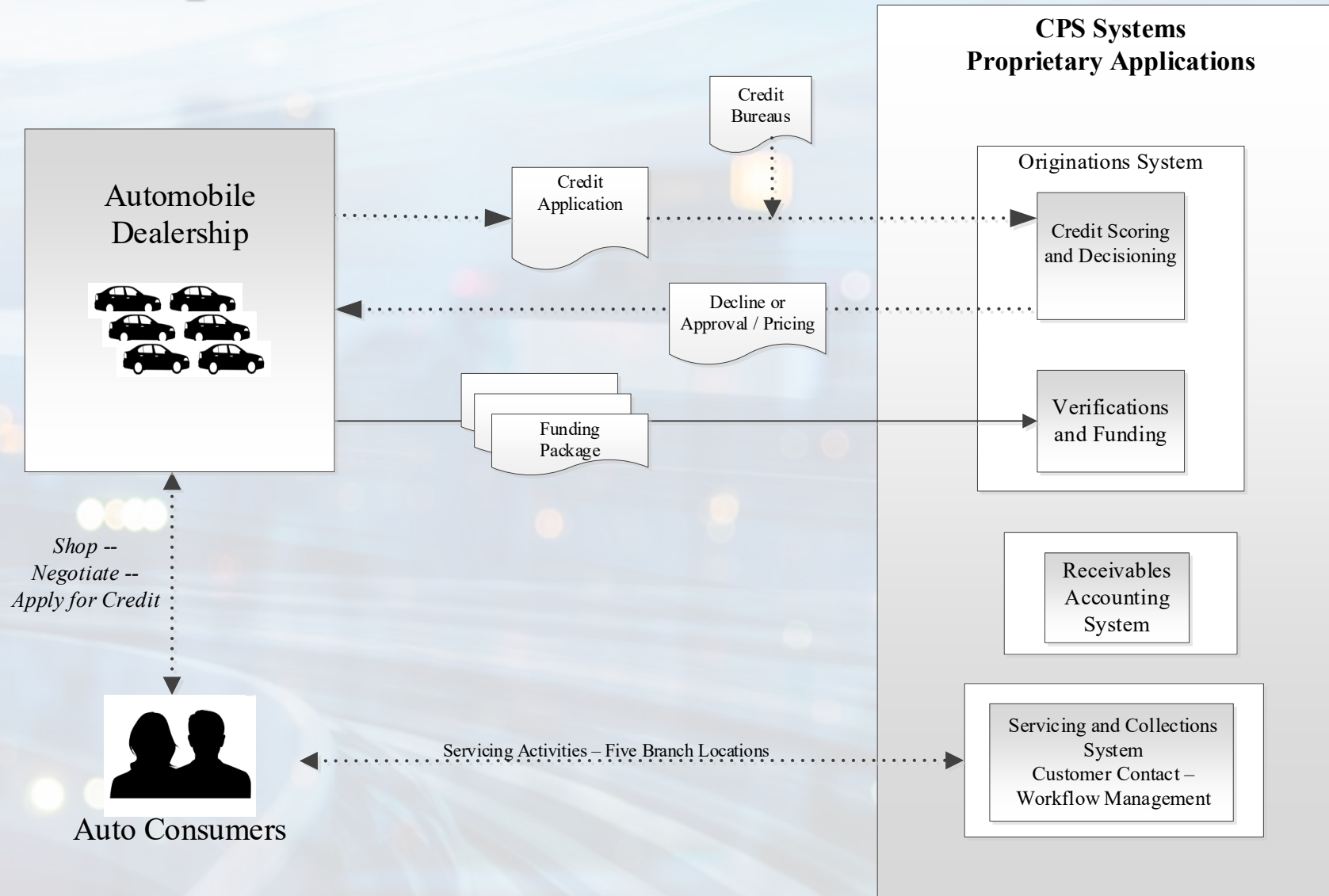
- Consumer finance company focused on sub-prime auto market
- Established in 1991. IPO in 1992
- Through December 31, 2021, approximately \$18.1 billion in contracts originated
- Headquarters in Las Vegas, Nevada. Branches in California, Nevada, Illinois, Virginia and Florida
- Approximately 740 employees as of December 31, 2021
- \$1.1 billion contract originations in 2021; \$742.6 million contract originations in 2020;
- \$2.2 billion outstanding managed portfolio as of December 31, 2021

Recent Financial and Operating Performance



(1) Pre-tax income as a percentage of average managed portfolio for the period.

Operational Flow



Economic Model

	Quarter Ended		Twelve Months Ended	
	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>	<u>2020</u>
Interest Income	12.4%	12.3%	12.4%	12.7%
Mark to Fin. Recs. at FV	--	(1.2%)	(0.2%)	(1.3%)
Servicing and Other Income	0.3%	0.2%	0.3%	0.2%
Interest Expense	(3.1%)	(4.2%)	(3.5%)	(4.4%)
Net Interest Margin	9.6%	7.2%	9.0%	7.3%
Provision for Credit Losses	2.4%	0.0%	0.7%	(0.6%)
Core Operating Expenses	(7.5%)	(6.0%)	(6.6%)	(5.9%)
Pretax Return on Assets	4.5%	1.2%	3.1%	0.9%

(1) As a percentage of the average managed portfolio. Percentages may not add due to rounding.

Market Dynamics

U.S Market for Auto Finance

- \$1.3 trillion auto loans outstanding at Q3 2021 (1)
- Approximately 27% of auto financings in Q3 2021 were below prime (FICO < 661) (1)
- Historically fragmented market
- Few dominant players
- Significant barriers to entry

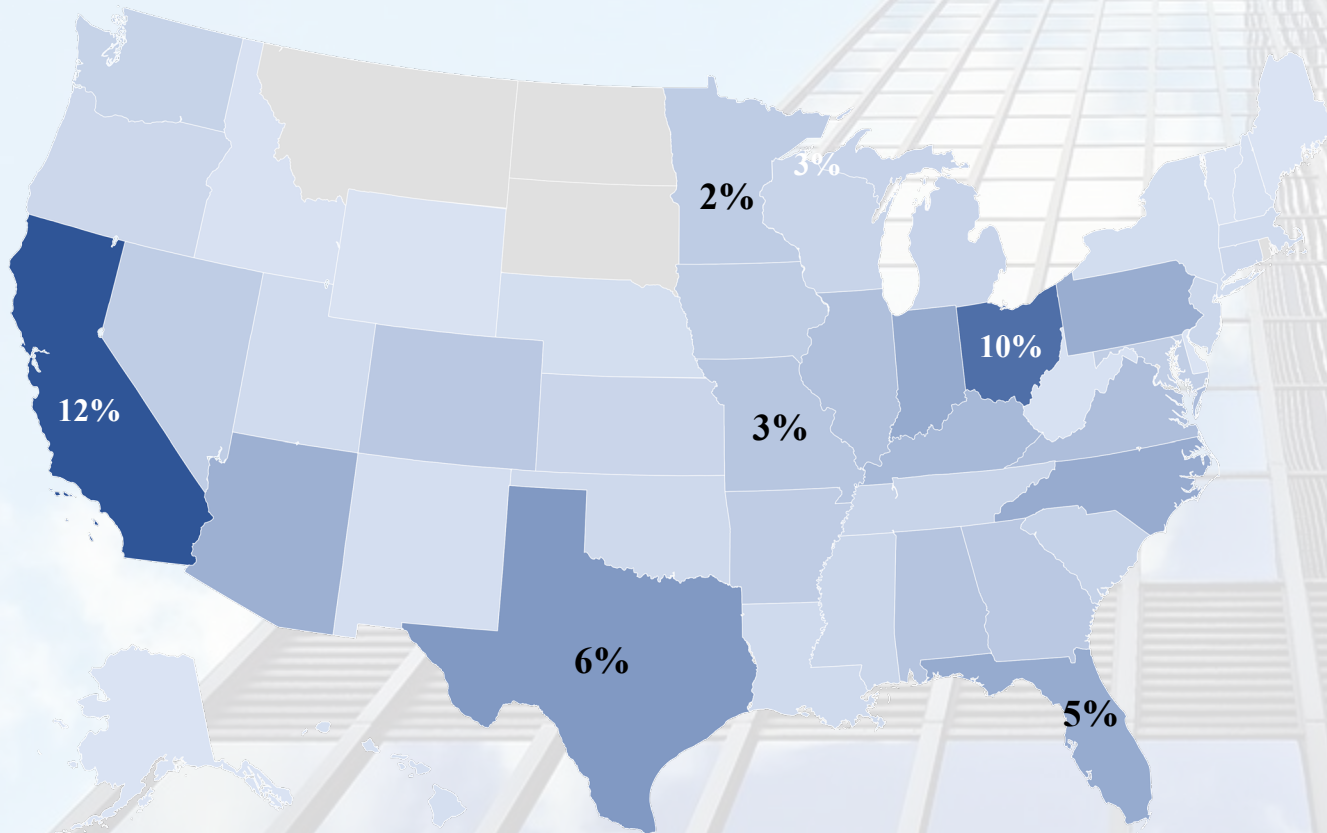
(1) According to Experian Automotive

Other National Industry Players

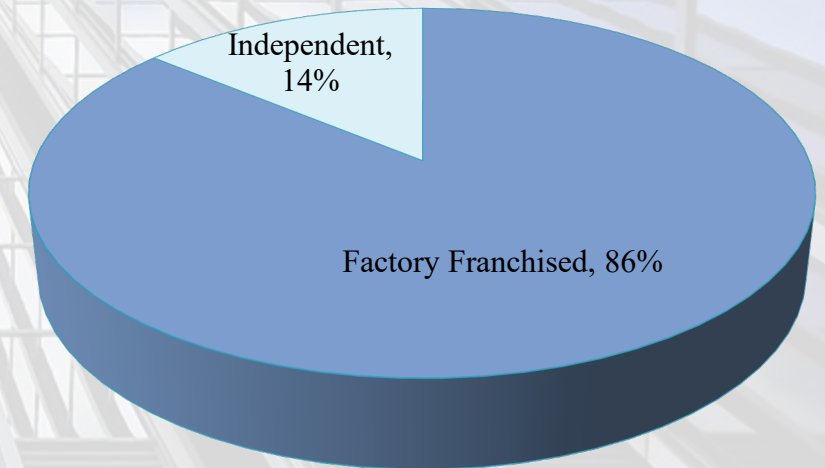
- Santander Consumer USA
- Exeter Finance Corp
- Global Lending Services
- Westlake Financial
- Credit Acceptance Corp.
- GM Financial – Americredit
- Capital One
- Wells Fargo

Market Footprint

- Contracts purchased in the year ended December 31, 2021 - \$1.15 billion
- Contracts purchased from dealers in 47 states
- Diverse geographic market penetration

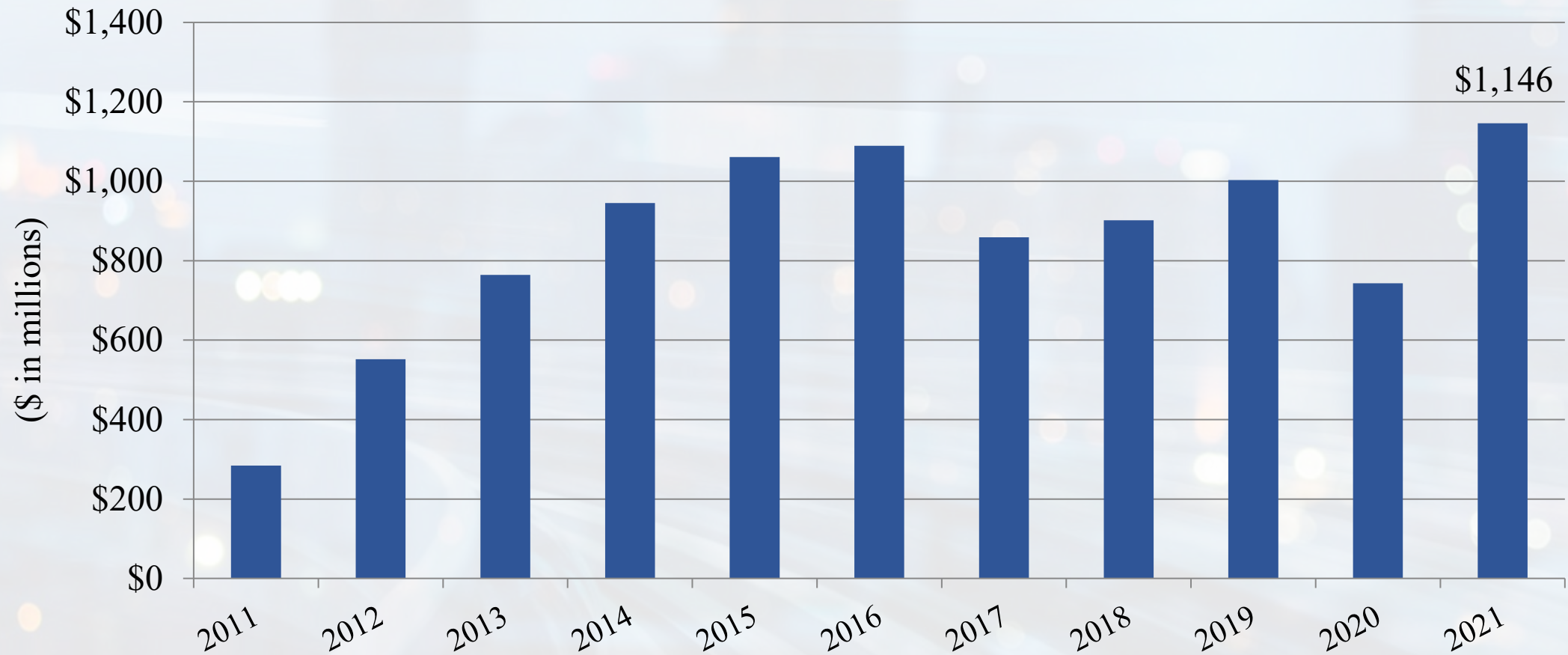


Originating Dealer Type

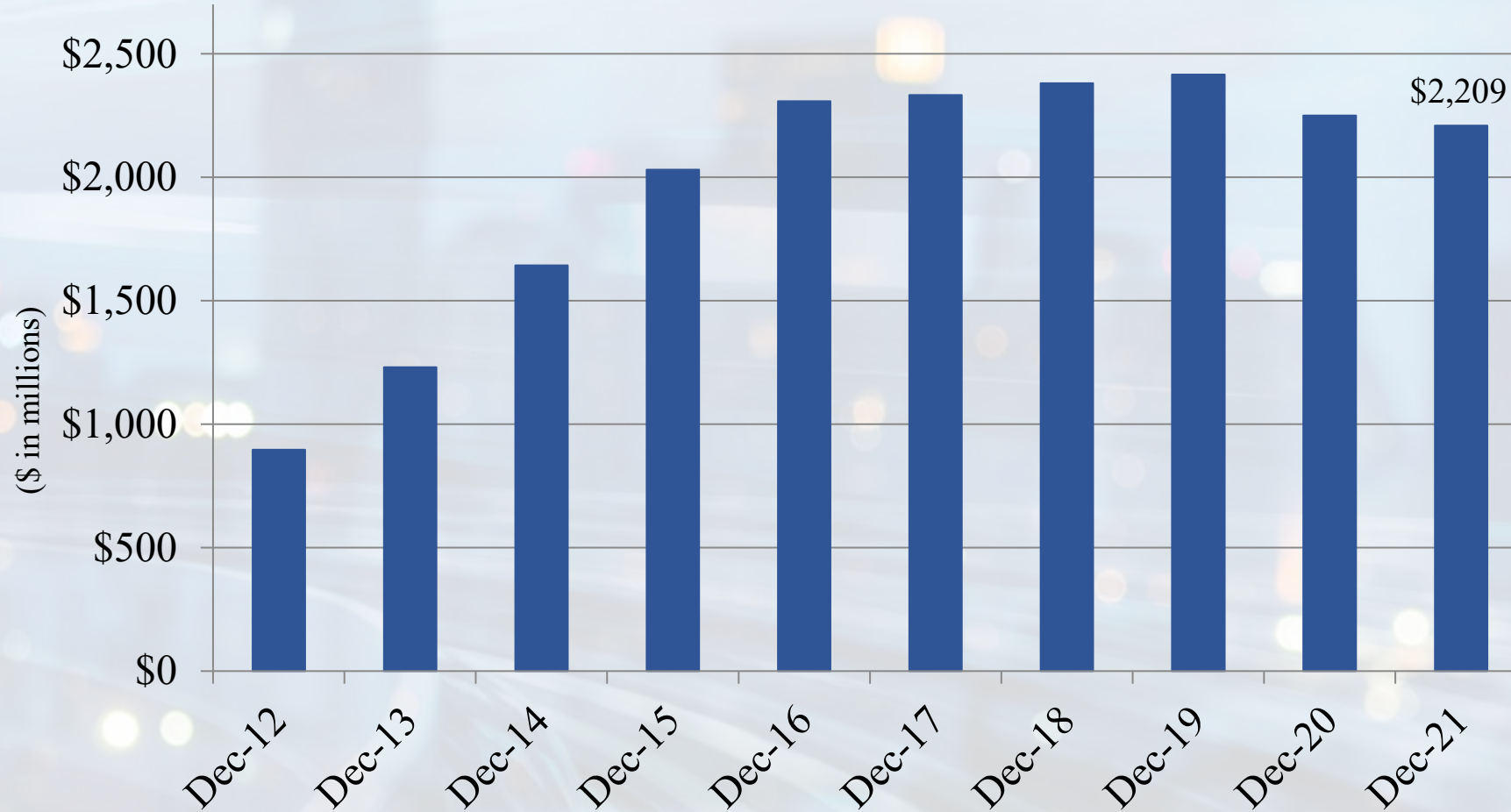


Historical Origination Volume

- Since inception through December 31, 2021, the Company has originated approximately \$18.1 billion in contracts
- 2021 volumes exceed pre-pandemic year of 2019



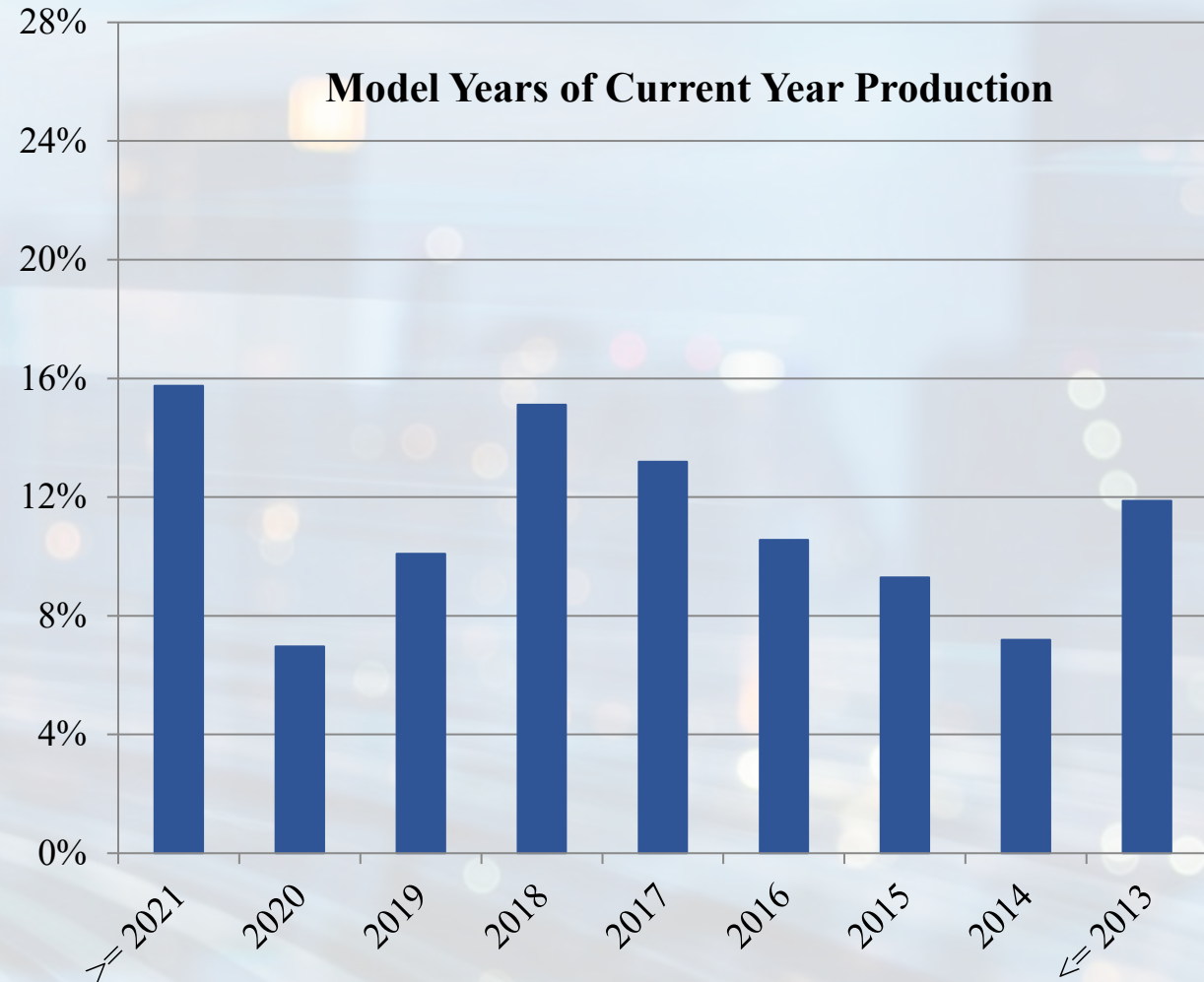
Total Managed Portfolio



Collateral Description ⁽¹⁾

Primarily late model, pre-owned vehicles

- 18% New
- 10% Certified Pre-Owned
- 72% Pre-owned
- 44% Domestic
- 56% Imports



(1) Under the CPS programs for contracts purchased for the year ended December 31, 2021

Overview of Lending Programs

- CPS's proprietary scoring models and risk-adjusted pricing result in program offerings covering a wide band of the sub-prime credit spectrum

<u>Program</u> ⁽¹⁾	<u>Avg. Yield</u> ⁽²⁾	<u>Avg. Amount Financed</u>	<u>Avg. Annual Household Income</u>	<u>Avg. Time on Job (years)</u>	<u>Avg. FICO</u>	<u>% of Purchases</u>
Preferred	11.11%	\$26,380	\$84,204	7.2	604	15%
Super Alpha	14.21%	\$25,953	\$77,198	5.9	577	18%
Alpha Plus	16.93%	\$22,897	\$66,867	4.9	574	14%
Alpha	19.55%	\$20,764	\$56,834	4.1	571	27%
Standard	22.31%	\$17,301	\$50,946	2.8	573	16%
Mercury / Delta	23.36%	\$16,517	\$49,712	2.9	565	6%
First Time Buyer	22.78%	\$15,479	\$43,340	1.9	566	4%
Overall	17.77%	\$21,194	\$61,959	4.4	577	100%

Borrower and Contract Profile⁽¹⁾

Borrower:

• Average age	42 years
• Average time in job	5 years
• Average time in residence	6 years
• Average credit history	10 years
• Average household income	\$61,959 per year
• Percentage of homeowners	19%

Contract:

• Average amount financed	\$21,194
• Weighted average monthly payment	\$547
• Weighted average term	70 months
• Weighted average contract APR	17.6%
• Weighted average LTV	117.3 %

(1) Under the CPS programs for contracts purchased for the year ended December 31, 2021.

Operations

Contract Originations

- Centralized contract originations at Irvine HQ
 - Maximizes control and efficiencies
 - Certain functions performed at Florida and Nevada offices
- Proprietary auto-decisioning system
 - Makes initial credit decision on over 99% of incoming applications
 - Decision inputs include deal structure, credit history and proprietary scorecard
- Pre-funding verification of employment, income and residency
 - Protects against potential fraud

Servicing

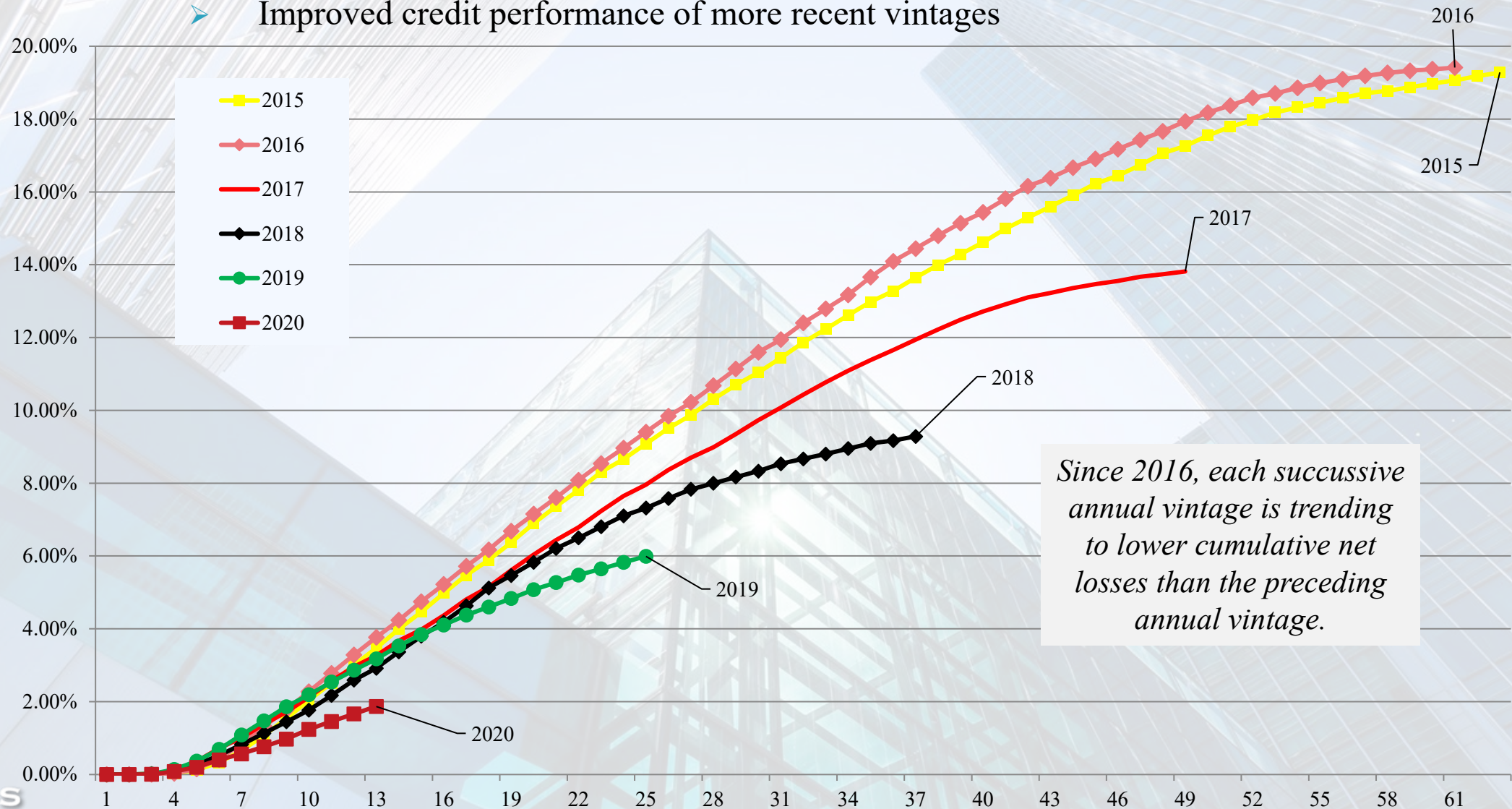
- Geographically dispersed servicing centers enhance coverage and staffing flexibility and drive portfolio performance
- Early contact on past due accounts; commencing as early as first day after due date; self-cure analytics leverages workforce
- Integrated customer contact system coordinates phone, text, chat, email and IVR activity.
- Workloads allocated based on specialization and behavioral scorecards, for efficiency and focus

Portfolio Financing

- \$200 million in interim funding capacity through two credit facilities
 - \$100 million with Citibank; revolves to December 2022, due in December 2023
 - \$100 million with Ares; revolves to January 24, due in January 2028
- Regular issuer of asset-backed securities, providing long-term matched funding
 - \$16.4 billion in 92 deals from 1994 through February 2022.
 - Completed 41 senior subordinated securitizations since the beginning of 2011.
 - In the October 2021 transaction, sold five tranches of rated bonds from triple “A” down to double “B” with a blended coupon of 2.09%.
 - In the February 2022 transaction, sold five tranches of rated bonds from triple “A” down to double “B” with a blended coupon of 2.56%.
- As of December 31, 2021, total corporate debt of \$26.5 million in subordinated unsecured retail notes.
- Completed \$50 million residual financing in June 2021.

Static Pool Performance

- Average of quarterly vintage cumulative net losses as of December 31, 2021
- Improved credit performance of more recent vintages



Summary Balance Sheets (1)

<i>(\$ in millions)</i>	<u>December</u> <u>31, 2021</u>	<u>December</u> <u>31, 2020</u>	<u>December</u> <u>31, 2019</u>	<u>December</u> <u>31, 2018</u>
Assets				
Cash	\$ 29.9	\$ 13.5	\$ 5.3	\$ 12.8
Restricted cash	146.6	130.7	135.5	117.3
Finance receivables, net of allowance	176.2	411.3	885.9	1,454.7
Finance receivables, measured at fair value	1,749.1	1,523.7	1,444.0	821.1
Deferred tax assets, net	19.6	28.5	15.5	19.2
Other assets	38.2	38.2	53.0	60.6
	<u>\$ 2,159.6</u>	<u>\$ 2,145.9</u>	<u>\$ 2,539.2</u>	<u>\$ 2,485.7</u>
Liabilities				
Accounts payable and accrued expenses	\$ 43.6	\$ 43.1	\$ 47.1	\$ 31.7
Warehouse lines of credit	105.6	119.0	134.8	136.9
Residual interest financing	53.7	25.4	39.5	39.1
Securitization trust debt	1,760.0	1,803.7	2,097.7	2,063.6
Subordinated renewable notes	26.5	21.3	17.5	17.3
	<u>1,989.4</u>	<u>2,012.5</u>	<u>2,336.6</u>	<u>2,288.6</u>
Shareholders' equity	<u>170.2</u>	<u>133.4</u>	<u>202.6</u>	<u>197.1</u>
	<u>\$ 2,159.6</u>	<u>\$ 2,145.9</u>	<u>\$ 2,539.2</u>	<u>\$ 2,485.7</u>

(1) Numbers may not add due to rounding.

Summary Statements of Operations (1)

(\$ in millions)	Three Months Ended		Years Ended		
	<u>December</u> <u>31, 2021</u>	<u>December</u> <u>31, 2020</u>	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>December</u> <u>31, 2019</u>
<u>Revenues</u>					
Interest income	\$ 67.7	\$ 67.7	\$ 266.3	\$ 295.0	\$ 337.1
Mark to finance receivables at fair value	-	(6.5)	(4.4)	(29.5)	-
Other income	1.7	1.2	6.0	5.7	8.7
	<u>69.4</u>	<u>62.4</u>	<u>267.8</u>	<u>271.2</u>	<u>345.8</u>
<u>Expenses</u>					
Employee costs	22.8	19.4	80.5	80.2	80.9
General and administrative	18.2	13.6	60.9	55.4	59.4
Interest	17.0	23.0	75.2	101.3	110.5
Provision for credit losses	(13.0)	-	(14.6)	14.1	85.8
	<u>45.0</u>	<u>56.0</u>	<u>202.1</u>	<u>251.0</u>	<u>336.6</u>
Pretax income	24.4	6.4	65.7	20.1	9.2
Income tax expense (benefit) (2)	5.4	2.3	18.2	(1.6)	3.8
Net income	<u>\$ 19.0</u>	<u>\$ 4.1</u>	<u>\$ 47.5</u>	<u>\$ 21.7</u>	<u>\$ 5.4</u>
EPS (fully diluted)	<u>\$ 0.71</u>	<u>\$ 0.17</u>	<u>\$ 1.84</u>	<u>\$ 0.90</u>	<u>\$ 0.22</u>

(1) Numbers may not add due to rounding.

(2) Includes \$8.8 million tax benefit in 2020.

Selected Financial Data

(\$ in millions)	Three Months Ended		Years Ended		
	<u>December</u> <u>31, 2021</u>	<u>December</u> <u>31, 2020</u>	<u>December</u> <u>31, 2021</u>	<u>December</u> <u>31, 2020</u>	<u>December</u> <u>31, 2019</u>
Auto contract purchases	\$ 328.0	\$ 166.7	\$ 1,146.3	\$ 742.6	\$ 1,002.8
Total managed portfolio	\$ 2,209.4	\$ 2,175.0	\$ 2,209.4	\$ 2,175.0	\$ 2,416.0
Risk-adjusted margin (1)	\$ 52.4	\$ 39.5	\$ 207.2	\$ 155.7	\$ 149.5
Core operating expenses (2)					
\$ amount	\$ 41.0	\$ 33.0	\$ 141.4	\$ 135.6	\$ 140.3
% of avg. managed portfolio	7.5%	6.0%	6.6%	5.9%	5.8%
Pretax return on managed assets (3)	4.5%	1.2%	3.1%	0.9%	0.4%
Total delinquencies and repo inventory (30+ days past due)					
As a % of total owned portfolio	10.5%	12.1%	10.5%	12.1%	15.5%
Annualized net charge-offs					
As a % of total owned portfolio	2.6%	5.2%	4.7%	6.5%	8.0%

(1) Revenues less interest expense and provision for credit losses.

(2) Total expenses less provision for credit losses and interest expense.

(3) Equal to annualized pretax income as a percentage of the average managed portfolio.

Investment Considerations

- CPS has weathered multiple industry cycles to remain one of the few independent public auto finance companies
- Forty-one consecutive quarters of pre-tax profits
- Attractive industry fundamentals with fewer large competitors than last cycle
- Consistent credit performance
- Opportunistic, successful acquisitions
- Stable senior management team averaging 20 years of experience owns significant equity

Effects of the Covid-19 Pandemic

- Originations volumes recovering in 2021 after being down significantly in 2020.
- Each quarter of 2020 results include provisions for credit losses and mark downs to fair value receivables due to pandemic.
- April 2020 furlough / layoff of 11% of workforce.
- Approximately 35% of workforce transitioned to work from home in April 2020, returned to the office in June 2020.
- Increased extensions of payments in April and May 2020, normalized thereafter.

Reference to Public Reports

- ▶ Any person considering an investment in securities issued by CPS is urged to review the materials filed by CPS with the U.S. Securities and Exchange Commission ("Commission"). Such materials may be found by inquiring of the Commission's EDGAR search page www.sec.gov/edgar/searchedgar/companysearch.html using CPS's ticker symbol, which is "CPSS." Risk factors that should be considered are described in Item 1A, "Risk Factors," of CPS's most recent annual report on Form 10-K and subsequent reports on Form 10-Q, which reports are on file with the Commission and available for review at the Commission's website. Such description of risk factors is incorporated herein by reference.

Safe Harbor Statement

- ▶ Forward-looking statements in this presentation include the Company's recorded figures representing allowances for remaining expected lifetime credit losses, its markdown of carrying value for the portion of its portfolio accounted for at fair value, its charge to the provision for credit losses for the its legacy portfolio, its estimates of fair value (most significantly for its receivables accounted for at fair value), its entries offsetting the preceding, and figures derived from any of the preceding. In each case, such figures are forward-looking statements because they are dependent on the Company's estimates of cash to be received and losses to be incurred in the future. The accuracy of such estimates may be adversely affected by various factors, which include (in addition to risks relating to the COVID-19 pandemic and to the economy generally) the following: possible increased delinquencies; repossessions and losses on retail installment contracts; incorrect prepayment speed and/or discount rate assumptions; possible unavailability of qualified personnel, which could adversely affect the Company's ability to service its portfolio; possible increases in the rate of consumer bankruptcy filings, which could adversely affect the Company's rights to collect payments from its portfolio; other changes in government regulations affecting consumer credit; possible declines in the market price for used vehicles, which could adversely affect the Company's realization upon repossessed vehicles; and economic conditions in geographic areas in which the Company's business is concentrated. The accuracy of such estimates may also be affected by the effects of the COVID-19 pandemic and of governmental responses to said pandemic, which have included prohibitions on certain means of enforcement of receivables, and may include additional restrictions, as yet unknown, in the future. Any or all of such factors also may affect the Company's future financial results, as to which there can be no assurance. Any implication that past results or past consecutive earnings are indicative of future results or future earnings is disclaimed, and the reader should draw no such inference. Factors such as those identified above in relation to losses to be incurred in the future may affect future performance.