

Springleaf Holdings, Inc.  
Form 10-Q  
August 11, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2014

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 001-36129

# SPRINGLEAF HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

**Delaware**  
(State of Incorporation)

**27-3379612**  
(I.R.S. Employer Identification No.)

**601 N.W. Second Street, Evansville, IN**  
(Address of principal executive offices)

**47708**  
(Zip Code)

**(812) 424-8031**

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(Do not check if a smaller reporting company)

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

At August 11, 2014, there were 114,832,895 shares of the registrant's common stock, \$.01 par value, outstanding.

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Table of Contents**PART I FINANCIAL INFORMATION***Item 1. Financial Statements.***SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets (Unaudited)**

(dollars in thousands)	June 30, 2014	December 31, 2013
<b>Assets</b>		
Cash and cash equivalents	\$ 891,341	\$ 431,409
Investment securities	657,483	582,090
Net finance receivables:		
Personal loans (includes loans of consolidated VIEs of \$1.9 billion in 2014 and \$1.6 billion in 2013)	3,407,328	3,171,704
SpringCastle Portfolio (includes loans of consolidated VIEs of \$2.2 billion in 2014 and \$2.5 billion in 2013)	2,202,380	2,505,349
Real estate loans (includes loans of consolidated VIEs of \$4.2 billion in 2014 and \$5.7 billion in 2013)	6,341,257	7,982,349
Retail sales finance	68,426	98,911
Net finance receivables	12,019,391	13,758,313
Allowance for finance receivable losses (includes allowance of consolidated VIEs of \$171.7 million in 2014 and \$153.7 million in 2013)	(368,272)	(333,325)
Net finance receivables, less allowance for finance receivable losses	11,651,119	13,424,988
Restricted cash (includes restricted cash of consolidated VIEs of \$471.3 million in 2014 and \$522.8 million in 2013)	487,160	536,005
Other assets	396,255	428,194
Total assets	\$ 14,083,358	\$ 15,402,686
<b>Liabilities and Shareholders' Equity</b>		
Long-term debt (includes debt of consolidated VIEs of \$6.5 billion in 2014 and \$7.3 billion in 2013)	\$ 11,261,023	\$ 12,769,036
Insurance claims and policyholder liabilities	412,492	394,168
Deferred and accrued taxes	142,174	145,520
Other liabilities	202,041	207,334
Total liabilities	12,017,730	13,516,058
Shareholders' equity:		
Common stock	1,148	1,148
Additional paid-in capital	527,708	524,087
Accumulated other comprehensive income	37,819	28,095
Retained earnings	1,111,403	986,690
Springleaf Holdings, Inc. shareholders' equity	1,678,078	1,540,020
Non-controlling interests	387,550	346,608

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Total shareholders' equity	2,065,628	1,886,628
Total liabilities and shareholders' equity	\$ 14,083,358	\$ 15,402,686

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Operations (Unaudited)**

(dollars in thousands except earnings per share)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013 Revised
Interest income	\$ 532,750	\$ 580,597	\$ 1,085,387	\$ 993,635
Interest expense	191,301	240,418	396,721	471,711
<b>Net interest income</b>	<b>341,449</b>	340,179	<b>688,666</b>	521,924
Provision for finance receivable losses	115,347	82,311	276,225	176,797
<b>Net interest income after provision for finance receivable losses</b>	<b>226,102</b>	257,868	<b>412,441</b>	345,127
Other revenues:				
Insurance	42,687	35,967	81,106	68,867
Investment	10,622	10,598	20,083	20,722
Net loss on repurchases and repayments of debt		(237)	(6,615)	(237)
Net gain (loss) on fair value adjustments on debt	482	752	(16,385)	511
Net gain on sales of real estate loans and related trust assets	34,800		89,986	
Other	2,752	4,510	4,572	5,383
<b>Total other revenues</b>	<b>91,343</b>	51,590	<b>172,747</b>	95,246
Other expenses:				
Operating expenses:				
Salaries and benefits	91,283	78,862	183,802	157,290
Other operating expenses	60,063	70,369	117,772	121,979
Insurance losses and loss adjustment expenses	18,667	16,346	37,032	31,100
<b>Total other expenses</b>	<b>170,013</b>	165,577	<b>338,606</b>	310,369
<b>Income before provision for income taxes</b>	<b>147,432</b>	143,881	<b>246,582</b>	130,004
Provision for income taxes	44,754	32,963	75,272	28,700
<b>Net income</b>	<b>102,678</b>	110,918	<b>171,310</b>	101,304
Net income attributable to non-controlling interests	30,289	54,740	46,597	54,740
<b>Net income attributable to Springleaf Holdings, Inc.</b>	<b>\$ 72,389</b>	\$ 56,178	<b>\$ 124,713</b>	\$ 46,564
<b>Share Data:</b>				
Weighted average number of shares outstanding:				
Basic	114,788,439	100,000,000	114,788,439	100,000,000
Diluted	115,176,021	100,000,000	115,160,440	100,000,000
Earnings per share:				
Basic	\$ 0.63	\$ 0.56	\$ 1.09	\$ 0.47

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Diluted	\$	<b>0.63</b>	\$	0.56	\$	<b>1.08</b>	\$	0.47
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See Notes to Condensed Consolidated Financial Statements.

Table of Contents**SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Comprehensive Income (Unaudited)**

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013 Revised
<b>Net income</b>	\$ 102,678	\$ 110,918	\$ 171,310	\$ 101,304
<b>Other comprehensive income (loss):</b>				
Net unrealized gains (losses) on:				
Investment securities on which other-than-temporary impairments were taken	(42)	(95)	(349)	(118)
All other investment securities	9,203	(9,301)	19,342	(10,560)
Foreign currency translation adjustments	(367)	(20)	(494)	2,094
Income tax effect:				
Net unrealized (gains) losses on:				
Investment securities on which other-than-temporary impairments were taken	15	33	122	41
All other investment securities	(3,223)	3,245	(6,772)	3,695
Other comprehensive income (loss), net of tax, before reclassification adjustments	5,586	(6,138)	11,849	(4,848)
Reclassification adjustments included in net income:				
Net realized gains on investment securities	(1,432)	(2,033)	(3,269)	(2,608)
Cash flow hedges				(160)
Income tax effect:				
Net realized gains on investment securities	501	712	1,144	913
Cash flow hedges				56
Reclassification adjustments included in net income, net of tax	(931)	(1,321)	(2,125)	(1,799)
Other comprehensive income (loss), net of tax	4,655	(7,459)	9,724	(6,647)
<b>Comprehensive income</b>	<b>107,333</b>	<b>103,459</b>	<b>181,034</b>	<b>94,657</b>
Comprehensive income attributable to non-controlling interests	30,289	54,740	46,597	54,740
<b>Comprehensive income attributable to Springleaf Holdings, Inc.</b>	<b>\$ 77,044</b>	<b>\$ 48,719</b>	<b>\$ 134,437</b>	<b>\$ 39,917</b>

See Notes to Condensed Consolidated Financial Statements.



Table of Contents**SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Shareholders Equity (Unaudited)**

(dollars in thousands)	Springleaf Holdings, Inc. Shareholders Equity							Total Shareholders Equity
	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Springleaf Holdings, Inc. Shareholders Equity	Non-controlling Interests		
<b>Balance, January 1, 2014</b>	\$ 1,148	\$ 524,087	\$ 28,095	\$ 986,690	\$ 1,540,020	\$ 346,608	\$ 1,886,628	
Share-based compensation expense, net of forfeitures		3,621			3,621		3,621	
Change in non-controlling interests:								
Distributions declared to joint venture partners						(5,655)	(5,655)	
Change in net unrealized gains:								
Investment securities			10,218		10,218		10,218	
Foreign currency translation adjustments			(494)		(494)		(494)	
Net income				124,713	124,713	46,597	171,310	
<b>Balance, June 30, 2014</b>	\$ 1,148	\$ 527,708	\$ 37,819	\$ 1,111,403	\$ 1,678,078	\$ 387,550	\$ 2,065,628	
<b>Balance, January 1, 2013 - Revised</b>	\$ 1,000	\$ 147,459	\$ 26,472	\$ 1,005,991	\$ 1,180,922	\$	\$ 1,180,922	
Change in non-controlling interests:								
Contributions from joint venture partners						438,081	438,081	
Distributions declared to joint venture partners						(6,519)	(6,519)	
Change in net unrealized losses:								
Investment securities			(8,637)		(8,637)		(8,637)	
Cash flow hedges			(104)		(104)		(104)	
Foreign currency translation adjustments			2,094		2,094		2,094	
Net income				46,564	46,564	54,740	101,304	
<b>Balance, June 30, 2013 - Revised</b>	\$ 1,000	\$ 147,459	\$ 19,825	\$ 1,052,555	\$ 1,220,839	\$ 486,302	\$ 1,707,141	

See Notes to Condensed Consolidated Financial Statements.



Table of Contents**SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Cash Flows (Unaudited)**

(dollars in thousands)

Six Months Ended June 30,

	2014	2013 Revised
<b>Cash flows from operating activities</b>		
Net income	\$ 171,310	\$ 101,304
Reconciling adjustments:		
Provision for finance receivable losses	276,225	176,797
Depreciation and amortization	(14,182)	(1,303)
Deferred income tax benefit	(154,525)	(62,951)
Net loss (gain) on fair value adjustments on debt	16,385	(511)
Net gain on sales of real estate loans and related trust assets	(89,986)	
Net loss on repurchases and repayments of debt	6,615	237
Share-based compensation expense, net of forfeitures	3,621	
Other	(1,529)	(3,174)
Cash flows due to changes in:		
Other assets and other liabilities	4,305	(64,981)
Insurance claims and policyholder liabilities	18,324	12,309
Taxes receivable and payable	131,040	34,076
Accrued interest and finance charges	(6,938)	(20,890)
Restricted cash	(5,840)	(3,172)
Other, net	(467)	(1,772)
Net cash provided by operating activities	354,358	165,969
<b>Cash flows from investing activities</b>		
Finance receivables originated or purchased, net of deferred origination costs	(1,226,894)	(1,107,024)
Principal collections on finance receivables	1,550,234	1,564,803
Purchase of SpringCastle Portfolio		(2,978,992)
Sales and principal collections on finance receivables held for sale originated as held for investment	1,079,904	
Available-for-sale investment securities purchased	(148,197)	(340,349)
Trading investment securities purchased	(37,760)	(982)
Available-for-sale investment securities called, sold, and matured	116,609	652,984
Trading investment securities called, sold, and matured	12,463	6,501
Change in restricted cash	10,745	(213,037)
Proceeds from sale of real estate owned	40,813	68,614
Other, net	(1,300)	(839)
Net cash provided by (used for) investing activities	1,396,617	(2,348,321)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of long-term debt, net of commissions	673,136	4,081,198
Repayment of long-term debt	(1,959,290)	(3,237,503)
Contributions from joint venture partners		438,081
Distributions to joint venture partners	(5,655)	(5,862)
Net cash provided by (used for) financing activities	(1,291,809)	1,275,914

Table of Contents**Condensed Consolidated Statements of Cash Flows (Unaudited) (Continued)**

(dollars in thousands) Six Months Ended June 30,	2014	2013 Revised
Effect of exchange rate changes	766	(1,538)
Net change in cash and cash equivalents	459,932	(907,976)
Cash and cash equivalents at beginning of period	431,409	1,554,348
Cash and cash equivalents at end of period	\$ 891,341	\$ 646,372
<b>Supplemental non-cash activities</b>		
Transfer of finance receivables to real estate owned	\$ 33,335	\$ 45,207
Transfer of finance receivables held for investment to finance receivables held for sale (prior to deducting allowance for finance receivable losses)	1,291,078	

See Notes to Condensed Consolidated Financial Statements.

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**SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**June 30, 2014**

**1. Business and Summary of Significant Accounting Policies**

Springleaf Holdings, Inc. (SHI or, collectively with its subsidiaries, whether directly or indirectly owned, Springleaf, the Company, we, us, or our) is a Delaware corporation, primarily owned by Springleaf Financial Holdings, LLC (the Initial Stockholder).

Following a series of restructuring transactions completed on October 9, 2013, in connection with the initial public offering of common stock of SHI, all of the common stock of Springleaf Finance, Inc. (SFI) is owned by SHI. On October 21, 2013, SHI completed the initial public offering of its common stock. At June 30, 2014, the Initial Stockholder owned approximately 75% of SHI's common stock. The Initial Stockholder is owned primarily by a private equity fund managed by an affiliate of Fortress Investment Group LLC (Fortress) and AIG Capital Corporation, a subsidiary of American International Group, Inc. (AIG).

SHI is a financial services holding company whose principal subsidiary is SFI. SFI's principal subsidiary is Springleaf Finance Corporation (SFC), a financial services holding company with subsidiaries engaged in the consumer finance and credit insurance businesses.

**BASIS OF PRESENTATION**

We prepared our condensed consolidated financial statements using generally accepted accounting principles in the United States of America (U.S. GAAP). These statements are unaudited. The year-end condensed balance sheet data was derived from our audited financial statements, but does not include all disclosures required by U.S. GAAP. The statements include the accounts of SHI, its subsidiaries (all of which are wholly owned, except for certain subsidiaries associated with a joint venture in which we own a 47% equity interest), and variable interest entities (VIEs) in which we hold a controlling financial interest as of the financial statement date.

We eliminated all material intercompany accounts and transactions. We made judgments, estimates, and assumptions that affect amounts reported in our condensed consolidated financial statements and disclosures of contingent assets and liabilities. In management's opinion, the condensed consolidated financial statements include the normal, recurring adjustments necessary for a fair statement of results. Ultimate results could differ from our estimates. We evaluated the effects of and the need to disclose events that occurred subsequent to the balance sheet date. These statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (2013 Annual Report on Form 10-K). We follow the same significant accounting policies for our interim reporting.

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In connection with SHI's initial public offering of its common stock previously discussed, SFI became a wholly owned subsidiary of SHI. As a result, the financial statements of SFI have been adjusted on a retrospective basis, as appropriate, as financial statements of SHI.

### ***Prior Period Revisions***

As disclosed in our 2013 Annual Report on Form 10-K, we identified certain out-of-period errors in preparing our annual consolidated financial statements for the year ended December 31, 2013. In addition to these errors, we had previously recorded and disclosed out-of-period adjustments in prior reporting periods when the errors were discovered. As a result, we revised all previously reported periods included in our 2013 Annual Report on Form 10-K. Similarly, we have revised all previously reported periods included in this report. We corrected the errors identified in the fourth quarter of 2013 and included these

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corrections in the appropriate prior periods. In addition, we reversed all out-of period adjustments previously recorded and disclosed, and included the adjustments in the appropriate periods. After evaluating the quantitative and qualitative aspects of these corrections, we have determined that our previous applicable quarterly condensed financial statements and our annual consolidated financial statements were not materially misstated.

See Note 17 for further information on the prior period revisions. The financial data for the six months ended June 30, 2013 was previously presented in our final prospectus filed with the Securities and Exchange Commission (the "SEC") on October 16, 2013 related to our initial public offering of our common stock (the "Prospectus"). The financial data for the three months ended June 30, 2013 has not been previously reported.

In addition, during the first quarter of 2014, we identified that the disclosure of the allowance for finance receivable losses related to our securitized finance receivables at December 31, 2013, was previously incorrectly overstated by \$26.8 million. The parenthetical disclosure of the allowance of consolidated VIEs as of December 31, 2013 on our condensed consolidated balance sheet and the related VIE disclosures in Notes 3 and 8 have been revised in this report to \$153.7 million.

During the first quarter of 2014, we also discovered that our long-term debt associated with securitizations that were issued at a discount and which had embedded derivatives, was incorrectly excluded from the fair value disclosure of our financial instruments measured on a recurring basis. The affected fair value amount has been corrected in Note 18 in this report to include the fair value of our long-term debt measured on a recurring basis of \$363.7 million at December 31, 2013.

During the second quarter of 2014, we discovered that we incorrectly disclosed the carrying values at the date of sale of the real estate loans associated with the 2009-1 securitization and certain additional real estate loans sold on March 31, 2014. The affected carrying values have been corrected in Notes 1, 3, and 4 in this report as follows: (i) the carrying value of real estate loans associated with the 2009-1 securitization that were sold on March 31, 2014, was previously reported as \$742.0 million but has been corrected to be \$724.9 million and (ii) the carrying value of additional real estate loans sold on March 31, 2014, was previously reported as \$93.3 million but has been corrected to be \$89.9 million.

After evaluating the quantitative and qualitative aspects of these corrections (individually and in the aggregate), management has determined that our previously issued interim and annual consolidated financial statements were not materially misstated.

***Fortress Acquisition***

Due to the significance of the ownership interest acquired by FCFI Acquisition LLC, an affiliate of Fortress, (the "Fortress Acquisition"), the nature of the transaction, and at the direction of our acquirer, we applied push-down accounting to SFI as an acquired business. We revalued our assets and liabilities based on their fair values at the date of the Fortress Acquisition, November 30, 2010, in accordance with business combination accounting standards ( "push-down accounting" ).

**SIGNIFICANT 2014 TRANSACTIONS**

*Sale of 2010-1 Retained Certificates*

On March 30, 2010, we completed a private securitization transaction in which a wholly owned special purpose vehicle of SFC sold \$716.9 million of certificates backed by real estate loans of the American General Mortgage Loan Trust 2010-1 (the "2010-1 Trust"). We initially retained \$285.8 million of the 2010-1 Trust's subordinate mortgage-backed certificates (the "2010-1 Retained Certificates").

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On June 1, 2014, the real estate loans included in the transaction were transferred from held for investment to held for sale, due to management's intent to no longer hold these finance receivables for the foreseeable future.

We completed the sale of the 2010-1 Retained Certificates on June 30, 2014, at which time, the real estate loans included in the transaction had a carrying value of \$444.4 million (after the basis adjustment for the related allowance for finance receivable losses). As a result of the sale, we deconsolidated the underlying real estate loans and previously issued securitized interests which were reported in long-term debt, as we no longer were considered the primary beneficiary.

***Sale of 2009-1 Retained Certificates***

On July 30, 2009, we completed a private securitization transaction in which a wholly owned special purpose vehicle of SFC sold \$1.2 billion of certificates backed by real estate loans of the American General Mortgage Loan Trust 2009-1 (the 2009-1 Trust). We initially retained \$786.3 million of the 2009-1 Trust's subordinate mortgage-backed certificates (the 2009-1 Retained Certificates).

On March 1, 2014, the real estate loans included in the transaction were transferred from held for investment to held for sale, due to management's intent to no longer hold these finance receivables for the foreseeable future.

We completed the sale of the 2009-1 Retained Certificates on March 31, 2014, at which time, the real estate loans included in the transaction had a carrying value of \$724.9 million (after the basis adjustment for the related allowance for finance receivable losses). As a result of the sale, we deconsolidated the underlying real estate loans and previously issued securitized interests which were reported in long-term debt, as we no longer were considered the primary beneficiary.

***Sale of Real Estate Loans***

On March 7, 2014, we entered into an agreement to sell, subject to certain closing conditions, certain performing and non-performing real estate loans. We completed this sale on March 31, 2014, at which time, the real estate loans included in the transaction had a carrying value of \$89.9 million (after the basis adjustment for the related allowance for finance receivable losses). On March 1, 2014, these loans were transferred from held for investment to held for sale, due to management's intent to no longer hold these finance receivables for the foreseeable future.

**ACCOUNTING PRONOUNCEMENTS ADOPTED**

***Income Taxes***

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In July 2013, the Financial Accounting Standards Board ( FASB ) issued an accounting standards update ( ASU ), ASU 2013-11, *Income Taxes (Topic 740)*, which clarifies the presentation requirements of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. The amendments in this ASU became effective prospectively for the Company for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this ASU did not have a material effect on our consolidated statements of financial condition, results of operations, or cash flows.

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**ACCOUNTING PRONOUNCEMENTS TO BE ADOPTED**

***Troubled Debt Restructurings***

In January 2014, the FASB issued ASU 2014-04, *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*, which clarifies when an in substance repossession or foreclosure occurs – that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. The ASU requires a creditor to reclassify a collateralized consumer mortgage loan to real estate property upon obtaining legal title to the real estate collateral, or the borrower voluntarily conveying all interest in the real estate property to the lender to satisfy the loan through a deed in lieu of foreclosure or similar legal agreement. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. We are currently evaluating whether the adoption of this ASU will have a material effect on our consolidated statements of financial condition, results of operations, or cash flows.

***Discontinued Operations***

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which redefines when the disposal of a component of entity or a group of assets is required to be reported in discontinued operations. The ASU requires a reporting entity to report disposals of components of an entity or a group of assets in discontinued operations when the disposal represents a strategic shift that has or will have a major effect on an entity's operations and financial results. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014, but can be early adopted.

***Revenue from Contracts***

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides a consistent revenue accounting model across industries. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. Many of our revenue sources are not within the scope of this new standard and we are currently evaluating whether the adoption of this ASU for those revenue sources that are in scope will have a material effect on our consolidated statements of financial condition, results of operations, or cash flows.

***Share-based Payments***

In June 2014, the FASB issued ASU 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period*, which clarifies that performance targets within share-based payment awards that can be met after the requisite service period should be considered performance conditions that affect vesting. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. We are currently evaluating whether the adoption of this ASU will have a material effect on our consolidated statements of financial condition, results of operations, or cash flows.

**ACCOUNTING POLICY ELECTIONS**

We made certain policy elections with regard to the issuance of long-term debt related to the 2014-A securitization and have updated our long-term debt policy previously disclosed in our 2013 Annual Report on Form 10-K to reflect these elections. The updated long-term debt policy is presented below:

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*Long-term Debt*

We generally report our long-term debt issuances at the face value of the debt instrument, which we adjust for any unaccreted discount or unamortized premium associated with the debt. We make policy elections on a security by security basis with regard to the methodology used to accrete discounts and premiums. Other than securitized products, we generally accrete discounts and premiums over the contractual life of the security using contractual payment terms. With respect to securitized products, we have historically elected to use estimated prepayment patterns adjusted for changes in estimate over the estimated life of the debt. However, in certain circumstances, including our policy election for the 2014-A securitization, we elect to amortize deferred items over the contractual life of the security. Under either treatment, such accretion is recorded to interest expense. Additionally, we generally accrete other deferred amounts (e.g. issuance costs) following the same method elected on the associated unaccreted discount or premium.

**2. Finance Receivables**

Our finance receivable types include personal loans, SpringCastle Portfolio, real estate loans, and retail sales finance as defined below:

- **Personal loans** are secured by consumer goods, automobiles, or other personal property or are unsecured, generally have maximum original terms of four years, and are usually fixed-rate, fixed-term loans. At June 30, 2014, \$1.5 billion of personal loans, or 45%, were secured by collateral consisting of titled personal property (such as automobiles), \$1.3 billion, or 39%, were secured by consumer household goods or other items of personal property, and the remainder was unsecured.
- **SpringCastle Portfolio** are loans jointly acquired from HSBC Finance Corporation and certain of its affiliates (collectively, HSBC ) on April 1, 2013 through a joint venture in which we own a 47% equity interest. These loans include unsecured loans and loans secured by subordinate residential real estate mortgages (which we service as unsecured loans due to the fact that the liens are subordinated to superior ranking security interests). The SpringCastle Portfolio includes both closed-end accounts and open-end lines of credit. These loans are in a liquidating status and vary in substance and form from our originated loans.
- **Real estate loans** are secured by first or second mortgages on residential real estate, generally have maximum original terms of 360 months, and are usually considered non-conforming. Real estate loans may be closed-end accounts or open-end home equity lines of credit and are primarily fixed-rate products.
- **Retail sales finance** includes retail sales contracts and revolving retail accounts. Retail sales contracts are closed-end accounts that represent a single purchase transaction. Revolving retail accounts are open-end accounts that can be used for financing repeated purchases from the same merchant. Retail sales contracts are secured by the personal property designated in the contract and generally have maximum original terms of 60 months. Revolving retail accounts are secured by the goods purchased and generally require minimum monthly payments based on the amount financed calculated after the most recent purchase or outstanding balances. In January 2013, we ceased purchasing retail sales contracts and revolving retail accounts.



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Components of net finance receivables by type were as follows:

(dollars in thousands)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Retail Sales Finance	Total
<b>June 30, 2014</b>					
Gross receivables*	\$ 3,948,649	\$ 2,186,158	\$ 6,308,033	\$ 74,989	\$ 12,517,829
Unearned finance charges and points and fees	(632,108)		(362)	(7,148)	(639,618)
Accrued finance charges	50,177	16,222	33,342	585	100,326
Deferred origination costs	40,610		244		40,854
Total	\$ 3,407,328	\$ 2,202,380	\$ 6,341,257	\$ 68,426	\$ 12,019,391
<b>December 31, 2013</b>					
Gross receivables*	\$ 3,644,030	\$ 2,484,719	\$ 7,940,500	\$ 108,457	\$ 14,177,706
Unearned finance charges and points and fees	(560,104)		(1,115)	(10,444)	(571,663)
Accrued finance charges	48,179	20,630	42,690	898	112,397
Deferred origination costs	39,599		274		39,873
Total	\$ 3,171,704	\$ 2,505,349	\$ 7,982,349	\$ 98,911	\$ 13,758,313

\* Gross receivables are defined below:

- ***finance receivables purchased as a performing receivable*** gross finance receivables equal the unpaid principal balance ( UPB ) for interest bearing accounts and the gross remaining contractual payments for precompute accounts; additionally, the remaining unearned discount, net of premium established at the time of purchase is included in both interest bearing and precompute accounts to reflect the finance receivable balance at its fair value;
- ***finance receivables originated subsequent to the Fortress Acquisition*** gross finance receivables equal the UPB for interest bearing accounts and the gross remaining contractual payments for precompute accounts; and
- ***purchased credit impaired finance receivables*** gross finance receivables equal the remaining estimated cash flows less the current balance of accretable yield on the purchased credit impaired accounts.

Included in the table above are personal loans totaling \$1.9 billion at June 30, 2014 and \$1.6 billion at December 31, 2013, SpringCastle Portfolio loans totaling \$2.2 billion at June 30, 2014 and \$2.5 billion at December 31, 2013, and real estate loans totaling \$4.2 billion at June 30, 2014 and \$5.7 billion at December 31, 2013 associated with securitizations that remain on our balance sheet. The carrying amount of consolidated long-term debt associated with securitizations totaled \$6.5 billion at June 30, 2014 and \$7.3 billion at December 31, 2013. See Note 8 for further discussion regarding our securitization transactions. Also included in the table above are finance receivables totaling \$1.0 billion at December 31, 2013, which were pledged as collateral for our secured term loan that we fully repaid in March 2014. See Note 7 for further discussion of the repayment of our secured term loan.

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Unused lines of credit extended to customers by the Company were as follows:

(dollars in thousands)	June 30, 2014	December 31, 2013
Personal loans	\$ 1,445	\$ 4,996
SpringCastle Portfolio	369,016	366,060
Real estate loans	29,759	32,338
Total	\$ 400,220	\$ 403,394

Unused lines of credit on our personal loans can be suspended if one of the following occurs: the value of the collateral declines significantly; we believe the borrower will be unable to fulfill the repayment obligations; or any other default by the borrower of any material obligation under the agreement. Unused lines of credit on our real estate loans and the SpringCastle Portfolio secured by subordinate residential real estate mortgages can be suspended if one of the following occurs: (1) the value of the real estate declines significantly below the property's initial appraised value; (2) we believe the borrower will be

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unable to fulfill the repayment obligations because of a material change in the borrower's financial circumstances; or (3) any other default by the borrower of any material obligation under the agreement occurs. Unused lines of credit on home equity lines of credit, including the SpringCastle Portfolio secured by subordinate residential real estate mortgages, can be terminated for delinquency. Unused lines of credit on the unsecured loans of the SpringCastle Portfolio can be terminated at our discretion.

**CREDIT QUALITY INDICATORS**

We consider the delinquency status and nonperforming status of the finance receivable as our credit quality indicators.

We accrue finance charges on revolving retail finance receivables up to the date of charge-off at 180 days past due. We had \$0.2 million of revolving retail finance receivables that were more than 90 days past due and still accruing finance charges at June 30, 2014, compared to \$0.4 million at December 31, 2013. Our personal loans, SpringCastle Portfolio, and real estate loans do not have finance receivables that were more than 90 days past due and still accruing finance charges.

*Delinquent Finance Receivables*

We consider the delinquency status of the finance receivable as our primary credit quality indicator. We monitor delinquency trends to manage our exposure to credit risk. We consider finance receivables 60 days or more past due as delinquent and consider the likelihood of collection to decrease at such time.

The following is a summary of net finance receivables by type and by days delinquent:

(dollars in thousands)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Retail Sales Finance	Total
<b>June 30, 2014</b>					
Net finance receivables:					
60-89 days past due	\$ 28,450	\$ 31,904	\$ 86,933	\$ 705	\$ 147,992
90-119 days past due	20,757	20,132	65,145	623	106,657
120-149 days past due	16,362	16,472	47,426	500	80,760
150-179 days past due	14,211	14,523	34,324	380	63,438
180 days or more past due	1,500	5,124	315,668	87	322,379
Total delinquent finance receivables	81,280	88,155	549,496	2,295	721,226
Current	3,275,786	2,045,189	5,623,687	64,425	11,009,087
30-59 days past due	50,262	69,036	168,074	1,706	289,078
Total	\$ 3,407,328	\$ 2,202,380	\$ 6,341,257	\$ 68,426	\$ 12,019,391

**December 31, 2013**

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Net finance receivables:

60-89 days past due	\$	28,504	\$	60,669	\$	97,567	\$	1,290	\$	188,030
90-119 days past due		22,804		47,689		68,190		1,017		139,700
120-149 days past due		18,780		33,671		55,222		757		108,430
150-179 days past due		14,689		26,828		45,158		740		87,415
180 days or more past due		938		3,579		356,766		173		361,456
Total delinquent finance receivables		85,715		172,436		622,903		3,977		885,031
Current		3,038,307		2,232,965		7,183,437		92,093		12,546,802
30-59 days past due		47,682		99,948		176,009		2,841		326,480
Total	\$	3,171,704	\$	2,505,349	\$	7,982,349	\$	98,911	\$	13,758,313

Table of Contents***Nonperforming Finance Receivables***

We also monitor finance receivable performance trends to evaluate the potential risk of future credit losses. At 90 days or more past due, we consider our finance receivables to be nonperforming. Once the finance receivables are considered as nonperforming, we consider them to be at increased risk for credit loss.

Our performing and nonperforming net finance receivables by type were as follows:

(dollars in thousands)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Retail Sales Finance	Total
<b>June 30, 2014</b>					
Performing	\$ 3,354,498	\$ 2,146,129	\$ 5,878,694	\$ 66,836	\$ 11,446,157
Nonperforming	52,830	56,251	462,563	1,590	573,234
Total	\$ 3,407,328	\$ 2,202,380	\$ 6,341,257	\$ 68,426	\$ 12,019,391
<b>December 31, 2013</b>					
Performing	\$ 3,114,493	\$ 2,393,582	\$ 7,457,013	\$ 96,224	\$ 13,061,312
Nonperforming	57,211	111,767	525,336	2,687	697,001
Total	\$ 3,171,704	\$ 2,505,349	\$ 7,982,349	\$ 98,911	\$ 13,758,313

**PURCHASED CREDIT IMPAIRED FINANCE RECEIVABLES**

As a result of the Fortress Acquisition, we applied push-down accounting and adjusted the carrying value of our finance receivables (the FA Loans ) to their fair value on November 30, 2010. For purchased finance receivables, such as the SpringCastle Portfolio ( SCP Loans ), we also record these loans at fair value on the day of purchase.

As part of the acquisition of the SpringCastle Portfolio, we determined that at April 1, 2013, acquired loans with contractually required principal and interest of \$1.9 billion, expected undiscounted cash flows of \$1.2 billion, and a fair value of \$748.9 million, were credit impaired.

We include the carrying amount (which initially was the fair value) of our purchased credit impaired finance receivables in net finance receivables, less allowance for finance receivable losses. Prepayments reduce the outstanding balance, contractual cash flows, and cash flows expected to be collected.

Information regarding these purchased credit impaired finance receivables was as follows:

**June 30, 2014**

Carrying amount, net of allowance	\$	415,839	\$	1,065,751	\$	1,481,590
Allowance for purchased credit impaired finance receivable losses	\$		\$	62,255	\$	62,255

**December 31, 2013**

Carrying amount, net of allowance	\$	530,326	\$	1,257,047	\$	1,787,373
Allowance for purchased credit impaired finance receivable losses	\$		\$	57,334	\$	57,334

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The allowance for purchased credit impaired finance receivable losses at June 30, 2014 and December 31, 2013, reflected the net carrying value of these purchased credit impaired finance receivables being higher than the present value of the expected cash flows.

Changes in accretable yield for purchased credit impaired finance receivables were as follows:

(dollars in thousands)	SCP Loans	FA Loans	Total
<b>At or for the Three Months Ended June 30, 2014</b>			
Balance at beginning of period	\$ 293,582	\$ 680,329	\$ 973,911
Accretion	(17,721)	(26,551)	(44,272)
Reclassifications to nonaccretable difference (a)	(527)		(527)
Transfers due to finance receivables sold		(21,007)	(21,007)
Disposals of finance receivables (b)	(8,083)	(5,646)	(13,729)
Balance at end of period	\$ 267,251	\$ 627,125	\$ 894,376
<b>At or for the Three Months Ended June 30, 2013</b>			
Balance at beginning of period	\$	\$ 589,037	\$ 589,037
Additions	437,604		437,604
Accretion	(28,303)	(32,358)	(60,661)
Reclassifications from nonaccretable difference (a)		301,834	301,834
Disposals of finance receivables (b)	(2,064)	(9,360)	(11,424)
Balance at end of period	\$ 407,237	\$ 849,153	\$ 1,256,390
<b>At or for the Six Months Ended June 30, 2014</b>			
Balance at beginning of period	\$ 325,201	\$ 771,491	\$ 1,096,692
Accretion	(37,723)	(55,555)	(93,278)
Reclassifications to nonaccretable difference (a)	(527)		(527)
Transfers due to finance receivables sold		(77,668)	(77,668)
Disposals of finance receivables (b)	(19,700)	(11,143)	(30,843)
Balance at end of period	\$ 267,251	\$ 627,125	\$ 894,376
<b>At or for the Six Months Ended June 30, 2013</b>			
Balance at beginning of period	\$	\$ 629,200	\$ 629,200
Additions	437,604		437,604
Accretion	(28,303)	(65,392)	(93,695)
Reclassifications from nonaccretable difference (a)		301,834	301,834
Disposals of finance receivables (b)	(2,064)	(16,489)	(18,553)
Balance at end of period	\$ 407,237	\$ 849,153	\$ 1,256,390

(a) Reclassifications from (to) nonaccretable difference represent the increases (decreases) in accretion resulting from higher (lower) estimated undiscounted cash flows.

(b) Disposals of finance receivables represent finance charges forfeited due to purchased credit impaired finance receivables charged-off during the period.

Table of Contents**TROUBLED DEBT RESTRUCTURED FINANCE RECEIVABLES**

Information regarding troubled debt restructured ( TDR ) finance receivables was as follows:

(dollars in thousands)	Real Estate Loans
<b>June 30, 2014</b>	
TDR gross finance receivables *	\$ 1,347,918
TDR net finance receivables	\$ 1,353,184
Allowance for TDR finance receivable losses	\$ 195,007
<b>December 31, 2013</b>	
TDR gross finance receivables *	\$ 1,375,230
TDR net finance receivables	\$ 1,380,223
Allowance for TDR finance receivable losses	\$ 176,455

\* As defined earlier in this Note.

We have no commitments to lend additional funds on our TDR finance receivables.

TDR average net receivables and finance charges recognized on TDR finance receivables were as follows:

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013 Revised
<b>Real Estate Loans</b>				
TDR average net receivables	\$ 1,391,456	\$ 1,058,345	\$ 1,409,010	\$ 983,890
TDR finance charges recognized	\$ 17,157	\$ 14,089	\$ 34,825	\$ 29,056

Information regarding the new volume of the TDR finance receivables was as follows:

Three Months Ended June 30,	Three Months Ended June 30,	Six Months Ended June 30,	Six Months Ended June 30,
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(dollars in thousands)

	2014	2013	2014	2013 Revised
<b>Real Estate Loans</b>				
Number of TDR accounts	<b>902</b>	2,099	<b>1,896</b>	4,152
Pre-modification TDR net finance receivables	\$ <b>79,142</b>	\$ 155,053	\$ <b>182,423</b>	\$ 319,832
Post-modification TDR net finance receivables	\$ <b>76,623</b>	\$ 170,652	\$ <b>170,806</b>	\$ 342,900

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Net finance receivables that were modified as TDR finance receivables within the previous 12 months and for which there was a default during the period to cause TDR finance receivables to be considered nonperforming were as follows:

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013 Revised
<b>Real Estate Loans</b>				
Number of TDR accounts	205	203	434	427
TDR net finance receivables*	\$ 13,174	\$ 15,711	\$ 28,677	\$ 33,961

\* Represents the corresponding balance of TDR net finance receivables at the end of the month in which they defaulted.

Table of Contents**3. Allowance for Finance Receivable Losses**

Changes in the allowance for finance receivable losses by finance receivable type were as follows:

<b>Three Months Ended June 30, 2014</b>										
Balance at beginning of period	\$	102,440	\$	838	\$	259,926	\$	2,690	\$	365,894
Charge-offs		(47,452)		(44,622)		(26,372)		(1,506)		(119,952)
Reduction in the carrying value of real estate loans transferred to finance receivables held for sale (b)						(4,595)				(4,595)
Provision for finance receivable losses (a)		(424)		17,797		71,405		(6,467)		82,311
Recoveries (c)		33,619				11,828		7,716		53,163
Provision for finance receivable losses (a)		93,455		93,350		87,426		1,994		276,225
Recoveries (d)		10,520		7,815		4,826		627		23,788
Balance at end of period	\$	107,030	\$	710	\$	259,182	\$	1,350	\$	368,272
<b>Six Months Ended June 30, 2013 - Revised</b>										
Balance at beginning of period	\$	66,580	\$		\$	113,813	\$	2,260	\$	182,653
Charge-offs (e)		(73,634)		(17,797)		(88,014)		(5,306)		(184,751)
Balance at end of period	\$	60,250	\$		\$	180,565	\$	920	\$	241,735

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(a) Components of provision for finance receivable losses on our real estate loans were as follows:

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013 Revised
<b>Real estate loans</b>				
Provision for finance receivable losses				
Non-credit impaired finance receivables	\$ 13,137	\$ 25,520	\$ 26,020	\$ 45,091
Purchased credit impaired finance receivables	5,772	17,255	25,776	39,517
TDR finance receivables	10,004	28,630	35,630	55,872
<b>Total</b>	<b>\$ 28,913</b>	<b>\$ 71,405</b>	<b>\$ 87,426</b>	<b>\$ 140,480</b>

(b) During the three and six months ended June 30, 2014, we reduced the carrying value of certain real estate loans to \$451.2 million and \$1.3 billion, respectively, as a result of the transfers of these loans from finance receivables held for investment to finance receivables held for sale due to management's intent to no longer hold these finance receivables for the foreseeable future.

(c) Recoveries during the three and six months ended June 30, 2013 included \$41.2 million (\$25.4 million of personal loan recoveries, \$9.9 million of real estate loan recoveries, and \$5.9 million of retail sales finance recoveries) resulting from a sale of previously charged-off finance receivables in June 2013.

(d) Recoveries during the six months ended June 30, 2014 included \$2.2 million of real estate loan recoveries resulting from a sale of previously charged-off real estate loans in March 2014, net of a \$0.2 million reserve for subsequent buybacks.

(e) Effective March 31, 2013, we charge off to the allowance for finance receivable losses personal loans that are 180 days past due. Previously, we charged-off to the allowance for finance receivable losses personal loans on which payments received in the prior six months totaled less than 5% of the original loan amount. As a result of this change, we recorded \$13.3 million of additional charge-offs in March 2013.

Included in the allowance for finance receivable losses are allowances associated with securitizations that totaled \$171.7 million at June 30, 2014 and \$153.7 million at December 31, 2013. See Note 8 for further discussion regarding our securitization transactions.

The carrying value charged-off for purchased credit impaired loans was as follows:

Three Months	Three Months	Six Months	Six Months
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(dollars in thousands)	Ended June 30, 2014	Ended June 30, 2013	Ended June 30, 2014	Ended June 30, 2013
Charged-off against provision for finance receivable losses:				
SCP Loans	\$ 12,738	\$ 17,173	\$ 31,531	\$ 17,173
FA Loans gross charge-offs*	6,502	11,821	12,927	21,663

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\* Represents additional impairment recognized, subsequent to the establishment of the pools of purchased credit impaired loans, related to loans that have been foreclosed and transferred to real estate owned status.

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The allowance for finance receivable losses and net finance receivables by type and by impairment method were as follows:

(dollars in thousands)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Retail Sales Finance	Total
<b>June 30, 2014</b>					
Allowance for finance receivable losses for finance receivables:					
Collectively evaluated for impairment	\$ 107,030	\$ 710	\$ 1,920	\$ 1,350	\$ 111,010
Acquired with deteriorated credit quality (purchased credit impaired finance receivables)			62,255		62,255
Individually evaluated for impairment (TDR finance receivables)			195,007		195,007
<b>Total</b>	<b>\$ 107,030</b>	<b>\$ 710</b>	<b>\$ 259,182</b>	<b>\$ 1,350</b>	<b>\$ 368,272</b>
Finance receivables:					
Collectively evaluated for impairment	\$ 3,407,328	\$ 1,786,541	\$ 3,860,067	\$ 68,426	\$ 9,122,362
Purchased credit impaired finance receivables		415,839	1,128,006		1,543,845
TDR finance receivables			1,353,184		1,353,184
<b>Total</b>	<b>\$ 3,407,328</b>	<b>\$ 2,202,380</b>	<b>\$ 6,341,257</b>	<b>\$ 68,426</b>	<b>\$ 12,019,391</b>
<b>December 31, 2013</b>					
Allowance for finance receivable losses for finance receivables:					
Collectively evaluated for impairment	\$ 94,880	\$ 1,056	\$ 1,760	\$ 1,840	\$ 99,536
Purchased credit impaired finance receivables			57,334		57,334
TDR finance receivables			176,455		176,455
<b>Total</b>	<b>\$ 94,880</b>	<b>\$ 1,056</b>	<b>\$ 235,549</b>	<b>\$ 1,840</b>	<b>\$ 333,325</b>
Finance receivables:					
Collectively evaluated for impairment	\$ 3,171,704	\$ 1,975,023	\$ 5,287,745	\$ 98,911	\$ 10,533,383
Purchased credit impaired finance receivables		530,326	1,314,381		1,844,707
TDR finance receivables			1,380,223		1,380,223
<b>Total</b>	<b>\$ 3,171,704</b>	<b>\$ 2,505,349</b>	<b>\$ 7,982,349</b>	<b>\$ 98,911</b>	<b>\$ 13,758,313</b>

Table of Contents**4. Finance Receivables Held for Sale**

As discussed in Note 1, on June 1, 2014, we transferred real estate loans with a carrying value of \$451.2 million from finance receivables held for investment to held for sale due to management's intent to no longer hold these finance receivables for the foreseeable future. On June 30, 2014, we sold finance receivables held for sale with a carrying value of \$444.4 million and related trust assets and recorded a net gain at the time of sale of \$34.8 million primarily resulting from the reversal of the remaining unaccreted push-down accounting basis for these finance receivables, less allowance for finance receivable losses that we established at the date of the Fortress Acquisition.

As also discussed in Note 1, on March 1, 2014, we transferred real estate loans with a carrying value of \$825.2 million from finance receivables held for investment to held for sale due to management's intent to no longer hold these finance receivables for the foreseeable future. On March 31, 2014, we sold finance receivables held for sale with a carrying value of \$814.8 million and related trust assets and recorded a net gain at the time of sale of \$55.2 million primarily resulting from the reversal of the remaining unaccreted push-down accounting basis for these finance receivables, less allowance for finance receivable losses that we established at the date of the Fortress Acquisition.

We did not have any transfer activity between finance receivables held for investment to finance receivables held for sale during the first half of 2013.

**LOAN REPURCHASES**

We repurchased five loans for \$0.9 million during the three and six months ended June 30, 2014. We repurchased two loans for \$0.2 million during the three months ended June 30, 2013 and 17 loans for \$2.5 million during the six months ended June 30, 2013. In each period, we repurchased the loans that were previously sold to HSBC because these loans were reaching the defined delinquency limits or had breached the contractual representations and warranties under the loan sale agreements. At June 30, 2014, there were no unresolved recourse requests.

The activity in our reserve for sales recourse obligations to HSBC was as follows:

(dollars in thousands)	At or for the Three Months Ended June 30, 2014	At or for the Three Months Ended June 30, 2013	At or for the Six Months Ended June 30, 2014	At or for the Six Months Ended June 30, 2013
Balance at beginning of period	\$ 4,702	\$ 4,799	\$ 4,702	\$ 4,863
Provision for recourse obligations	163		163	322
Recourse losses	(141)	(33)	(141)	(419)
Balance at end of period	\$ 4,724	\$ 4,766	\$ 4,724	\$ 4,766

As of June 30, 2014, we have not established a reserve for sales recourse obligations related to the sales of real estate loans with a total carrying value of \$1.3 billion during the first half of 2014, as we had no repurchase activity associated with these sales.



Table of Contents**5. Investment Securities****AVAILABLE-FOR-SALE SECURITIES**

Cost/amortized cost, unrealized gains and losses, and fair value of available-for-sale securities by type were as follows:

(dollars in thousands)	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>June 30, 2014</b>				
Fixed maturity available-for-sale securities:				
Bonds:				
U.S. government and government sponsored entities	\$ 51,723	\$ 3,202	\$ (51)	\$ 54,874
Obligations of states, municipalities, and political subdivisions	112,195	2,810	(57)	114,948
Corporate debt	260,566	13,835	(596)	273,805
Mortgage-backed, asset-backed, and collateralized:				
Residential mortgage-backed securities ( RMBS )	63,877	2,714	(103)	66,488
Commercial mortgage-backed securities ( CMBS )	42,764	634	(58)	43,340
Collateralized debt obligations ( CDO )/Asset-backed securities ( ABS )	15,074	46		15,120
Total	546,199	23,241	(865)	568,575
Preferred stock	7,163	108		7,271
Other long-term investments*	1,305	16	(67)	1,254
Common stocks	850			850
Total	\$ 555,517	\$ 23,365	\$ (932)	\$ 577,950
<b>December 31, 2013</b>				
Fixed maturity available-for-sale securities:				
Bonds:				
U.S. government and government sponsored entities	\$ 59,800	\$ 565	\$ (681)	\$ 59,684
Obligations of states, municipalities, and political subdivisions	101,913	1,703	(80)	103,536
Corporate debt	247,793	6,143	(2,191)	251,745
Mortgage-backed, asset-backed, and collateralized:				
RMBS	82,406	1,931	(559)	83,778
CMBS	10,931	77	(32)	10,976
CDO/ABS	10,200	23	(26)	10,197
Total	513,043	10,442	(3,569)	519,916
Preferred stock	7,844		(39)	7,805
Other long-term investments*	1,394		(125)	1,269
Common stocks	850			850
Total	\$ 523,131	\$ 10,442	\$ (3,733)	\$ 529,840

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\* Excludes interest in a limited partnership that we account for using the equity method (\$0.5 million at June 30, 2014 and \$0.6 million at December 31, 2013).

As of June 30, 2014 and December 31, 2013, we had no available-for-sale securities with other-than-temporary impairments recognized in accumulated other comprehensive income or loss.

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Fair value and unrealized losses on investment securities by type and length of time in a continuous unrealized loss position were as follows:

(dollars in thousands)	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>June 30, 2014</b>						
Bonds:						
U.S. government and government sponsored entities	\$	\$	\$ 13,523	\$ (51)	\$ 13,523	\$ (51)
Obligations of states, municipalities, and political subdivisions	9,662	(35)	1,068	(22)	10,730	(57)
Corporate debt	751	(1)	16,658	(595)	17,409	(596)
RMBS	1,268	(65)	2,795	(38)	4,063	(103)
CMBS	13,321	(58)			13,321	(58)
CDO/ABS	649				649	
Total	25,651	(159)	34,044	(706)	59,695	(865)
Other long-term investments			44	(67)	44	(67)
Total	\$ 25,651	\$ (159)	\$ 34,088	\$ (773)	\$ 59,739	\$ (932)
<b>December 31, 2013</b>						
Bonds:						
U.S. government and government sponsored entities	\$ 45,264	\$ (681)			\$ 45,264	\$ (681)
Obligations of states, municipalities, and political subdivisions	14,756	(80)			14,756	(80)
Corporate debt	71,312	(1,539)	11,772	(652)	83,084	(2,191)
RMBS	18,322	(559)			18,322	(559)
CMBS	5,517	(32)			5,517	(32)
CDO/ABS	5,123	(26)			5,123	(26)
Total	160,294	(2,917)	11,772	(652)	172,066	(3,569)
Preferred stock	7,805	(39)			7,805	(39)
Other long-term investments	1,269	(125)			1,269	(125)
Total	\$ 169,368	\$ (3,081)	\$ 11,772	\$ (652)	\$ 181,140	\$ (3,733)

We continue to monitor unrealized loss positions for potential impairments. During the six months ended June 30, 2014, we did not recognize any other-than-temporary impairment credit loss write-downs to investment revenues. During the six months ended June 30, 2013, we recognized other-than-temporary impairment credit loss write-downs to investment revenues on RMBS totaling \$26 thousand.

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Changes in the cumulative amount of credit losses (recognized in earnings) on other-than-temporarily impaired available-for-sale securities were as follows:

(dollars in thousands)	At or for the Three Months Ended June 30, 2014	At or for the Three Months Ended June 30, 2013	At or for the Six Months Ended June 30, 2014	At or for the Six Months Ended June 30, 2013
Balance at beginning of period	\$ 1,318	\$ 1,676	\$ 1,523	\$ 1,650
Additions:				
Due to other-than-temporary impairments:				
Impairment previously recognized				26
Reductions:				
Realized due to dispositions with no prior intention to sell		(153)	(205)	(153)
Balance at end of period	\$ 1,318	\$ 1,523	\$ 1,318	\$ 1,523

The fair values of available-for-sale securities sold or redeemed and the resulting realized gains, realized losses, and net realized gains were as follows:

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013 Revised
Fair value	\$ 50,160	\$ 163,935	\$ 107,484	\$ 439,947
Realized gains	\$ 609	\$ 2,078	\$ 2,598	\$ 3,029
Realized losses	(105)	(45)	(272)	(395)
Net realized gains	\$ 504	\$ 2,033	\$ 2,326	\$ 2,634

Contractual maturities of fixed-maturity available-for-sale securities at June 30, 2014 were as follows:

(dollars in thousands) June 30, 2014	Fair Value	Amortized Cost
Fixed maturities, excluding mortgage-backed securities:		
Due in 1 year or less	\$ 17,841	\$ 17,685
Due after 1 year through 5 years	156,536	152,711
Due after 5 years through 10 years	120,206	116,823
Due after 10 years	149,044	137,265
Mortgage-backed securities	124,948	121,715
Total	\$ 568,575	\$ 546,199

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Actual maturities may differ from contractual maturities since borrowers may have the right to call or prepay obligations. We may sell investment securities before maturity to achieve corporate requirements and investment strategies.

Table of Contents**TRADING SECURITIES**

The fair value of trading securities by type was as follows:

(dollars in thousands)	June 30, 2014	December 31, 2013
Fixed maturity trading securities:		
Bonds:		
U.S. government and government sponsored entities	\$ 3,001	\$ 1,010
Obligations of states, municipalities, and political subdivisions	5,033	1,837
Corporate debt	9,958	10,671
Mortgage-backed, asset-backed, and collateralized:		
RMBS	46,696	29,897
CMBS	13,305	9,249
CDO/ABS	79,003	51,654
Total	\$ 79,003	\$ 51,654

The net unrealized and realized gains (losses) on our trading securities were as follows:

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013 Revised
Net unrealized gains (losses) on trading securities held at period end	\$ 916	\$ (1,168)	\$ 916	\$ (209)
Net realized gains on trading securities sold or redeemed	12	63	27	111
Total	\$ 928	\$ (1,105)	\$ 943	\$ (98)

**6. Transactions with Affiliates of Fortress or AIG****SUBSERVICING AND REFINANCE AGREEMENTS**

Nationstar Mortgage LLC ( Nationstar ) subservices the real estate loans of MorEquity, Inc. ( MorEquity ), our indirect wholly owned subsidiary, and two other indirect subsidiaries (collectively, the Owners ), including certain securitized real estate loans. Investment funds managed by affiliates of Fortress indirectly own a majority interest in Nationstar.

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The Owners paid Nationstar fees for its subservicing and to facilitate the repayment of our real estate loans through refinancings with other lenders as follows:

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Subservicing fees	\$ 1,693	\$ 2,052	\$ 3,701	\$ 4,424
Refinancing concessions	\$	\$ 12	\$	\$ 265

As a result of the sale of the real estate loans associated with the 2010-1 securitization, which were serviced by Nationstar, our exposure to these affiliated services is reduced.

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**INVESTMENT MANAGEMENT AGREEMENT**

Logan Circle Partners, L.P. ( Logan Circle ) provides investment management services for our investments. Logan Circle is a wholly owned subsidiary of Fortress. Costs and fees incurred for these investment management services totaled \$0.3 million and \$0.5 million for the three and six months ended June 30, 2014, respectively, compared to \$0.3 million and \$0.6 million for the three and six months ended June 30, 2013, respectively.

**REINSURANCE AGREEMENTS**

Merit Life Insurance Co. ( Merit ), our indirect wholly owned subsidiary, enters into reinsurance agreements with subsidiaries of AIG, for reinsurance of various group annuity, credit life, and credit accident and health insurance where Merit reinsures the risk of loss. The reserves for this business fluctuate over time and, in some instances, are subject to recapture by the insurer. Reserves recorded by Merit for reinsurance agreements with subsidiaries of AIG totaled \$44.9 million at June 30, 2014 and \$45.6 million at December 31, 2013.

**JOINT VENTURE**

NRZ Consumer LLC, a subsidiary of New Residential Investment Corp., owns a 30% equity interest in the joint venture established in conjunction with the purchase of the SpringCastle Portfolio on April 1, 2013. As of June 30, 2014, New Residential Investment Corp. was managed by an affiliate of Fortress.

**SALE OF 2009-1 RETAINED CERTIFICATES**

In February 2014, Third Street Funding LLC, an affiliate of SFC and the owner of the 2009-1 Retained Certificates, offered the Certificates for sale in a competitive auction. On March 6, 2014, Merrill Lynch, Pierce, Fenner and Smith Incorporated ( MLPFS ) was declared the winning bidder and we entered into an agreement to sell, subject to certain closing conditions, all of our interest in the 2009-1 Retained Certificates to MLPFS for a price of \$738.0 million. Concurrently, New Residential Investment Corp. and MLPFS entered into an agreement pursuant to which New Residential Investment Corp. agreed to purchase approximately 75% of the 2009-1 Retained Certificates. As of June 30, 2014, New Residential Investment Corp. was managed by an affiliate of Fortress. See Note 1 for further information on this sale.

Table of Contents**7. Long-term Debt**

Principal maturities of long-term debt (excluding projected securitization repayments by period) by type of debt at June 30, 2014 were as follows:

(dollars in thousands)	Retail Notes	Medium Term Notes	Securitizations	Junior Subordinated Debt	Total
Interest rates (a)	5.55%-7.50%	5.40%-8.25%	1.27%-6.00%	6.00%	
Third quarter 2014	\$ 8,529	\$	\$	\$	\$ 8,529
Fourth quarter 2014	335,486				335,486
First quarter 2015	16,575				16,575
Second quarter 2015	7,092				7,092
Remainder of 2015	23,544	750,000			773,544
2016		375,000			375,000
2017		2,360,837			2,360,837
2018					
2019-2067		1,250,000		350,000	1,600,000
Securitizations (b)			6,505,304		6,505,304
Total principal maturities	\$ 391,226	\$ 4,735,837	\$ 6,505,304	\$ 350,000	\$ 11,982,367
Total carrying amount (c)	\$ 383,380	\$ 4,220,066	\$ 6,485,973	\$ 171,604	\$ 11,261,023

(a) The interest rates shown are the range of contractual rates in effect at June 30, 2014.

(b) Securitizations are not included in above maturities by period due to their variable monthly repayments. See Note 8 for further information on our long-term debt associated with securitizations.

(c) The net carrying amount of our long-term debt associated with certain securitizations that were either 1) issued at a premium or discount or 2) revalued at a premium or discount based on its fair value at the time of the Fortress Acquisition or 3) recorded at fair value on a recurring basis in circumstances when the embedded derivative within the securitization structure cannot be separately accounted for at fair value.

**GUARANTY AGREEMENTS**

On December 30, 2013, SHI entered into Guaranty Agreements whereby it agreed to fully and unconditionally guarantee the payment of principal of, premium (if any), and interest on approximately \$5.2 billion aggregate principal amount of senior notes on a senior basis and \$350.0 million aggregate principal amount of a junior subordinated debenture (collectively, the notes) on a junior subordinated basis issued by SFC. The notes consist of the following: 8.250% Senior Notes due 2023; 7.750% Senior Notes due 2021; 6.00% Senior Notes due 2020; a

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60-year junior subordinated debenture; and all senior notes outstanding on December 30, 2013, issued pursuant to the Indenture dated as of May 1, 1999 (the 1999 Indenture ), between SFC and Wilmington Trust, National Association (the successor trustee to Citibank N.A.). As of December 30, 2013, approximately \$3.9 billion aggregate principal amount of senior notes were outstanding under the 1999 Indenture. The 60-year junior subordinated debenture underlies the trust preferred securities sold by a trust sponsored by SFC. On December 30, 2013, SHI entered into a Trust Guaranty Agreement whereby it agreed to fully and unconditionally guarantee the related payment obligations under the trust preferred securities. As of June 30, 2014, approximately \$5.1 billion aggregate principal amount of senior notes, including \$3.9 billion aggregate principal amount of senior notes under the 1999 Indenture, and \$350.0 million aggregate principal amount of a junior subordinated debenture were outstanding.

### **REPURCHASE OR REPAYMENT OF DEBT**

In connection with our liability management efforts, we or our affiliates from time to time have purchased, or may in the future purchase, portions of our outstanding indebtedness. Any such purchases may be made through open market or privately negotiated transactions with third parties or pursuant to

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one or more tender or exchange offers or otherwise, upon such terms and at such prices, as well as with such consideration as we or any such affiliates may determine. Our plans are dynamic and we may adjust our plans in response to changes in our expectations and changes in market conditions.

On March 31, 2014, Springleaf Financial Funding Company ( SFFC ) prepaid, without penalty or premium, the entire \$750.0 million outstanding principal balance of the secured term loan, plus accrued and unpaid interest. Effective upon the prepayment, all obligations of SFFC, SFC, and most of the consumer finance operating subsidiaries of SFC under the secured term loan (other than contingent reimbursement obligations and indemnity obligations) were terminated and all guarantees and security interests were released.

## **8. Variable Interest Entities**

As part of our overall funding strategy and as part of our efforts to support our liquidity from sources other than our traditional capital market sources, we have transferred certain finance receivables to VIEs for securitization transactions. Since these transactions involve securitization trusts required to be consolidated, the securitized assets and related liabilities are included in our condensed consolidated financial statements and are accounted for as secured borrowings. As a result of the sales of the 2010-1 and 2009-1 retained certificates, we deconsolidated the underlying real estate loans and previously issued securitized interests which were reported in long-term debt.

## **CONSOLIDATED VIES**

We evaluated the securitization trusts and determined that these entities are VIEs of which we are the primary beneficiary; therefore, we consolidate such entities. We are deemed to be the primary beneficiaries of these VIEs because we have the ability to direct the activities of each VIE that most significantly impact the entity's economic performance and the obligation to absorb losses and the right to receive benefits that are potentially significant to the VIE. Such ability stems from SHI's and/or its affiliates' contractual right to service the securitized finance receivables. Our retained subordinated notes and residual interest trust certificates expose us to potentially significant losses and potentially significant returns.

The asset-backed and mortgage-backed securities issued by the securitization trusts are supported by the expected cash flows from the underlying securitized finance receivables. Cash inflows from these finance receivables are distributed to investors and service providers in accordance with each transaction's contractual priority of payments ( waterfall ) and, as such, most of these inflows must be directed first to service and repay each trust's senior notes or certificates held principally by third-party investors. After these senior obligations are extinguished, substantially all cash inflows will be directed to the subordinated notes until fully repaid and, thereafter, to the residual interest that we own in each trust. We retain interests in these securitization transactions, including senior and subordinated securities issued by the VIEs and residual interests. We retain credit risk in the securitizations because our retained interests include the most subordinated interest in the securitized assets, which are the first to absorb credit losses on the securitized assets. We expect that any credit losses in the pools of securitized assets will likely be limited to our subordinated and residual retained interests. We have no obligation to repurchase or replace qualified securitized assets that subsequently become delinquent or are otherwise in default.

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The carrying amounts of consolidated VIE assets and liabilities associated with our securitization trusts were as follows:

(dollars in thousands)	June 30, 2014	December 31, 2013
<b>Assets</b>		
Finance receivables:		
Personal loans	\$ 1,852,218	\$ 1,572,070
SpringCastle Portfolio	2,202,380	2,505,349
Real estate loans	4,248,297	5,694,176
Allowance for finance receivable losses	171,704	153,657
Restricted cash	471,307	522,752
<b>Liabilities</b>		
Long-term debt	\$ 6,485,973	\$ 7,288,535

**2014 Consumer Loan Securitizations**

**Whitford Brook 2014-VFN1 Securitization.** On June 26, 2014, we established a private securitization facility in which Whitford Brook Funding Trust 2014-VFN1 (the Whitford Brook 2014-VFN1 Trust), a wholly owned special purpose vehicle of SFC, may issue variable funding notes with a maximum principal balance of \$300 million to be backed by personal loans acquired from subsidiaries of SFC. The notes will be funded over a three-year period, subject to the satisfaction of customary conditions precedent. During this period, the notes can also be paid down to the required minimum balance of \$100 million and then redrawn. Following the three-year funding period, the principal amount of the notes will be reduced as cash payments are received on the underlying personal loans and will be due and payable in full in July 2018, unless an option to prepay is elected between July 2017 and July 2018. At June 30, 2014, the required minimum balance of \$100 million was drawn under the notes.

**2014-A Securitization.** On March 26, 2014, we completed a private securitization transaction in which a wholly owned special purpose vehicle of SFC sold \$559.3 million of notes backed by personal loans held by Springleaf Funding Trust 2014-A (the 2014-A Trust), at a 2.62% weighted average yield. We sold the asset-backed notes for \$559.2 million, after the price discount but before expenses and a \$6.4 million interest reserve requirement. We initially retained \$32.9 million of the 2014-A Trust's subordinate asset-backed notes.

**Sales of Previously Retained Notes**

As discussed in Note 1, the Company's remaining beneficial interests in the 2010-1 Trust and 2009-1 Trust were sold through an unaffiliated initial purchaser on June 30, 2014 and March 31, 2014, respectively. As a result of these sales, we deconsolidated the underlying real estate loans and previously issued securitized interests which were reported in long-term debt, as we no longer were considered the primary beneficiary.

During the second quarter of 2013, we sold the following previously retained mortgage-backed notes:

(dollars in thousands)	Previously Retained Notes Issued	Additional Debt Recorded
<i>Mortgage Securitizations</i>		
SLFMT 2012-2	\$ 20,000	\$ 20,675
SLFMT 2012-3	7,500	7,753

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***Renewal of Midbrook 2013-VFN1 Securitization***

On September 26, 2013, we established a private securitization facility in which Midbrook Funding Trust 2013-VFN1 (the Midbrook 2013-VFN1 Trust), a wholly owned special purpose vehicle of SFC, could issue variable funding notes with a maximum principal balance of \$300 million to be backed by personal loans acquired from subsidiaries of SFC from time to time. No amounts were funded at closing, but could be funded from time to time over a one-year period, subject to the satisfaction of customary conditions precedent. During this period, the notes could also be paid down in whole or in part and then redrawn. Following the one-year funding period, the principal amount of the notes, if any, would amortize and would be due and payable in full in October 2017.

On June 13, 2014, we amended the note purchase agreement with Midbrook 2013-VFN1 Trust to extend the one-year funding period to a two-year funding period. Following the two-year funding period, the principal amount of the notes, if any, will be reduced as cash payments are received on the underlying personal loans and will be due and payable in full in July 2019. The maximum principal balance of variable funding notes that can be issued remained at \$300 million. No amounts were funded at closing.

***Repayment of 2013-BAC Trust Notes***

On September 25, 2013, we completed a private securitization transaction in which Springleaf Funding Trust 2013-BAC, a wholly owned special purpose vehicle of SFC, issued \$500 million of notes backed by an amortizing pool of personal loans acquired from subsidiaries of SFC. On March 27, 2014, we repaid the entire \$231.3 million outstanding principal balance of the notes, plus accrued and unpaid interest.

***VIE Interest Expense***

Other than our retained subordinate and residual interests in the consolidated securitization trusts, we are under no obligation, either contractually or implicitly, to provide financial support to these entities. Consolidated interest expense related to these VIEs for the three and six months ended June 30, 2014 totaled \$62.7 million and \$129.5 million, respectively, compared to \$59.2 million and \$89.4 million for the three and six months ended June 30, 2013, respectively.

**UNCONSOLIDATED VIE**

As a result of the sales of the 2010-1 and 2009-1 retained certificates on June 30, 2014 and March 31, 2014, respectively, we deconsolidated the underlying real estate loans and previously issued securitized interests which were reported in long-term debt. The total carrying value of the real estate loans as of the sale dates were \$1.2 billion. We have certain representations and warranties associated with these sales that may expose us to future losses. As of June 30, 2014, we have not established a reserve for sales recourse obligations related to these sales, as we had no repurchase activity. However, we will continue to monitor any repurchase activity in the future and establish a reserve accordingly.

**9. Derivative Financial Instruments**

Our principal borrowing subsidiary is SFC. During the three and six months ended June 30, 2014, SFC did not have any derivative activity. However, SFC has used derivative financial instruments in managing the cost of its debt and its return on finance receivables held for sale, but was neither a dealer nor a trader in derivative financial instruments.

In January 2013, we reclassified \$0.2 million of deferred net gain from accumulated other comprehensive income or loss to interest expense related to SFC's election to discontinue and terminate one of its cash flow hedges in 2012. On August 5, 2013, SFC terminated its remaining cross currency interest rate swap agreement with AIG Financial Products Corp., a subsidiary of AIG, and recorded a loss of \$1.9 million in other revenues other. Immediately following this termination, we had no derivative financial instruments.

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For the three and six months ended June 30, 2013, we recognized \$0.2 million and \$4.4 million, respectively, of net losses on SFC's non-designated hedging instruments in other revenues other.

Derivative adjustments included in other revenues other consisted of the following:

(dollars in thousands)	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013
Mark to market gains (losses)	\$ 2,371	\$ (14,504)
Net interest income	3,862	7,460
Credit valuation adjustment gains (losses)	(1)	39
Total	\$ 6,232	\$ (7,005)

SFC was exposed to credit risk if counterparties to its swap agreement did not perform. SFC regularly monitored counterparty credit ratings throughout the term of the agreement. SFC's exposure to market risk was limited to changes in the value of its swap agreement offset by changes in the value of the hedged debt. While SFC's cross currency interest rate swap agreement mitigated economic exposure of related debt, it did not qualify as a cash flow or fair value hedge under U.S. GAAP.

**10. Earnings Per Share**

The computation of earnings per share was as follows:

(dollars in thousands except earnings per share)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013 Revised
<b>Numerator (basic and diluted):</b>				
Net income attributable to Springleaf Holdings, Inc.	\$ 72,389	\$ 56,178	\$ 124,713	\$ 46,564
<b>Denominator:</b>				
Weighted average number of shares outstanding (basic)	114,788,439	100,000,000	114,788,439	100,000,000
Effect of dilutive securities	387,582		372,001	
Weighted average number of shares outstanding (diluted)	115,176,021	100,000,000	115,160,440	100,000,000
<b>Earnings per share:</b>				
Basic	\$ 0.63	\$ 0.56	\$ 1.09	\$ 0.47
Diluted	\$ 0.63	\$ 0.56	\$ 1.08	\$ 0.47

Basic earnings per share is computed by dividing net income or loss by the weighted-average number of shares outstanding during each period. Diluted earnings per share is computed based on the weighted-average number of common shares plus the effect of dilutive potential common

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shares outstanding during the period using the treasury stock method. Dilutive potential common shares represent outstanding unvested restricted stock units and awards.

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Changes in accumulated other comprehensive income were as follows:

(dollars in thousands)	Unrealized Gains (Losses) Investment Securities	Unrealized Gains (Losses) Cash Flow Hedges	Retirement Plan Liabilities Adjustments	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income (Loss)
<b>Three Months Ended June 30, 2014</b>					
Balance at beginning of period	\$ 9,558	\$	\$ 20,153	\$ 3,453	\$ 33,164
Other comprehensive income (loss) before reclassifications	5,953			(367)	5,586
Reclassification adjustments from accumulated other comprehensive income	(931)				(931)
Balance at end of period	\$ 14,580	\$	\$ 20,153	\$ 3,086	\$ 37,819
<b>Three Months Ended June 30, 2013</b>					
Balance at beginning of period	\$ 12,923	\$	\$ 8,120	\$ 6,241	\$ 27,284
Other comprehensive income (loss) before reclassifications	(6,118)			(20)	(6,138)
Reclassification adjustments from accumulated other comprehensive income	(1,321)				(1,321)
Balance at end of period	\$ 5,484	\$	\$ 8,120	\$ 6,221	\$ 19,825
<b>Six Months Ended June 30, 2014</b>					
Balance at beginning of period	\$ 4,362	\$	\$ 20,153	\$ 3,580	\$ 28,095
Other comprehensive income (loss) before reclassifications	12,343			(494)	11,849
Reclassification adjustments from accumulated other comprehensive income	(2,125)				(2,125)
Balance at end of period	\$ 14,580	\$	\$ 20,153	\$ 3,086	\$ 37,819
<b>Six Months Ended June 30, 2013 - Revised</b>					
Balance at beginning of period	\$ 14,121	\$ 104	\$ 8,120	\$ 4,127	\$ 26,472
Other comprehensive income (loss) before reclassifications	(6,942)			2,094	(4,848)
Reclassification adjustments from accumulated other comprehensive income	(1,695)	(104)			(1,799)
Balance at end of period	\$ 5,484	\$	\$ 8,120	\$ 6,221	\$ 19,825

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Reclassification adjustments from accumulated other comprehensive income to the applicable line item on our condensed consolidated statements of operations were as follows:

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013 Revised
Unrealized gains on investment securities:				
Reclassification from accumulated other comprehensive income (loss) to investment revenues, before taxes	\$ 1,432	\$ 2,033	\$ 3,269	\$ 2,608
Income tax effect	(501)	(712)	(1,144)	(913)
Reclassification from accumulated other comprehensive income (loss) to investment revenues, net of taxes	931	1,321	2,125	1,695
Unrealized gains on cash flow hedges:				
Reclassification from accumulated other comprehensive income (loss) to interest expense, before taxes				160
Income tax effect				(56)
Reclassification from accumulated other comprehensive income (loss) to interest expense and other revenues, net of taxes				104
Total	\$ 931	\$ 1,321	\$ 2,125	\$ 1,799

**12. Income Taxes**

At June 30, 2014, we had a net deferred tax asset of \$20.8 million, compared to a net deferred tax liability of \$128.3 million at December 31, 2013. The change from a net deferred tax liability to a net deferred tax asset was primarily due to the deconsolidation of the 2010-1 and 2009-1 securitizations during the first half of 2014. We have a valuation allowance on our gross state deferred tax assets, net of a deferred federal tax benefit of \$25.8 million, at June 30, 2014 compared to \$23.8 million at December 31, 2013. We also had a valuation allowance against our United Kingdom and Puerto Rico operations of \$21.9 million at June 30, 2014 and \$21.4 million at December 31, 2013. The impact to our uncertain tax positions was immaterial.

The effective tax rate for the six months ended June 30, 2014 was 30.5% compared to 22.1% for the same period in 2013. The effective tax rate for the six months ended June 30, 2014 differed from the federal statutory rate primarily due to the effect of the non-controlling interest in our joint venture, which decreased the effective tax rate by 7.0%. The effective tax rate for the six months ended June 30, 2013 differed from the federal statutory rate primarily due to the effect of the non-controlling interest in our joint venture.

**13. Contingencies****LEGAL CONTINGENCIES**

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In the normal course of business, the Company has been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation arising in connection with its activities. Some of the actual or threatened legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. While we will continue to identify certain legal actions where we believe 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 we have not yet been notified of or are not yet determined to be probable or reasonably possible and reasonably estimable.

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We contest liability and/or the amount of damages, as appropriate, in each pending matter. Where available information indicates that it is probable that a liability had been incurred at the date of the condensed consolidated financial statements and we can reasonably estimate the amount of that loss, we accrue the estimated loss by a charge to income. In many actions, however, it is inherently difficult to determine whether any loss is probable or even reasonably possible or to estimate the amount of any loss. In addition, even where loss is reasonably possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, it is not always possible to reasonably estimate the size of the possible loss or range of loss.

For certain legal actions, we cannot reasonably estimate such losses, particularly for actions that are in their early stages of development or where plaintiffs seek substantial or indeterminate damages. Numerous issues may need to be resolved, including through potentially lengthy discovery and determination of important factual matters, and by addressing novel or unsettled legal questions relevant to the actions in question, before a loss or additional loss or range of loss or additional loss can be reasonably estimated for any given action.

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

**PAYMENT PROTECTION INSURANCE**

Our United Kingdom subsidiary provides payments of compensation to its customers who have made claims concerning Payment Protection Insurance ( PPI ) policies sold in the normal course of business by insurance intermediaries. On April 20, 2011, the High Court in the United Kingdom handed down judgment supporting the Financial Services Authority (now known as the Financial Conduct Authority) ( FCA ) guidelines on the treatment of PPI complaints. In addition, the FCA issued a guidance consultation paper in March 2012 on the PPI customer contact letters. As a result, we have concluded that there are certain circumstances where customer contact and/or redress is appropriate; therefore, this activity is ongoing. The total reserves related to the estimated PPI claims were \$24.2 million at June 30, 2014 and \$33.5 million at December 31, 2013.

**14. Benefit Plans**

**PENSION AND POSTRETIREMENT PLANS**

Effective December 31, 2012, the Springleaf Financial Services Retirement Plan (the Retirement Plan ) and the CommoLoCo Retirement Plan (a defined benefit pension plan for our employees in Puerto Rico) were frozen. Our current and former employees will not lose any vested benefits in the Retirement Plan or the CommoLoCo Retirement Plan that accrued prior to January 1, 2013.



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The following table presents the components of net periodic benefit cost with respect to our defined benefit pension plans and other postretirement benefit plans:

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
<b>Pension</b>				
Components of net periodic benefit cost:				
Interest cost	\$ 3,818	\$ 3,589	\$ 7,636	\$ 7,179
Expected return on assets	(4,110)	(3,874)	(8,219)	(7,748)
Amortization of net loss	1	12	2	24
Net periodic benefit cost	\$ (291)	\$ (273)	\$ (581)	\$ (545)
<b>Postretirement</b>				
Components of net periodic benefit cost:				
Service cost	\$ 22	\$ 81	\$ 44	\$ 162
Interest cost	26	64	52	128
Amortization of net gain	(67)	-	(134)	-
Net periodic benefit cost	\$ (19)	\$ 145	\$ (38)	\$ 290

**15. Share-Based Compensation**

Total share-based compensation expense, net of forfeitures, for all stock-based awards was \$2.0 million and \$3.6 million during the three and six months ended June 30, 2014, respectively. We did not record any share based compensation expense during the three and six months ended June 30, 2013.

**16. Segment Information**

Our segments coincide with how our businesses are managed. At June 30, 2014, our four segments include: Consumer, Insurance, Acquisitions and Servicing, and Real Estate. The Acquisitions and Servicing segment was added effective April 1, 2013, as a result of our co-investment in the SpringCastle Portfolio.

Management considers Consumer, Insurance, and Acquisitions and Servicing as our Core Consumer Operations and Real Estate as our Non-Core Portfolio.

Our segments are managed as follows:

**Core Consumer Operations**

- **Consumer** We originate and service personal loans (secured and unsecured) through two business divisions: branch operations and centralized internet. Branch operations primarily conduct business in 26 states, which are our core operating states. Centralized internet processes and underwrites loan applications that we receive through an internet portal. If the applicant is located near an existing branch ( in footprint ), our centralized internet lending division makes the credit decision regarding the application and then refers the customer to a nearby branch for closing, funding and servicing. If the applicant is not located near a branch ( out of footprint ), the centralized internet group originates the loan.

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- **Insurance** We offer credit insurance (life insurance, accident and health insurance, and involuntary unemployment insurance), non-credit insurance, and ancillary products, such as warranty protection.
- **Acquisitions and Servicing** On April 1, 2013, we acquired the SpringCastle Portfolio through a joint venture in which we own a 47% equity interest. The SpringCastle Portfolio consists of unsecured loans and loans secured by subordinate residential real estate mortgages (which we service as unsecured loans due to the fact that the liens are subordinated to superior ranking security interests). These loans vary in form and substance from our typical branch serviced loans and are in a liquidating status with no anticipation of significant renewal activity. Future strategic portfolio or business acquisitions will also be a part of this segment.

Non-Core Portfolio

- **Real Estate** We service and hold real estate loans secured by first or second mortgages on residential real estate. Real estate loans previously originated through our branch offices are either serviced by our branch personnel or by our centralized servicing operation. Real estate loans previously acquired or originated through centralized distribution channels are serviced by one of our indirect wholly owned subsidiaries, MorEquity, all of which are subserviced by Nationstar, except for certain securitized real estate loans, which were serviced and subserviced by third parties prior to the sale of these real estate loans on March 31, 2014. Investment funds managed by affiliates of Fortress indirectly own a majority interest in Nationstar.

The remaining components (which we refer to as **Other**) consist of our other non-core, non-originating legacy operations, which are isolated by geographic market and/or distribution channel from our Core Consumer Operations and our Non-Core Portfolio. These operations include our legacy operations in 14 states where we have also ceased branch-based personal lending, our liquidating retail sales finance portfolio (including our retail sales finance accounts from our dedicated auto finance operation), our lending operations in Puerto Rico and the U.S. Virgin Islands, and the operations of our United Kingdom subsidiary. Effective June 1, 2014, we also report (on a prospective basis) certain real estate loans with equity capacity in Other. These short equity loans, which have liquidated down to an immaterial level, were previously included in our Core Consumer Operations. At June 1, 2014, the transfer date, these loans totaled \$16.3 million.

Due to the nature of the Fortress Acquisition, we applied push-down accounting. However, we report the operating results of our Core Consumer Operations, Non-Core Portfolio, and Other using the same accounting basis that we employed prior to the Fortress Acquisition, which we refer to as **historical accounting basis**, to provide a consistent basis for both management and other interested third parties to better understand the operating results of these segments. The historical accounting basis (which is a basis of accounting other than U.S. GAAP) also provides better comparability of the operating results of these segments to our competitors and other companies in the financial services industry. The historical accounting basis is not applicable to the Acquisitions and Servicing segment since this segment resulted from the purchase of the SpringCastle Portfolio on April 1, 2013 and therefore, was not affected by the Fortress Acquisition.

The **Push-down Accounting Adjustments** column in the following tables primarily consists of:

- the accretion or amortization of the valuation adjustments on the applicable revalued assets and liabilities;

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- the difference in finance charges on our purchased credit impaired finance receivables compared to the finance charges on these finance receivables on a historical accounting basis;
- the elimination of accretion or amortization of historical based discounts, premiums, and other deferred costs on our finance receivables and long-term debt;

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- the difference in provision required based upon the differences in historical accounting basis and push-down accounting basis of the finance receivables;
- the acceleration of the accretion of the net discount or amortization of the net premium applied to long-term debt that we repurchase or repay;
- the reversal of the remaining unaccreted push-down accounting basis for net finance receivables, less allowance for finance receivable losses established at the date of the Fortress Acquisition on finance receivables held for sale that we sold; and
- the difference in the fair value of long-term debt based upon the differences between historical accounting basis where certain long-term debt components are marked-to-market on a recurring basis, and push-down accounting basis where long-term debt is no longer marked-to-market on a recurring basis.

The following tables present information about the Company's segments as well as reconciliations to the condensed consolidated financial statement amounts.

(dollars in thousands)	Consumer	Insurance	Acquisitions and Servicing	Real Estate	Other	Eliminations	Push-down Accounting Adjustments	Consolidated Total
<b>Three Months Ended June 30, 2014</b>								
Interest income	\$ 220,396	\$	\$ 137,044	\$ 136,639	\$ 4,311	\$	\$ 34,360	\$ 532,750
Interest expense	40,905		18,107	95,492	1,830		34,967	191,301
Net interest income	179,491		118,937	41,147	2,481		(607)	341,449
Provision for finance receivable losses	47,876		40,399	20,472	4,302		2,298	115,347
Net interest income (loss) after provision for finance receivable losses	131,615		78,538	20,675	(1,821)		(2,905)	226,102
Other revenues:								
Insurance		42,672			16		(1)	42,687
Investment		11,661			(5)		(1,034)	10,622
Intersegment - insurance commissions	19,661	(19,816)		152	3			
Portfolio servicing fees from SpringCastle			17,079			(17,079)		
Net gain (loss) on fair value adjustments on debt			535				(53)	482
Net gain (loss) on sales of real estate loans and related trust assets *				(22,819)			57,619	34,800
Other	547	2,034	283	(78)	(34)			2,752
Total other revenues	20,208	36,551	17,897	(22,745)	(20)	(17,079)	56,531	91,343
Other expenses:								
Operating expenses:								
Salaries and benefits	65,185	5,156	8,541	8,847	3,597		(43)	91,283
Other operating expenses	35,423	3,715	6,318	11,539	2,119		949	60,063
Portfolio servicing fees to Springleaf			17,079			(17,079)		
Insurance losses and loss adjustment expenses		18,861					(194)	18,667
Total other expenses	100,608	27,732	31,938	20,386	5,716	(17,079)	712	170,013

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Income (loss) before provision for income taxes	<b>51,215</b>	<b>8,819</b>	<b>64,497</b>	<b>(22,456)</b>	<b>(7,557)</b>	<b>52,914</b>	<b>147,432</b>
Income before provision for income taxes attributable to non-controlling interests			<b>30,289</b>				<b>30,289</b>
Income (loss) before provision for income taxes attributable to Springleaf	<b>\$ 51,215</b>	<b>\$ 8,819</b>	<b>\$ 34,208</b>	<b>\$ (22,456)</b>	<b>\$ (7,557)</b>	<b>\$ 52,914</b>	<b>\$ 117,143</b>

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\* For purposes of our segment reporting presentation, we have combined the lower of cost or fair value adjustments recorded on the date the real estate loans were transferred to finance receivables held for sale with the final gain (loss) on the sale of these loans.

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(dollars in thousands)	Consumer	Insurance	Acquisitions and Servicing	Real Estate	Other	Eliminations	Push-down Accounting Adjustments	Consolidated Total
<b>Three Months Ended June 30, 2013</b>								
Interest income	\$ 170,604	\$	\$ 168,370	\$ 177,477	\$ 12,287	\$	\$ 51,859	\$ 580,597
Interest expense	36,125		24,591	141,530	4,007		34,165	240,418
Net interest income	134,479		143,779	35,947	8,280		17,694	340,179
Provision for finance receivable losses	(5,947)		17,797	66,010	(6,739)		11,190	82,311
Net interest income (loss) after provision for finance receivable losses	140,426		125,982	(30,063)	15,019		6,504	257,868
Other revenues:								
Insurance		35,956			20		(9)	35,967
Investment		13,093			111		(2,606)	10,598
Intersegment - insurance commissions	17,534	(17,536)		30	(28)			
Portfolio servicing fees from SpringCastle			2,380			(2,380)		
Net gain (loss) on repurchases and repayments of debt	(1,500)			(19,600)	(271)		21,134	(237)
Net gain (loss) on fair value adjustments on debt				18,247			(17,495)	752
Other	351	2,578	81	1,551	(163)		112	4,510
Total other revenues	16,385	34,091	2,461	228	(331)	(2,380)	1,136	51,590
Other expenses:								
Operating expenses:								
Salaries and benefits	61,410	3,996	2,411	6,493	4,606		(54)	78,862
Other operating expenses	28,683	2,586	22,136	13,445	2,360		1,159	70,369
Portfolio servicing fees to Springleaf			2,380			(2,380)		
Insurance losses and loss adjustment expenses		16,556					(210)	16,346
Total other expenses	90,093	23,138	26,927	19,938	6,966	(2,380)	895	165,577
Income (loss) before provision for income taxes	66,718	10,953	101,516	(49,773)	7,722		6,745	143,881
Income before provision for income taxes attributable to non-controlling interests			54,740					54,740
Income (loss) before provision for income taxes attributable to Springleaf	\$ 66,718	\$ 10,953	\$ 46,776	\$ (49,773)	\$ 7,722	\$	\$ 6,745	\$ 89,141

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(dollars in thousands)	Consumer	Insurance	Acquisitions and Servicing	Real Estate	Other	Eliminations	Push-down Accounting Adjustments	Consolidated Total
<b>At or for the Six Months Ended June 30, 2014</b>								
Interest income	\$ 430,091	\$	\$ 282,971	\$ 291,683	\$ 9,415	\$	\$ 71,227	\$ 1,085,387
Interest expense	81,631		40,301	207,289	3,973		63,527	396,721
Net interest income	348,460		242,670	84,394	5,442		7,700	688,666
Provision for finance receivable losses	93,151		93,349	81,800	5,267		2,658	276,225
Net interest income after provision for finance receivable losses	255,309		149,321	2,594	175		5,042	412,441
Other revenues:								
Insurance		81,078			32		(4)	81,106
Investment		21,929			24		(1,870)	20,083
Intersegment - insurance commissions	31,964	(32,177)		222	(9)			
Portfolio servicing fees from SpringCastle			35,268			(35,268)		
Net gain (loss) on repurchases and repayments of debt	(1,429)			(10,023)	(47)		4,884	(6,615)
Net gain (loss) on fair value adjustments on debt			(16,332)	8,298			(8,351)	(16,385)
Net gain (loss) on sales of real estate loans and related trust assets *				(84,995)			174,981	89,986
Other	1,124	3,675	592	(1,429)	610			4,572
Total other revenues	31,659	74,505	19,528	(87,927)	610	(35,268)	169,640	172,747
Other expenses:								
Operating expenses:								
Salaries and benefits	131,763	9,710	17,775	17,373	7,268		(87)	183,802
Other operating expenses	68,114	6,987	12,270	24,632	3,825		1,944	117,772
Portfolio servicing fees to Springleaf			35,268			(35,268)		
Insurance losses and loss adjustment expenses		37,472					(440)	37,032
Total other expenses	199,877	54,169	65,313	42,005	11,093	(35,268)	1,417	338,606
Income (loss) before provision for income taxes	87,091	20,336	103,536	(127,338)	(10,308)		173,265	246,582
Income before provision for income taxes attributable to non- controlling interests			46,597					46,597
Income (loss) before provision for income taxes attributable to Springleaf	\$ 87,091	\$ 20,336	\$ 56,939	\$ (127,338)	\$ (10,308)	\$	\$ 173,265	\$ 199,985
Assets	\$ 3,355,760	\$ 1,020,249	\$ 2,395,195	\$ 6,648,172	\$ 1,024,205	\$	\$ (360,223)	\$ 14,083,358

\* For purposes of our segment reporting presentation, we have combined the lower of cost or fair value adjustments recorded on the dates the real estate loans were transferred to finance receivables held for sale with the final gain (loss) on the sales of these loans.



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(dollars in thousands)	Consumer	Insurance	Acquisitions and Servicing	Real Estate	Other	Eliminations	Push-down Accounting Adjustments	Consolidated Total
<b>At or for the Six Months Ended June 30, 2013 - Revised</b>								
Interest income	\$ 331,087	\$	\$ 168,370	\$ 364,508	\$ 27,631	\$	\$ 102,039	\$ 993,635
Interest expense	72,869		24,591	295,909	8,841		69,501	471,711
Net interest income	258,218		143,779	68,599	18,790		32,538	521,924
Provision for finance receivable losses	14,014		17,797	136,092	(5,746)		14,640	176,797
Net interest income (loss) after provision for finance receivable losses	244,204		125,982	(67,493)	24,536		17,898	345,127
Other revenues:								
Insurance		68,848			40		(21)	68,867
Investment		23,478			1,397		(4,153)	20,722
Intersegment - insurance commissions	28,210	(28,205)		58	(63)			
Portfolio servicing fees from SpringCastle			2,380			(2,380)		
Net gain (loss) on repurchases and repayments of debt	(1,500)			(19,600)	(271)		21,134	(237)
Net gain (loss) on fair value adjustments on debt				33,211			(32,700)	511
Other	788	4,371	81	402	(90)		(169)	5,383
Total other revenues	27,498	68,492	2,461	14,071	1,013	(2,380)	(15,909)	95,246
Other expenses:								
Operating expenses:								
Salaries and benefits	121,759	6,943	2,411	13,097	13,187		(107)	157,290
Other operating expenses	57,188	4,878	22,136	27,968	7,494		2,315	121,979
Portfolio servicing fees to Springleaf			2,380			(2,380)		
Insurance losses and loss adjustment expenses		31,524					(424)	31,100
Total other expenses	178,947	43,345	26,927	41,065	20,681	(2,380)	1,784	310,369
Income (loss) before provision for income taxes	92,755	25,147	101,516	(94,487)	4,868		205	130,004
Income before provision for income taxes attributable to non- controlling interests			54,740					54,740
Income (loss) before provision for income taxes attributable to Springleaf	\$ 92,755	\$ 25,147	\$ 46,776	\$ (94,487)	\$ 4,868	\$	\$ 205	\$ 75,264
Assets	\$ 2,870,130	\$ 1,040,502	\$ 3,049,548	\$ 9,169,274	\$ 752,882	\$	\$ (725,448)	\$ 16,156,888

**17. Prior Period Revisions**

As disclosed in our 2013 Annual Report on Form 10-K, we identified certain out-of-period errors in preparing our annual consolidated financial statements for the year ended December 31, 2013. In addition to these errors, we had previously recorded and disclosed out-of-period adjustments in prior reporting periods when the errors were discovered. As a result, we revised all previously reported periods included in our 2013 Annual Report on Form 10-K. Similarly, we have revised all previously reported periods included in this report. We corrected the errors

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identified in the fourth quarter of 2013 and included these corrections in the appropriate prior periods. In addition, we reversed all out-of period adjustments previously recorded and disclosed, and included the adjustments in the appropriate periods. After evaluating the quantitative and qualitative aspects of these corrections, we have determined that our previous quarterly condensed financial statements and our annual consolidated financial statements were not materially misstated.

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The errors identified in the fourth quarter of 2013 related to the following: (1) the accretion of net discount applied to long-term debt that was revalued based on its fair value at the time of the Fortress Acquisition; (2) the accretion of original issue net discount on our long-term debt issued subsequent to the Fortress Acquisition; (3) the carrying values of our tranches of long-term debt that were issued at a discount and which have embedded derivatives, and the related change in fair value; (4) the classification of certain investment securities found to contain embedded derivatives and the accounting treatment of the related change in fair value; and (5) the continued accretion of discounts on loans in non-accrual status.

In addition, we made other corrections during the fourth quarter of 2013, which were isolated to intra-periods in 2013, and revised the appropriate periods of 2013 in our 2013 Annual Report on Form 10-K and in this report. These revisions related to the following: (1) servicing fee expenses for the SpringCastle Portfolio pursuant to an interim servicing agreement that was in place between April 1, 2013 and August 31, 2013; (2) accretion of the unearned discount for non-credit impaired loans in the SpringCastle Portfolio and the resulting adjustment to the allowance for finance receivable losses for the SpringCastle Portfolio; (3) finance charge calculation on our internal servicing system for the SpringCastle Portfolio; and (4) charge-offs on certain qualified real estate loans that had not been granted principal forgiveness.

We also recorded the previously disclosed out-of-period adjustments in the appropriate periods. These adjustments primarily related to the following:

- capitalized interest on purchased credit impaired finance receivables serviced by a third party;
- the difference between the hypothetical derivative interest expense and the contractual derivative interest expense;
- the identification of certain bankrupt real estate loan accounts for consideration as TDR finance receivables;
- to correct certain inputs in our model supporting the TDR allowance for finance receivable losses;
- distributions of limited partnerships;
- the calculations of the carrying value for our real estate owned and the net loss on sales of our real estate owned that are externally serviced;
- the calculation of real estate owned expenses;
- payable to former parent related to any refund of (or credit for) taxes, including any interest received;
- benefit reserves related to a closed block of annuities;
- change in estimate for the taxable income related to mortgage securitizations; and
- the correction of current and deferred tax expense.

In addition to the revisions previously discussed, during the fourth quarter of 2013 we identified presentation errors in the classification of certain line items within our consolidated statement of cash flows and revised the appropriate line items in our 2013 Annual Report on

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Form 10-K and in this report. These errors related to the following:

- the income tax effect on the changes in accumulated other comprehensive income related to retirement plan liabilities and net unrealized gains and losses on investment securities and cash flow hedges were incorrectly included in Change in other assets and other liabilities instead of Change in taxes receivable and payable within the same operating activities section;
- certain debt issue costs were incorrectly included in Change in other assets and other liabilities within the operating activities section instead of Proceeds from issuance of long-term debt, net of commissions within the financing activities section;
- advances on SpringCastle's revolving loans were incorrectly included as a reduction to Principal collections on finance receivables instead of Finance receivables originated or purchased, net of deferred origination costs within the same investing activities section;

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- the deferred costs on the repurchased debt incurred after the Fortress Acquisition were incorrectly included in Change in other assets and other liabilities instead of Net loss on repurchases and repayments of debt within the same operating activities section;
- accrued interest and finance charges on real estate loan modifications were incorrectly included in Principal collections on finance receivables within the investing activities section instead of Change in accrued interest and finance charges within the operating activities section; and
- Deferral of finance receivable origination costs was incorrectly included within the operating activities section instead of the investing activities section.

**Revised Condensed Consolidated Statement of Operations (Unaudited)**

The following table reconciles the amounts previously reported in our condensed consolidated statement of operations to the corresponding revised amounts. The Out-of-Period column reflects the previously disclosed out-of period adjustments that are now being corrected in the appropriate periods. The Adjustments column reflects the corrections of the errors discovered during the fourth quarter of 2013.

(dollars in thousands except earnings per share)	Six Months Ended June 30, 2013 (Unaudited)			
	As Reported*	Out-of-Period	Adjustments	As Revised
Interest income	\$ 993,635	\$	\$	\$ 993,635
Interest expense	468,926		2,785	471,711
<b>Net interest income</b>	<b>524,709</b>		<b>(2,785)</b>	<b>521,924</b>
Provision for finance receivable losses	182,938	(5,277)	(864)	176,797
<b>Net interest income after provision for finance receivable losses</b>	<b>341,771</b>	<b>5,277</b>	<b>(1,921)</b>	<b>345,127</b>
Other revenues:				
Insurance	68,867			68,867
Investment	20,931		(209)	20,722
Net loss on repurchases and repayments of debt	(55)		(182)	(237)
Net gain on fair value adjustments on debt			511	511
Other	5,383			5,383
<b>Total other revenues</b>	<b>95,126</b>		<b>120</b>	<b>95,246</b>
Other expenses:				
Operating expenses:				
Salaries and benefits	157,290			157,290
Other operating expenses	121,979			121,979
Insurance losses and loss adjustment expenses	31,100			31,100
<b>Total other expenses</b>	<b>310,369</b>			<b>310,369</b>
<b>Income before provision for income taxes</b>	<b>126,528</b>	<b>5,277</b>	<b>(1,801)</b>	<b>130,004</b>
Provision for income taxes	27,708	1,951	(959)	28,700
<b>Net income</b>	<b>98,820</b>	<b>3,326</b>	<b>(842)</b>	<b>101,304</b>
Net income attributable to non-controlling interests	53,949		791	54,740
<b>Net income attributable to Springleaf Holdings, Inc.</b>	<b>\$ 44,871</b>	<b>\$ 3,326</b>	<b>\$ (1,633)</b>	<b>\$ 46,564</b>

**Share Data:**

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Weighted average number of shares outstanding:

Basic and diluted	100,000,000	100,000,000
Earnings per share:		
Basic and diluted	\$ 0.45	\$ 0.47

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\* The condensed consolidated statement of operations for the six months ended June 30, 2013 was previously presented in the Prospectus and includes reclassifications of certain items to conform to the 2013 presentation.

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The following table presents the amounts previously reported in our condensed consolidated statement of comprehensive income and the corresponding revised amounts.

(dollars in thousands)	Six Months Ended June 30, 2013 (Unaudited)	
	As Reported*	As Revised
<b>Net income</b>	\$ 98,820	\$ 101,304
<b>Other comprehensive loss:</b>		
Net unrealized losses on:		
Investment securities on which other-than-temporary impairments were taken	(118)	(118)
All other investment securities	(10,658)	(10,560)
Foreign currency translation adjustments	2,094	2,094
Income tax effect:		
Net unrealized losses on:		
Investment securities on which other-than-temporary impairments were taken	41	41
All other investment securities	3,730	3,695
Other comprehensive loss, net of tax, before reclassification adjustments	(4,911)	(4,848)
Reclassification adjustments included in net income:		
Net realized gains on investment securities	(2,719)	(2,608)
Cash flow hedges	(160)	(160)
Income tax effect:		
Net realized gains on investment securities	952	913
Cash flow hedges	56	56
Reclassification adjustments included in net income, net of tax	(1,871)	(1,799)
Other comprehensive loss, net of tax	(6,782)	(6,647)
<b>Comprehensive income</b>	92,038	94,657
Comprehensive income attributable to non-controlling interests	53,948	54,740
<b>Comprehensive income attributable to Springleaf Holdings, Inc.</b>	\$ 38,090	\$ 39,917

\* The condensed consolidated statement of comprehensive income for the six months ended June 30, 2013 was previously presented in the Prospectus.

Table of Contents**Revised Condensed Consolidated Statement of Cash Flows (Unaudited)**

The following table presents the amounts previously reported in our condensed consolidated statement of cash flows and the corresponding revised amounts and includes additional corrections to the classification of certain line items within our condensed consolidated statement of cash flows.

(dollars in thousands)	Six Months Ended June 30, 2013 (Unaudited)	
	As Reported*	As Revised
<b>Cash flows from operating activities</b>		
Net income	\$ 98,820	\$ 101,304
Reconciling adjustments:		
Provision for finance receivable losses	182,938	176,797
Depreciation and amortization	(4,090)	(1,303)
Deferral of finance receivable origination costs	(27,880)	
Deferred income tax benefit	(64,188)	(62,951)
Net gain on fair value adjustments of debt		(511)
Net (gain) loss on repurchases and repayments of debt	(6,613)	237
Other	(3,383)	(3,174)
Cash flows due to changes in:		
Other assets and other liabilities	(95,649)	(64,981)
Insurance claims and policyholder liabilities	12,309	12,309
Taxes receivable and payable	29,542	34,076
Accrued finance charges	2,417	(20,890)
Restricted cash	(3,565)	(3,172)
Other, net	(1,770)	(1,772)
Net cash provided by operating activities	118,888	165,969
<b>Cash flows from investing activities</b>		
Finance receivables originated or purchased, net of deferred origination costs	(1,055,745)	(1,107,024)
Principal collections on finance receivables	1,518,096	1,564,803
Purchase of SpringCastle Portfolio	(2,978,992)	(2,978,992)
Available-for-sale investment securities purchased	(341,371)	(340,349)
Trading investment securities purchased		(982)
Available-for-sale investment securities called, sold, and matured	659,485	652,984
Trading investment securities called, sold, and matured		6,501
Change in restricted cash	(118,842)	(213,037)
Proceeds from sale of real estate owned	68,614	68,614
Other, net	(839)	(839)
Net cash used for investing activities	(2,249,594)	(2,348,321)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of long-term debt, net of commissions	4,086,734	4,081,198
Repayment of long-term debt	(3,294,705)	(3,237,503)
Contributions from joint venture partners	438,081	438,081
Distributions to joint venture partners	(5,862)	(5,862)
Net cash provided by financing activities	1,224,248	1,275,914
Effect of exchange rate changes	(1,518)	(1,538)
Net change in cash and cash equivalents	(907,976)	(907,976)

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Cash and cash equivalents at beginning of period		1,554,348		1,554,348
Cash and cash equivalents at end of period	\$	646,372	\$	646,372

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\* The condensed consolidated statement of cash flows for the six months ended June 30, 2013 was previously presented in the Prospectus and includes reclassifications of certain items to conform to the 2013 presentation.

Table of Contents**18. Fair Value Measurements**

The fair value of a financial instrument is the amount that would be received if an asset were to be sold or the amount that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The degree of judgment used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgment is used in measuring fair value. Conversely, financial instruments traded in other-than-active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment. An other-than-active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or little information is released publicly for the asset or liability being valued. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is listed on an exchange or traded over-the-counter or is new to the market and not yet established, the characteristics specific to the transaction, and general market conditions.

The following table summarizes the fair values and carrying values of our financial instruments and indicates the fair value hierarchy based on the level of inputs we utilized to determine such fair values:

(dollars in thousands)	Fair Value Measurements Using			Total Fair Value	Total Carrying Value
	Level 1	Level 2	Level 3		
<b>June 30, 2014</b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 891,341			\$ 891,341	\$ 891,341
Investment securities		643,992	13,491	657,483	657,483
Net finance receivables, less allowance for finance receivable losses			12,116,692	12,116,692	11,651,119
Restricted cash	487,160			487,160	487,160
Other assets:					
Commercial mortgage loans			86,300	86,300	92,951
Escrow advance receivable			19,236	19,236	19,236
<b>Liabilities</b>					
Long-term debt		12,444,904		12,444,904	11,261,023
<b>December 31, 2013</b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 431,409			\$ 431,409	\$ 431,409
Investment securities		558,473	23,617	582,090	582,090
Net finance receivables, less allowance for finance receivable losses			13,774,701	13,774,701	13,424,988
Restricted cash	536,005			536,005	536,005
Other assets:					
Commercial mortgage loans			94,681	94,681	102,200
Escrow advance receivable			23,527	23,527	23,527
<b>Liabilities</b>					
Long-term debt		13,914,644		13,914,644	12,769,036

**FAIR VALUE MEASUREMENTS RECURRING BASIS**

The following table presents information about our assets and liabilities measured at fair value on a recurring basis and indicates the fair value hierarchy based on the levels of inputs we utilized to determine such fair value:

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(dollars in thousands)	Level 1	Fair Value Measurements Using		Level 3	Total Carried At Fair Value
		Level 2			
<b>June 30, 2014</b>					
<b>Assets</b>					
Cash equivalents in mutual funds	\$	279,645	\$	\$	\$ 279,645
Investment securities:					
Available-for-sale securities:					
Bonds:					
U.S. government and government sponsored entities			54,874		54,874
Obligations of states, municipalities, and political subdivisions		114,948			114,948
Corporate debt		269,645		4,160	273,805
RMBS		66,423		65	66,488
CMBS		43,320		20	43,340
CDO/ABS		15,120			15,120
Total		564,330		4,245	568,575
Preferred stock		7,271			7,271
Other long-term investments (a)				1,254	1,254
Total available-for-sale securities (b)		571,601		5,499	577,100
Trading securities:					
Bonds:					
U.S. government and government sponsored entities			3,001		3,001
Obligations of states, municipalities, and political subdivisions		1,010			1,010
Corporate debt		5,033			5,033
RMBS		9,958			9,958
CMBS		46,696			46,696
CDO/ABS		6,693		6,612	13,305
Total trading securities		72,391		6,612	79,003
Total investment securities		643,992		12,111	656,103
Restricted cash in mutual funds		452,559			452,559
Total	\$	732,204	\$	12,111	\$ 1,388,307
<b>Liabilities</b>					
Long-term debt	\$		\$ 356,859	\$	\$ 356,859
<b>December 31, 2013</b>					
<b>Assets</b>					
Cash equivalents in mutual funds	\$	216,310	\$	\$	\$ 216,310
Investment securities:					
Available-for-sale securities:					
Bonds:					
U.S. government and government sponsored entities			59,684		59,684
Obligations of states, municipalities, and political subdivisions			103,536		103,536
Corporate debt			239,141	12,604	251,745
RMBS			83,665	113	83,778
CMBS			10,974	2	10,976
CDO/ABS			9,397	800	10,197
Total			506,397	13,519	519,916

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Preferred stock		7,805		7,805
Other long-term investments (a)			1,269	1,269
Total available-for-sale securities (b)		514,202	14,788	528,990
<b>Trading securities:</b>				
<b>Bonds:</b>				
Corporate debt		1,837		1,837
RMBS		10,671		10,671
CMBS		29,897		29,897
CDO/ABS		1,866	7,383	9,249
Total trading securities		44,271	7,383	51,654
Total investment securities		558,473	22,171	580,644
Restricted cash in mutual funds		493,297		493,297
Total	\$	709,607	\$	558,473
			\$	22,171
			\$	1,290,251
<b>Liabilities</b>				
Long-term debt	\$		\$	363,677
			\$	
			\$	363,677

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(a) Other long-term investments excludes our interest in a limited partnership of \$0.5 million at June 30, 2014 and \$0.6 million at December 31, 2013 that we account for using the equity method.

(b) Common stocks not carried at fair value totaled \$0.9 million at June 30, 2014 and December 31, 2013 and therefore have been excluded from the table above.

We had no transfers between Level 1 and Level 2 during the three and six months ended June 30, 2014.

The following table presents changes for the three months ended June 30, 2014 in Level 3 assets and liabilities measured at fair value on a recurring basis:

(dollars in thousands)	Balance at beginning of period	Net gains (losses) included in: Other revenues	Other comprehensive income (loss)	Purchases, sales, issues, settlements (a)	Transfers into Level 3	Transfers out of Level 3 (b)	Balance at end of period
<b>Three Months Ended June 30, 2014</b>							
Investment securities:							
Available-for-sale securities:							
Bonds:							
Corporate debt	\$ 8,654	\$ (50)	\$ 56	\$ (4,500)	\$	\$	\$ 4,160
RMBS	81	(3)	(13)				65
CMBS	7		13				20
CDO/ABS	800		3			(803)	
Total	9,542	(53)	59	(4,500)		(803)	4,245
Other long-term investments	1,269		75	(90)			1,254
Total available-for-sale securities	10,811	(53)	134	(4,590)		(803)	5,499
Trading securities:							
Bonds:							
RMBS	1,219	(10)		(52)		(1,157)	
CDO/ABS	7,411	21		(17)		(803)	6,612
Total trading securities	8,630	11		(69)		(1,960)	6,612
Total	\$ 19,441	\$ (42)	\$ 134	\$ (4,659)	\$	\$ (2,763)	\$ 12,111

(a) Purchases, sales, issues, and settlements column only consist of settlements. There were no purchases, sales, or issues of investment securities for the three months ended June 30, 2014.

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(b) During the three months ended June 30, 2014, we transferred RMBS and CDO/ABS securities totaling \$2.8 million out of Level 3 primarily due to greater pricing transparency.

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The following table presents changes for the three months ended June 30, 2013 in Level 3 assets and liabilities measured at fair value on a recurring basis:

(dollars in thousands)	Balance at beginning of period	Net gains (losses) included in:		Purchases, sales, issues, settlements *	Transfers into Level 3	Transfers out of Level 3	Balance at end of period
		Other revenues	Other comprehensive income (loss)				
<b>Three Months Ended June 30, 2013</b>							
Investment securities:							
Available-for-sale securities:							
Bonds:							
Corporate debt	\$ 13,877	\$ 60	\$ (223)	\$ (600)	\$	\$	\$ 13,114
RMBS	65	(1)	154				218
CMBS	2						2
CDO/ABS	1,100			(300)			800
Total	15,044	59	(69)	(900)			14,134
Other long-term investments	1,340	2	147	(11)			1,478
Total available-for-sale securities	16,384	61	78	(911)			15,612
Trading securities:							
Bonds:							
CDO/ABS	12,073	510	(422)	(4,498)			7,663
Total	\$ 28,457	\$ 571	\$ (344)	\$ (5,409)	\$	\$	\$ 23,275

\* Purchases, sales, issues, and settlements column only consist of settlements. There were no purchases, sales, or issues of investment securities for the three months ended June 30, 2013.

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The following table presents changes for the six months ended June 30, 2014 in Level 3 assets and liabilities measured at fair value on a recurring basis:

(dollars in thousands)	Balance at beginning of period	Net gains (losses) included in:		Purchases, sales, issues, settlements (a)	Transfers into Level 3 (b)	Transfers out of Level 3 (c)	Balance at end of period
		Other revenues	Other comprehensive income (loss)				
<b>Six Months Ended June 30, 2014</b>							
Investment securities:							
Available-for-sale securities:							
Bonds:							
Corporate debt	\$ 12,604	\$ 204	\$ (255)	\$ (8,393)	\$	\$	\$ 4,160
RMBS	113	(10)	(38)				65
CMBS	2		18				20
CDO/ABS	800		3			(803)	
Total	13,519	194	(272)	(8,393)		(803)	4,245
Other long-term investments	1,269		75	(90)			1,254
Total available-for-sale securities	14,788	194	(197)	(8,483)		(803)	5,499
Trading securities:							
Bonds:							
RMBS		4		(88)	1,241	(1,157)	
CDO/ABS	7,383	29		3		(803)	6,612
Total trading securities	7,383	33		(85)	1,241	(1,960)	6,612
Total	\$ 22,171	\$ 227	\$ (197)	\$ (8,568)	\$ 1,241	\$ (2,763)	\$ 12,111

(a) The detail of purchases, sales, issues, and settlements for the six months ended June 30, 2014 is presented in the table below.

(b) During the six months ended June 30, 2014, we transferred \$1.2 million of RMBS securities into Level 3 primarily due to lesser pricing transparency.

(c) During the six months ended June 30, 2014, we transferred RMBS and CDO/ABS securities totaling \$2.8 million out of Level 3 primarily due to greater pricing transparency.

The following table presents the detail of purchases, sales, issuances, and settlements of Level 3 assets and liabilities measured at fair value on a recurring basis for the six months ended June 30, 2014:

(dollars in thousands)	Purchases	Sales	Issues	Settlements	Total
<b>Six Months Ended June 30, 2014</b>					
Investment securities:					
Available-for-sale securities:					
Bonds:					
Corporate debt	\$	\$	\$	\$ (8,393)	\$ (8,393)

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Other long-term investments						(90)		(90)
Total available-for-sale securities						(8,483)		(8,483)
Trading securities:								
Bonds:								
RMBS						(88)		(88)
CDO/ABS		135				(132)		3
Total trading securities		135				(220)		(85)
Total	\$	135	\$		\$		\$	(8,703)
								(8,568)

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The following table presents changes for the six months ended June 30, 2013 in Level 3 assets and liabilities measured at fair value on a recurring basis:

(dollars in thousands)	Balance at beginning of period	Net gains (losses) included in:		Purchases, sales, issues, settlements *	Transfers into Level 3	Transfers out of Level 3	Balance at end of period
		Other revenues	Other comprehensive income (loss)				
<b>Six Months Ended June 30, 2013 - Revised</b>							
Investment securities:							
Available-for-sale securities:							
Bonds:							
Corporate debt	\$ 13,417	\$ (108)	\$ 286	\$ (481)	\$	\$	\$ 13,114
RMBS	74	(35)	179				218
CMBS	1,767	(6)	2	(1,761)			2
CDO/ABS	2,834	8	(9)	(2,033)			800
Total	18,092	(141)	458	(4,275)			14,134
Other long-term investments	1,380	2	107	(11)			1,478
Total available-for-sale securities	19,472	(139)	565	(4,286)			15,612
Trading securities:							
Bonds:							
CDO/ABS	12,192	513	(422)	(4,620)			7,663
Total	\$ 31,664	\$ 374	\$ 143	\$ (8,906)	\$	\$	\$ 23,275

\* The detail of purchases, sales, issues, and settlements for the six months ended June 30, 2013 is presented in the table below.

The following table presents the detail of purchases, sales, issuances, and settlements of Level 3 assets and liabilities measured at fair value on a recurring basis for the six months ended June 30, 2013:

(dollars in thousands)	Purchases	Sales	Issues	Settlements	Total
<b>Six Months Ended June 30, 2013 - Revised</b>					
Investment securities:					
Available-for-sale securities:					
Bonds:					
Corporate debt	\$	\$	\$	\$ (481)	\$ (481)
CMBS			(1,452)	(309)	(1,761)
CDO/ABS			(1,633)	(400)	(2,033)
Total			(3,085)	(1,190)	(4,275)
Other long-term investments				(11)	(11)
Total available-for-sale securities			(3,085)	(1,201)	(4,286)
Trading securities:					
Bonds:					
CDO/ABS				(4,620)	(4,620)
Total	\$	\$	(3,085)	\$ (5,821)	\$ (8,906)

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We used observable and/or unobservable inputs to determine the fair value of positions that we have classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category presented in the Level 3 tables above may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

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The unobservable inputs and quantitative data used in our Level 3 valuations for our investment securities were developed and used in models created by our third-party valuation service providers, which values were used by us for fair value disclosure purposes without adjustment. We applied the third-party exception which allows us to omit certain quantitative disclosures about unobservable inputs for other long-term investments. As a result, the weighted average ranges of the inputs for these investment securities are not applicable in the following table.

Quantitative information about Level 3 inputs for our assets measured at fair value on a recurring basis for which information about the unobservable inputs is reasonably available to us at June 30, 2014 and December 31, 2013 is as follows:

	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)	
			June 30, 2014	December 31, 2013
Corporate debt	Discounted cash flows	Yield	(1.36%) (a)	2.68% 8.48% (4.67%)
Other long-term investments	Discounted cash flows and indicative valuations	Historical costs Nature of investment Local market conditions Comparables Operating performance Recent financing activity	N/A (b)	N/A (b)

(a) At June 30, 2014, corporate debt consisted of one bond.

(b) Not applicable.

The fair values of the assets using significant unobservable inputs are sensitive and can be impacted by significant increases or decreases in any of those inputs. Level 3 broker-priced instruments (RMBS, CMBS, and CDO/ABS) are excluded from the table above because the unobservable inputs are not reasonably available to us.

Our RMBS, CMBS, and CDO/ABS securities have unobservable inputs that are reliant on and sensitive to the quality of their underlying collateral. The inputs, although not identical, have similar characteristics and interrelationships. Generally a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment speeds. An improvement in the workout criteria related to the restructured debt and/or debt covenants of the underlying collateral may lead to an improvement in the cash flows and have an inverse impact on other inputs, specifically a reduction in the amount of discount applied for marketability and liquidity, making the structured bonds more attractive to market participants.

Table of Contents**FAIR VALUE MEASUREMENTS – NON-RECURRING BASIS**

We measure the fair value of certain assets on a non-recurring basis when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Assets measured at fair value on a non-recurring basis on which we recorded impairment charges were as follows:

(dollars in thousands)	Level 1	Fair Value Measurements Using		Level 3	Total
		Level 2			
<b>June 30, 2014</b>					
<b>Assets</b>					
Real estate owned	\$	\$	\$	47,048	\$ 47,048
Commercial mortgage loans				10,076	10,076
Total	\$	\$	\$	57,124	\$ 57,124
<b>December 31, 2013</b>					
<b>Assets</b>					
Real estate owned	\$	\$	\$	72,242	\$ 72,242
Commercial mortgage loans				11,935	11,935
Total	\$	\$	\$	84,177	\$ 84,177

Net impairment charges recorded on assets measured at fair value on a non-recurring basis were as follows:

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
<b>Assets</b>				
Real estate owned	\$ 3,928	\$ 5,747	\$ 9,866	\$ 13,658
Commercial mortgage loans	(1,006)	(1,585)	(1,056)	(1,713)
Total	\$ 2,922	\$ 4,162	\$ 8,810	\$ 11,945

In accordance with the authoritative guidance for the accounting for the impairment of long-lived assets, we wrote down certain real estate owned reported in our Real Estate segment to their fair value less cost to sell for the three and six months ended June 30, 2014 and 2013 and recorded the writedowns in other revenues – other. The fair values of real estate owned disclosed in the table above are unadjusted for transaction costs as required by the authoritative guidance for fair value measurements. The amounts of real estate owned recorded in other assets are net of transaction costs as required by the authoritative guidance for accounting for the impairment of long-lived assets.

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In accordance with the authoritative guidance for the accounting for the impairment of commercial mortgage loans, we recorded allowance adjustments on certain impaired commercial mortgage loans reported in our Insurance segment to record their fair value for the three and six months ended June 30, 2014 and 2013 and recorded the net impairments in investment revenues.

The unobservable inputs and quantitative data used in our Level 3 valuations for our real estate owned and commercial mortgage loans were developed and used in models created by our third-party valuation service providers or valuations provided by external parties, which values were used by us for fair value disclosure purposes without adjustment. We applied the third-party exception which allows us to omit certain quantitative disclosures about unobservable inputs. As a result, the weighted average ranges of the inputs are not applicable in the following table.

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Quantitative information about Level 3 inputs for our assets measured at fair value on a non-recurring basis at June 30, 2014 and December 31, 2013 is as follows:

	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)	
			June 30, 2014	December 31, 2013
Real estate owned	Market approach	Third-party valuation	N/A*	N/A*
		Local market conditions Nature of investment Comparable property sales Operating performance		
Commercial mortgage loans	Market approach		N/A*	N/A*

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\* Not applicable.

**FAIR VALUE MEASUREMENTS VALUATION METHODOLOGIES AND ASSUMPTIONS**

We use the following methods and assumptions to estimate fair value.

***Cash and Cash Equivalents***

The carrying amount reported in our condensed consolidated balance sheets approximates fair value.

***Investment Securities***

We utilize third-party valuation service providers to measure the fair value of our investment securities, which are classified as available-for-sale or for trading and consist primarily of bonds. Whenever available, we obtain quoted prices in active markets for identical assets at the balance sheet date to measure investment securities at fair value. We generally obtain market price data from exchange or dealer markets.

We estimate the fair value of fixed maturity investment securities not traded in active markets by referring to traded securities with similar attributes, using dealer quotations and a matrix pricing methodology, or discounted cash flow analyses. This methodology considers such factors as the issuer's industry, the security's rating and tenor, its coupon rate, its position in the capital structure of the issuer, yield curves, credit curves, prepayment rates and other relevant factors. For fixed maturity investment securities that are not traded in active markets or that are subject to transfer restrictions, we adjust the valuations to reflect illiquidity and/or non-transferability. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

We classify investment securities that are deemed to incorporate an embedded derivative and for which it is impracticable for us to isolate and/or value as trading securities at fair value.

***Finance Receivables***

The fair value of net finance receivables, less allowance for finance receivable losses, both non-impaired and purchased credit impaired, are determined using discounted cash flow methodologies. The application of these methodologies requires us to make certain judgments and estimates based on our perception of market participant views related to the economic and competitive environment, the characteristics of our finance receivables, and other similar factors. The most significant judgments and estimates made relate to prepayment speeds, default rates, loss severity, and discount rates. The degree of judgment and estimation applied is significant in light of the current capital markets and, more broadly, economic environments. Therefore, the fair value of our finance receivables could not be determined with precision and may not be realized in an actual sale. Additionally, there may be inherent weaknesses in the valuation methodologies we employed, and changes in the underlying assumptions used could significantly affect the results of current or future values.

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***Restricted Cash***

The carrying amount reported in our condensed consolidated balance sheets approximates fair value.

***Commercial Mortgage Loans***

We utilize third-party valuation service providers to estimate the fair value of commercial mortgage loans using projected cash flows discounted at an appropriate rate based upon market conditions.

***Real Estate Owned***

We initially based our estimate of the fair value on independent third-party valuations at the time we took title to real estate owned. Subsequent changes in fair value are based upon independent third-party valuations obtained periodically to estimate a price that would be received in a then current transaction to sell the asset.

***Escrow Advance Receivable***

The carrying amount reported in our condensed consolidated balance sheets approximates fair value.

***Long-term Debt***

We either receive fair value measurements of our long-term debt from market participants and pricing services or we estimate the fair values of long-term debt using projected cash flows discounted at each balance sheet date's market-observable implicit-credit spread rates for our long-term debt and adjusted for foreign currency translations.

We record long-term debt issuances at fair value that are deemed to incorporate an embedded derivative and for which it is impracticable for us to isolate and/or value the derivative.

**19. Pro Forma Information**

The following unaudited pro forma information presents the combined results of operations of SHI and from the acquisitions of finance receivables and the London, Kentucky loan servicing facility from HSBC (the HSBC acquisitions ) as if the HSBC acquisitions had occurred on January 1, 2013. The pro forma information is not necessarily indicative of what the financial position or results of operations actually would have been had the HSBC acquisitions been completed on January 1, 2013. In addition, the unaudited pro forma financial information is not indicative of, nor does it purport to project, the future financial position or operating results of the HSBC acquisitions. The unaudited pro forma information assumes the full funding of the HSBC acquisitions including the issuance of the associated Class B Notes from our SpringCastle securitization as if they were issued as of January 1, 2013, the adjustment of historical finance charges for estimated impacts of accounting for credit impaired loans and the incorporation of accretion of pro forma purchase discount, and does not give effect to potential cost savings or other operating efficiencies that could result from the HSBC acquisitions.

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The following table presents the unaudited pro forma financial information:

(dollars in thousands except earnings per share)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Interest income	\$ 386,417	\$ 570,258	\$ 934,327	\$ 1,154,138
Net income attributable to Springleaf Holdings, Inc.	\$ 54,668	\$ 58,178	\$ 109,616	\$ 60,016
Net income attributable to Springleaf Holdings, Inc. per weighted average share:				
Basic	\$ 0.48	\$ 0.58	\$ 0.95	\$ 0.60
Diluted	\$ 0.47	\$ 0.58	\$ 0.95	\$ 0.60

**20. Subsequent Events****SALE OF MORTGAGE LOANS AND SECURITIZATION INTERESTS*****Whole Loan Sale and Securities Sale***

On August 6, 2014, SFC and the Depositors (as defined below) entered into a letter agreement (the *Commitment Letter*) with a major financial institution (the *Initial Purchaser*) pursuant to which the Initial Purchaser committed to (i) purchase certain performing and non-performing mortgage loans (the *Mortgage Loans*) with an unpaid principal balance of approximately \$1.7 billion as of June 30, 2014 (the *Whole Loan Sale*) from certain subsidiaries of SFC (the *Mortgage Loan Sellers*), (ii) purchase certain notes (the *Notes*) and trust certificates (the *Trust Certificates*) and, together with the Notes, the *Securities*) issued by Springleaf Mortgage Loan Trust 2011-1, Springleaf Mortgage Loan Trust 2012-1, Springleaf Mortgage Loan Trust 2012-2, Springleaf Mortgage Loan Trust 2012-3, Springleaf Mortgage Loan Trust 2013-1, Springleaf Mortgage Loan Trust 2013-2 and Springleaf Mortgage Loan Trust 2013-3 (each, a *Trust* and the issuance of the Securities by each Trust, a *Springleaf Transaction*) from Eighth Street Funding LLC, Eleventh Street Funding LLC, Twelfth Street Funding LLC, Fourteenth Street Funding LLC, Fifteenth Street Funding LLC, Seventeenth Street Funding LLC and Nineteenth Street Funding LLC, each an affiliate of SFC (collectively, the *Depositors*), and SFC (the *Securities Sale*), and (iii) purchase rights to receive any funds remaining in the reserve account established for each Springleaf Transaction (each, a *Reserve Account* and, together with the Securities, the *Securitization Assets*) in accordance with the terms of the related transaction documents (together with the Whole Loan Sale and the Securities Sale, the *Asset Sale*).

As purchaser of the Trust Certificates, the Initial Purchaser or any purchasers of the Trust Certificates from the Initial Purchaser will obtain the right to exercise an optional termination of each Springleaf Transaction (other than Springleaf Mortgage Loan Trust 2013-3) pursuant to the terms of the related indenture. With respect to the Springleaf Mortgage Loan Trust 2013-3, SFC will agree to cause Nineteenth Street Funding LLC, as Depositor, to sell and transfer to the Initial Purchaser all of its rights to exercise an optional termination of Springleaf Mortgage Loan Trust 2013-3.

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The settlement date for the Asset Sale is expected to be on or about August 29, 2014 (the Settlement Date ) and is subject to certain terms and conditions described below. The purchase price for the Asset Sale is approximately \$2.98 billion, subject to (i) a possible increase of the purchase price based on the prices at which the Initial Purchaser sells the Securitization Assets to third-party investors and the timing of such sales and (ii) a possible increase or decrease in the purchase price based on the performance status of the Mortgage Loans included in the Whole Loan Sale as of July 31, 2014 or such other date mutually agreed upon by the applicable parties.

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**Whole Loan Sale.** The purchase of the Mortgage Loans by the Initial Purchaser is subject to, among other things, certain stipulations, including the following:

- the Mortgage Loans will be sold to the Initial Purchaser pursuant to a mortgage loan purchase and interim servicing agreement (the Purchase Agreement ) containing usual and customary terms and conditions satisfactory to the Initial Purchaser and SFC. The Initial Purchaser will be entitled to receive all payments in respect of the Mortgage Loans after July 31, 2014 (the Cut-off Date ). The obligations of the Mortgage Loan Sellers to the Initial Purchaser under the Purchase Agreement will be guaranteed by SFC;
- the Purchase Agreement will contain certain representations and warranties relating to the Mortgage Loans as mutually agreed upon by SFC and the Initial Purchaser;
- the information relating to the Mortgage Loans provided in the mortgage loan schedule that SFC provided to the Initial Purchaser (the Bid Tape ) is true and correct in all material respects;
- the Settlement Date for the sale of the Mortgage Loans shall occur on August 29, 2014 or such other date mutually acceptable to the Initial Purchaser and SFC;
- any Mortgage Loan with a zero balance as of the Cut-off Date will be removed from the Whole Loan Sale;
- the Initial Purchaser will have completed confirmatory due diligence which will include a review of the credit files, servicing comments and pay histories, collateral files, and compliance and samples for such confirmatory due diligence to be based on the Bid Tape;
- any Mortgage Loan having material litigation, compliance defects, property damage or title issues may be removed from the Whole Loan Sale at the Initial Purchaser's discretion or re-priced by the Initial Purchaser as mutually agreed to between SFC and the Initial Purchaser;
- unless otherwise provided in the Bid Tape, each Mortgage Loan will be secured by a first lien mortgage or deed of trust on residential real property;
- the Initial Purchaser will purchase all of the Mortgage Loans subject only to the exceptions mutually agreed upon by SFC and the Initial Purchaser pursuant to the terms of the Commitment Letter;
- the Mortgage Loans will be sold on a servicing released basis, with a servicing transfer date of September 30, 2014 or such other date mutually agreed upon between SFC and the Initial Purchaser (the Servicing Transfer Date ). Servicing will be transferred to the Initial Purchaser's designee on the Servicing Transfer Date;
- until the Servicing Transfer Date, SFC will service or cause the Mortgage Loans to be serviced in accordance with servicing practices generally employed in the industry for mortgage loans similar in type to the Mortgage Loans to be purchased and sold and in accordance with all applicable laws; and
- the satisfaction of all conditions precedent set forth in the Purchase Agreement.

**Securities Sale.** The purchase of the Securities and the Reserve Accounts by the Initial Purchaser is subject to, among other things, certain stipulations, including the following:

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- with respect to each Springleaf Transaction, execution of a note purchase agreement by SFC, the related Depositor and the Initial Purchaser containing usual and customary terms and conditions satisfactory to the Initial Purchaser and the related Depositor in the form attached to the Commitment Letter with such changes as are mutually agreed to by the Initial Purchaser and the related Depositor;
- execution of the Letter Agreement (as defined below);
- delivery of the Securities to the Initial Purchaser in either book-entry or physical form;
- with respect to each Springleaf Transaction, delivery of a private placement memorandum which describes material terms of the Securities;
- with respect to each Springleaf Transaction, delivery to the Initial Purchaser of materials appropriate and necessary to allow the Initial Purchaser to conduct due diligence on the mortgage loans underlying the Securities;

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- execution of a letter agreement pursuant to which the Initial Purchaser agrees that, in the event the Initial Purchaser or its assignees (collectively, the Call Rights Owners ) exercise any rights to terminate a Springleaf Transaction (a Trust Collapse ), the Call Rights Owners will be obligated to retain Nationstar Mortgage LLC ( Nationstar ) as servicer of the underlying mortgage loans; and
- the Settlement Date for the sale of the Securities to the Initial Purchaser will be on August 29, 2014 or such other date mutually agreed upon between the Initial Purchaser and the Depositors.

On August 6, 2014, SFC and the Initial Purchaser entered into a letter agreement (the Letter Agreement ) pursuant to which SFC and the Initial Purchaser agreed, among other things, as follows:

- On or prior to the Settlement Date, SFC will cause each Depositor to enter into a letter agreement with the Initial Purchaser pursuant to which the Depositor will sell its interest in the Reserve Accounts to the Initial Purchaser or its designee. The Initial Purchaser's obligation to purchase the Depositors' interests in the Reserve Accounts is subject to the condition that SFC offers financing of up to \$70 million for the purchase of the Reserve Accounts to one third-party investor designated by the Initial Purchaser, or, if SFC, at its sole discretion, determines such third party is not creditworthy, SFC shall provide such financing to the Initial Purchaser on a recourse basis.
- For a proposed Trust Collapse by holders of 100% of the Securities for a Springleaf Transaction, SFC will cooperate and provide reasonable assistance with, and cause the Depositor to cooperate and provide reasonable assistance with, the Trust Collapse, including, but not limited to entering into amendments to the underlying securitization documents and providing necessary consents.
- Prior to the Settlement Date, SFC will not permit any servicer or subservicer to sell any delinquent loans included in the Springleaf Transactions without providing holders of the Securities the right to match the highest bid price offered by unaffiliated third-party investors.
- SFC and the Depositors will not amend the securitization documents relating to any Springleaf Transaction or take any action that would materially adversely affect the rights of holders of the Securities.
- SFC will not consent to a transfer of servicing of the mortgage loans underlying the Springleaf Transactions, except as required by the documents for the Springleaf Transactions, to any party other than Nationstar.
- SFC will provide up to two holders of the Securities identified by the Initial Purchaser the continued benefit of the representations and warranties regarding the mortgage loans made by SFC or its subsidiaries in each Springleaf Transaction notwithstanding a Trust Collapse, subject to certain limitations regarding the enforcement of such representations and warranties against SFC.
- SFC will perform certain administrative duties with respect to each Trust for the Springleaf Transactions.

The Initial Purchaser and certain of its affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Company and its affiliates. They have received or will continue to receive customary fees and commissions for these transactions.

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*Sale of 2006-1 Retained Certificates*

On February 24, 2006, we completed a private securitization transaction in which a wholly owned special purpose vehicle sold \$457.1 million of certificates backed by real estate loans of the American General Mortgage Loan Trust 2006-1 (the 2006-1 Trust ). We initially retained \$16.5 million of the 2006-1 Trust 's subordinate mortgage-backed certificates (the 2006-1 Retained Certificates ). On July 31, 2014, we entered into an agreement to sell the 2006-1 Retained Certificates for \$10.3 million to an unaffiliated third party, subject to customary closing conditions. The sale is expected to be completed on or about August 29, 2014.

*Impact of Sales of Mortgage Loans and Securitization Interests*

We will not retain any interest in the certificates issued by, or the real estate loans included in, the respective Trusts. As a result, we will deconsolidate the underlying real estate loans and previously issued securitized interests on the date of sale. At June 30, 2014, the total carrying value of the real estate loans included in all of the sales transactions noted above totaled \$5.4 billion and, as such, reflects a liquidation of a substantial portion of our real estate loans, which totaled \$6.1 billion at June 30, 2014, net of allowance for finance receivable losses.

**SALE OF MORTGAGE SERVICING RIGHTS**

On August 6, 2014, SFC and MorEquity (collectively, the Sellers ) entered into a Mortgage Servicing Rights Purchase and Sale Agreement, dated and effective as of August 1, 2014 (the MSR Purchase Agreement ), with Nationstar, pursuant to which the Sellers agreed to sell to Nationstar for an aggregate purchase price of approximately \$40 million, plus reimbursable servicing advances to be agreed upon by the Sellers and Nationstar, all of their rights and responsibilities as servicer, primary servicer and/or master servicer (the Servicing Rights ) of the mortgage loans underlying the Sellers' 2006, 2011, 2012 and 2013 securitizations (each a Pool and collectively, the Pools ) with an aggregate unpaid principal balance of \$5 billion, and Nationstar has agreed to assume on and after the sale date all of the Sellers' rights and responsibilities as servicer, primary servicer and/or master servicer, as applicable, for each Pool arising and to be performed on and after the sale date, which includes, among other things, the right to receive the related servicing fee on a monthly basis. Subject to the satisfaction of certain customary conditions, including obtaining all consents required under the related securitization agreements, the sale transaction for each Pool is expected to close on or about August 31, 2014 and the servicing for each Pool is expected to be transferred on or about September 30, 2014. The Sellers will provide interim servicing from the sale date to the servicing transfer date with respect to each Pool. The MSR Purchase Agreement includes customary termination provisions with respect to the sale and transfer of the Servicing Rights of each Pool, including termination rights relating to breaches of representations or warranties, breaches of covenants, failure or inability to obtain required consents and failure to complete the closing with respect to the Pools by December 31, 2014 or such other date mutually agreed to by the parties.

Under the MSR Purchase Agreement, (i) the Sellers agreed to indemnify Nationstar for certain breaches of representations or warranties of such Seller, breaches of certain covenants and certain failures to service the real estate loans prior to the servicing transfer date, including the failure to service the mortgage loans in accordance with the terms of the related securitization agreements and applicable law and (ii) Nationstar agreed to indemnify the Sellers for certain breaches of representations or warranties of Nationstar, breaches of certain covenants and certain failures to service the mortgage loans after the servicing transfer date.

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Investment funds managed by affiliates of Fortress Investment Group LLC indirectly own a majority of the Company's and Nationstar's common stock. Wesley R. Edens and Roy A. Guthrie, members of the Company's board of directors, also serve as members of Nationstar's board of directors.

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**CAPITAL CONTRIBUTION TO SFC**

On July 31, 2014, SFI made a capital contribution to SFC, consisting of 100 shares of the common stock, par value of \$0.01 per share, of its wholly owned subsidiary, Springleaf Acquisitions Company ( SAC ) representing all of the issued and outstanding shares of capital stock of SAC. SAC consists primarily of a 47% investment in a joint venture formed to acquire consumer loans in 2013. At June 30, 2014, SAC consisted of total assets of \$2.4 billion, total liabilities of \$1.7 billion and equity of \$682.9 million, including a non-controlling interest of \$387.6 million. Consistent with the contribution of assets and liabilities to an entity in a controlled group, SAC s assets and liabilities were contributed at their carrying value as of July 31, 2014, with its results of operations reflected prospectively.

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*Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.*

**Forward-Looking Statements**

This report may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect our current views with respect to, among other things, future events and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as outlook, believes, expects, potential, continues, may, will, should, could, seeks, predicts, intends, plans, estimates, anticipates, target, projects, contemplates or the negative version of those words or other comparable terms. Any forward-looking statements contained in this report are based upon our historical performance and on our current plans, estimates and expectations in light of information currently available to us. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business, prospects, growth strategy and liquidity. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to:

- changes in general economic conditions, including the interest rate environment in which we conduct business and the financial markets through which we can access capital and also invest cash flows from our Insurance segment;
- levels of unemployment and personal bankruptcies;
- natural or accidental events such as earthquakes, hurricanes, tornadoes, fires, or floods affecting our customers, collateral, or branches or other operating facilities;
- war, acts of terrorism, riots, civil disruption, pandemics, or other events disrupting business or commerce;
- the effect of a planned sale of a substantial portion of our remaining portfolio of real estate loans and the transfer of servicing for these loans in the third quarter of 2014;
- our ability to successfully realize the benefits of the SpringCastle Portfolio as a result of integration difficulties and other challenges;
- the potential liabilities and increased regulatory scrutiny associated with the SpringCastle Portfolio;
- changes in the rate at which we can collect or potentially sell our finance receivables portfolio;
- the effectiveness of our credit risk scoring models in assessing the risk of customer unwillingness or lack of capacity to repay;
- changes in our ability to attract and retain employees or key executives to support our businesses;
- changes in the competitive environment in which we operate, including the demand for our products, customer responsiveness to our distribution channels, and the strength and ability of our competitors to operate independently or to enter into business combinations that result in a more attractive range of customer products or provide greater financial resources;
- shifts in residential real estate values;
- shifts in collateral values, delinquencies, or credit losses;

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- changes in federal, state and local laws, regulations, or regulatory policies and practices, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (which, among other things, established the Consumer Financial Protection Bureau, which has broad authority to regulate and examine financial institutions), that affect our ability to conduct business or the manner in which we conduct business, such as licensing requirements, pricing limitations or restrictions on the method of offering products, as well as changes that may result from increased regulatory scrutiny of the sub-prime lending industry;
- the potential for increased costs and difficulty in servicing our legacy real estate loan portfolio (including costs and delays associated with foreclosure on real estate collateral), as a result of heightened nationwide regulatory scrutiny of loan servicing and foreclosure practices in the industry generally, and related costs that could be passed on to us in

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connection with the subservicing of our real estate loans that were originated or acquired centrally;

- potential liability relating to real estate and personal loans which we have sold or may sell in the future, or relating to securitized loans, if it is determined that there was a non-curable breach of a warranty made in connection with such transactions;
- the costs and effects of any litigation or governmental inquiries or investigations involving us, particularly those that are determined adversely to us;
- our continued ability to access the capital markets or the sufficiency of our current sources of funds to satisfy our cash flow requirements;
- our ability to comply with our debt covenants;
- our ability to generate sufficient cash to service all of our indebtedness;
- our substantial indebtedness, which could prevent us from meeting our obligations under our debt instruments and limit our ability to react to changes in the economy or our industry, or our ability to incur additional borrowings;
- the potential for downgrade of our debt by rating agencies, which would have a negative impact on our cost of, and access to, capital;
- the impacts of our securitizations and borrowings;
- our ability to maintain sufficient capital levels in our regulated and unregulated subsidiaries; and
- changes in accounting standards or tax policies and practices and the application of such new policies and practices to the manner in which we conduct business.

We also direct readers to other risks and uncertainties discussed in other documents we file with the SEC. The forward-looking statements made in this report relate only to events as of the date on which the statements are made. We do not undertake any obligation to publicly update or review any forward-looking statement except as required by law, whether as a result of new information, future developments or otherwise.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from what we may have expressed or implied by these forward-looking statements. We caution that you should not place undue reliance on any of our forward-looking statements. You should specifically consider the factors identified in this report that could cause actual results to differ before making an investment decision to purchase our common stock. Furthermore, new risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us.

**Overview**

Springleaf is a leading consumer finance company providing responsible loan products primarily to non-prime customers. We originate consumer loans through our network of nearly 830 branch offices in 26 states and on a centralized basis as part of our iLoan division. Through two insurance subsidiaries, we write credit and non-credit insurance policies covering our customers and the property pledged as collateral for

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our loans. We also pursue strategic acquisitions of loan portfolios. As part of this strategy, in April 2013 we acquired from HSBC a \$3.9 billion UPB consumer loan portfolio through a joint venture in which we own a 47% equity interest.

At June 30, 2014, we had four business segments: Consumer, Insurance, Acquisitions and Servicing, and Real Estate. See Note 16 of the Notes to Condensed Consolidated Financial Statements for a description of our segments.

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**OUR PRODUCTS**

Our core product offerings include:

**Personal Loans** We offer personal loans through our branch network and over the internet through our iLoan division to customers who generally need timely access to cash. Our personal loans are typically non-revolving with a fixed-rate and a fixed, original term of two to four years. At June 30, 2014, we had over 874,000 personal loans, representing \$3.4 billion of net finance receivables, of which \$1.5 billion, or 45%, were secured by collateral consisting of titled personal property (such as automobiles), \$1.3 billion, or 39%, were secured by consumer household goods or other items of personal property, and the remainder was unsecured.

- **SpringCastle Portfolio** We acquired the SpringCastle Portfolio from HSBC on April 1, 2013 through a joint venture in which we own a 47% equity interest. These loans included unsecured loans and loans secured by subordinate residential real estate mortgages (which we service as unsecured loans due to the fact that the liens are subordinated to superior ranking security interests). The SpringCastle Portfolio includes both closed-end accounts and open-end lines of credit. These loans are in a liquidating status and vary in substance and form from our originated loans. We assumed the direct servicing obligations for these loans in September 2013. At June 30, 2014, the SpringCastle Portfolio included over 306,000 of acquired loans, representing \$2.2 billion in net finance receivables.

- **Insurance Products** We offer our customers credit insurance (life insurance, accident and health insurance, and involuntary unemployment insurance), non-credit insurance, and ancillary products, such as warranty protection, through both our branch operations and our iLoan division. Credit insurance and non-credit insurance products are provided by our subsidiaries, Merit and Yosemite. The ancillary products are home security and auto security membership plans and home appliance service contracts of unaffiliated companies.

Our legacy products include:

- **Real Estate Loans** We ceased real estate lending in January 2012. These loans may be closed-end accounts or open-end home equity lines of credit, generally have a fixed rate and maximum original terms of 360 months, and are secured by first or second mortgages on residential real estate. We continue to service the liquidating real estate loans and support any advances on open-end accounts.

- **Retail Sales Finance** We ceased purchasing retail sales contracts and revolving retail accounts in January 2013. We continue to service the liquidating retail sales contracts and will provide revolving retail sales financing services on our revolving retail accounts. We refer to retail sales contracts and revolving retail accounts collectively as retail sales finance.

**Recent Developments**

**NON-CORE REAL ESTATE LOAN TRANSACTIONS**

*Sales of Retained Certificates*

We completed the sales of the 2010-1 and 2009-1 Retained Certificates on June 30, 2014 and March 31, 2014, respectively. See Note 1 of the Condensed Consolidated Financial Statements for further information on these sales.

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***Sale of Real Estate Loans***

On March 31, 2014, we completed the sale of certain performing and non-performing real estate loans. See Note 1 of the Condensed Consolidated Financial Statements for further information on this sale.

***Sales of 2006-1 Retained Certificates, Mortgage Loans and Securitization Interests***

On July 31, 2014, we entered into an agreement to sell the 2006-1 Retained Certificates for \$10.3 million to an unaffiliated third party, subject to customary closing conditions. The sale is expected to be completed on or about August 29, 2014. See Note 20 of the Condensed Consolidated Financial Statements for further information on the subsequent event.

On August 6, 2014, we entered into an agreement to sell the Mortgage Loans and the Securities issued by each respective Trust, as further discussed in Note 20 of the Notes to Condensed Consolidated Financial Statements. We expect the sales transactions to be completed on or before August 29, 2014, subject to the satisfaction of customary closing conditions.

We will not retain any interest in the certificates issued by, or the real estate loans included in, the respective Trusts. As a result, we will deconsolidate the underlying real estate loans and previously issued securitized interests on the date of sale. At June 30, 2014, the total carrying value of the real estate loans included in the sales transactions noted above totaled \$5.4 billion and, as such, reflects a liquidation of a substantial portion of our real estate loans, which totaled \$6.1 billion at June 30, 2014, net of allowance for finance receivable losses.

***Sale of Servicing Rights of Real Estate Loans***

On August 6, 2014, we entered into an agreement, dated and effective as of August 1, 2014, with Nationstar to sell our Servicing Rights for the real estate loans that collateralized previously issued securitizations. The transfer of servicing is expected to be completed by September 30, 2014, subject to the satisfaction of customary closing conditions. See Note 20 of the Notes to Condensed Consolidated Financial Statements for further information.

**CREDIT RATINGS**

Standard & Poor's Ratings Services ( S&P ) and Fitch, Inc. ( Fitch ) upgraded SFC's long-term corporate debt rating as follows: (i) from B- to B with a stable outlook by S&P on August 8, 2014 and (ii) from B- to B with a stable outlook by Fitch on August 7, 2014. In addition, on August 7, 2014, Moody's Investors Service, Inc. placed its B3 rating of SFC's long-term corporate debt on review for upgrade.

**CONSUMER LOAN SECURITIZATIONS**

***Whitford Brook 2014-VFNI Securitization***

On June 26, 2014, we established a private securitization facility in which Whitford Brook 2014-VFNI Trust, a wholly owned special purpose vehicle of SFC, may issue variable funding notes with a maximum principal balance of \$300 million to be backed by personal loans acquired from subsidiaries of SFC. The notes will be funded over a three-year period, subject to the satisfaction of customary conditions precedent. During this period, the notes can also be paid down to the required minimum balance of \$100 million and then redrawn. Following the three-year funding period, the principal amount of the notes will be reduced as cash payments are received on the underlying personal loans and will be due and payable in full in July 2018, unless an option to prepay is elected between July 2017 and July 2018. At June 30, 2014, the required minimum balance of \$100 million was drawn under the notes.

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***2014-A Securitization***

On March 26, 2014, we completed a private securitization transaction in which a wholly owned special purpose vehicle of SFC sold \$559.3 million of notes backed by personal loans held by the 2014-A Trust, at a 2.62% weighted average yield. We sold the asset-backed notes for \$559.2 million, after the price discount but before expenses and a \$6.4 million interest reserve requirement. We initially retained \$32.9 million of the 2014-A Trust's subordinate asset-backed notes.

***Renewal of Midbrook 2013-VFNI Securitization***

On June 13, 2014, we amended the note purchase agreement with Midbrook 2013-VFNI Trust, a wholly owned special purpose vehicle of SFC, to extend the one-year funding period to a two-year funding period. Following the two-year funding period, the principal amount of the notes, if any, will be reduced as cash payments are received on the underlying personal loans and will be due and payable in full in July 2019. The maximum principal balance of variable funding notes that can be issued remained at \$300 million. No amounts were funded at closing.

***Repayment of 2013-BAC Trust Notes***

On September 25, 2013, we completed a private securitization transaction in which Springleaf Funding Trust 2013-BAC, a wholly owned special purpose vehicle of SFC, issued \$500 million of notes backed by an amortizing pool of personal loans acquired from subsidiaries of SFC. On March 27, 2014, we repaid the entire \$231.3 million outstanding principal balance of the notes, plus accrued and unpaid interest.

**PREPAYMENT OF SECURED TERM LOAN**

On March 31, 2014, SFFC prepaid, without penalty or premium, the entire \$750.0 million outstanding principal balance of the secured term loan, plus accrued and unpaid interest. Effective upon the prepayment, all obligations of SFFC, SFC, and most of the consumer finance operating subsidiaries of SFC under the secured term loan (other than contingent reimbursement obligations and indemnity obligations) were terminated and all guarantees and security interests were released.

**CAPITAL CONTRIBUTION TO SFC**

On July 31, 2014, SFI made a capital contribution to SFC, consisting of 100 shares of the common stock, par value of \$0.01 per share, of SAC representing all of the issued and outstanding shares of capital stock of SAC. See Note 20 of the Notes to Condensed Consolidated Financial Statements for further information.

## OUTLOOK

Assuming the U.S. economy continues to experience slow to moderate growth, we expect to continue our long history of strong credit performance. During 2012 and much of 2013, we experienced unusually low charge-off ratios as a result of tightening underwriting practices in 2010-2011. The personal loan portfolio typically exhibited net charge-off ratios in the range of 4.75-5.75% prior to the start of the recession in 2008 and has returned to these levels, as we expected. We believe the strong credit quality of our personal loan portfolio is the result of our disciplined underwriting practices and ongoing collection efforts. We also continue to see growth in the volume of personal loan originations driven by the following factors:

- Declining competition from thrifts and banks (although banks continue to serve non-prime customers in other ways) as these institutions have retreated from the non-prime market in the face of regulatory scrutiny and in the aftermath of the housing crisis. As a result of the reduced lending of these competitors, access to credit has fallen substantially for the non-prime segment of customers, which, in turn, has increased our potential customer base.

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- Slow but sustained economic growth.
- Migration of customer activity from traditional channels such as direct mail to online channels (served by our iLoan division) where we believe we are well suited to capture volume due to our scale, technology, and deployment of advanced analytics.
- Our renewed focus on our personal loan business as we have discontinued real estate and other product originations both in our branches and in centralized lending.

In addition, with an experienced management team, a strong balance sheet, proven access to the capital markets, and strong demand for consumer credit, we believe we are well positioned for future personal loan growth.

**Prior Period Revisions**

As disclosed in our 2013 Annual Report on Form 10-K, we identified certain out-of-period errors in preparing our annual consolidated financial statements for the year ended December 31, 2013. In addition to these errors, we had previously recorded and disclosed out-of-period adjustments in prior reporting periods when the errors were discovered. As a result, we revised all previously reported periods included in our 2013 Annual Report on Form 10-K. Similarly, we have revised all previously reported periods included in this report. We corrected the errors identified in the fourth quarter of 2013 and included these corrections in the appropriate prior periods. In addition, we reversed all out-of period adjustments previously recorded and disclosed, and included the adjustments in the appropriate periods. After evaluating the quantitative and qualitative aspects of these corrections, we have determined that our previous quarterly and annual consolidated financial statements were not materially misstated.

See Note 17 of the Notes to Condensed Consolidated Financial Statements for further information on the prior period revisions. All prior period data presented in the discussion and analysis of our financial condition and results of operations reflects the revised balances.

Table of Contents**Results of Operations****CONSOLIDATED RESULTS**

See table below for our consolidated operating results. A further discussion of our operating results for each of our business segments is provided under Segment Results.

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
(dollars in thousands except earnings per share)				
Interest income	\$ 532,750	\$ 580,597	\$ 1,085,387	\$ 993,635
Interest expense	191,301	240,418	396,721	471,711
Net interest income	341,449	340,179	688,666	521,924
Provision for finance receivable losses	115,347	82,311	276,225	176,797
Net interest income after provision for finance receivable losses	226,102	257,868	412,441	345,127
Other revenues:				
Insurance	42,687	35,967	81,106	68,867
Investment	10,622	10,598	20,083	20,722
Net loss on repurchases and repayments of debt		(237)	(6,615)	(237)
Net gain (loss) on fair value adjustments on debt	482	752	(16,385)	511
Net gain on sales of real estate loans and related trust assets	34,800		89,986	
Other	2,752	4,510	4,572	5,383
Total other revenues	91,343	51,590	172,747	95,246
Other expenses:				
Operating expenses:				
Salaries and benefits	91,283	78,862	183,802	157,290
Other operating expenses	60,063	70,369	117,772	121,979
Insurance losses and loss adjustment expenses	18,667	16,346	37,032	31,100
Total other expenses	170,013	165,577	338,606	310,369
Income before provision for income taxes	147,432	143,881	246,582	130,004
Provision for income taxes	44,754	32,963	75,272	28,700
Net income	102,678	110,918	171,310	101,304
Net income attributable to non-controlling interests	30,289	54,740	46,597	54,740
Net income attributable to Springleaf	\$ 72,389	\$ 56,178	\$ 124,713	\$ 46,564

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**Share Data:**

Weighted average number of shares outstanding:

Basic	<b>114,788,439</b>	100,000,000	<b>114,788,439</b>	100,000,000
Diluted	<b>115,176,021</b>	100,000,000	<b>115,160,440</b>	100,000,000

Earnings per share:

Basic	\$	<b>0.63</b>	\$	0.56	\$	<b>1.09</b>	\$	0.47
Diluted	\$	<b>0.63</b>	\$	0.56	\$	<b>1.08</b>	\$	0.47

Table of Contents*Comparison of Consolidated Results for Three Months Ended June 30, 2014 and 2013*

(dollars in thousands) Three Months Ended June 30,	2014	2013
Interest income:		
Finance charges	\$ 530,086	\$ 580,597
Interest income on finance receivables held for sale originated as held for investment	2,664	
Total	\$ 532,750	\$ 580,597

Finance charges decreased for the three months ended June 30, 2014 when compared to the same period in 2013 due to the net of the following:

(dollars in thousands)	
<b>2014 compared to 2013 - Three Months Ended June 30</b>	
Decrease in average net receivables	\$ (55,566)
Increase in yield	5,055
Total	\$ (50,511)

Average net receivables decreased for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to our liquidating real estate loan portfolio, including the transfers of real estate loans with a total carrying value of \$1.2 billion associated with the 2010 and 2009 securitizations and an additional transfer of real estate loans with a carrying value of \$90.9 million to finance receivables held for sale and the subsequent sales of these real estate loans during the first half of 2014. The decrease was also due to lower SpringCastle average net receivables resulting from liquidations, partially offset by higher personal loan average net receivables resulting from our continued focus on personal loans.

Yield increased for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to our continued focus on personal loans, which have higher yields.

Interest expense decreased for the three months ended June 30, 2014 when compared to the same period in 2013 due to the following:

(dollars in thousands)	
<b>2014 compared to 2013 - Three Months Ended June 30</b>	
Decrease in average debt	\$ (47,399)
Decrease in weighted average interest rate	(1,718)
Total	\$ (49,117)

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Average debt decreased for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to debt repurchases and repayments of \$5.4 billion during the past twelve months. These decreases were partially offset by debt issuances pursuant to eight securitization transactions completed during the past twelve months.

The weighted average interest rate on our debt decreased for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to the debt repurchases and repayments discussed above, which resulted in lower accretion of net discount applied to long-term debt. The lower weighted average interest rate also reflected the completion of eight securitization transactions during the past twelve months, which generally have lower interest rates.

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Provision for finance receivable losses increased \$33.0 million for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to \$41.2 million of recoveries recorded in June 2013 resulting from a sale of previously charged-off finance receivables in June 2013. The increase also reflected additional allowance requirements primarily due to growth in our personal loans during the 2014 period and higher delinquency ratios on all finance receivable types at June 30, 2014. This increase was partially offset by a reduction in the allowance requirements on our real estate loans deemed to be purchased credit impaired finance receivables and TDR finance receivables subsequent to the Fortress Acquisition as a result of the transfers of real estate loans with a total carrying value of \$1.3 billion to finance receivables held for sale and the subsequent sales of these real estate loans during the first half of 2014. The allowance for finance receivables losses was eliminated with the application of push-down accounting as the allowance for finance receivable losses was incorporated in the new fair value basis of the finance receivables as of the Fortress Acquisition date.

Net gain on sales of real estate loans and related trust assets of \$34.8 million for the three months ended June 30, 2014 reflected the reversal of the remaining unaccreted push-down accounting basis for these real estate loans, less allowance for finance receivable losses that we established at the date of the Fortress Acquisition. See Note 1 of the Notes to Condensed Financial Statements for further information on these sales.

Salaries and benefits increased \$12.4 million for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to higher salary accruals reflecting an increase in number of employees and annual, competitive, performance compensation increases in the first quarter of 2014. The increase also reflected higher bonus accruals resulting from increased originations of personal loans and share-based compensation expenses during the 2014 period due to the grant of restricted stock units ( RSUs ) to certain of our executives and employees subsequent to the initial public offering of SHI common stock.

Other operating expenses decreased \$10.3 million for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to servicing fee expenses during the 2013 period for the SpringCastle Portfolio pursuant to an interim servicing agreement that was in place between April 1, 2013 and August 31, 2013. This decrease was partially offset by higher professional fees, advertising, and information technology expenses during the 2014 period.

Provision for income taxes totaled \$44.8 million for the three months ended June 30, 2014 compared to \$33.0 million for the three months ended June 30, 2013. The effective tax rate for the three months ended June 30, 2014 was 30.4% compared to 22.9% for the same period in 2013. The effective tax rates for the three months ended June 30, 2014 and 2013 differed from the federal statutory rates primarily due to the effect of the non-controlling interest in our joint venture.

*Comparison of Consolidated Results for Six Months Ended June 30, 2014 and 2013*

(dollars in thousands)

Six Months Ended June 30,

	2014	2013
Interest income:		
Finance charges	\$ 1,078,145	\$ 993,635
Interest income on finance receivables held for sale originated as held for investment	7,242	
Total	\$ 1,085,387	\$ 993,635



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Finance charges increased for the six months ended June 30, 2014 when compared to the same period in 2013 due to the following:

(dollars in thousands)

**2014 compared to 2013 - Six Months Ended June 30**

Increase in average net receivables	\$	9,385
Increase in yield		75,125
Total	\$	84,510

Average net receivables increased for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to higher personal loan average net receivables resulting from our continued focus on personal loans. The increase was partially offset by our liquidating real estate loan portfolio, including the transfers of real estate loans with a total carrying value of \$1.2 billion associated with the 2010 and 2009 securitizations and an additional transfer of real estate loans with a carrying value of \$90.9 million to finance receivables held for sale and the subsequent sales of these real estate loans during the first half of 2014.

Yield increased for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to our continued focus on personal loans, which have higher yields.

Finance charges for the six months ended June 30, 2014 when compared to the same period in 2013 were favorably impacted by an additional three months of finance charges on the SpringCastle Portfolio totaling \$143.2 million, which is included in the change in average net receivables and yield in the table above.

Interest expense decreased for the six months ended June 30, 2014 when compared to the same period in 2013 due to the following:

(dollars in thousands)

**2014 compared to 2013 - Six Months Ended June 30**

Decrease in average debt	\$	(46,337)
Decrease in weighted average interest rate		(28,653)
Total	\$	(74,990)

Average debt decreased for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to debt repurchases and repayments of \$5.4 billion during the past twelve months. These decreases were partially offset by debt issuances pursuant to eight securitization transactions completed during the past twelve months.

The weighted average interest rate on our debt decreased for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to the debt repurchases and repayments discussed above, which resulted in lower accretion of net discount applied to long-term debt. The lower weighted average interest rate also reflected the completion of eight securitization transactions during the past twelve months,

which generally have lower interest rates.

Interest expense for the six months ended June 30, 2014 when compared to the same period in 2013 included an additional three months of interest expense on the long-term debt associated with the securitization of the SpringCastle Portfolio totaling \$22.2 million, which is included in the change in average debt and weighted average interest rate in the table above.

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Provision for finance receivable losses increased \$99.4 million for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to \$41.2 million of recoveries recorded in June 2013 resulting from a sale of previously charged-off finance receivables in June 2013. The increase also reflected additional allowance requirements primarily due to growth in our personal loans during the 2014 period and higher delinquency ratios on all finance receivable types at June 30, 2014. This increase was partially offset by a reduction in the allowance requirements on our real estate loans deemed to be purchased credit impaired finance receivables and TDR finance receivables subsequent to the Fortress Acquisition as a result of the transfers of real estate loans with a total carrying value of \$1.3 billion to finance receivables held for sale and the subsequent sales of these real estate loans during the first half of 2014. The allowance for finance receivables losses was eliminated with the application of push-down accounting as the allowance for finance receivable losses was incorporated in the new fair value basis of the finance receivables as of the Fortress Acquisition date.

Net loss on repurchases and repayments of debt of \$6.6 million for the six months ended June 30, 2014 reflected repurchases of debt in 2014 at net amounts greater than carrying value.

Net loss on fair value adjustments on debt of \$16.4 million for the six months ended June 30, 2014 reflected net unrealized losses on a long-term debt issuance associated with the securitization of the SpringCastle Portfolio accounted for at fair value.

Net gain on sales of real estate loans and related trust assets of \$90.0 million for the six months ended June 30, 2014 reflected the reversal of the remaining unaccrued push-down accounting basis for these real estate loans, less allowance for finance receivable losses that we established at the date of the Fortress Acquisition. See Note 1 of the Notes to Condensed Financial Statements for further information on these sales.

Salaries and benefits increased \$26.5 million for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to higher salary accruals reflecting an increase in number of employees and annual, competitive, performance compensation increases in the first quarter of 2014. The increase also reflected higher bonus accruals resulting from increased originations of personal loans and share-based compensation expenses during the 2014 period due to the grant of RSUs to certain of our executives and employees subsequent to the initial public offering of SHI common stock.

Provision for income taxes totaled \$75.3 million for the six months ended June 30, 2014 compared to \$28.7 million for the six months ended June 30, 2013. The effective tax rate for the six months ended June 30, 2014 was 30.5% compared to 22.1% for the same period in 2013. The effective tax rates for the six months ended June 30, 2014 and 2013 differed from the federal statutory rates primarily due to the effect of the non-controlling interest in our joint venture.

Table of Contents***Reconciliation of Income before Provision for Income Taxes on Push-Down Accounting Basis to Historical Accounting Basis***

Due to the nature of the Fortress Acquisition, we revalued our assets and liabilities based on their fair values at November 30, 2010, the date of the Fortress Acquisition, in accordance with business combination accounting standards, or push-down accounting. Push-down accounting affected and continues to affect, among other things, the carrying amount of our finance receivables and long-term debt, our finance charges on our finance receivables and related yields, our interest expense, our allowance for finance receivable losses, and our net charge-offs and charge-off ratio. In general, on a quarterly basis, we accrete or amortize the valuation adjustments recorded in connection with the Fortress Acquisition, or record adjustments based on current expected cash flows as compared to expected cash flows at the time of the Fortress Acquisition, in each case, as described in more detail in the footnotes to the table below. In addition, push-down accounting resulted in the elimination of accretion or amortization of discounts, premiums, and other deferred costs on our finance receivables and long-term debt prior to the Fortress Acquisition. The reconciliations of income before provision for income taxes on a push-down accounting basis to income before provision for income taxes on a historical accounting basis (which is a basis of accounting other than U.S. GAAP that we believe provides a consistent basis for both management and other interested third parties to better understand our operating results) were as follows:

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Income before provision for income taxes - push-down accounting basis	\$ 147,432	\$ 143,881	\$ 246,582	\$ 130,004
Interest income adjustments (a)	(34,360)	(51,859)	(71,227)	(102,039)
Interest expense adjustments (b)	34,967	34,165	63,527	69,501
Provision for finance receivable losses adjustments (c)	2,298	11,190	2,658	14,640
Repurchases and repayments of long-term debt adjustments (d)		(21,134)	(4,884)	(21,134)
Fair value adjustments on debt (e)	53	17,495	8,351	32,700
Sales of finance receivables held for sale originated as held for investment adjustments (f)	(57,619)		(174,981)	
Amortization of other intangible assets (g)	1,095	1,308	2,221	2,718
Other (h)	652	2,090	1,070	3,409
Income before provision for income taxes - historical accounting basis	\$ 94,518	\$ 137,136	\$ 73,317	\$ 129,799

(a) Interest income adjustments consist of: (1) the accretion of the net discount applied to non-credit impaired net finance receivables to revalue the non-credit impaired net finance receivables to their fair value at the date of the Fortress Acquisition using the interest method over the remaining life of the related net finance receivables; (2) the difference in finance charges earned on our pools of purchased credit impaired net finance receivables under a level rate of return over the expected lives of the underlying pools of purchased credit impaired finance receivables, net of the finance charges earned on these finance receivables under historical accounting basis; and (3) the elimination of the accretion or amortization of historical unearned points and fees, deferred origination costs, premiums, and discounts.

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Components of interest income adjustments consisted of:

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Accretion of net discount applied to non-credit impaired net finance receivables	\$ (25,547)	\$ (42,068)	\$ (52,389)	\$ (81,880)
Purchased credit impaired finance receivables finance charges	(11,661)	(14,365)	(24,490)	(28,518)
Elimination of accretion or amortization of historical unearned points and fees, deferred origination costs, premiums, and discounts	2,848	4,574	5,652	8,359
Total	\$ (34,360)	\$ (51,859)	\$ (71,227)	\$ (102,039)

(b) Interest expense adjustments consist of: (1) the accretion of the net discount applied to long-term debt to revalue the debt securities to their fair value at the date of the Fortress Acquisition using the interest method over the remaining life of the related debt securities; and (2) the elimination of the accretion or amortization of historical discounts, premiums, commissions, and fees.

Components of interest expense adjustments were as follows:

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Accretion of net discount applied to long-term debt	\$ 36,396	\$ 45,893	\$ 73,388	\$ 95,533
Elimination of accretion or amortization of historical discounts, premiums, commissions, and fees	(1,429)	(11,728)	(9,861)	(26,032)
Total	\$ 34,967	\$ 34,165	\$ 63,527	\$ 69,501

(c) Provision for finance receivable losses consists of the allowance for finance receivable losses adjustments and net charge-offs quantified in the table below. Allowance for finance receivable losses adjustments reflects the net difference between our allowance adjustment requirements calculated under our historical accounting basis net of adjustments required under push-down accounting basis. Net charge-offs reflects the net charge-off of loans at a higher carrying value under historical accounting basis versus the discounted basis to their fair value at date of the Fortress Acquisition under push-down accounting basis.

Components of provision for finance receivable losses adjustments were as follows:

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(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Allowance for finance receivable losses adjustments	\$ 13,134	\$ 27,736	\$ 23,212	\$ 49,828
Net charge-offs	(10,836)	(16,546)	(20,554)	(35,188)
<b>Total</b>	<b>\$ 2,298</b>	<b>\$ 11,190</b>	<b>\$ 2,658</b>	<b>\$ 14,640</b>

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(d) Repurchases and repayments of long-term debt adjustments reflect the impact on acceleration of the accretion of the net discount or amortization of the net premium applied to long-term debt.

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(e) Fair value adjustments on debt reflect differences between historical accounting basis and push-down accounting basis. On a historical accounting basis, certain long-term debt components are marked-to-market on a recurring basis and are no longer marked-to-market on a recurring basis after the application of push-down accounting at the time of the Fortress Acquisition.

(f) Fair value adjustments on sales of finance receivables held for sale originated as held for investment reflect the reversal of the remaining unaccreted push-down accounting basis for net finance receivables, less allowance for finance receivable losses established at the date of the Fortress Acquisition that were sold in March 2014.

(g) Amortization of other intangible assets reflects the amortization over the remaining estimated life of intangible assets established at the date of the Fortress Acquisition as a result of the application of push-down accounting.

(h) Other items reflects less significant differences between historical accounting basis and push-down accounting basis relating to various items such as the elimination of deferred charges, adjustments to the basis of other real estate assets, fair value adjustments to fixed assets, adjustments to insurance claims and policyholder liabilities, and various other differences all as of the date of the Fortress Acquisition.

At June 30, 2014, the remaining unaccreted push-down accounting basis totaled \$387.8 million for net finance receivables, less allowance for finance receivable losses and \$652.1 million for long-term debt.

**Segment Results**

See Note 16 of the Notes to Condensed Consolidated Financial Statements for a description of our segments. Management considers Consumer, Insurance, and Acquisitions and Servicing as our Core Consumer Operations and Real Estate as our Non-Core Portfolio. Due to the nature of the Fortress Acquisition, we applied push-down accounting. However, we report the operating results of our Core Consumer Operations, Non-Core Portfolio, and Other using the same accounting basis that we employed prior to the Fortress Acquisition, which we refer to as historical accounting basis, to provide a consistent basis for both management and other interested third parties to better understand the operating results of these segments. The historical accounting basis (which is a basis of accounting other than U.S. GAAP) also provides better comparability of the operating results of these segments to our competitors and other companies in the financial services industry. The historical accounting basis is not applicable to the Acquisitions and Servicing segment since this segment was added effective April 1, 2013 as a result of our co-investment in the SpringCastle Portfolio and therefore, was not affected by the Fortress Acquisition. See Note 16 of the Notes to Condensed Consolidated Financial for reconciliations of segment totals to condensed consolidated financial statement amounts.

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We allocate revenues and expenses (on a historical accounting basis) to each segment using the following methodologies:

Interest income	Directly correlated with a specific segment.
	Disaggregated into three categories based on the underlying debt that the expense pertains to:
	<ul style="list-style-type: none"> <li>• <i>securitizations</i> allocated to the segments whose finance receivables serve as the collateral securing each of the respective debt instruments;</li> </ul>
Interest expense	<ul style="list-style-type: none"> <li>• <i>unsecured debt</i> allocated to the segments based on the remaining balance of debt by segment; and</li> <li>• <i>secured term loan</i> allocated to the segments whose finance receivables served as the collateral securing each of the respective debt instruments.</li> </ul>
Provision for finance receivable losses	Directly correlated with a specific segment except for allocations to other, which are based on the remaining delinquent accounts as a percentage of total delinquent accounts.
Insurance revenues	Directly correlated with a specific segment.
Investment revenues	Directly correlated with a specific segment.
Net gain (loss) on repurchases and repayments of debt	Allocated to the segments based on the interest expense allocation of debt.
Net gain (loss) on fair value adjustments on debt	Directly correlated with a specific segment.
Other revenues other	Directly correlated with a specific segment except for gains and losses on foreign currency exchange and derivatives. These items are allocated to the segments based on the interest expense allocation of debt.
Salaries and benefits	Directly correlated with a specific segment. Other salaries and benefits not directly correlated with a specific segment are allocated to each of the segments based on services provided.
Other operating expenses	Directly correlated with a specific segment. Other operating expenses not directly correlated with a specific segment are allocated to each of the segments based on services provided.
Insurance losses and loss adjustment expenses	Directly correlated with a specific segment.

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We evaluate the performance of each of our segments based on its pretax operating earnings.

**CORE CONSUMER OPERATIONS**

Pretax operating results for Consumer and Insurance (which are reported on a historical accounting basis), and Acquisitions and Servicing are presented in the table below on an aggregate basis:

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Interest income	\$ 357,440	\$ 338,974	\$ 713,062	\$ 499,457
Interest expense	59,012	60,716	121,932	97,460
Net interest income	298,428	278,258	591,130	401,997
Provision for finance receivable losses	88,275	11,850	186,500	31,811
Net interest income after provision for finance receivable losses	210,153	266,408	404,630	370,186
Other revenues:				
Insurance	42,672	35,956	81,078	68,848
Investment	11,661	13,093	21,929	23,478
Net loss on repurchases and repayments of debt		(1,500)	(1,429)	(1,500)
Net gain (loss) on fair value adjustments on debt	535		(16,332)	
Other	19,788	5,388	40,446	7,625
Total other revenues	74,656	52,937	125,692	98,451
Other expenses:				
Operating expenses:				
Salaries and benefits	78,882	67,817	159,248	131,113
Other operating expenses	62,535	55,785	122,639	86,582
Insurance loss and loss adjustment expenses	18,861	16,556	37,472	31,524
Total other expenses	160,278	140,158	319,359	249,219
Pretax operating income	124,531	179,187	210,963	219,418
Pretax operating income attributable to non-controlling interests	30,289	54,740	46,597	54,740
Pretax operating income attributable to Springleaf	\$ 94,242	\$ 124,447	\$ 164,366	\$ 164,678

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Selected financial statistics for Consumer (which are reported on a historical accounting basis) and Acquisitions and Servicing were as follows:

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	At or for the Six Months Ended June 30, 2014	At or for the Six Months Ended June 30, 2013
<b>Consumer</b>				
Net finance receivables			\$ 3,373,151	\$ 2,807,908
Number of accounts			864,614	755,977
Average net receivables	\$ 3,266,701	\$ 2,676,283	\$ 3,202,361	\$ 2,609,480
Yield	27.03%	25.57%	26.98%	25.49%
Gross charge-off ratio (a)	5.80%	4.36%	5.68%	5.50%
Recovery ratio (b)	(0.68)%	(5.04)%	(0.62)%	(3.22)%
Charge-off ratio (a) (b)	5.12%	(0.68)%	5.06%	2.28%
Delinquency ratio			2.28%	1.92%
Origination volume	\$ 948,511	\$ 900,350	\$ 1,670,327	\$ 1,559,864
Number of accounts	211,503	211,278	372,744	371,306
<b>Acquisitions and Servicing</b>				
Net finance receivables			\$ 2,202,381	\$ 2,819,072
Number of accounts			306,330	394,309
Average net receivables	\$ 2,269,859	\$ 2,881,989	\$ 2,347,914	\$ 2,881,989
Yield	24.22%	23.43%	24.30%	23.43%
Net charge-off ratio	7.07%	2.46%	7.90%	2.46%
Delinquency ratio			5.04%	4.70%

(a) The gross charge-off ratio and charge-off ratio for the six months ended June 30, 2013 reflect \$14.5 million of additional charge-offs recorded in March 2013 (on a historical accounting basis) related to our change in charge-off policy for personal loans effective March 31, 2013. Excluding these additional charge-offs, our Consumer gross charge-off ratio would have been 4.39% for the six months ended June 30, 2013.

(b) The recovery ratio and charge-off ratio for the three and six months ended June 30, 2013 reflect \$25.4 million of recoveries on charged-off core personal loans resulting from a sale of previously charged-off finance receivables in June 2013. Excluding these recoveries, our Consumer charge-off ratio would have been 3.17% for the three months ended June 30, 2013. Excluding the impacts of the \$14.5 million of additional charge-offs and the \$25.4 million of recoveries on charged-off core personal loans, our Consumer charge-off ratio would have been 3.11% for the six months ended June 30, 2013.

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*Comparison of Pretax Operating Results for Three Months Ended June 30, 2014 and 2013*

(dollars in thousands)

Three Months Ended June 30,

2014

2013

Interest income:

Finance charges - Consumer \$ 220,396 \$ 170,604

Finance charges - Acquisitions and Servicing 137,044 168,370

Total \$ 357,440 \$ 338,974

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Finance charges - Consumer increased \$49.8 million for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to increases in average net receivables and yield. Average net receivables increased for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to increased originations on personal loans resulting from our continued focus on personal loans. Yield increased for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to pricing of new personal loans at higher state specific rates with concentrations in states with more favorable returns.

Finance charges - Acquisitions and Servicing decreased \$31.3 million for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to lower average net receivables due to the liquidating status of the SpringCastle Portfolio, partially offset by higher yields on the finance receivables remaining in the portfolio.

(dollars in thousands)

Three Months Ended June 30,

	2014	2013
Interest expense - Consumer	\$ 40,905	\$ 36,125
Interest expense - Acquisitions and Servicing	18,107	24,591
Total	\$ 59,012	\$ 60,716

Interest expense - Consumer increased \$4.8 million for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to additional funding required to support increased originations of personal loans. This increase was partially offset by less utilization of financing from unsecured notes that was replaced by consumer loan securitizations, which generally have lower interest rates.

Interest expense - Acquisitions and Servicing decreased \$6.5 million for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to lower average debt required as a result of the liquidating status of the SpringCastle Portfolio.

(dollars in thousands)

Three Months Ended June 30,

	2014	2013
Provision for finance receivable losses - Consumer	\$ 47,876	\$ (5,947)
Provision for finance receivable losses - Acquisitions and Servicing	40,399	17,797
Total	\$ 88,275	\$ 11,850

Provision for finance receivable losses - Consumer increased \$53.8 million for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to \$25.4 million of recoveries recorded in June 2013 on previously charged-off personal loans resulting from a sale of these loans in June 2013. The increase also reflected additional allowance requirements reflecting increased originations of personal loans in the 2014 period and higher personal loan delinquency ratio at June 30, 2014.

Provision for finance receivable losses - Acquisitions and Servicing increased \$22.6 million for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to higher delinquency ratio at June 30, 2014.

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Insurance revenues increased \$6.7 million for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to increases in credit and non-credit earned premiums reflecting higher originations of personal loans in the 2014 period.

Other revenues other increased \$14.4 million for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to servicing fee revenues for the fees charged by Acquisitions and Servicing for servicing the SpringCastle Portfolio. We assumed the direct servicing obligations for

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these loans in September 2013. These fees are eliminated in consolidated operating results with the servicing fee expenses, which are included in other operating expenses.

(dollars in thousands)

Three Months Ended June 30,	2014	2013
Salaries and benefits - Consumer	\$ 65,185	\$ 61,410
Salaries and benefits - Insurance	5,156	3,996
Salaries and benefits - Acquisitions and Servicing	8,541	2,411
Total	\$ 78,882	\$ 67,817

(dollars in thousands)

Three Months Ended June 30,	2014	2013
Other operating expenses - Consumer	\$ 35,423	\$ 28,683
Other operating expenses - Insurance	3,715	2,586
Other operating expenses - Acquisitions and Servicing	23,397	24,516
Total	\$ 62,535	\$ 55,785

Other operating expenses for Consumer and Insurance increased \$7.9 million for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to higher professional fees, advertising, and information technology expenses.

Insurance losses and loss adjustment expenses increased \$2.3 million for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to an unfavorable variance in benefit reserves and claim reserves.

***Comparison of Pretax Operating Results for Six Months Ended June 30, 2014 and 2013***

(dollars in thousands)

Six Months Ended June 30,	2014	2013
Interest income:		
Finance charges - Consumer	\$ 430,091	\$ 331,087
Finance charges - Acquisitions and Servicing	282,971	168,370
Total	\$ 713,062	\$ 499,457

Finance charges - Consumer increased \$99.0 million for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to increases in average net receivables and yield. Average net receivables increased for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to increased originations on personal loans resulting from our continued focus on personal loans. Yield increased for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to pricing of new personal loans at higher state specific rates with concentrations in states with more favorable returns.

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Finance charges - Acquisitions and Servicing for the six months ended June 30, 2014 when compared to the same period in 2013 were favorably impacted by an additional three months of finance charges on the SpringCastle Portfolio.

(dollars in thousands)

Six Months Ended June 30,	2014	2013
Interest expense - Consumer	\$ 81,631	\$ 72,869
Interest expense - Acquisitions and Servicing	40,301	24,591
Total	\$ 121,932	\$ 97,460

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Interest expense Consumer increased \$8.8 million for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to additional funding required to support increased originations of personal loans. This increase was partially offset by less utilization of financing from unsecured notes that was replaced by consumer loan securitizations, which generally have lower interest rates.

Interest expense Acquisitions and Servicing for the six months ended June 30, 2014 when compared to the same period in 2013 included an additional three months of interest expense on the long-term debt associated with the securitization of the SpringCastle Portfolio on April 1, 2013.

(dollars in thousands)

Six Months Ended June 30,	2014	2013
Provision for finance receivable losses - Consumer	\$ 93,151	\$ 14,014
Provision for finance receivable losses - Acquisitions and Servicing	93,349	17,797
Total	\$ 186,500	\$ 31,811

Provision for finance receivable losses Consumer increased \$79.1 million for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to \$25.4 million of recoveries recorded in June 2013 on previously charged-off personal loans resulting from a sale of these loans in June 2013. The increase also reflected additional allowance requirements reflecting increased originations of personal loans in the 2014 period and higher personal loan delinquency ratio at June 30, 2014.

Provision for finance receivable losses Acquisitions and Servicing increased \$75.6 million for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to higher delinquency ratio at June 30, 2014.

Insurance revenues increased \$12.2 million for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to increases in credit and non-credit earned premiums reflecting higher originations of personal loans in the 2014 period.

Net loss on fair value adjustments on debt Acquisitions and Servicing of \$16.3 million for the six months ended June 30, 2014 resulted from the unrealized loss on fair value adjustments of the long-term debt associated with the securitization of the SpringCastle Portfolio that is accounted for at fair value through earnings.

Other revenues other increased \$32.8 million for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to servicing fee revenues for the fees charged by Acquisitions and Servicing for servicing the SpringCastle Portfolio. We assumed the direct servicing obligations for these loans in September 2013. These fees are eliminated in consolidated operating results with the servicing fee expenses, which are included in other operating expenses.

(dollars in thousands)

Six Months Ended June 30,	2014	2013
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Salaries and benefits - Consumer	\$	<b>131,763</b>	\$	121,759
Salaries and benefits - Insurance		<b>9,710</b>		6,943
Salaries and benefits - Acquisitions and Servicing		<b>17,775</b>		2,411
Total	\$	<b>159,248</b>	\$	131,113

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(dollars in thousands)

Six Months Ended June 30,	2014	2013
Other operating expenses - Consumer	\$ 68,114	\$ 57,188
Other operating expenses - Insurance	6,987	4,878
Other operating expenses - Acquisitions and Servicing	47,538	24,516
Total	\$ 122,639	\$ 86,582

Other operating expenses for Consumer and Insurance increased \$13.0 million for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to higher advertising, information technology, and professional expenses.

Insurance losses and loss adjustment expenses increased \$5.9 million for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to an unfavorable variance in claim reserves.

***Reconciliation of Income before Provision for Income Taxes on Historical Accounting Basis to Pretax Core Earnings***

Pretax core earnings is a key performance measure used by management in evaluating the performance of our Core Consumer Operations. Pretax core earnings represents our income (loss) before provision for (benefit from) income taxes on a historical accounting basis and excludes results of operations from our non-core portfolio (Real Estate) and other non-originating legacy operations, gains (losses) resulting from accelerated long-term debt repayment and repurchases of long-term debt related to Consumer, gains (losses) on fair value adjustments on debt related to Core Consumer Operations (attributable to SHI), and results of operations attributable to non-controlling interests. Pretax core earnings provides us with a key measure of our Core Consumer Operations performance as it assists us in comparing its performance on a consistent basis. Management believes pretax core earnings is useful in assessing the profitability of our core business and uses pretax core earnings in evaluating our operating performance. Pretax core earnings is a non-GAAP measure and should be considered in addition to, but not as a substitute for or superior to, operating income, net income, operating cash flow, and other measures of financial performance prepared in accordance with U.S. GAAP.

The following is a reconciliation of income before provision for income taxes on a historical accounting basis to pretax core earnings:

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Income before provision for income taxes - historical accounting basis	\$ 94,518	\$ 137,136	\$ 73,317	\$ 129,799
Adjustments:				
Pretax operating loss - Non-Core Portfolio Operations	22,456	49,773	127,338	94,487
Pretax operating (income) loss - Other/non- originating legacy operations	7,557	(7,722)	10,308	(4,868)
Net loss from accelerated repayment/repurchase of debt - Consumer		1,500	1,429	1,500
Net (gain) loss on fair value adjustments on debt - Core Consumer Operations (attributable to SHI)	(251)		7,676	

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Pretax operating income attributable to non-controlling interests		<b>(30,289)</b>		(54,740)		<b>(46,597)</b>		(54,740)
Pretax core earnings	\$	<b>93,991</b>	\$	125,947	\$	<b>173,471</b>	\$	166,178

Table of Contents**NON-CORE PORTFOLIO**

Pretax operating results for Real Estate (which are reported on a historical accounting basis) were as follows:

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Interest income	\$ 136,639	\$ 177,477	\$ 291,683	\$ 364,508
Interest expense	95,492	141,530	207,289	295,909
Net interest income	41,147	35,947	84,394	68,599
Provision for finance receivable losses	20,472	66,010	81,800	136,092
Net interest income after provision for finance receivable losses	20,675	(30,063)	2,594	(67,493)
Other revenues:				
Net loss on repurchases and repayments of debt		(19,600)	(10,023)	(19,600)
Net gain on fair value adjustments on debt		18,247	8,298	33,211
Net loss on sales of real estate loans and related trust assets *	(22,819)		(84,995)	
Other	74	1,581	(1,207)	460
Total other revenues	(22,745)	228	(87,927)	14,071
Other expenses:				
Operating expenses:				
Salaries and benefits	8,847	6,493	17,373	13,097
Other operating expenses	11,539	13,445	24,632	27,968
Total other expenses	20,386	19,938	42,005	41,065
Pretax operating loss	\$ (22,456)	\$ (49,773)	\$ (127,338)	\$ (94,487)

\* Consistent with our segment reporting presentation in Note 16 of the Notes to Condensed Consolidated Financial Statements, we have combined the lower of cost or fair value adjustments recorded on the dates the real estate loans were transferred to finance receivables held for sale with the final gain (loss) on the sales of these loans.

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Selected financial statistics for Real Estate (which are reported on a historical accounting basis) were as follows:

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	At or for the Six Months Ended June 30, 2014	At or for the Six Months Ended June 30, 2013
<b>Real estate</b>				
Net finance receivables			\$ 7,322,660	\$ 9,924,957
Number of accounts			104,411	126,942
TDR finance receivables			\$ 2,972,335	\$ 3,066,686
Allowance for finance receivables losses - TDR			\$ 709,109	\$ 710,111
Provision for finance receivable losses - TDR	\$ 21,087	\$ 55,779	\$ 66,228	\$ 103,910
Average net receivables	\$ 7,880,857	\$ 10,086,897	\$ 8,464,841	\$ 10,245,468
Yield	6.82%	7.06%	6.78%	7.17%
Loss ratio (a) (b)	1.94%	2.37%	1.77%	2.15%
Delinquency ratio			8.80%	7.47%

(a) The loss ratio for the six months ended June 30, 2014 reflects \$2.2 million of recoveries on charged-off real estate loans resulting from a sale of previously charged-off real estate loans in March 2014, net of a \$0.2 million reserve for subsequent buybacks. Excluding these recoveries, our Real Estate loss ratio would have been 1.82% for the six months ended June 2014.

(b) The loss ratio for the three and six months ended June 30, 2013 reflect \$9.9 million of recoveries on charged-off real estate loans resulting from a sale of previously charged-off finance receivables in June 2013. Excluding these recoveries, our Real Estate loss ratio would have been 2.76% and 2.35%, respectively, for the three and six months ended June 30, 2013.

**Comparison of Pretax Operating Results for Three Months Ended June 30, 2014 and 2013**

(dollars in thousands)	2014	2013
Three Months Ended June 30,		
Interest income:		
Finance charges	\$ 134,087	\$ 177,477
Interest income on finance receivables held for sale originated as held for investment	2,552	
Total	\$ 136,639	\$ 177,477

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Finance charges decreased \$43.4 million for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to decreases in average net receivables and yield. Average net receivables decreased for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to the continued liquidation of the real estate portfolio, including the transfers of real estate loans with a total carrying value of \$1.4 billion associated with the 2010 and 2009 securitizations and an additional transfer of real estate loans with a carrying value of \$77.1 million to finance receivables held for sale and the subsequent sales of these real estate loans during the first half of 2014. The decrease in yield for the three months ended June 30, 2014 reflected the transfers of the real estate loans to finance receivables held for sale on June 1, 2014.

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Interest expense decreased \$46.0 million for the three months ended June 30, 2014 when compared to the same period in 2013 primarily due to lower secured term loan and unsecured debt interest expense allocated to Real Estate, partially offset by higher ratio of securitization interest expense reflecting Real Estate's utilization of two real estate loan securitization transactions during the past twelve months.

Provision for finance receivable losses decreased \$45.5 million for the three months ended June 30, 2014 when compared to the same period in 2013. The decrease in provision for finance receivable losses reflected a reduction in the allowance requirements recorded for the three months ended June 30, 2014 on our real estate loans deemed to be TDR finance receivables subsequent to the Fortress Acquisition as a result of the transfers of real estate loans with a total carrying value of \$1.5 billion to finance receivables held for sale and the subsequent sales of these real estate loans during the first half of 2014. The decrease was partially offset by \$9.9 million of recoveries recorded in June 2013 on previously charged-off real estate loans resulting from a sale of these loans in June 2013 and increases to the allowance for finance receivable losses reflecting higher real estate loan delinquency ratio at June 30, 2014.

Net loss on repurchases and repayments of debt of \$19.6 million for the three months ended June 30, 2013 reflected acceleration of amortization on deferred costs and repurchases of debt at net amounts greater than carrying value for the three months ended June 30, 2013.

Net gain on fair value adjustments on debt of \$18.2 million for the three months ended June 30, 2013 reflected differences between historical accounting basis and push-down accounting basis. On a historical accounting basis, certain long-term debt components are marked-to-market on a recurring basis and are no longer marked-to-market on a recurring basis after the application of push-down accounting at the time of the Fortress Acquisition.

Net loss on sales of real estate loans and related trust assets of \$22.8 million for the three months ended June 30, 2014 primarily reflected the lower of cost or fair value adjustments recorded on the date the real estate loans were transferred to finance receivables held for sale. Consistent with our segment reporting presentation, we have combined the lower of cost or fair value adjustments with the final gain (loss) on the sale of these loans.

*Comparison of Pretax Operating Results for Six Months Ended June 30, 2014 and 2013*

(dollars in thousands)

Six Months Ended June 30,

	2014	2013
Interest income:		
Finance charges	\$ 284,553	\$ 364,508
Interest income on finance receivables held for sale originated as held for investment	7,130	
Total	\$ 291,683	\$ 364,508

Finance charges decreased \$80.0 million for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to decreases in average net receivables and yield. Average net receivables decreased for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to the continued liquidation of the real estate portfolio, including the transfers of real estate loans with a total carrying value of \$1.4 billion associated with the 2010 and 2009 securitizations and an additional transfer of real estate loans with a carrying value of \$77.1 million to finance receivables held for sale and the subsequent sales of these real estate loans during the first half of 2014. The

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decrease in yield for the six months ended June 30, 2014 reflected the transfers of the real estate loans to finance receivables held for sale during the first half of 2014.

Interest expense decreased \$88.6 million for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to lower secured term loan and unsecured debt interest expense allocated to Real Estate, partially offset by higher ratio of securitization interest expense reflecting Real Estate's utilization of two real estate loan securitization transactions during the past twelve months.

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Provision for finance receivable losses decreased \$54.3 million for the six months ended June 30, 2014 when compared to the same period in 2013. The decrease in provision for finance receivable losses reflected a reduction in the allowance requirements recorded for the six months ended June 30, 2014 on our real estate loans deemed to be TDR finance receivables subsequent to the Fortress Acquisition as a result of the transfers of real estate loans with a total carrying value of \$1.5 billion to finance receivables held for sale and the subsequent sales of these real estate loans during the first half of 2014. The decrease was partially offset by \$9.9 million of recoveries recorded in June 2013 on previously charged-off real estate loans resulting from a sale of these loans in June 2013 and increases to the allowance for finance receivable losses reflecting higher real estate loan delinquency ratio at June 30, 2014.

Net loss on repurchases and repayments of debt of \$10.0 million and \$19.6 million for the six months ended June 30, 2014 and 2013, respectively, reflected acceleration of amortization on deferred costs and repurchases of debt at net amounts greater than carrying value for the six month periods.

Net gain on fair value adjustments on debt of \$8.3 million and \$33.2 million for the six months ended June 30, 2014 and 2013, respectively, reflected differences between historical accounting basis and push-down accounting basis. On a historical accounting basis, certain long-term debt components are marked-to-market on a recurring basis and are no longer marked-to-market on a recurring basis after the application of push-down accounting at the time of the Fortress Acquisition.

Net loss on sales of real estate loans and related trust assets of \$85.0 million for the six months ended June 30, 2014 primarily reflected the lower of cost or fair value adjustments recorded on the dates the real estate loans were transferred to finance receivables held for sale. Consistent with our segment reporting presentation, we have combined the lower of cost or fair value adjustments with the final gain (loss) on the sales of these loans.

**OTHER**

Other consists of our other non-originating legacy operations, which are isolated by geographic market and/or distribution channel from our prospective Core Consumer Operations and our Non-Core Portfolio. These operations include our legacy operations in 14 states where we have also ceased branch-based personal lending as a result of our restructuring activities during the first half of 2012, our liquidating retail sales finance portfolio (including our retail sales finance accounts from our dedicated auto finance operation), our lending operations in Puerto Rico and the U.S. Virgin Islands, and the operations of our United Kingdom subsidiary. Effective June 1, 2014, we also report (on a prospective basis) certain real estate loans with equity capacity in Other. These short equity loans, which have liquidated down to an immaterial level, were previously included in our Core Consumer Operations. At June 1, 2014, the transfer date, these loans totaled \$16.3 million.

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Pretax operating results of the Other components (which are reported on a historical accounting basis) were as follows:

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Interest income	\$ 4,311	\$ 12,287	\$ 9,415	\$ 27,631
Interest expense	1,830	4,007	3,973	8,841
Net interest income	2,481	8,280	5,442	18,790
Provision for finance receivable losses	4,302	(6,739)	5,267	(5,746)
Net interest income (loss) after provision for finance receivable losses	(1,821)	15,019	175	24,536
Other revenues:				
Insurance	16	20	32	40
Investment	(5)	111	24	1,397
Net loss on repurchases and repayments of debt		(271)	(47)	(271)
Other	(31)	(191)	601	(153)
Total other revenues	(20)	(331)	610	1,013
Other expenses:				
Operating expenses:				
Salaries and benefits	3,597	4,606	7,268	13,187
Other operating expenses	2,119	2,360	3,825	7,494
Total other expenses	5,716	6,966	11,093	20,681
Pretax operating gain (loss)	\$ (7,557)	\$ 7,722	\$ (10,308)	\$ 4,868

Net finance receivables of the Other components (which are reported on a historical accounting basis) were as follows:

(dollars in thousands) June 30,	2014	2013
Net finance receivables:		
Personal loans	\$ 39,849	\$ 89,706
Real estate loans	7,081	8,053
Retail sales finance	71,449	146,683
Total	\$ 118,379	\$ 244,442

**Credit Quality**

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Our customers encompass a wide range of borrowers. In the consumer finance industry, they are described as prime or near-prime at one extreme and non-prime or sub-prime (less creditworthy) at the other. Our customers' incomes are generally near the national median but our customers may vary from national norms as to their debt-to-income ratios, employment and residency stability, and/or credit repayment histories. In general, our customers have lower credit quality and require significant levels of servicing.

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As a result of the Fortress Acquisition, we applied push-down accounting and adjusted the carrying value of our finance receivables (the FA Loans ) to their fair value on November 30, 2010. For purchased finance receivables, such as the SpringCastle Portfolio ( SCP Loans ), we also record these loans at fair value on the day of purchase.

Carrying value of finance receivables includes accrued finance charges, unamortized deferred origination costs and unamortized net premiums and discounts on purchased finance receivables. We record an allowance for loan losses to cover expected losses on our finance receivables.

For both the FA Loans and SCP Loans, we segregate between those considered to be performing ( FA Performing Loans and SCP Performing Loans, respectively) and those for which it was determined it was probable that we would be unable to collect all contractually required payments ( FA Credit Impaired Loans and SCP Credit Impaired Loans, respectively). For the FA Performing Loans and the SCP Performing Loans, we accrete the purchase discount to contractual cash flows over the remaining life of the loan to finance charges. For the FA Credit Impaired Loans and SCP Credit Impaired Loans, we record the expected credit loss at purchase and recognize finance charges on the expected effective yield.

Table of Contents**FINANCE RECEIVABLES**

Net finance receivables by originated before and after the Fortress Acquisition and the related allowance for finance receivable losses were as follows:

(dollars in thousands)	June 30, 2014	December 31, 2013
<b>Personal Loans</b>		
FA Performing Loans at Fortress Acquisition	\$ 132,844	\$ 168,386
Originated after Fortress Acquisition	3,274,484	3,003,318
Allowance for finance receivable losses	(107,030)	(94,880)
Personal loans, less allowance for finance receivable losses	3,300,298	3,076,824
<b>SpringCastle Portfolio</b>		
SCP Performing Loans	1,786,541	1,975,023
SCP Credit Impaired Loans	415,839	530,326
Allowance for finance receivable losses	(710)	(1,056)
SpringCastle Portfolio, less allowance for finance receivable losses	2,201,670	2,504,293
<b>Real Estate Loans</b>		
FA Performing Loans at Fortress Acquisition	5,146,067	6,597,300
FA Credit Impaired Loans	1,128,006	1,314,381
Originated after Fortress Acquisition*	67,184	70,668
Allowance for finance receivable losses	(259,182)	(235,549)
Real estate loans, less allowance for finance receivable losses	6,082,075	7,746,800
<b>Retail Sales Finance</b>		
FA Performing Loans at Fortress Acquisition	44,452	63,158
Originated after Fortress Acquisition	23,974	35,753
Allowance for finance receivable losses	(1,350)	(1,840)
Retail sales finance, less allowance for finance receivable losses	67,076	97,071
Total net finance receivables, less allowance	\$ 11,651,119	\$ 13,424,988
Allowance for finance receivable losses as a percentage of finance receivables		
Personal loans	3.14%	2.99%
SpringCastle Portfolio	0.03%	0.04%
Real estate loans	4.09%	2.95%
Retail sales finance	1.97%	1.86%

\* Real estate loan originations in 2014 and 2013 were from advances on home equity lines of credit.

We consider the delinquency status of the finance receivable as our primary credit quality indicator. We monitor delinquency trends to manage our exposure to credit risk. We consider finance receivables 60 days or more past due as delinquent and consider the likelihood of collection to decrease at such time.



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The following is a summary of net finance receivables by type and by days delinquent:

(dollars in thousands)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Retail Sales Finance	Total
<b>June 30, 2014</b>					
Net finance receivables:					
60-89 days past due	\$ 28,450	\$ 31,904	\$ 86,933	\$ 705	\$ 147,992
90-119 days past due	20,757	20,132	65,145	623	106,657
120-149 days past due	16,362	16,472	47,426	500	80,760
150-179 days past due	14,211	14,523	34,324	380	63,438
180 days or more past due	1,500	5,124	315,668	87	322,379
Total delinquent finance receivables	81,280	88,155	549,496	2,295	721,226
Current	3,275,786	2,045,189	5,623,687	64,425	11,009,087
30-59 days past due	50,262	69,036	168,074	1,706	289,078
Total	\$ 3,407,328	\$ 2,202,380	\$ 6,341,257	\$ 68,426	\$ 12,019,391
<b>December 31, 2013</b>					
Net finance receivables:					
60-89 days past due	\$ 28,504	\$ 60,669	\$ 97,567	\$ 1,290	\$ 188,030
90-119 days past due	22,804	47,689	68,190	1,017	139,700
120-149 days past due	18,780	33,671	55,222	757	108,430
150-179 days past due	14,689	26,828	45,158	740	87,415
180 days or more past due	938	3,579	356,766	173	361,456
Total delinquent finance receivables	85,715	172,436	622,903	3,977	885,031
Current	3,038,307	2,232,965	7,183,437	92,093	12,546,802
30-59 days past due	47,682	99,948	176,009	2,841	326,480
Total	\$ 3,171,704	\$ 2,505,349	\$ 7,982,349	\$ 98,911	\$ 13,758,313

**TROUBLED DEBT RESTRUCTURING**

We make modifications to our real estate loans to assist borrowers in avoiding foreclosure. When we modify a real estate loan's contractual terms for economic or other reasons related to the borrower's financial difficulties and grant a concession that we would not otherwise consider, we classify that loan as a TDR finance receivable.

Information regarding TDR finance receivables were as follows:

(dollars in thousands)	June 30, 2014	December 31, 2013
TDR net finance receivables	\$ 1,353,184	\$ 1,380,223
Allowance for TDR finance receivable losses	\$ 195,007	\$ 176,455
Allowance as a percentage of TDR net finance receivables	14.41%	12.78%
Number of TDR accounts	15,198	14,609



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Net finance receivables that were modified as TDR finance receivables within the previous 12 months and for which there was a default during the period were as follows:

(dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
<b>Real Estate Loans</b>				
Number of TDR accounts	205	203	434	427
TDR net finance receivables*	\$ 13,174	\$ 15,711	\$ 28,677	\$ 33,961

\* Represents the corresponding balance of TDR net finance receivables at the end of the month in which they defaulted.

We may make modifications to loans in our newly acquired SpringCastle Portfolio to assist borrowers in avoiding default and to mitigate the risk of loss. When we modify a loan's contractual terms for economic or other reasons related to the borrower's financial difficulties and grant a concession that we would not otherwise consider, we classify that loan as a TDR finance receivable. We restructure finance receivables only if we believe the customer has the ability to pay under the restructured terms for the foreseeable future. There were no SpringCastle Portfolio TDR accounts as of the April 1, 2013 acquisition date as any account deemed as a TDR under our policy was categorized as a purchased credit impaired finance receivables. The amount of SpringCastle Portfolio loans that has been classified as a TDR finance receivable subsequent to the acquisition date is \$0.2 million and has not yet reached a significant level for detailed disclosure.

**Liquidity and Capital Resources**

We have historically financed the majority of our operating liquidity and capital needs through a combination of cash flows from operations, securitization debt, unsecured debt, and borrowings under our secured term loan. In the future, we plan to finance our operating liquidity and capital needs through a combination of cash flows from operations, securitization debt, unsecured debt, other corporate debt facilities, and equity.

As a holding company, all of the funds generated from our operations are earned by our operating subsidiaries. Our operating subsidiaries primary cash needs relate to funding our lending activities, our debt service obligations, our operating expenses and, to a lesser extent, expenditures relating to upgrading and monitoring our technology platform, risk systems, and branch locations.

Our insurance subsidiaries maintain reserves as liabilities on the balance sheet to cover future claims for certain insurance products. Claims reserves totaled \$69.3 million as of June 30, 2014.

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At June 30, 2014, we had \$891.3 million of cash and cash equivalents, and during the six months ended June 30, 2014, SHI generated net income of \$124.7 million. Our net cash inflow from operating and investing activities totaled \$1.8 billion for the six months ended June 30, 2014. At June 30, 2014, our remaining scheduled principal and interest payments for 2014 on our existing debt (excluding securitizations) totaled \$524.8 million. As of June 30, 2014, we had \$1.7 billion UPB of unencumbered personal loans and \$2.4 billion UPB of unencumbered real estate loans.

Based on our estimates and taking into account the risks and uncertainties of our plans, we believe that we will have adequate liquidity to finance and operate our businesses and repay our obligations as they become due for at least the next twelve months.

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To reduce the risk associated with unfavorable changes in interest rates on our debt not offset by favorable changes in yield of our finance receivables, we monitor the anticipated cash flows of our assets and liabilities, principally our finance receivables and debt. We have funded finance receivables with a combination of fixed-rate and floating-rate debt and equity and have based the mix of fixed-rate and floating-rate debt issuances, in part, on the nature of the finance receivables being supported. On a historical accounting basis, our floating-rate debt represented 1% of our borrowings at June 30, 2014 and 10% at December 31, 2013.

**LIQUIDITY**

*Operating Activities*

Cash from operations increased \$188.4 million for the six months ended June 30, 2014 when compared to the same period in 2013 primarily due to higher net interest income.

*Investing Activities*

Net cash provided by investing activities of \$1.4 billion for the six months ended June 30, 2014 was primarily due to the sales of finance receivables held for sale originated as held for investment during the first half of 2014. Net cash used for investing activities of \$2.3 billion for the six months ended June 30, 2013 reflected the purchase of the SpringCastle Portfolio on April 1, 2013.

*Financing Activities*

Net cash used for financing activities of \$1.3 billion for the six months ended June 30, 2014 was primarily due to the repayments of the secured term and the 2013-BAC trust notes in late March 2014. Net cash provided by financing activities of \$1.3 billion for the six months ended June 30, 2013 was primarily due to the issuance of long-term debt associated with the securitization of the SpringCastle Portfolio in April 2013.

*Liquidity Risks and Strategies*

We currently have a significant amount of indebtedness in relation to our equity. SFC's credit ratings are non-investment grade, which have a significant impact on our cost of, and access to, capital. This, in turn, negatively affects our ability to manage our liquidity and our ability and cost to refinance our indebtedness.

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There are numerous risks to our financial results, liquidity, capital raising, and debt refinancing plans, some of which may not be quantified in our current liquidity forecasts. These risks include, but are not limited, to the following:

- our inability to grow our personal loan portfolio with adequate profitability;
- the effect of federal, state and local laws, regulations, or regulatory policies and practices;
- the liquidation and related losses within our remaining real estate portfolio could be material and result in reduced cash receipts;
- potential liability relating to real estate and personal loans which we have sold or may sell in the future, or relating to securitized loans; and
- the potential for disruptions in bond and equity markets.

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The principal factors that could decrease our liquidity are customer delinquencies and defaults, a decline in customer prepayments, and a prolonged inability to adequately access capital market funding. We intend to support our liquidity position by utilizing the following strategies:

- maintaining disciplined underwriting standards and pricing for loans we originate or purchase and managing purchases of finance receivables;
- pursuing additional debt financings (including new securitizations and new unsecured debt issuances, debt refinancing transactions and standby funding facilities), or a combination of the foregoing;
- purchasing portions of our outstanding indebtedness through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices, as well as with such consideration, as we may determine; and
- obtaining secured revolving credit facilities to allow us to use excess cash to pay down higher cost debt.

However, it is possible that the actual outcome of one or more of our plans could be materially different than expected or that one or more of our significant judgments or estimates could prove to be materially incorrect.

## **OUR INSURANCE SUBSIDIARIES**

State law restricts the amounts our insurance subsidiaries, Merit and Yosemite, may pay as dividends without prior notice to, or in some cases approval from, the Indiana Department of Insurance. The maximum amount of dividends that can be paid without prior approval in a 12 month period, measured retrospectively from the date of payment, is the greater of 10% of policyholders' surplus as of the prior year-end, or the net gain from operations as of the prior year-end.

## **OUR DEBT AGREEMENTS**

On December 30, 2013, SHI entered into Guaranty Agreements whereby it agreed to fully and unconditionally guarantee the payment of principal of, premium (if any), and interest on approximately \$5.2 billion aggregate principal amount of senior notes on a senior basis and \$350.0 million aggregate principal amount of a junior subordinated debenture (collectively, the notes) on a junior subordinated basis issued by SFC. The notes consist of the following: 8.250% Senior Notes due 2023; 7.750% Senior Notes due 2021; 6.00% Senior Notes due 2020; a 60-year junior subordinated debenture; and all senior notes outstanding on December 30, 2013, issued pursuant to the Indenture dated as of May 1, 1999 (the 1999 Indenture), between SFC and Wilmington Trust, National Association (the successor trustee to Citibank N.A.). As of December 30, 2013, approximately \$3.9 billion aggregate principal amount of senior notes were outstanding under the 1999 Indenture. The 60-year junior subordinated debenture underlies the trust preferred securities sold by a trust sponsored by SFC. On December 30, 2013, SHI entered into a Trust Guaranty Agreement whereby it agreed to fully and unconditionally guarantee the related payment obligations under the trust preferred securities. As of June 30, 2014, approximately \$5.1 billion aggregate principal amount of senior notes, including \$3.9 billion aggregate principal amount of senior notes under the 1999 Indenture, and \$350.0 million aggregate principal amount of a junior subordinated debenture were outstanding.

The debt agreements to which SFC and its subsidiaries are a party include customary terms and conditions, including covenants and representations and warranties. Some or all of these agreements also contain certain restrictions, including restrictions on the ability to create senior liens on property and assets in connection with any new debt financings and SFC's ability to sell or convey all or substantially all of its assets, unless the transferee assumes SFC's obligations under the applicable debt agreement.

With the exception of SFC's junior subordinated debenture and one consumer loan securitization, none of our debt agreements require SFC or any of its subsidiaries to meet or maintain any specific financial targets or ratios.

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Under our debt agreements, certain events, including non-payment of principal or interest, bankruptcy or insolvency, or a breach of a covenant or a representation or warranty may constitute an event of default and trigger an acceleration of payments. In some cases, an event of default or acceleration of payments under one debt agreement may constitute a cross-default under other debt agreements resulting in an acceleration of payments under the other agreements.

As of June 30, 2014, we were in compliance with all of the covenants under our debt agreements.

***Junior Subordinated Debenture***

In January 2007, SFC issued \$350.0 million aggregate principal amount of 60-year junior subordinated debenture (the debenture) under an indenture dated January 22, 2007 (the Junior Subordinated Indenture), by and between SFC and Deutsche Bank Trust Company, as trustee. The debenture underlies the trust preferred securities sold by a trust sponsored by SFC. SFC can redeem the debenture at par beginning in January 2017.

Pursuant to the terms of the debenture, SFC, upon the occurrence of a mandatory trigger event, is required to defer interest payments to the holders of the debenture (and not make dividend payments to SFI) unless SFC obtains non-debt capital funding in an amount equal to all accrued and unpaid interest on the debenture otherwise payable on the next interest payment date and pays such amount to the holders of the debenture. A mandatory trigger event occurs if SFC's (1) tangible equity to tangible managed assets is less than 5.5% or (2) average fixed charge ratio is not more than 1.10x for the trailing four quarters (where the fixed charge ratio equals earnings excluding income taxes, interest expense, extraordinary items, goodwill impairment, and any amounts related to discontinued operations, divided by the sum of interest expense and any preferred dividends).

Based upon SFC's financial results for the twelve months ended March 31, 2014, a mandatory trigger event occurred with respect to the payment due in July 2014 as the average fixed charge ratio was 0.93x. On July 10, 2014, SFC issued one share of SFC common stock to SFI for \$10.5 million to satisfy the July 2014 interest payments required by SFC's debentures.

***Consumer Loan Securitization***

In connection with the Sumner Brook 2013-VFN1 securitization, SFC is required to maintain an available cash covenant and a consolidated tangible net worth covenant. At June 30, 2014, SFC is in compliance with these covenants.

Table of Contents**Structured Financings**

We execute private securitizations under Rule 144A of the Securities Act. As of June 30, 2014, our structured financings consisted of the following:

(dollars in thousands)	Initial Note Amounts Issued (a)	Initial Collateral Balance (b)	Current Note Amounts Outstanding	Current Collateral Balance (b)	Current Weighted Average Interest Rate	Collateral Type	Revolving Period
<b>Mortgage Securitizations (c)</b>							
AGFMT 2006-1	\$ 457,061	\$ 473,570	\$ 107,119	\$ 125,286	5.75%	Mortgage loans	N/A
SLFMT 2011-1	365,441	496,861	227,654	352,379	4.94%	Mortgage loans	N/A
SLFMT 2012-1	394,611	473,009	254,709	368,418	4.17%	Mortgage loans	N/A
SLFMT 2012-2	770,806	970,034	537,163	799,609	3.39%	Mortgage loans	N/A
SLFMT 2012-3	794,854	1,030,568	580,510	884,622	2.55%	Mortgage loans	N/A
SLFMT 2013-1	782,489	1,021,846	634,814	910,152	2.33%	Mortgage loans	N/A
SLFMT 2013-2	756,878	1,137,307	665,804	1,068,229	2.73%	Mortgage loans	N/A
SLFMT 2013-3	292,978	500,390	273,088	484,679	2.88%	Mortgage loans	N/A
<b>Consumer Securitizations</b>							
SLFMT 2013-A	567,880	662,247	567,880	662,256	2.75%	Personal loans	2 years
SLFMT 2013-B	370,170	441,989	370,170	441,997	3.99%	Personal loans	3 years
SLFMT 2014-A	559,260	644,331	559,260	644,333	2.55%	Personal loans	2 years
<b>Total mortgage and consumer securitizations</b>							
	6,112,428	7,852,152	4,778,171	6,741,960			
<b>SpringCastle Securitization</b>							
SCFT 2013-1	2,572,000	3,934,955	1,627,133	3,036,286	3.80%	Personal and junior mortgage loans	N/A
<b>Total secured structured financings</b>							
	\$ 8,684,428	\$ 11,787,107	\$ 6,405,304	\$ 9,778,246			

(a) Represents securities sold at time of issuance or at a later date and does not include retained notes.

(b) Represents UPB of the collateral supporting the issued and retained notes.

(c) In the third quarter of 2014, we entered into agreements to sell our remaining beneficial interests in the mortgage-backed retained certificates. We expect the sales transactions to be completed on or before August 29, 2014.

In addition to the structured financings included in the table above, we completed one conduit securitization in 2014 and three conduit securitizations in 2013. At June 30, 2014, we had drawn \$100 million under these notes.

Our 2013 and 2014 securitizations have served to partially replace secured and unsecured debt in our capital structure with more favorable non-recourse funding. Our overall funding costs are positively impacted by our increased usage of securitizations as we typically execute these transactions at interest rates significantly below those of our maturing secured and unsecured debt.

The weighted average interest rates on our debt on a historical accounting basis were as follows:

	<b>Three Months Ended June 30, 2014</b>	<b>Three Months Ended June 30, 2013</b>	<b>Six Months Ended June 30, 2014</b>	<b>Six Months Ended June 30, 2013</b>
Weighted average interest rate	<b>5.13%</b>	5.50%	<b>5.26%</b>	5.69%

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**Off-Balance Sheet Arrangements**

We have no material off-balance sheet arrangements as defined by SEC rules. We had no off-balance sheet exposure to losses associated with unconsolidated VIEs at June 30, 2014 or December 31, 2013, other than certain representations and warranties associated with the sales of the 2010-1 and 2009-1 retained certificates during the first half of 2014. As of June 30, 2014, we had no repurchase activity related to these sales.

**Critical Accounting Policies and Estimates**

We describe our significant accounting policies used in the preparation of our consolidated financial statements in Note 2 of the Notes to Consolidated Financial Statements in Part II, Item 8 of our 2013 Annual Report on Form 10-K. We consider the following policies to be our most critical accounting policies because they involve critical accounting estimates and a significant degree of management judgment:

- allowance for finance receivable losses;
- purchased credit impaired finance receivables;
- TDR finance receivables;
- push-down accounting; and
- fair value measurements.

We believe the amount of the allowance for finance receivable losses is the most significant estimate we make. See **Critical Accounting Policies and Estimates - Allowance for Finance Receivable Losses** in Part II, Item 7 of our 2013 Annual Report on Form 10-K for further discussion of the models and assumptions used to assess the adequacy of the allowance for finance receivable losses.

There have been no significant changes to our critical accounting policies or to our methodologies for deriving critical accounting estimates during the six months ended June 30, 2014.

**Recent Accounting Pronouncements**

See Note 1 of the Notes to Condensed Consolidated Financial Statements for discussion of recently issued accounting pronouncements.

**Seasonality**

Our personal loan volume is generally highest during the second and fourth quarters of the year, primarily due to marketing efforts, seasonality of demand, and increased traffic in branches after the winter months. Demand for our personal loans is usually lower in January and February after the holiday season and as a result of tax refunds. Delinquencies on our personal loans tend to peak in the second and third quarters and higher net charge-offs on these loans usually occur at year end. These seasonal trends contribute to fluctuations in our operating results and cash needs throughout the year.

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**Glossary of Terms**

Average debt	average of debt for each day in the period
Average net receivables	average of net finance receivables at the beginning and end of each month in the period
Charge-off ratio	annualized net charge-offs as a percentage of the average of net finance receivables at the beginning of each month in the period
Delinquency ratio	UPB 60 days or more past due (greater than three payments unpaid) as a percentage of UPB
Gross charge-off ratio	annualized gross charge-offs as a percentage of the average of net finance receivables at the beginning of each month in the period
Junior Subordinated Indenture	capital securities classified as debt for accounting purposes but due to their terms are afforded, at least in part, equity capital treatment in the calculation of effective leverage by rating agencies
Loss ratio	annualized net charge-offs, net writedowns on real estate owned, net gain (loss) on sales of real estate owned, and operating expenses related to real estate owned as a percentage of the average of real estate loans at the beginning of each month in the period
Net interest income	interest income less interest expense
Recovery ratio	annualized recoveries on net-charge offs as a percentage of the average of net finance receivables at the beginning of each month in the period
Tangible equity	total equity less accumulated other comprehensive income or loss
Weighted average interest rate	annualized interest expense as a percentage of average debt
Yield	annualized finance charges as a percentage of average net receivables

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***Item 3. Quantitative and Qualitative Disclosures About Market Risk.***

There have been no significant changes to our market risk previously disclosed in Part II, Item 7A of our 2013 Annual Report on Form 10-K.

***Item 4. Controls and Procedures.***

**Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures include controls and procedures designed to provide reasonable assurance that information required to be disclosed is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period. Based on their evaluation, and in light of the previously identified material weakness in internal control over financial reporting, as of December 31, 2013, described within the 2013 Annual Report on Form 10-K, our Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were not effective as of June 30, 2014.

We have developed a remediation plan for this material weakness, including enhancing our complement of resources with accounting and internal control knowledge through additional hiring and/or training to implement and perform additional controls over the initial and subsequent accounting for certain complex non-routine transactions. We are currently in the initial stages of implementation of this plan. When fully implemented and operating effectively, such enhancements are expected to remediate the material weakness described above. However, we cannot provide any assurance that these remediation efforts will be successful or that our internal control over financial reporting will be effective as a result of these efforts.

**Changes in Internal Control over Financial Reporting**

There has been no change in our internal control over financial reporting during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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**PART II OTHER INFORMATION**

*Item 1. Legal Proceedings.*

See Note 13 of the Notes to Condensed Consolidated Financial Statements in Part I of this Quarterly Report on Form 10-Q.

*Item 1A. Risk Factors.*

There have been no material changes to our risk factors previously disclosed in Part I, Item 1A of our 2013 Annual Report on Form 10-K.

*Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.*

None.

*Item 3. Defaults Upon Senior Securities.*

None.

*Item 4. Mine Safety Disclosures.*

Not applicable.

*Item 5. Other Information.*

**Sales of 2006-1 Retained Certificates, Mortgage Loans and Securitization Interests**

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On July 31, 2014, we entered into an agreement to sell the 2006-1 Retained Certificates for \$10.3 million to an unaffiliated third party, subject to customary closing conditions, as described in Note 20 of the Notes to Condensed Consolidated Financial Statements, the text of which is incorporated by reference into this Item 5. The sale is expected to be completed on or about August 29, 2014.

On August 6, 2014, we entered into an agreement to sell the Mortgage Loans and the Securities issued by each respective Trust, as described in Note 20 of the Notes to Condensed Consolidated Financial Statements, the text of which is incorporated by reference into this Item 5. We expect the sales transactions to be completed on or before August 29, 2014, subject to the satisfaction of customary closing conditions.

We will not retain any interest in the certificates issued by, or the real estate loans included in, the respective Trusts. As a result, we will deconsolidate the underlying real estate loans and previously issued securitized interests on the date of sale. At June 30, 2014, the total carrying value of the real estate loans included in the sales transactions noted above totaled \$5.4 billion and, as such, reflects a liquidation of a substantial portion of our real estate loans, which totaled \$6.1 billion at June 30, 2014, net of allowance for finance receivable losses.

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**Sale of Servicing Rights of Real Estate Loans**

On August 6, 2014, we entered into an agreement, dated and effective as of August 1, 2014, with Nationstar to sell our Servicing Rights for the real estate loans that collateralized previously issued securitizations, as described in Note 20 of the Notes to Condensed Consolidated Financial Statements, the text of which is incorporated by reference into this Item 5. The transfer of servicing is expected to be completed by September 30, 2014, subject to the satisfaction of customary closing conditions.

***Item 6. Exhibits.***

Exhibits are listed in the Exhibit Index beginning on page 102 herein.

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**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SPRINGLEAF HOLDINGS, INC.  
(Registrant)

Date: August 11, 2014

By /s/ Minchung (Macrina) Kgil  
Minchung (Macrina) Kgil  
Executive Vice President and Chief Financial  
Officer  
(Duly Authorized Officer and Principal Financial  
Officer)

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**Exhibit Index**

**Exhibit**

- 3.1 Restated Certificate of Incorporation of Springleaf Holdings, Inc. Incorporated by reference to Exhibit (3.1) to our Quarterly Report on Form 10-Q for the period ended September 30, 2013.
- 3.2 Bylaws of Springleaf Holdings, Inc. Incorporated by reference to Exhibit (3.2) to our Quarterly Report on Form 10-Q for the period ended September 30, 2013.
- 31.1 Rule 13a-14(a)/15d-14(a) Certifications of the President and Chief Executive Officer of Springleaf Holdings, Inc.
- 31.2 Rule 13a-14(a)/15d-14(a) Certifications of the Executive Vice President and Chief Financial Officer of Springleaf Holdings, Inc.
- 32 Section 1350 Certifications
- 101\* Interactive data files pursuant to Rule 405 of Regulation S-T: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive (Loss), (iv) Condensed Consolidated Statements of Shareholder s Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements.

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\* As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Section 11 and 12 of the Securities and Exchange Act of 1933 and Section 18 of the Securities and Exchange Act of 1934.