



News Release

Springleaf Holdings, Inc. Announces First Quarter 2014 Results

5/14/2014

EVANSVILLE, Ind.--(BUSINESS WIRE)-- Springleaf Holdings, Inc. (NYSE:LEAF), today reported net income for the first quarter of 2014 of \$52 million, or \$0.45 per diluted share, compared with a net loss of \$10 million in the first quarter of 2013, or \$0.10 per diluted share (based on the pre-initial public offering share count of 100 million shares). Net income in the quarter included a \$55 million pretax net gain from the sale of \$1 billion of real estate unpaid principal balance in March 2014.

Core Earnings (a non-GAAP measure) for our Core Consumer Operations for the quarter were \$50 million, versus \$25 million in the prior year quarter, and Core Earnings per diluted share (a non-GAAP measure) were \$0.43 for the first quarter versus \$0.25 in the prior year quarter¹.

First Quarter Highlights

- Branch consumer net finance receivables reached \$3.2 billion at March 31, 2014, an increase of \$600 million, or 23% from the prior year, and up 1% from the fourth quarter 2013
- Average receivables per branch were \$3.8 million at March 31, 2014, up 24% from the prior year quarter and 1% from the fourth quarter 2013
- Risk-adjusted yield for our Consumer segment in the quarter was 21.92%, up 60 basis points from the fourth quarter 2013
- The company completed the sale of \$1 billion of real estate loans from its Non-Core Portfolio on March 31, 2014
- The company prepaid in full the remaining \$750 million principal balance on its secured term loan, originally due 2019

Commenting on Springleaf's first quarter results, Jay Levine, President and CEO of Springleaf said, "Springleaf's results during the first quarter reflect the strength of the Core Consumer Operations and the success of our strategic initiatives. Our branches performed well in what is traditionally our slowest origination quarter and our SpringCastle Portfolio contributed nicely on the back of strong credit performance. Our liquidity and funding profile improved as we accelerated the wind down of our Non-Core Portfolio with the sale of over \$1 billion in real estate loans."

Core Consumer Operations: (Reported on a historical accounting basis, which is a non-GAAP measure. Refer to the reconciliation of non-GAAP to comparable GAAP measures, below.)

Branch Operations

Consumer and Insurance pretax income was \$49 million in the quarter versus \$40 million in the first quarter of 2013, and up from \$41 million in the fourth quarter of 2013².

Net finance receivables reached \$3.2 billion at the end of the quarter, an increase of 23% from the prior year and 1% from the prior quarter, driven by the company's focus on increasing personal loan originations through its branch network.

Net interest income of \$169 million increased 37% from the prior year, driven by 23% growth in average net finance receivables and yield expansion of 154 basis points to 26.93% in the current quarter. Net interest income increased 3% from the prior quarter. Yield benefited from the change in the state-by-state mix of loan originations, in addition to greater focus on risk-based pricing. Risk adjusted yield, representing yield less net charge-off, was 21.92% in the quarter, down 29 basis points from the first quarter of 2013 and up 60 basis points from the fourth quarter of 2013³.

The delinquency ratio was 2.45% at quarter end, up 46 basis points from the prior year, which reflects a higher level of new customer originations. The delinquency ratio improved 15 basis points from the prior quarter. The annualized net charge-off ratio was 5.01% in the quarter, versus 3.18% in the prior year and 5.02% in the prior quarter. The annualized net charge-off ratio in the quarter was adversely affected by lower recoveries as the company sold a significant portion of previously charged-off accounts in 2013³.

The annualized gross charge-off ratio was 5.56% in the quarter, up 110 basis points from the prior year quarter and up 7 basis points from the fourth quarter 2013³. Recoveries continued to normalize in the quarter at 55 basis points versus 128 basis points in the prior year quarter, largely due to the impact of the sale of previously charged-off accounts in June 2013.

Acquisitions & Servicing (Results reflect the acquisition of the \$3.8 billion SpringCastle portfolio in April 2013, and the initiation of servicing activities in September 2013.)

Our portion of the Acquisitions and Servicing segment and related servicing contributed \$31 million to the company's consolidated pretax income in the quarter⁴. The entire Acquisitions and Servicing segment generated pretax income of \$39 million in the quarter, with net interest income of \$124 million and yield of 24.40%. Actual net finance receivables at quarter-end were \$2.3 billion, down from \$2.5 billion at December 31, 2013. The principal balance of the portfolio was \$3.0 billion at quarter-end versus \$3.2 billion at December 31, 2013.

The delinquency ratio for the Acquisitions and Servicing segment was 6.33% at the end of the quarter, an improvement of 185 basis points from the prior quarter, while the annualized net charge-off ratio was 8.67%, up 21 basis points from 8.46% in the fourth quarter 2013.

Legacy Real Estate and Other Non-Core

Excluding the recent sales, repurchases and repayments of debt and fair value adjustments on debt, the Non-Core Portfolio (consisting of legacy real estate loans) and Other Non-Core activities generated a pretax loss of \$44 million in the quarter, including \$41 million attributable to the legacy real estate loan portfolio⁵. Other Non-Core activities resulted in a loss of \$3 million in the quarter.

Sale of Legacy Real Estate Loans

On March 31, 2014, the company sold to three different parties a total of \$1.0 billion of real estate loans serviced by PennyMac. The sales generated proceeds of approximately \$816 million, earning a pretax net gain of approximately \$55 million. The proceeds from the sales were used to help fully pay down the secured term loan due in 2019. This transaction reflects an acceleration of the liquidation of the legacy real estate loan portfolio.

Liquidity and Capital Resources

As of March 31, 2014, the company had \$764 million of cash and cash equivalents, in addition to \$1 billion of cumulative available undrawn revolving loan capacity. The company had total outstanding debt of \$11.7 billion at quarter-end, in a variety of debt instruments principally including \$4.7 billion unsecured debt, \$3.7 billion in mortgage securitizations and \$3.3 billion in consumer loan securitizations. In March 2014, the company prepaid, without penalty or premium, the entire \$750 million outstanding principal balance of the 2019 secured term loan, plus accrued and unpaid interest.

(1) Excludes the impact of charges related to accelerated repayment/repurchase of debt, fair value adjustments on debt and earnings attributable to non-controlling interests.

(2) Consumer and Insurance segments reflect historical accounting basis (which is a basis of accounting other than U.S. GAAP). Pretax income excludes impact of charges related to accelerated repayment/repurchase of debt.

(3) The charge-off ratio for 1Q13 excludes \$14.5 million of additional charge-offs recorded in March 2013 related to our change in charge-off policy for personal loans.

(4) Excludes impact of one-time items related to fair value adjustments on debt.

(5) Real Estate segment and Other Non-Core reflect historical accounting basis (which is a basis of accounting other than U.S. GAAP). Excludes impact of charges related to the sale of real estate loans and related trust assets, accelerated repayment / repurchases of debt, and fair value adjustments on debt.

2014 Guidance

The company has previously established 2014 guidance ranges for certain metrics related to its Core Consumer Operations. This quarter the company is revising its previously provided ranges as follows:

	FY 2013 ⁽¹⁾	1Q14 ⁽²⁾	2014 Guidance (as of 12/31/13)	2014 Guidance (as of 3/31/14)
Consumer Net Finance Receivables at YE	\$3.14bn	\$3.16bn	\$3.60bn - \$3.75bn	\$3.60bn - \$3.75bn
Consumer Yield	25.84%	26.93%	26.75% - 27.25%	27.00% - 27.50%
Consumer Risk-Adjusted Yield ⁽³⁾	22.03%	21.92%	22.00% - 23.00%	22.00% - 22.50%
Acquisitions & Servicing Pretax Income ⁽⁴⁾	\$109mm	\$31mm	\$85mm - \$105mm	\$95mm - \$115mm

(1) Net Finance Receivables represents data as of December 31, 2013. All other metrics represent data for the year ended December 31, 2013.

(2) Net Finance Receivables represents data as of March 31, 2014. All other metrics represent data for the quarter ended March 31, 2014.

(3) Risk-Adjusted Yield = Yield less Net Charge-off rates. For FY 2013, charge-off rates exclude impact from change in charge-off policy, the sale of charged-off accounts in June 2013, and recovery sale buybacks in 3Q13 and 4Q13.

(4) Excludes impact of charges related to fair value adjustments on debt.

Use of Non-GAAP Measures

We report the operating results of our Core Consumer Operations, Non-Core Portfolio and Other Non-Core using the same accounting basis that we employed prior to 2010 when we were acquired by Fortress (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 our operating results. 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 Acquisitions and Servicing since this segment resulted from the purchase of the SpringCastle Portfolio on April 1, 2013 and therefore, was not affected by the Fortress Acquisition.

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 (legacy real estate loans) 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 Springleaf) 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.

Conference Call Information

Springleaf management will host a conference call and webcast to discuss the first quarter results and other general matters at 10:00 am Eastern on Wednesday, May 14, 2014. Both the call and webcast are open to the general public. The general public is invited to listen to the call by dialing 877-330-3668 (U.S. domestic), or 678-304-6859 (international), conference ID 30546448, or via a live audio webcast through the Investor Relations section of the website. For those unable to listen to the live broadcast, a replay will be available on our website or by dialing 800-585-8367 (U.S. domestic), or 404-537-3406, conference ID 30546448, beginning approximately two hours after the event. The replay of the conference call will be available through May 28, 2014. An investor presentation will be available by visiting the Investor Relations page of Springleaf's website at www.springleaf.com on Wednesday, May 14, 2014, prior to the start of the conference call.

Forward Looking Statements

This press release contains "forward-looking statements" within the meaning of the U.S. federal securities laws. Forward-looking statements include, without limitation, statements concerning plans, objectives, goals, projections, strategies, future events or performance, our 2014 guidance ranges and underlying assumptions and other statements, which are not statements of historical facts. Statements preceded by, followed by or that otherwise include the words "anticipate," "appears," "believe," "foresee," "intend," "should," "expect," "estimate," "project," "plan," "may," "could," "will," "are likely" and similar expressions are intended to identify forward-looking statements. These statements involve predictions of our future financial condition, performance, plans and strategies, and are thus dependent on a number of factors including, without limitation, assumptions and data that may be imprecise or incorrect. Specific factors that may impact performance or other predictions of future actions include, but are not limited to: changes in general economic conditions, including the interest rate environment and the financial markets; levels of unemployment and personal bankruptcies; shifts in residential real estate values; shifts in collateral values, delinquencies, or credit losses; natural or accidental events such as earthquakes, hurricanes, tornadoes, fires, or floods; war, acts of terrorism, riots, civil disruption, pandemics, or other events disrupting

business or commerce; our ability to successfully realize the benefits of the SpringCastle Portfolio; the effectiveness of our credit risk scoring models; changes in our ability to attract and retain employees or key executives; changes in the competitive environment in which we operate; changes in federal, state and local laws, regulations, or regulatory policies and practices; potential liability relating to real estate and personal loans which we have sold or may sell in the future, or relating to securitized loans; the costs and effects of any litigation or governmental inquiries or investigations; 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 generate sufficient cash to service all of our indebtedness; the potential for downgrade of our debt by rating agencies; and other risks described in the "Risk Factors" section of the Company's Form 2013 10-K filed with the SEC on April 15, 2014. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. We caution you not to place undue reliance on these forward-looking statements that speak only as of the date they were made. We do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events. You should not rely on forward looking statements as the sole basis upon which to make any investment decision.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(dollars in thousands except
earnings (loss) per share)

Three Months Ended March 31,	2014	2013
Interest income	\$ 552,637	\$ 413,038
Interest expense	205,420	231,293
Net interest income	347,217	181,745
Provision for finance receivable losses	160,878	94,486
Net interest income after provision for finance receivable losses	186,339	87,259
Other revenues:		
Insurance	38,419	32,900
Investment	9,461	10,124
Net loss on repurchases and repayments of debt	(6,615)	-
Net loss on fair value adjustments on debt	(16,867)	(241)
Net gain on sales of real estate loans and related trust assets	55,186	-
Other	1,820	873
Total other revenues	81,404	43,656
Other expenses:		
Operating expenses:		
Salaries and benefits	92,519	78,428
Other operating expenses	57,709	51,610
Insurance losses and loss adjustment expenses	18,365	14,754
Total other expenses	168,593	144,792

Income (loss) before provision for (benefit from) income taxes	99,150	(13,877)
Provision for (benefit from) income taxes	30,518	(4,263)
Net income (loss)	68,632	(9,614)
Net income attributable to non-controlling interests	16,308	-
Net income (loss) attributable to Springleaf Holdings, Inc.	\$ 52,324	\$ (9,614)
Share Data:		
Weighted average number of shares outstanding:		
Basic	114,788,439	100,000,000
Diluted	115,144,858	100,000,000
Earnings (loss) per share:		
Basic	\$ 0.46	\$ (0.10)
Diluted	\$ 0.45	\$ (0.10)

CORE KEY METRICS

(dollars in thousands)

At or for the Three Months Ended March 31,	2014	2013
Consumer		
Net finance receivables	\$ 3,159,163	\$ 2,558,787
Number of accounts	826,703	717,307
Average net receivables	\$ 3,138,022	\$ 2,546,829
Yield	26.93 %	25.39 %
Gross charge-off ratio*	5.56 %	6.74 %
Recovery ratio	(0.55) %	(1.27) %
Charge-off ratio*	5.01 %	5.47 %
Delinquency ratio	2.45 %	1.99 %
Origination volume	\$ 721,816	\$ 659,514
Number of accounts	161,241	160,028
Acquisitions and Servicing		
Net finance receivables	\$ 2,342,576	-
Number of accounts	323,570	-
Average net receivables	\$ 2,425,968	-
Yield	24.40 %	-
Net charge-off ratio	8.67 %	-
Delinquency ratio	6.33 %	-

* The gross charge-off ratio and charge-off ratio for the three months ended March 31, 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 4.46% and our Consumer charge-off ratio would have been 3.18% for the three months ended March 31, 2013.

RECONCILIATION OF PGAAP AND HISTORICAL INCOME (LOSS) (NON-GAAP)

(dollars in thousands)

Three Months Ended March 31,	2014	2013
Income (loss) before provision for (benefit from) income taxes - push-down accounting basis	\$ 99,150	\$ (13,877)
Interest income adjustments	(36,867)	(50,180)
Interest expense adjustments	28,560	35,336
Provision for finance receivable losses adjustments	360	3,450
Repurchases and repayments of long-term debt adjustments	(4,884)	-
Fair value adjustments on debt	8,298	15,205
Sales of finance receivables held for sale originated as held for investment adjustments	(117,362)	-
Amortization of other intangible assets	1,126	1,410
Other	418	1,319
Loss before benefit from income taxes - historical accounting basis	<u>\$ (21,201)</u>	<u>\$ (7,337)</u>

PRETAX CORE EARNINGS (NON-GAAP) RECONCILIATION

(dollars in thousands)

Three Months Ended March 31,	2014	2013
Loss before benefit from income taxes - historical accounting basis	\$ (21,201)	\$ (7,337)
Adjustments:		
Pretax operating loss - Non-Core Portfolio Operations	104,882	44,714
Pretax operating loss - Other/non-originating legacy operations	2,751	2,854
Net loss from accelerated repayment/repurchase of debt - Consumer	1,429	-
Net loss on fair value adjustments on debt - Core Consumer Operations (attributable to Springleaf)	7,927	-
Pretax operating income attributable to non-controlling interests	(16,308)	-
Pretax core earnings	<u>\$ 79,480</u>	<u>\$ 40,231</u>

Springleaf Holdings Inc.

Craig Streem, 812-468-5752

craig.streem@springleaf.com

Source: Springleaf Holdings, Inc.