



News Release

Springleaf Holdings, Inc. Reports Second Quarter 2014 Results Announces Sale of \$7.2 Billion of Real Estate Assets

8/7/2014

EVANSVILLE, Ind.--(BUSINESS WIRE)-- Springleaf Holdings, Inc. (NYSE:LEAF), today reported net income of \$72 million, or \$0.63 per diluted share for the second quarter of 2014, compared with net income of \$56 million or \$0.56 per diluted share in the second quarter of 2013 (based on the pre-initial public offering share count of 100 million shares).

Net income in the second quarter of 2014 included a \$35 million pretax net gain from the sale of approximately \$500 million of real estate assets in June 2014^{1,2}, and net income in the prior year quarter included a \$41 million pretax gain from the sale of previously charged-off receivables.

Core Earnings (a non-GAAP measure) for our Core Consumer Operations for the quarter were \$59 million, versus \$79 million in the prior year quarter, which included the \$25 million pretax gain from the sale of previously charged-off receivables, and Core Earnings per diluted share (a non-GAAP measure) were \$0.52 for the second quarter versus \$0.79 in the prior year quarter³.

Second Quarter Highlights

- Branch consumer net finance receivables reached \$3.4 billion at June 30, 2014, an increase of \$565 million, or 20% from June 30, 2013, and up 7% from March 31, 2014.
- Consumer net finance receivables per branch were \$4.1 million at June 30, 2014, up 21% from June 30, 2013 and 7% from March 31, 2014.
- Risk-adjusted yield for our Consumer segment in the quarter was 21.91%, essentially unchanged from the

first quarter 2014.

Real Estate Sales

- In the third quarter, the company entered into a series of transactions involving the sale of its interests in approximately \$7.2 billion of non-core real estate assets and related servicing, (including the \$500 million sale in the second quarter referenced above)^{1,2}, essentially completing the company's previously disclosed mortgage liquidation plan. The transactions, which are subject to certain closing conditions, are expected to generate a gain on sale of approximately \$575 to \$625 million, before one-time charges associated with transaction expenses and with closing certain locations and related staff reductions, as well as potential costs related to the early retirement of debt. Cash proceeds are anticipated to be approximately \$3 billion, and the transactions are expected to close on or before September 30, 2014.

"Springleaf's results this quarter reflect continued strong customer demand for responsible loan products and the resulting strong growth in our receivables and earnings," said Jay Levine, President and CEO of Springleaf.

Commenting on the \$7.2 billion of real estate sale transactions⁴, Levine added, "These transactions represent a major milestone for Springleaf, bringing us to the point where we have effectively eliminated our exposure to mortgages. These sales give us tremendous flexibility to grow our business through organic and inorganic means. This will minimize our need to issue incremental debt, thus reducing balance sheet leverage, achieving another important objective."

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.)

Consumer & Insurance

Consumer and Insurance pretax income was \$60 million in the quarter versus \$79 million in the second quarter of 2013, and up from \$49 million in the first quarter of 2014⁵.

Consumer net finance receivables reached \$3.4 billion at June 30, 2014, an increase of 20% from June 30, 2013 and 7% from March 31, 2014, driven by the company's focus on increasing personal loan originations through its branch network. Consumer net finance receivables per branch continued to grow, reaching \$4.1 million at June 30, 2014, up from \$3.8 million at March 31, 2014 and \$3.4 million at June 30, 2013.

Net interest income of \$179 million increased 33% from the prior year quarter, driven by 22% growth in average net receivables and yield expansion of 146 basis points to 27.03%. Net interest income increased 6% from the prior quarter. Yield in the current quarter continued to benefit 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 rate, was 21.91% in the quarter, down 49 basis points from the second quarter of 2013 and essentially unchanged from the first quarter of 2014⁶.

The annualized gross charge-off ratio was 5.80% in the quarter, up 144 basis points from the prior year quarter and up 24 basis points from the first quarter 2014. Recoveries continued to normalize in the quarter at 68 basis points versus 55 basis points in the first quarter of 2014, following the sale of a pool of previously charged-off accounts in June 2013. The annualized net charge-off ratio was 5.12% in the quarter, versus 3.17% in the prior year quarter and 5.01% in the prior quarter⁷.

The delinquency ratio was 2.28% at quarter end, an improvement of 17 basis points from the prior quarter end.

Acquisitions & Servicing

Springleaf's portion of the Acquisitions and Servicing segment and related servicing contributed \$34 million to the company's consolidated pretax income in the quarter⁸. The entire Acquisitions and Servicing segment generated pretax income of \$64 million in the quarter, with net interest income of \$119 million and yield of 24.22%. Actual net finance receivables at quarter-end were \$2.2 billion, down from \$2.3 billion at March 31, 2014. The principal balance of the portfolio was \$2.9 billion at quarter-end versus \$3.0 billion at March 31, 2014.

The delinquency ratio for the Acquisitions and Servicing segment was 5.04% at the end of the quarter, an improvement of 129 basis points from the prior quarter end, while the annualized net charge-off ratio was 7.07%, down 160 basis points from 8.67% in the first quarter 2014.

Legacy Real Estate and Other Non-Core

Excluding the recent sales, the Non-Core Portfolio (consisting of legacy real estate loans) and Other Non-Core activities generated a pretax loss of \$7 million in the quarter, including pretax income of \$0.4 million attributable to the legacy real estate loan portfolio⁹. Other Non-Core activities resulted in a loss of \$8 million in the quarter.

Liquidity and Capital Resources

As of June 30, 2014, the company had \$891 million of cash and cash equivalents, in addition to \$1.2 billion of cumulative available undrawn revolving loan capacity. The company had total outstanding debt of \$11.3 billion at quarter-end, in a variety of debt instruments principally including \$4.8 billion unsecured debt, \$3.3 billion in mortgage securitizations and \$3.2 billion in consumer loan securitizations¹⁰.

1. Reflects historical accounting basis (which is a basis of accounting other than U.S. GAAP). All references to non-GAAP measures in this press release are
2. Excludes net charge-offs of charges related to accelerated repayment/repurchase of debt, fair value adjustments on debt and earnings attributable to non-
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1. Transitions and transfers to other accounting basis (which is a basis of accounting other than U.S. GAAP). Pretax income excludes the effect of the transfer to other accounting basis of \$1 million of recoveries on charged-off personal loans resulting from the sale of our previously charged-off and held for sale portfolio. In 2014, it excludes \$25.4 million of recoveries on charged-off personal loans resulting from the sale of our previously charged-off and held for sale portfolio. Pretax income is related to fair value adjustments on debt.

2014 Guidance

The company has previously established 2014 guidance ranges for certain metrics related to its Core Consumer Operations.

	FY 2013 ⁽¹⁾	2Q14 ⁽²⁾	2014 Guidance (as of 12/31/13)	2014 Guidance (as of 3/31/14)	2014 Guidance (as of 6/30/14)
Consumer Net Finance Receivables at Period End	\$3.14bn	\$3.37bn	\$3.60bn - \$3.75bn	\$3.60bn - \$3.75bn	\$3.70bn - \$3.85bn
Consumer Yield	25.84%	27.03%	26.75% - 27.25%	27.00% - 27.50%	26.85% - 27.35%
Consumer Risk-Adjusted Yield ⁽³⁾	22.03%	21.91%	22.00% - 23.00%	22.00% - 22.50%	21.85% - 22.35%
Acquisitions & Servicing Pretax Income ⁽⁴⁾	\$109mm	\$34mm	\$85mm - \$105mm	\$95mm - \$115mm	\$100mm - \$120mm

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

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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 our second quarter results and other general matters at 10:00 am Eastern on Thursday, August 7, 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 74805047, 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 74805047, beginning approximately two hours after the event. The replay of the conference call will be available through August 21, 2014. An investor presentation will be available by visiting the Investor Relations page of Springleaf's website at www.springleaf.com on Thursday, August 7, 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 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
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 Holdings, Inc.	<u>\$ 72,389</u>	<u>\$ 56,178</u>	<u>\$ 124,713</u>	<u>\$ 46,564</u>
Share Data:				
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
Diluted	\$ 0.63	\$ 0.56	\$ 1.08	\$ 0.47

CONSOLIDATED BALANCE SHEET (UNAUDITED)

(dollars in thousands)	June 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents	\$ 891,341	\$ 431,409
Investment securities	657,483	582,090
Net finance receivables:		
Personal loans	3,407,328	3,171,704
SpringCastle Portfolio	2,202,380	2,505,349
Real estate loans	6,341,257	7,982,349
Retail sales finance	68,426	98,911
Net finance receivables	<u>12,019,391</u>	<u>13,758,313</u>
Allowance for finance receivable losses	(368,272)	(333,325)
Net finance receivables, less allowance for finance receivable losses	<u>11,651,119</u>	<u>13,424,988</u>
Restricted cash	487,160	536,005
Other assets	<u>396,255</u>	<u>428,194</u>
Total assets	<u>\$ 14,083,358</u>	<u>\$ 15,402,686</u>
Liabilities and Shareholders' Equity		
Long-term debt	\$ 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	<u>12,017,730</u>	<u>13,516,058</u>
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	<u>1,111,403</u>	<u>986,690</u>
Springleaf Holdings, Inc. shareholders' equity	<u>1,678,078</u>	<u>1,540,020</u>
Non-controlling interests	387,550	346,608
Total shareholders' equity	<u>2,065,628</u>	<u>1,886,628</u>
Total liabilities and shareholders' equity	<u>\$ 14,083,358</u>	<u>\$ 15,402,686</u>

CORE KEY METRICS

(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
Consumer				
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	5.80%	4.36%	5.68%	5.50%
Recovery ratio	(0.68)%	(5.04)%	(0.62)%	(3.22)%
Charge-off ratio	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
Acquisitions and Servicing				
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%

RECONCILIATION OF PGAAP AND HISTORICAL INCOME (NON-GAAP)

(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	(34,360)	(51,859)	(71,227)	(102,039)
Interest expense adjustments	34,967	34,165	63,527	69,501
Provision for finance receivable losses adjustments	2,298	11,190	2,658	14,640
Repurchases and repayments of long-term debt adjustments	-	(21,134)	(4,884)	(21,134)
Fair value adjustments on debt	53	17,495	8,351	32,700
Sales of finance receivables held for sale originated as held for investment adjustments	(57,619)	-	(174,981)	-
Amortization of other intangible assets	1,095	1,308	2,221	2,718

Other	652	2,090	1,070	3,409
Income before provision for income taxes - historical accounting basis	<u>\$ 94,518</u>	<u>\$ 137,136</u>	<u>\$ 73,317</u>	<u>\$ 129,799</u>

PRETAX CORE EARNINGS (NON-GAAP) RECONCILIATION

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

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Source: Springleaf Holdings, Inc.