



News Release

Springleaf Holdings, Inc. Reports Third Quarter 2014 Results

11/14/2014

EVANSVILLE, Ind--(BUSINESS WIRE)-- Springleaf Holdings, Inc. (NYSE:LEAF), today reported net income of \$427 million, or \$3.70 per diluted share for the third quarter of 2014, compared with a net loss of \$93 million or \$0.93 per diluted share in the third quarter of 2013 (based on the pre-initial public offering share count of 100 million shares).

Net income in the third quarter of 2014 included an approximately \$610 million pretax net gain¹ from the sale of approximately \$6.0 billion of real estate assets^{2,3}.

Core Earnings (a non-GAAP measure) for our Core Consumer Operations for the quarter was \$64 million, versus \$45 million in the prior year quarter, and Core Earnings per diluted share (a non-GAAP measure) was \$0.55 for the third quarter versus \$0.45 in the prior year quarter⁴.

Third Quarter Highlights

- Branch consumer net finance receivables reached \$3.6 billion at September 30, 2014, an increase of \$610 million, or 21% from September 30, 2013, and up 6% from June 30, 2014.
- Consumer net finance receivables per branch were \$4.3 million at September 30, 2014, up 21% from September 30, 2013 and 6% from June 30, 2014.
- Risk-adjusted yield for our Consumer segment in the quarter was 22.34%, up 45 basis points from the third quarter 2013⁵.
- The company closed on the sale of its interests in approximately \$6.0 billion of non-core real estate assets and related servicing^{2,3}, essentially completing the company's previously disclosed mortgage liquidation plan.

The transactions generated a pretax gain of approximately \$610 million¹.

“Continued execution of our strategy to drive profitable growth in our Core Consumer business led to another quarter of outstanding results,” said Jay Levine, President and CEO of Springleaf. “Our principal objective in the consumer lending business has been to realize the benefits of scale in our branch operations by continuing to grow receivables per branch, and we reached that objective again this quarter, helping to drive Core Earnings up 42% from last year. The combination of solid performance in our branches and our very strong cash position leaves us well-positioned to continue to grow.”

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 \$63 million in the quarter versus \$45 million in the third quarter of 2013, and up from \$60 million in the second quarter of 2014⁶.

Consumer net finance receivables reached \$3.6 billion at September 30, 2014, an increase of 21% from September 30, 2013 and 6% from June 30, 2014, driven by the company's focus on increasing personal loan originations through its branch network and diversifying its product offerings. Consumer net finance receivables per branch continued to grow, reaching \$4.3 million at September 30, 2014, up from \$4.1 million at June 30, 2014 and \$3.6 million at September 30, 2013.

Net interest income of \$196 million increased 30% from the prior year quarter, driven by 20% growth in average net receivables and strength in consumer yield of 27.02%. Net interest income increased 9% from the prior quarter. Yield in the current quarter continued to benefit from the change in the state-by-state mix of loan originations. Risk adjusted yield, representing yield less net charge-off rate, was 22.34% in the quarter, up 45 basis points from the third quarter of 2013 and 43 basis points from the second quarter of 2014.

The annualized net charge-off ratio was 4.68% in the quarter, versus 4.03% in the prior year quarter and 5.12% in the prior quarter⁷.

The annualized gross charge-off ratio was 5.46% in the quarter, up 117 basis points from the prior year quarter and down 34 basis points from the second quarter 2014. Recoveries continued to normalize in the quarter at 78 basis points versus 26 basis points in the third quarter of 2013, following the sale of a pool of previously charged-off accounts in June 2013⁷.

The 60+ delinquency ratio was 2.55% at quarter end, versus 2.32% in the prior year quarter and 2.28% in the prior

quarter.

Acquisitions and Servicing

The Acquisitions and Servicing segment contributed \$39 million to the company's consolidated pretax income in the quarter⁸. The entire Acquisitions and Servicing segment generated pretax income of \$74 million in the quarter, with net interest income of \$113 million and yield of 24.26%⁹. Actual net finance receivables at quarter-end were \$2.1 billion, down from \$2.2 billion at June 30, 2014. The principal balance of the portfolio was \$2.7 billion at quarter-end versus \$2.9 billion at June 30, 2014.

The annualized net charge-off ratio was 5.31% in the quarter, versus 8.58% in the prior year quarter and 7.07% in the prior quarter.

The annualized gross charge-off ratio was 5.83% in the quarter, down 307 basis points from the prior year quarter and down 195 basis points from the second quarter 2014, largely due to the slower pace of portfolio run-off. Recoveries continued to improve in the quarter at 52 basis points versus 32 basis points in the third quarter of 2013.

The delinquency ratio for the Acquisitions and Servicing segment was 5.11% at the end of the quarter, an increase of 7 basis points from the prior quarter end.

Legacy Real Estate and Other Non-Core

Excluding gains from the recent sales¹⁰, the Non-Core Portfolio (consisting of legacy real estate loans) and Other Non-Core activities generated a pretax loss of \$50 million in the quarter, including a pretax loss of \$48 million attributable to the legacy real estate loan portfolio¹¹. Other Non-Core activities resulted in a loss of \$2 million in the quarter.

Liquidity and Capital Resources

As of September 30, 2014, the company had \$2.8 billion of cash and highly liquid investment securities. The company had total outstanding debt of \$7.9 billion at quarter-end, in a variety of debt instruments.

(1) Gain from sale of real estate assets net of restructuring transaction expenses and GAAP adjustments to non-GAAP measures in this press release are calculated after the effect of charges related to accelerated repayment/repurchase of debt, fair value adjustments on debt and earnings attributable to non-GAAP measures. The effect of charges related to accelerated repayment/repurchase of debt, fair value adjustments on debt and earnings attributable to non-GAAP measures is not reflected in the forecast. (2) The forecast is based on a pro forma basis, which is a basis of accounting other than U.S. GAAP. Pre-tax income excludes certain non-recurring expenses, including the effect of the fair value adjustment for the subsequent payback of certain personal loans resulting from a 2010 debt restructuring, and other non-recurring expenses related to the adjustments on debt and earnings attributable to non-GAAP measures. (3) The forecast is based on a pro forma basis, which is a basis of accounting other than U.S. GAAP.

2014 Guidance

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

	FY 2013 ⁽¹⁾	3Q14 ⁽²⁾	2014 Guidance (as of 6/30/14)	2014 Guidance (as of 9/30/14)
Consumer Net Finance Receivables at Period End	\$3.14bn	\$3.58bn	\$3.70bn - \$3.85bn	\$3.75bn - \$3.85bn
Consumer Yield	25.84%	27.02%	26.85% - 27.35%	26.75% - 27.00%
Consumer Risk-Adjusted Yield ⁽³⁾	22.03%	22.34%	21.85% - 22.35%	21.75% - 22.25%
Acquisitions & Servicing Pretax Income ⁽⁴⁾	\$109mm	\$39mm	\$100mm - \$120mm	\$120mm - \$135mm

(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 September 30, 2014. All other metrics represent data for the quarter ended September 30, 2014. (3) Excludes impact of charges related to fair value adjustments on debt and earnings attributable to non-controlling interests. (4) Excludes impact of charges related to fair value adjustments on debt and earnings attributable to non-controlling interests.

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 third quarter results and other general matters at 10:00 am Eastern on Friday, November 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 28787400, 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 28787400, beginning approximately two hours after the event. The replay of the conference call will be available through November 27, 2014. An investor presentation will be available by visiting the Investor Relations page of Springleaf's website at www.springleaf.com on Friday, November 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)

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013 Revised	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013 Revised
(dollars in thousands except earnings (loss) per share)				
Interest income:				
Finance charges	\$ 435,445	\$ 583,926	\$ 1,513,590	\$ 1,577,561
Finance receivables held for sale originated as held for investment	47,679	—	54,921	—
Total interest income	483,124	583,926	1,568,511	1,577,561
Interest expense	180,142	229,157	576,863	700,868
Net interest income	302,982	354,769	991,648	876,693
Provision for finance receivable losses	102,971	162,264	379,196	339,061
Net interest income after provision for finance receivable losses	200,011	192,505	612,452	537,632
Other revenues:				
Insurance	44,010	38,277	125,116	107,144
Investment	11,251	6,532	31,334	27,254
Net loss on repurchases and repayments of debt	—	(33,572)	(6,615)	(33,809)
Net gain (loss) on fair value adjustments on debt	1,352	6,586	(15,033)	7,097
Net gain on sales of real estate loans and related trust assets	641,328	—	731,314	—
Other	(11,975)	1,603	(7,403)	6,986
Total other revenues	685,966	19,426	858,713	114,672
Other expenses:				
Operating expenses:				
Salaries and benefits	94,702	214,552	278,504	371,842
Other operating expenses	75,117	72,478	192,889	194,457
Insurance losses and loss adjustment expenses	20,141	16,550	57,173	47,650
Total other expenses	189,960	303,580	528,566	613,949
Income (loss) before provision for (benefit from) income taxes	696,017	(91,649)	942,599	38,355
Provision for (benefit from) income taxes	234,322	(30,698)	309,594	(1,998)
Net income (loss)	461,695	(60,951)	633,005	40,353
Net income attributable to non-controlling interests	34,945	31,643	81,542	86,383
Net income (loss) attributable to Springleaf Holdings, Inc.	\$ 426,750	\$ (92,594)	\$ 551,463	\$ (46,030)

Share Data:

Weighted average number of shares outstanding:

Basic	114,788,439	100,000,000	114,788,439	100,000,000
Diluted	115,316,314	100,000,000	115,212,398	100,000,000
Earnings (loss) per share:				
Basic	\$ 3.72	\$ (0.93)	\$ 4.80	\$ (0.46)
Diluted	\$ 3.70	\$ (0.93)	\$ 4.79	\$ (0.46)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

(dollars in thousands)	September 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents	\$ 1,970,512	\$ 431,409
Investment securities	1,723,381	582,090
Net finance receivables:		
Personal loans	3,607,209	3,171,704
SpringCastle Portfolio	2,083,145	2,505,349
Real estate loans	655,299	7,982,349
Retail sales finance	56,900	98,911
Net finance receivables	6,402,553	13,758,313
Allowance for finance receivable losses	(163,636)	(333,325)
Net finance receivables, less allowance for finance receivable losses	6,238,917	13,424,988
Finance receivables held for sale	493,196	—
Restricted cash	312,825	536,005
Other assets	523,987	428,194
Total assets	\$ 11,262,818	\$ 15,402,686
Liabilities and Shareholders' Equity		
Long-term debt	\$ 7,858,037	\$ 12,769,036
Insurance claims and policyholder liabilities	430,052	394,168
Deferred and accrued taxes	153,873	145,520
Other liabilities	310,738	207,334
Total liabilities	8,752,700	13,516,058
Shareholders' equity:		
Common stock	1,148	1,148
Additional paid-in capital	528,177	524,087
Accumulated other comprehensive income	34,289	28,095
Retained earnings	1,538,153	986,690
Springleaf Holdings, Inc. shareholders' equity	2,101,767	1,540,020
Non-controlling interests	408,351	346,608
Total shareholders' equity	2,510,118	1,886,628
Total liabilities and shareholders' equity	\$ 11,262,818	\$ 15,402,686

CORE KEY METRICS

Three Months Ended September 30,	Three Months Ended September 30,	At or for the Nine Months Ended September 30,	At or for the Nine Months Ended September 30,
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(dollars in thousands)	2014		2013		2014		2013	
Consumer								
Net finance receivables					\$	3,578,019	\$	2,968,211
Number of accounts						894,182		797,406
Average net receivables	\$	3,480,581	\$	2,897,354	\$	3,295,101	\$	2,705,438
Yield		27.02 %		25.92 %		27.00 %		25.65 %
Gross charge-off ratio		5.46 %		4.29 %		5.60 %		5.06 %
Recovery ratio		(0.78)%		(0.26)%		(0.67)%		(2.16)%
Charge-off ratio		4.68 %		4.03 %		4.93 %		2.90 %
Delinquency ratio						2.55 %		2.32 %
Origination volume	\$	924,317	\$	767,097	\$	2,594,645	\$	2,326,961
Number of accounts		193,288		192,225		566,032		563,531
Acquisitions and Servicing								
Net finance receivables					\$	2,083,145	\$	2,654,238
Number of accounts						291,153		363,912
Average net receivables	\$	2,141,884	\$	2,734,454	\$	2,279,237	\$	2,808,221
Yield		24.26 %		23.64 %		24.28 %		23.53 %
Net charge-off ratio		5.31 %		8.58 %		7.09 %		5.48 %
Delinquency ratio						5.11 %		7.45 %

RECONCILIATION OF PGAAP AND HISTORICAL INCOME (NON-GAAP)

(dollars in thousands)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Income (loss) before provision for (benefit from) income taxes - push-down accounting basis	\$ 696,017	\$ (91,649)	\$ 942,599	\$ 38,355
Interest income adjustments	(17,067)	(51,635)	(88,294)	(153,674)
Interest expense adjustments	36,359	33,476	99,886	102,977
Provision for finance receivable losses adjustments	(19,930)	8,422	(17,272)	23,062
Repurchases and repayments of long-term debt adjustments	—	14,158	(4,884)	(6,976)
Fair value adjustments on debt	170	12,250	8,521	44,950
Sales of finance receivables held for sale originated as held for investment adjustments	(361,439)	—	(536,420)	—
Amortization of other intangible assets	1,073	1,228	3,294	3,946
Other	13,802	1,276	14,872	4,685
Income (loss) before provision for (benefit from) income taxes - historical accounting basis	<u>\$ 348,985</u>	<u>\$ (72,474)</u>	<u>\$ 422,302</u>	<u>\$ 57,325</u>

PRETAX CORE EARNINGS (NON-GAAP) RECONCILIATION

Three Months Three Months Nine Months Nine Months

(dollars in thousands)	Ended September 30, 2014	Ended September 30, 2013	Ended September 30, 2014	Ended September 30, 2013
Income (loss) before provision for (benefit from) income taxes - historical accounting basis	\$ 348,985	\$ (72,474)	\$ 422,302	\$ 57,325
Adjustments:				
Pretax operating (income) loss - Non-Core Portfolio Operations	(214,441)	41,048	(87,103)	135,535
Pretax operating loss - Other/non- originating legacy operations	2,491	134,685	12,799	129,817
Net loss from accelerated repayment/repurchase of debt - Consumer	—	2,890	1,429	4,390
Net (gain) loss on fair value adjustments on debt - Core Consumer Operations (attributable to SHI)	(715)	(3,111)	6,961	(3,111)
Pretax operating income attributable to non-controlling interests	(34,945)	(31,643)	(81,542)	(86,383)
Pretax core earnings	<u>\$ 101,375</u>	<u>\$ 71,395</u>	<u>\$ 274,846</u>	<u>\$ 237,573</u>

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Source: Springleaf Holdings, Inc.