



News Release

Springleaf Holdings, Inc. Reports First Quarter 2015 Results

5/7/2015

EVANSVILLE, Ind.--(BUSINESS WIRE)-- Springleaf Holdings, Inc. (NYSE:LEAF), today reported a GAAP basis net income of \$0 million, or \$0.00 per diluted share for the first quarter of 2015, compared with net income of \$52 million or \$0.45 per diluted share in the first quarter of 2014, which included a pretax gain of \$55 million on the sale of real estate assets.

For Core Consumer Operations, core earnings (a non-GAAP measure) for the quarter was \$64 million, a 28% increase from \$50 million in the prior year quarter, and core earnings per diluted share (a non-GAAP measure) was \$0.55 for the first quarter versus \$0.43 in the prior year quarter^{1,2}.

First Quarter Highlights

- Consumer net finance receivables reached \$3.9 billion at March 31, 2015, an increase of \$736 million, or 23% from March 31, 2014, and up 2% from December 31, 2014.
- Consumer net finance receivables per branch were \$4.7 million at March 31, 2015, up 24% from March 31, 2014 and 2% from December 31, 2014.
- Risk-adjusted yield for our Consumer segment in the quarter was 21.24%, down 68 basis points from the first quarter of 2014.
- The company generated \$868 million of total consumer origination volume in the first quarter, including \$207 million of direct auto loan originations. Direct auto loan receivables reached \$415 million at quarter-end.

Jay Levine, President and CEO of Springleaf said, "We are very pleased to report another quarter of strong growth in core earnings, up 28% from last year, as we continue to generate positive operating leverage from our key strategy of serving our customer base and growing receivables per branch. Once again this quarter, both branch receivables

and branch originations grew north of 20% year over year and consumer receivables per branch reached \$4.7 million.”

Commenting on the pending acquisition of OneMain Financial, Levine added, “We are making progress toward closing the acquisition of OneMain, which we continue to expect to take place in the third quarter.”

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 and Insurance

Consumer and Insurance pretax income was \$65 million in the quarter versus \$49 million in the first quarter of 2014, and up slightly from the fourth quarter of 2014^{3,4}.

Consumer net finance receivables reached \$3.9 billion at March 31, 2015, an increase of 23% from March 31, 2014 and up 2% from December 31, 2014, driven by the company’s same focus on increasing personal loan originations through its branch network, as well as the continued strong growth in the direct auto loan product. Consumer net finance receivables per branch continued to grow, reaching \$4.7 million at March 31, 2015, up from \$3.8 million at March 31, 2014 and \$4.6 million at December 31, 2014.

Net interest income was \$216 million in the quarter, up 28% from the prior year quarter and 4% from the prior quarter. Yield in the current quarter was 26.88%. Risk adjusted yield, representing yield less net charge-off rate, was 21.24% in the quarter, down 68 basis points from the first quarter of 2014 as net charge-offs increased year-over-year. Risk adjusted yield declined 75 basis points from the fourth quarter of 2014 due primarily to the increased charge-offs.

The annualized net charge-off ratio was 5.64% in the quarter, versus 5.01% in the prior year quarter and 4.96% in the prior quarter.

The annualized gross charge-off ratio was 6.43% in the quarter, up 87 basis points from the prior year quarter and up 65 basis points from the fourth quarter 2014. Recoveries improved in the quarter at 79 basis points versus 55 basis points in the first quarter of 2014.

The 60+ delinquency ratio was 2.53% at quarter end, versus 2.45% at prior year quarter end and 2.82% at prior quarter end.

Acquisitions and Servicing

The Acquisitions and Servicing segment contributed \$36 million to the company's consolidated pretax income in the quarter. The entire Acquisitions and Servicing segment, which includes non-controlling interests, generated pretax income of \$67 million in the quarter⁵, with net interest income of \$104 million and a yield of 26.78%. Actual net finance receivables at quarter-end were \$1.9 billion, down from \$2.0 billion at December 31, 2014. The principal balance of the portfolio was \$2.4 billion at quarter-end versus \$3.0 billion at March 31, 2014.

The annualized net charge-off ratio was 5.43% in the quarter, versus 8.67% in the prior year quarter and 5.56% in the prior quarter.

The annualized gross charge-off ratio was 6.06% in the quarter, down 322 basis points from the prior year quarter and 9 basis points from the fourth quarter 2014. Recoveries continued to improve in the quarter at 64 basis points versus 59 basis points in the fourth quarter of 2014.

The delinquency ratio for the Acquisitions and Servicing segment was 4.22% at the end of the quarter, a decrease of 47 basis points from the prior quarter end.

Non-Core Portfolio: (Reported on a historical accounting basis, which is a non-GAAP measure.)

Legacy Real Estate and Other Non-Core

The Non-Core Portfolio (consisting of legacy real estate loans) generated a pretax loss of \$48 million in the quarter. The loss resulted primarily from the reduction in interest earning assets due to real estate sales completed in 2014. The sale proceeds, which have been allocated to the Non-Core portfolio, are expected to be used to fund the purchase of OneMain. At closing, the majority of the debt allocated to the Non-Core Portfolio will be re-allocated to the Core Consumer segment. The real estate portfolio was \$0.8 billion at quarter end⁶, down from \$8.1 billion from the prior year quarter end.

The Other Non-Core activities generated a pretax loss of \$10 million⁷.

Liquidity and Capital Resources

As of March 31, 2015, the company had \$4.3 billion of cash and highly liquid investment securities. The company had total outstanding debt of \$9.6 billion at quarter-end, in a variety of debt instruments.

On May 4, 2015, the company issued approximately 19.4 million shares of common stock for net proceeds of approximately \$978 million⁸. The proceeds may be used to fund the acquisition of OneMain and/or for general corporate purposes, which may include debt repurchases and repayments, capital expenditures and other possible

acquisitions.

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. Core Earnings income taxes assume 37% statutory tax rate.
3. Excludes impact of charges related to accelerated repayment/repurchase of debt and one-time costs associated with debt refinance.
4. Consumer and Insurance segment reflects historical accounting basis (which is a basis of accounting other than U.S. GAAP).
5. Includes impact of earnings attributable to non-controlling interests.
6. Includes both Held for Investment and Held for Sale finance receivables.
7. Excludes impact of one-time items related to OneMain acquisition costs.
8. Including underwriting fees but prior to other transaction costs.

2015 Guidance

The company has established 2015 guidance ranges for certain metrics related to its Core Consumer Operations as follows:

	1Q15A ¹	2015E Guidance
Consumer Net Finance Receivables at Period End	\$3.90bn	\$ 4.50bn - \$4.75bn
Consumer Yield	26.88%	26.00% - 26.50%
Consumer Net Charge-off Ratio	5.64%	5.00% - 5.50%
Consumer Risk-Adjusted Yield ²	21.24%	20.50% - 21.50%
Acquisitions & Servicing Pretax Income ³	\$ 36mm	\$ 100mm - \$120mm

1. Net Finance Receivables represents data as of March 31, 2015. All other metrics represent data for the quarter ended March 31, 2015.

2. Risk Adjusted Yield = Yield less Net Charge-off rates.

3. Excludes impact of 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 in accordance with accounting principles generally accepted in the United States of America ("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 Core Consumer Operations (attributable to Springleaf), 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 & Webcast Information

Springleaf management will host a conference call and webcast to discuss our first quarter 2015 results and other general matters at 10:00 am Eastern on Thursday, May 7, 2015. 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 32459644, 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 32459644, beginning approximately two hours after the event. The replay of the conference call will be available through May 21, 2015. An investor presentation will be available by visiting the Investor Relations page of Springleaf's website at www.springleaf.com on Thursday, May 7, 2015, 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 2015 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 and the OneMain acquisition if completed; 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 2014 10-K filed with the SEC on March 16, 2015 and in other filings with the SEC. 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 millions except earnings per share)	Three Months Ended March 31,	
	2015	2014
Interest income:		
Finance charges	\$ 402	\$ 548
Finance receivables held for sale originated as held for investment	4	4
Total interest income	406	552
Interest expense	158	205
Net interest income	248	347
Provision for finance receivable losses	87	161
Net interest income after provision for finance receivable losses	161	186
Other revenues:		
Insurance	36	38
		6

Investment	17	10
Net loss on repurchases and repayments of debt	—	(7)
Net loss on fair value adjustments on debt	—	(17)
Net gain on sales of real estate loans and related trust assets	—	55
Other	(2)	2
Total other revenues	51	81
Other expenses:		
Operating expenses:		
Salaries and benefits	93	92
Other operating expenses	65	58
Insurance losses and loss adjustment expenses	16	18
Total other expenses	174	168
Income before provision for income taxes	38	99
Provision for income taxes	7	31
Net income	31	68
Net income attributable to non-controlling interests	31	16
Net income attributable to Springleaf Holdings, Inc.	\$ —	\$ 52
Share Data:		
Weighted average number of shares outstanding:		
Basic	115,027,470	114,788,439
Diluted	115,027,470	115,144,858
Earnings per share:		
Basic	\$ —	\$ 0.46
Diluted	\$ —	\$ 0.45

CONSOLIDATED BALANCE SHEET (UNAUDITED)

(dollars in millions)	March 31, 2015	December 31, 2014
Assets		
Cash and cash equivalents	\$ 2,421	\$ 879
Investment securities	2,736	2,935
Net finance receivables:		
Personal loans	3,917	3,831
SpringCastle Portfolio	1,868	1,979
Real estate loans	598	625
Retail sales finance	39	48
Net finance receivables	6,422	6,483
Allowance for finance receivable losses	(177)	(176)
Net finance receivables, less allowance for finance receivable losses	6,245	6,307
Finance receivables held for sale	199	205
Restricted cash and cash equivalents	344	218
Other assets	462	514
Total assets	\$ 12,407	\$ 11,058
Liabilities and Shareholders' Equity		
Long-term debt	\$ 9,635	\$ 8,385
Insurance claims and policyholder liabilities	443	446
Deferred and accrued taxes	142	152
Other liabilities	336	238
Total liabilities	10,556	9,221

Shareholders' equity:		
Common stock	1	1
Additional paid-in capital	530	529
Accumulated other comprehensive income	3	3
Retained earnings	1,492	1,492
Springleaf Holdings, Inc. shareholders' equity	2,026	2,025
Non-controlling interests	(175)	(188)
Total shareholders' equity	1,851	1,837
Total liabilities and shareholders' equity	\$ 12,407	\$ 11,058

CORE KEY METRICS

	At or for the Three Months Ended March 31,				
(dollars in millions)	2015		2014		
Consumer and Insurance					
Net finance receivables	\$	3,895	\$	3,159	
Number of accounts		909,004		826,703	
TDR finance receivables	\$	26	\$	14	
Allowance for finance receivables losses - TDR	\$	3	\$	—	
Provision for finance receivable losses - TDR	\$	4	\$	—	
Average net receivables	\$	3,831	\$	3,138	
Yield		26.88	%	26.93	%
Gross charge-off ratio		6.43	%	5.56	%
Recovery ratio		(0.79)	)%	(0.55)	)%
Charge-off ratio		5.64	%	5.01	%
Delinquency ratio		2.53	%	2.45	%
Origination volume	\$	868	\$	722	
Number of accounts		157,403		161,241	
Acquisitions and Servicing					
Net finance receivables	\$	1,868	\$	2,343	
Number of accounts		264,830		323,570	
TDR finance receivables	\$	11	\$	—	
Allowance for finance receivables losses - TDR	\$	3	\$	—	
Provision for finance receivable losses - TDR	\$	1	\$	—	
Average net receivables	\$	1,923	\$	2,426	
Yield		26.78	%	24.40	%
Net charge-off ratio		5.43	%	8.67	%
Delinquency ratio		4.22	%	6.33	%

RECONCILIATION OF PGAAP AND HISTORICAL INCOME (NON-GAAP)

Three Months Ended March 31,

(dollars in millions)

	2015	2014
Income before provision for income taxes - push-down accounting basis	\$ 38	\$ 99
Interest income adjustments	(3)	(36)
Interest expense adjustments	30	28
Provision for finance receivable losses adjustments	2	—
Repurchases and repayments of long-term debt adjustments	—	(4)
Fair value adjustments on debt	—	8
Sales of finance receivables held for sale originated as held for investment adjustments	—	(117)
Amortization of other intangible assets	1	1
Other	3	—
Income (loss) before provision for (benefit from) income taxes - historical accounting basis	<u>\$ 71</u>	<u>\$ (21)</u>

PRETAX CORE EARNINGS (NON-GAAP) RECONCILIATION

	Three Months Ended March 31,	
(dollars in millions)	2015	2014
Income (loss) before provision for (benefit from) income taxes - historical accounting basis	\$ 71	\$ (21)
Adjustments:		
Pretax operating loss - Non-Core Portfolio Operations	48	105
Pretax operating loss - Other/non-originating legacy operations	13	3
Net loss from accelerated repayment/repurchase of debt - Core Consumer Operations (attributable to SHI)	—	1
Net loss on fair value adjustments on debt - Core Consumer Operations (attributable to SHI)	—	8
Pretax operating income attributable to non-controlling interests	(31)	(16)
Pretax core earnings	<u>\$ 101</u>	<u>\$ 80</u>

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Source: Springleaf Holdings, Inc.