Springleaf Holdings, Inc.
Form 10-Q
November 14, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 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<br>(State of Incorporation) | 27-3379612<br>(I.R.S. Employer Identification No.) |
| 601 N.W. Second Street, Evansville, IN<br>(Address of principal executive offices) | 47708<br>(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 x No o

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 x No o

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

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

At November 14, 2014, there were 114,832,895 shares of the registrant’s common stock, $.01 par value, outstanding.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (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 (includes loans of consolidated VIEs of $1.8 billion in 2014 and $1.6 billion in 2013) | 3,607,209 | 3,171,704 |
| SpringCastle Portfolio (includes loans of consolidated VIEs of $2.1 billion in 2014 and $2.5 billion in 2013) | 2,083,145 | 2,505,349 |
| Real estate loans (includes loans of consolidated VIEs of $0 in 2014 and $5.7 billion in 2013) | 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 (includes allowance of consolidated VIEs of $67.8 million in 2014 and $153.7 million in 2013) | (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 (includes restricted cash of consolidated VIEs of $295.7 million in 2014 and $522.8 million in 2013) | 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 (includes debt of consolidated VIEs of $3.1 billion in 2014 and $7.3 billion in 2013) | $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 |
| Commitments and contingent liabilities (Note 13) | | |
| Shareholders' equity: | | |
| Common stock, par value $.01 per share; 2,000,000,000 shares authorized, 114,832,895 shares issued and outstanding at September 30, 2014 and December 31, 2013 | 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 |

See Notes to Condensed Consolidated Financial Statements.

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

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

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

| (dollars in thousands) | 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 |
|---|---|---|---|---|
| Net income (loss) | $461,695 | $(60,951) | $633,005 | $40,353 |
| Other comprehensive income (loss): | | | | |
| Net unrealized gains (losses) on: | | | | |
| Investment securities on which other-than-temporary impairments were taken | (8) | (17) | (357) | (135) |
| All other investment securities | (3,844) | (429) | 15,498 | (10,989) |
| Foreign currency translation adjustments | 761 | (2,056) | 267 | 38 |
| Income tax effect: | | | | |
| Net unrealized (gains) losses on: | | | | |
| Investment securities on which other-than-temporary impairments were taken | 3 | 6 | 125 | 47 |
| All other investment securities | 1,346 | 149 | (5,426) | 3,844 |
| Other comprehensive income (loss), net of tax, before reclassification adjustments | (1,742) | (2,347) | 10,107 | (7,195) |
| Reclassification adjustments included in net income (loss): | | | | |
| Net realized (gains) losses on investment securities | (2,750) | 355 | (6,019) | (2,253) |
| Cash flow hedges | — | — | — | (160) |
| Income tax effect: | | | | |
| Net realized gains (losses) on investment securities | 962 | (124) | 2,106 | 789 |
| Cash flow hedges | — | — | — | 56 |
| Reclassification adjustments included in net income (loss), net of tax | (1,788) | 231 | (3,913) | (1,568) |
| Other comprehensive income (loss), net of tax | (3,530) | (2,116) | 6,194 | (8,763) |
| Comprehensive income (loss) | 458,165 | (63,067) | 639,199 | 31,590 |
| Comprehensive income attributable to non-controlling interests | 34,945 | 31,643 | 81,542 | 86,383 |
| Comprehensive income (loss) attributable to Springleaf Holdings, Inc. | $423,220 | $(94,710) | $557,657 | $(54,793) |

See Notes to Condensed Consolidated Financial Statements.

5

Table of Contents

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

| (dollars in thousands) | Springleaf Holdings, Inc. Shareholders' Equity Common Stock | Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Springleaf Holdings, Inc. Shareholders' Equity | Non-controlling Interests | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| Balance, January 1, 2014 | $1,148 | $524,087 | $ 28,095 | $986,690 | $ 1,540,020 | $ 346,608 | $1,886,628 |
| Share-based compensation expense, net of forfeitures | — | 4,090 | — | — | 4,090 | — | 4,090 |
| Change in non-controlling interests: | | | | | | | |
| Distributions declared to joint venture partners | — | — | — | — | — | (19,799) | (19,799) |
| Change in net unrealized gains: | | | | | | | |
| Investment securities | — | — | 5,927 | — | 5,927 | — | 5,927 |
| Foreign currency translation adjustments | — | — | 267 | — | 267 | — | 267 |
| Net income | — | — | — | 551,463 | 551,463 | 81,542 | 633,005 |
| Balance, September 30, 2014 | $1,148 | $528,177 | $ 34,289 | $1,538,153 | $ 2,101,767 | $ 408,351 | $2,510,118 |
| | | | | | | | |
| Balance, January 1, 2013 - Revised | $1,000 | $147,459 | $ 26,472 | $1,005,991 | $ 1,180,922 | $ — | $1,180,922 |
| Share-based compensation expense, net of forfeitures | — | 131,250 | — | — | 131,250 | — | 131,250 |
| Change in non-controlling interests: | | | | | | | |
| Contributions from joint venture partners | — | — | — | — | — | 438,081 | 438,081 |
| Distributions declared to joint venture partners | — | — | — | — | — | (204,516) | (204,516) |
| Change in net unrealized losses: | | | | | | | |
| Investment securities | — | — | (8,697) | — | (8,697) | — | (8,697) |
| Cash flow hedges | — | — | (104) | — | (104) | — | (104) |
| Foreign currency translation adjustments | — | — | 38 | — | 38 | — | 38 |
| Net income (loss) | — | — | — | (46,030) | (46,030) | 86,383 | 40,353 |
| Balance, September 30, 2013 - Revised | $1,000 | $278,709 | $ 17,709 | $959,961 | $ 1,257,379 | $ 319,948 | $1,577,327 |

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)<br>Nine Months Ended September 30, | 2014 | 2013<br>Revised |
|---|---|---|
| Cash flows from operating activities | | |
| Net income | $633,005 | $40,353 |
| Reconciling adjustments: | | |
| Provision for finance receivable losses | 379,196 | 339,061 |
| Depreciation and amortization | (43,342) | (39,138) |
| Deferred income tax charge (benefit) | 14,970 | (88,476) |
| Net loss (gain) on fair value adjustments on debt | 15,033 | (7,097) |
| Net gain on sales of real estate loans and related trust assets | (731,314) | — |
| Net charge-offs on finance receivables held for sale | 10,713 | — |
| Net loss on repurchases and repayments of debt | 6,615 | 33,809 |
| Share-based compensation expense, net of forfeitures | 4,090 | 131,250 |
| Other | 852 | (707) |
| Cash flows due to changes in: | | |
| Other assets and other liabilities | 63,004 | 91,943 |
| Insurance claims and policyholder liabilities | 35,884 | 14,917 |
| Taxes receivable and payable | (27,456) | (24,732) |
| Accrued interest and finance charges | (7,900) | (30,566) |
| Restricted cash not reinvested | (18,765) | 33,885 |
| Other, net | 892 | (828) |
| Net cash provided by operating activities | 335,477 | 493,674 |
| | | |
| Cash flows from investing activities | | |
| Finance receivables originated or purchased, net of deferred origination costs | (1,914,270) | (1,688,630) |
| Principal collections on finance receivables | 2,294,057 | 2,386,086 |
| Purchase of SpringCastle Portfolio | — | (2,963,547) |
| Sales and principal collections on finance receivables held for sale originated as held for investment | 3,437,430 | — |
| Available-for-sale investment securities purchased | (273,972) | (442,686) |
| Trading investment securities purchased | (1,085,187) | (6,295) |
| Available-for-sale investment securities called, sold, and matured | 226,658 | 721,042 |
| Trading investment securities called, sold, and matured | 32,415 | 7,492 |
| Change in restricted cash | 24,502 | (395,552) |
| Proceeds from sale of real estate owned | 51,386 | 88,346 |
| Other, net | (4,571) | (4,749) |
| Net cash provided by (used for) investing activities | 2,788,448 | (2,298,493) |
| | | |
| Cash flows from financing activities | | |
| Proceeds from issuance of long-term debt, net of commissions | 672,440 | 5,990,565 |
| Repayment of long-term debt | (2,237,362) | (4,723,188) |
| Contributions from joint venture partners | — | 438,081 |
| Distributions to joint venture partners | (19,799) | (204,516) |
| Net cash provided by (used for) financing activities | (1,584,721) | 1,500,942 |

Condensed Consolidated Statements of Cash Flows (Unaudited) (Continued)

| (dollars in thousands)<br>Nine Months Ended September 30, | 2014 | 2013<br>Revised |
|---|---|---|
| Effect of exchange rate changes | (101) | (835) |
| Net change in cash and cash equivalents | 1,539,103 | (304,712) |
| Cash and cash equivalents at beginning of period | 431,409 | 1,554,348 |
| Cash and cash equivalents at end of period | $1,970,512 | $1,249,636 |
| Supplemental non-cash activities | | |
| Transfer of finance receivables to real estate owned | $46,982 | $70,004 |
| Transfer of finance receivables held for investment to finance receivables held for sale (prior to deducting allowance for finance receivable losses) | $6,901,755 | $— |
| Unsettled investment security purchases and sales | $28,684 | $— |

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 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").

On October 21, 2013, SHI completed the initial public offering of its common stock. At September 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 Springleaf Finance, Inc. ("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 indirect 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.

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 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.

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 REAL ESTATE LOAN TRANSACTIONS

In the third quarter of 2014, we entered into a series of transactions relating to the sales of our beneficial interests in our non-core real estate loans, the related servicing of these loans, and the sales of certain performing and non-performing real estate loans. The 2006-1 Securitization Assets Sale, the Securitization Assets Sale, the MSR Sale, and the September Whole Loan Sales are each defined below and are collectively referred to as the "Asset Sale." The Asset Sale, along with the real estate transactions that were completed in the first half of 2014 (the "Prior Dispositions") substantially complete the Company's previously disclosed plan to liquidate its non-core real estate loans.

In conjunction with these real estate loan transactions, we have closed our servicing centers in Dallas, Texas, Rancho Cucamonga, California, and Wesley Chapel, Florida, and have eliminated certain staff positions in our Evansville, Indiana, location. In total, approximately 300 staff positions were eliminated. However, the total reduction in workforce was approximately 170 employees, as 130 employees have been transferred into other positions at Springleaf. We recorded restructuring costs of $4.3 million in the third quarter of 2014 due to the workforce reductions and the closings of the servicing facilities.

Our insurance subsidiaries have written certain insurance policies on properties collateralizing the loans that have been deconsolidated or disposed of as a result of these sales. As part of the disposition, the insurance policies associated with the sold loans have been or will be cancelled.

The "2006-1 Securitization Assets Sale"

On July 31, 2014, Second Street Funding LLC (“Second Street”), an indirect subsidiary of SHI, entered into an agreement to sell certain mortgage-backed notes and trust certificates issued by American General Mortgage Loan Trust 2006-1 to an unaffiliated third party, for a purchase price of $9.5 million subject to customary closing conditions. On August 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. Second Street completed this transaction on September 30, 2014, at which time, the real estate loans included in the transaction had a carrying value of $87.8 million (after the basis adjustment for the related allowance for finance receivable losses). As a result of the sale, we deconsolidated the securitization trust holding 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.

The “Securitization Assets Sale”

On August 6, 2014, SFC and 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 a wholly owned subsidiary of SFC and collectively, the “Depositors”) entered into an agreement to sell,

Table of Contents

subject to certain closing conditions, certain notes and trust certificates (collectively, the “Securities”) backed by mortgage loans of the Springleaf Mortgage Loan Trust (“SMLT”) 2011-1, SMLT 2012-1, SMLT 2012-2, SMLT 2012-3, SMLT 2013-1, SMLT 2013-2, and SMLT 2013-3 (each, a “Trust”, and the issuance of the Securities by each Trust, a “Springleaf Transaction”) to Credit Suisse Securities (USA) LLC and its affiliates (“Credit Suisse”). The agreement also included the sale of the rights to receive any funds remaining in the reserve account established for each Springleaf Transaction, and certain related rights, representing substantially all of the Company’s remaining interests in the Trusts, to Credit Suisse.

On August 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. The Depositors completed this transaction on August 29, 2014, at which time, the real estate loans included in the transaction had a carrying value of $4.0 billion (after the basis adjustment for the related allowance for finance receivable losses). The purchase price for the Securitization Asset Sale was $1.6 billion. As a result of the sale, we deconsolidated the securitization trusts holding 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.

The “MSR Sale”

Additionally, in a separate transaction on August 6, 2014, SFC and its wholly owned subsidiary, MorEquity, Inc. (“MorEquity”) (collectively, the “Sellers”), entered into a Mortgage Servicing Rights Purchase and Sale Agreement, dated and effective as of August 1, 2014, with Nationstar Mortgage LLC (“Nationstar”), pursuant to which the Sellers agreed to sell to Nationstar all of their rights and responsibilities as servicer, primary servicer, and/or master servicer of the mortgage loans primarily underlying the Sellers’ securitizations completed in 2011, 2012 and 2013 (each a “Pool” and collectively, the “Pools”) with an aggregate unpaid principal balance (“UPB”) of approximately $5 billion. Additionally, Nationstar agreed to assume on and after the effective 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 include, among other things, the right to receive the related servicing fee on a monthly basis.

The purchase price for the MSR Sale was $38.8 million. Approximately 50% of the proceeds of the MSR Sale were received on August 29, 2014, the closing date, and 40% of the proceeds of the MSR Sale were received on October 23, 2014. The remaining 10% is subject to a holdback for resolution of missing documentation and other customary conditions, and is expected to be received no later than 120 days after the date of transfer of servicing upon resolution of those conditions. See Note 20 for further information on the subsequent payment received from Nationstar on October 23, 2014. Investment funds managed by affiliates of Fortress indirectly own a majority interest in Nationstar.

The servicing for each Pool was transferred on September 30, 2014. From the closing of the MSR Sale on August 29, 2014, until the servicing transfer on September 30, 2014, the Company continued to service certain loans on behalf of Nationstar under an interim servicing agreement.

The “September Whole Loan Sales”

On August 6, 2014, SFC and Credit Suisse agreed to the terms of sale of certain performing and non-performing mortgage loans by certain indirect subsidiaries of SHI (referred to herein as the “Probable Whole Loan Sales”). On August 1, 2014, the real estate loans included in the Probable Whole Loan Sales 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 a portion of the Probable Whole Loan Sales on September 30, 2014 (the “September Whole Loan Sales”) at which time, the real estate loans included in the September Whole Loan Sales had a carrying value of $768.6 million (after the basis adjustment for the related allowance for finance receivable losses).

The aggregate purchase price of $795.1 million for the September Whole Loan Sales included a holdback provision of $120 million of which $40 million was subject to finalization of the terms and conditions of administering the holdback and the remainder was subject to our ability to cure certain documentation deficiencies within the 60 day period (subject to extension under certain circumstances) subsequent to the closing of the sale. See Note 20 for further information on the subsequent payments received from Credit Suisse on October 16 and November 7, 2014.

Table of Contents

Prior Dispositions

The “Prior Dispositions” included the following transactions:

The “Sixth Street Disposition”. On May 23, 2014, Sixth Street Funding LLC (“Sixth Street”), a wholly owned subsidiary of SFC, agreed to sell and transfer its beneficial interests in the mortgage-backed retained certificates related to a securitization transaction completed in 2010 to Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPFS”) for a purchase price of $263.7 million. 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. Sixth Street completed this transaction 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 securitization trust holding 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.

The “Third Street Disposition”. On March 6, 2014, Third Street Funding LLC (“Third Street”), a wholly owned subsidiary of SFC, agreed to sell and transfer its beneficial interests in the mortgage-backed retained certificates related to a securitization transaction completed in 2009 to MLPFS for a purchase price of $737.2 million. 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. Third Street completed this transaction 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 securitization trust holding 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.

The “MorEquity Disposition”. On March 7, 2014, MorEquity entered into an agreement to sell, subject to certain closing conditions, certain performing and non-performing real estate loans for a purchase price of $79.0 million. 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. MorEquity 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).

ACCOUNTING PRONOUNCEMENTS ADOPTED

Income Taxes

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.

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.

Table of Contents

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 have evaluated this ASU and concluded that it is not applicable to the Company at this time.

Going Concern

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which requires management to assess a company's ability to continue as a going concern for each annual and interim reporting period, and disclose in its financial statements whether there is substantial doubt about the company's ability to continue as a going concern within one year after the date that the financial statements are issued. The new standard applies to all companies and is effective for the annual period ending after December 15, 2016, and all annual and interim periods thereafter. The new standard can also be early adopted. Upon adoption, we will perform the going concern assessment in accordance with the requirements of the new ASU.

ACCOUNTING POLICY ELECTIONS

We made certain policy elections with regard to the issuance of long-term debt related to a consumer loan securitization completed on March 26, 2014 (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 going forward. The updated long-term debt policy is presented below:

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, the 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 September 30, 2014, $1.7 billion of personal loans, or 48%, were secured by collateral consisting of titled personal property (such as automobiles), $1.3 billion, or 37%, were secured by consumer household goods or other items of personal property, and the remainder was unsecured.

Table of Contents

- 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 considered non-conforming. At September 30, 2014, $233.8 million of real estate loans, or 36%, were secured by first mortgages and $421.5 million, or 64%, were secured by second mortgages. 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.

Components of net finance receivables by type were as follows:

| (dollars in thousands) | Personal Loans | SpringCastle Portfolio | Real Estate Loans | Retail Sales Finance | Total |
|---|---|---|---|---|---|
| September 30, 2014 | | | | | |
| Gross receivables* | $4,209,056 | $2,067,719 | $652,839 | $62,342 | $6,991,956 |
| Unearned finance charges and points and fees | (696,696) | — | (3,260) | (5,922) | (705,878) |
| Accrued finance charges | 52,688 | 15,426 | 5,625 | 480 | 74,219 |
| Deferred origination costs | 42,161 | — | 95 | — | 42,256 |
| Total | $3,607,209 | $2,083,145 | $655,299 | $56,900 | $6,402,553 |
| December 31, 2013 | | | | | |
| 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 as follows:

- finance receivables purchased as a performing receivable — gross finance receivables equal the 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.

Table of Contents

Included in the table above are personal loans with a carrying value of $1.8 billion at September 30, 2014 and $1.6 billion at December 31, 2013 and SpringCastle Portfolio loans with a carrying value of $2.1 billion at September 30, 2014 and $2.5 billion at December 31, 2013 associated with securitizations that remain on our balance sheet. Also included in the table above are real estate loans with a carrying value of $5.7 billion at December 31, 2013 associated with mortgage securitizations that have been sold or transferred to finance receivables held for sale during the nine months ended September 30, 2014. See Note 1 for further information on these sales. The carrying value of consolidated long-term debt associated with securitizations totaled $3.1 billion at September 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 with a carrying value of $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.

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

| (dollars in thousands) | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Personal loans | $1,462 | $4,996 |
| SpringCastle Portfolio | 357,914 | 366,060 |
| Real estate loans | 30,437 | 32,338 |
| Total | $389,813 | $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 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 $0.1 million of revolving retail finance receivables that were more than 90 days past due and still accruing finance charges at September 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.

Table of Contents

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 |
|---|---|---|---|---|---|
| September 30, 2014 | | | | | |
| Net finance receivables: | | | | | |
| 60-89 days past due | $32,384 | $33,379 | $13,151 | $770 | $79,684 |
| 90-119 days past due | 25,688 | 20,955 | 7,842 | 429 | 54,914 |
| 120-149 days past due | 21,132 | 15,826 | 5,629 | 558 | 43,145 |
| 150-179 days past due | 16,727 | 13,102 | 5,557 | 303 | 35,689 |
| 180 days or more past due | 1,088 | 4,946 | 11,947 | 46 | 18,027 |
| Total delinquent finance receivables | 97,019 | 88,208 | 44,126 | 2,106 | 231,459 |
| Current | 3,456,829 | 1,932,945 | 588,796 | 53,522 | 6,032,092 |
| 30-59 days past due | 53,361 | 61,992 | 22,377 | 1,272 | 139,002 |
| Total | $3,607,209 | $2,083,145 | $655,299 | $56,900 | $6,402,553 |
| December 31, 2013 | | | | | |
| 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 |
|---|---|---|---|---|---|
| September 30, 2014 | | | | | |
| Performing | $3,542,574 | $2,028,316 | $624,324 | $55,564 | $6,250,778 |
| Nonperforming | 64,635 | 54,829 | 30,975 | 1,336 | 151,775 |
| Total | $3,607,209 | $2,083,145 | $655,299 | $56,900 | $6,402,553 |
| December 31, 2013 | | | | | |
| 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.

In connection with the acquisition of the SpringCastle Portfolio (the “SCP Loans”), we recorded the acquired loans at their fair value of $748.9 million on April 1, 2013, the day of purchase, and determined at this date that these loans with contractually required principal and interest of $1.9 billion and expected undiscounted cash flows of $1.2 billion 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.

We report finance receivables held for sale of $493.2 million at September 30, 2014, which consist of our non-core real estate loans. See Note 4 for further information on our finance receivables held for sale. At September 30, 2014, finance receivables held for sale include purchased credit impaired real estate loans, as well as troubled debt restructured (“TDR”) real estate loans. Therefore, we are presenting the financial information for the purchased credit impaired finance receivables and the TDR finance receivables by finance receivables held for investment and finance receivables held for sale in the tables below.

Table of Contents

Information regarding these purchased credit impaired finance receivables held for investment and held for sale were as follows:

| (dollars in thousands) | SCP Loans | FA Loans | Total |
|---|---|---|---|
| September 30, 2014 | | | |
| Carrying amount, net of allowance (a) | $370,967 | $191,725 | $562,692 |
| Outstanding balance (b) | $682,389 | $300,128 | $982,517 |
| Allowance for purchased credit impaired finance receivable losses | $— | $4,513 | $4,513 |
| December 31, 2013 | | | |
| Carrying amount, net of allowance | $530,326 | $1,257,047 | $1,787,373 |
| Outstanding balance | $851,211 | $1,791,882 | $2,643,093 |
| Allowance for purchased credit impaired finance receivable losses | $— | $57,334 | $57,334 |

(a) The carrying amount of purchased credit impaired finance receivables at September 30, 2014 includes $165.5 million of purchased credit impaired finance receivables held for sale.

(b) The outstanding balance of purchased credit impaired finance receivables at September 30, 2014 includes $246.1 million of purchased credit impaired finance receivables held for sale.

The allowance for purchased credit impaired finance receivable losses at September 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.

Table of Contents

Changes in accretable yield for purchased credit impaired finance receivables held for investment and held for sale were as follows:

| (dollars in thousands) | SCP Loans | FA Loans | Total |
|---|---|---|---|
| At or for the Three Months Ended September 30, 2014 | | | |
| Balance at beginning of period | $267,251 | $627,125 | $894,376 |
| Accretion (a) | (15,791) | (20,771) | (36,562) |
| Transfers due to finance receivables sold | — | (563,891) | (563,891) |
| Disposals of finance receivables (b) | (5,039) | (3,640) | (8,679) |
| Balance at end of period | $246,421 | $38,823 | $285,244 |
| At or for the Three Months Ended September 30, 2013 | | | |
| Balance at beginning of period | $407,237 | $849,153 | $1,256,390 |
| Accretion | (25,887) | (32,224) | (58,111) |
| Reclassifications from nonaccretable difference (c) | — | 2,741 | 2,741 |
| Disposals of finance receivables (b) | (19,078) | (8,471) | (27,549) |
| Balance at end of period | $362,272 | $811,199 | $1,173,471 |
| At or for the Nine Months Ended September 30, 2014 | | | |
| Balance at beginning of period | $325,201 | $771,491 | $1,096,692 |
| Accretion (a) | (53,514) | (76,326) | (129,840) |
| Reclassifications to nonaccretable difference (c) | (527) | — | (527) |
| Transfers due to finance receivables sold | — | (641,559) | (641,559) |
| Disposals of finance receivables (b) | (24,739) | (14,783) | (39,522) |
| Balance at end of period | $246,421 | $38,823 | $285,244 |
| At or for the Nine Months Ended September 30, 2013 | | | |
| Balance at beginning of period | $— | $629,200 | $629,200 |
| Additions | 437,604 | — | 437,604 |
| Accretion | (54,190) | (97,616) | (151,806) |
| Reclassifications from nonaccretable difference (c) | — | 304,575 | 304,575 |
| Disposals of finance receivables (b) | (21,142) | (24,960) | (46,102) |
| Balance at end of period | $362,272 | $811,199 | $1,173,471 |

(a) Accretion on our purchased credit impaired finance receivables for the three and nine months ended September 30, 2014 includes $11.2 million and $11.4 million, respectively, of accretion on purchased credit impaired finance receivables held for sale, which is reported as interest income on finance receivables held for sale originated as held for investment.

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

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

Table of Contents

TROUBLED DEBT RESTRUCTURED FINANCE RECEIVABLES

Information regarding TDR finance receivables held for investment and held for sale were as follows:

| (dollars in thousands) | Real Estate Loans |
|---|---|
| September 30, 2014 | |
| TDR gross finance receivables (a) (b) | $334,141 |
| TDR net finance receivables (c) | $335,512 |
| Allowance for TDR finance receivable losses | $31,205 |
| December 31, 2013 | |
| TDR gross finance receivables (a) | $1,375,230 |
| TDR net finance receivables | $1,380,223 |
| Allowance for TDR finance receivable losses | $176,455 |

(a) As defined earlier in this Note.

(b) TDR gross finance receivables at September 30, 2014 include $230.7 million of TDR finance receivables held for sale.

(c) TDR net finance receivables at September 30, 2014 includes $231.6 million of TDR finance receivables held for sale.

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

TDR average net receivables held for investment and held for sale and finance charges recognized on TDR finance receivables held for investment and held for sale were as follows:

| (dollars in thousands) | 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 |
|---|---|---|---|---|
| Real Estate Loans | | | | |
| TDR average net receivables (a) | $799,353 | $1,206,729 | $1,194,193 | $1,055,652 |
| TDR finance charges recognized (b) | $10,071 | $16,736 | $44,896 | $45,792 |

(a) TDR average net receivables for the three and nine months ended September 30, 2014 include $411.1 million of TDR average net receivables held for sale, which reflect a two-month average since the real estate loans were transferred to finance receivables held for sale on August 1, 2014.

(b) TDR finance charges recognized for the three and nine months ended September 30, 2014 include $3.1 million of interest income on TDR finance receivables held for sale.

The impact of the transfers of finance receivables held for investment to finance receivables held for sale and the subsequent sales of finance receivables held for sale during the first half of 2014 was immaterial since the loans were transferred and sold within the same months.

Table of Contents

Information regarding the new volume of the TDR finance receivables held for investment and held for sale were as follows:

| (dollars in thousands) | 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 |
|---|---|---|---|---|
| Real Estate Loans | | | | |
| Number of TDR accounts (a) | 405 | 1,621 | 2,301 | 5,773 |
| Pre-modification TDR net finance receivables (b) | $28,665 | $131,865 | $211,088 | $451,697 |
| Post-modification TDR net finance receivables (b) | $29,348 | $140,333 | $200,154 | $483,233 |

(a) Number of new TDR accounts for the three and nine months ended September 30, 2014 includes 89 new TDR accounts that were held for sale.

(b) TDR net finance receivables for the three and nine months ended September 30, 2014 include $6.0 million of pre-modification and $6.5 million of post-modification TDR net finance receivables held for sale.

Net finance receivables held for investment and held for sale that were modified as TDR finance receivables within the previous 12 months and for which there was a default during the period to cause the TDR finance receivables to be considered nonperforming (90 days or more past due) were as follows:

| (dollars in thousands) | 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 |
|---|---|---|---|---|
| Real Estate Loans | | | | |
| Number of TDR accounts (a) | 54 | 370 | 488 | 797 |
| TDR net finance receivables (a) (b) | $2,788 | $25,848 | $31,465 | $59,809 |

(a) Number and amount of TDR net finance receivables for the three and nine months ended September 30, 2014 that defaulted during the previous 12 month period include 30 TDR accounts that were held for sale totaling $1.8 million.

(b) 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:

| (dollars in thousands) | Personal Loans | SpringCastle Portfolio | Real Estate Loans | Retail Sales Finance | Consolidated Total |
|---|---|---|---|---|---|
| Three Months Ended September 30, 2014 | | | | | |
| Balance at beginning of period | $107,030 | $710 | $259,182 | $1,350 | $368,272 |
| Provision for finance receivable losses (a) | 57,990 | 28,330 | 15,982 | 669 | 102,971 |
| Charge-offs | (47,625) | (31,533) | (13,159) | (1,199) | (93,516) |
| Recoveries | 7,094 | 2,812 | 962 | 374 | 11,242 |
| Reduction in the carrying value of real estate loans transferred to finance receivables held for sale (b) | — | — | (225,333) | — | (225,333) |
| Balance at end of period | $124,489 | $319 | $37,634 | $1,194 | $163,636 |
| Three Months Ended September 30, 2013 - Revised | | | | | |
| Balance at beginning of period | $60,250 | $— | $180,565 | $920 | $241,735 |
| Provision for finance receivable losses (a) | 39,747 | 60,662 | 60,012 | 1,843 | 162,264 |
| Charge-offs | (32,528) | (61,470) | (33,384) | (2,032) | (129,414) |
| Recoveries | 2,136 | 2,210 | 1,326 | 294 | 5,966 |
| Balance at end of period | $69,605 | $1,402 | $208,519 | $1,025 | $280,551 |
| Nine Months Ended September 30, 2014 | | | | | |
| Balance at beginning of period | $94,880 | $1,056 | $235,549 | $1,840 | $333,325 |
| Provision for finance receivable losses (a) | 151,445 | 121,680 | 103,408 | 2,663 | 379,196 |
| Charge-offs | (139,450) | (133,044) | (67,099) | (4,310) | (343,903) |
| Recoveries (c) | 17,614 | 10,627 | 5,788 | 1,001 | 35,030 |
| Reduction in the carrying value of real estate loans transferred to finance receivables held for sale (b) | — | — | (240,012) | — | (240,012) |
| Balance at end of period | $124,489 | $319 | $37,634 | $1,194 | $163,636 |
| Nine Months Ended September 30, 2013 - Revised | | | | | |
| Balance at beginning of period | $66,580 | $— | $113,813 | $2,260 | $182,653 |
| Provision for finance receivable losses (a) | 64,344 | 78,459 | 200,492 | (4,234) | 339,061 |
| Charge-offs (d) | (106,162) | (79,267) | (121,398) | (7,338) | (314,165) |

| | | | | | |
|---|---|---|---|---|---|
| Recoveries (e) | 44,843 | 2,210 | 15,612 | 10,337 | 73,002 |
| Balance at end of period | $69,605 | $1,402 | $208,519 | $1,025 | $280,551 |

Table of Contents

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

| (dollars in thousands) | 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 |
|---|---|---|---|---|
| Real estate loans | | | | |
| Provision for finance receivable losses | | | | |
| Non-credit impaired finance receivables | $6,246 | $17,946 | $32,266 | $63,037 |
| Purchased credit impaired finance receivables | 3,009 | 21,191 | 28,785 | 60,708 |
| TDR finance receivables | 6,727 | 20,875 | 42,357 | 76,747 |
| Total | $15,982 | $60,012 | $103,408 | $200,492 |

(b) During the three and nine months ended September 30, 2014, we reduced the carrying value of certain real estate loans to $5.4 billion and $6.7 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 nine months ended September 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.

(d) 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.

(e) Recoveries during the nine months ended September 30, 2013 included $39.6 million ($23.8 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, net of a $1.6 million adjustment for the subsequent buyback of certain finance receivables.

Included in the allowance for finance receivable losses are allowances associated with securitizations that totaled $67.8 million at September 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:

| (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 |
|---|---|---|---|---|
| Charged-off against provision for finance receivable losses: | | | | |
| SCP Loans | $7,837 | $31,544 | $39,368 | $48,717 |

| | | | | |
|---|---|---|---|---|
| FA Loans gross charge-offs* | $2,017 | $10,074 | $14,944 | $31,737 |

* 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.

Table of Contents

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 |
|---|---|---|---|---|---|
| September 30, 2014 | | | | | |
| Allowance for finance receivable losses for finance receivables: | | | | | |
| Collectively evaluated for impairment | $124,489 | $319 | $1,916 | $1,194 | $127,918 |
| Acquired with deteriorated credit quality (purchased credit impaired finance receivables) | — | — | 4,513 | — | 4,513 |
| Individually evaluated for impairment (TDR finance receivables) | — | — | 31,205 | — | 31,205 |
| Total | $124,489 | $319 | $37,634 | $1,194 | $163,636 |
| Finance receivables: | | | | | |
| Collectively evaluated for impairment | $3,607,209 | $1,712,178 | $520,712 | $56,900 | $5,896,999 |
| Purchased credit impaired finance receivables | — | 370,967 | 30,697 | — | 401,664 |
| TDR finance receivables | — | — | 103,890 | — | 103,890 |
| Total | $3,607,209 | $2,083,145 | $655,299 | $56,900 | $6,402,553 |
| December 31, 2013 | | | | | |
| 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 |
| Total | $94,880 | $1,056 | $235,549 | $1,840 | $333,325 |
| 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 |
| Total | $3,171,704 | $2,505,349 | $7,982,349 | $98,911 | $13,758,313 |

4. Finance Receivables Held for Sale

We report finance receivables held for sale of $493.2 million at September 30, 2014, which are carried at lower of cost or fair value. We used the aggregate basis to determine the lower of cost or fair value of the finance receivables held for sale since the underlying real estate loans were presented to the buyers on a portfolio basis. We also separately present the interest income on our finance receivables held for sale as interest income on finance receivables held for sale originated as held for investment on our interim consolidated statements of operations, which totaled $47.7 million and $54.9 million for the three and nine months ended September 30, 2014, respectively.

On August 1, 2014, we transferred real estate loans with a carrying value of $5.4 billion (after the basis adjustment for the related allowance for finance receivable losses) 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 August 29, 2014, we sold finance receivables held for sale with a carrying value of $4.0 billion and related trust assets and recorded a net gain at the time of sale of $604.9 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. The net gain on this sale included proceeds of $38.8 million from the related MSR Sale. On September 30, 2014,

Table of Contents

we sold finance receivables held for sale with a carrying value of $856.4 million and related trust assets and recorded a net gain at the time of sale of $36.5 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.

On June 1, 2014, we transferred real estate loans with a carrying value of $451.2 million (after the basis adjustment for the related allowance for finance receivable losses) 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.

On March 1, 2014, we transferred real estate loans with a carrying value of $825.2 million (after the basis adjustment for the related allowance for finance receivable losses) 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.

See Note 1 for further information on these sales. We did not have any transfer activity between finance receivables held for investment to finance receivables held for sale during the first nine months of 2013.

LOAN REPURCHASES

We repurchased four loans for $0.6 million during the three months ended September 30, 2014 and nine loans for $1.5 million during the nine months ended September 30, 2014. We repurchased two loans for $0.3 million during the three months ended September 30, 2013 and 19 loans for $2.8 million during the nine months ended September 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 September 30, 2014, there were no unresolved recourse requests.

During the third quarter of 2014, we established a reserve for sales recourse obligations of $9.9 million related to the sales of real estate loans with a total carrying value of $6.1 billion during the first nine months of 2014. As of September 30, 2014, we had no repurchase activity or recourse losses associated with these sales. However, we will continue to monitor any repurchase activity in the future and will adjust the reserve accordingly.

The activity in our reserve for sales recourse obligations associated with the real estate loan sales during the first nine months of 2014 and the loans that were previously sold to HSBC were as follows:

| (dollars in thousands) | At or for the Three Months Ended September 30, 2014 | At or for the Three Months Ended September 30, 2013 | At or for the Nine Months Ended September 30, 2014 | At or for the Nine Months Ended September 30, 2013 |
|---|---|---|---|---|
| Balance at beginning of period | $4,724 | $4,766 | $4,702 | $4,863 |
| Provision for recourse obligations | 8,543 | — | 8,706 | 322 |

| | | | | |
|---|---|---|---|---|
| Recourse losses | (70) | (42) | (211) | (461) |
| Balance at end of period | $13,197 | $4,724 | $13,197 | $4,724 |

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 |
|---|---|---|---|---|---|
| September 30, 2014 | | | | | |
| Fixed maturity available-for-sale securities: | | | | | |
| Bonds: | | | | | |
| U.S. government and government sponsored entities | $55,427 | $930 | $(159 | ) | $56,198 |
| Obligations of states, municipalities, and political subdivisions | 115,916 | 2,618 | (82 | ) | 118,452 |
| Corporate debt | 258,172 | 11,466 | (1,200 | ) | 268,438 |
| Mortgage-backed, asset-backed, and collateralized: | | | | | |
| Residential mortgage-backed securities (“RMBS”) | 77,845 | 2,379 | (42 | ) | 80,182 |
| Commercial mortgage-backed securities (“CMBS”) | 23,231 | 83 | (149 | ) | 23,165 |
| Collateralized debt obligations (“CDO”)/Asset-backed securities (“ABS”) | 21,582 | 34 | (51 | ) | 21,565 |
| Total | 552,173 | 17,510 | (1,683 | ) | 568,000 |
| Preferred stock | 7,163 | 84 | (204 | ) | 7,043 |
| Other long-term investments* | 1,306 | 131 | (7 | ) | 1,430 |
| Common stocks | 850 | — | — | | 850 |
| Total | $561,492 | $17,725 | $(1,894 | ) | $577,323 |
| December 31, 2013 | | | | | |
| 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 |

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

Table of Contents

As of September 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.

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 Fair Value | Less Than 12 Months Unrealized Losses | 12 Months or Longer Fair Value | 12 Months or Longer Unrealized Losses | Total Fair Value | Total Unrealized Losses |
|---|---|---|---|---|---|---|
| September 30, 2014 | | | | | | |
| Bonds: | | | | | | |
| U.S. government and government sponsored entities | $17,827 | $(53) | $13,468 | $(106) | $31,295 | $(159) |
| Obligations of states, municipalities, and political subdivisions | 17,917 | (54) | 1,053 | (28) | 18,970 | (82) |
| Corporate debt | 34,154 | (358) | 15,356 | (842) | 49,510 | (1,200) |
| RMBS | 12,310 | (19) | 2,635 | (23) | 14,945 | (42) |
| CMBS | 18,605 | (149) | 166 | — | 18,771 | (149) |
| CDO/ABS | 7,440 | (51) | 223 | — | 7,663 | (51) |
| Total | 108,253 | (684) | 32,901 | (999) | 141,154 | (1,683) |
| Preferred stock | 6,019 | (204) | — | — | 6,019 | (204) |
| Other long-term investments | — | — | 104 | (7) | 104 | (7) |
| Total | $114,272 | $(888) | $33,005 | $(1,006) | $147,277 | $(1,894) |
| December 31, 2013 | | | | | | |
| 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 nine months ended September 30, 2014, we did not recognize any other-than-temporary impairment credit loss write-downs to investment revenues. During the nine months ended September 30, 2013, we recognized other-than-temporary impairment credit loss write-downs to investment revenues on RMBS totaling $26 thousand.

Table of Contents

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 September 30, 2014 | At or for the Three Months Ended September 30, 2013 | At or for the Nine Months Ended September 30, 2014 | At or for the Nine Months Ended September 30, 2013 |
|---|---|---|---|---|
| Balance at beginning of period | $1,318 | $1,523 | $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 | — | — | (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 (losses) were as follows:

| (dollars in thousands) | 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 |
|---|---|---|---|---|
| Fair value | $107,327 | $51,241 | $214,811 | $491,188 |
| Realized gains | $4,619 | $174 | $7,217 | $3,203 |
| Realized losses | (71) | (270) | (343) | (665) |
| Net realized gains (losses) | $4,548 | $(96) | $6,874 | $2,538 |

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

| (dollars in thousands) | Fair Value | Amortized Cost |
|---|---|---|
| Fixed maturities, excluding mortgage-backed, asset-backed, and collateralized securities: | | |
| Due in 1 year or less | $29,862 | $29,267 |
| Due after 1 year through 5 years | 182,638 | 178,633 |
| Due after 5 years through 10 years | 94,638 | 93,428 |
| Due after 10 years | 135,950 | 128,187 |
| Mortgage-backed, asset-backed, and collateralized securities | 124,912 | 122,658 |
| Total | $568,000 | $552,173 |

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) | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Fixed maturity trading securities: | | |
| Bonds: | | |
| U.S. government and government sponsored entities | $136,681 | $— |
| Obligations of states, municipalities, and political subdivisions | 88,407 | — |
| Corporate debt | 449,104 | 1,837 |
| Mortgage-backed, asset-backed, and collateralized: | | |
| RMBS | 65,103 | 10,671 |
| CMBS | 107,937 | 29,897 |
| CDO/ABS | 298,342 | 9,249 |
| Total | $1,145,574 | $51,654 |

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

| (dollars in thousands) | 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 |
|---|---|---|---|---|
| Net unrealized losses on trading securities held at period end | $(2,044) | $(224) | $(1,128) | $(433) |
| Net realized gains on trading securities sold or redeemed | 246 | 63 | 273 | 174 |
| Total | $(1,798) | $(161) | $(855) | $(259) |

6. Transactions with Affiliates of Fortress or AIG

SUBSERVICING AND REFINANCE AGREEMENTS

Nationstar subservices the real estate loans of certain indirect subsidiaries (collectively, the “Owners”). Investment funds managed by affiliates of Fortress indirectly own a majority interest in Nationstar.

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 September 30, 2014 | Three Months Ended September 30, 2013 | Nine Months Ended September 30, 2014 | Nine Months Ended September 30, 2013 |
|---|---|---|---|---|
| Subservicing fees | $1,221 | $2,132 | $4,922 | $6,556 |
| Refinancing concessions | $— | $— | $— | $265 |

As a result of the recent sales of our real estate loans, some of which were serviced by Nationstar, and the MSR Sale our exposure to these affiliated services is reduced.

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 $0.8 million for the three and nine months ended September 30, 2014, respectively, compared to $0.2 million and $0.9 million for the three and nine months ended September 30, 2013, respectively.

Table of Contents

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 $43.9 million at September 30, 2014 and $45.6 million at December 31, 2013.

JOINT VENTURE

Certain subsidiaries of New Residential Investment Corp. (“NRZ”), own a 30% equity interest in the joint venture established in conjunction with the purchase of the SpringCastle Portfolio on April 1, 2013. NRZ is managed by an affiliate of Fortress.

THIRD STREET DISPOSITION

As discussed in Note 1, on March 6, 2014, we entered into an agreement to sell, subject to certain closing conditions, all of our interest in the mortgage-backed retained certificates related to a securitization transaction completed in 2009 to MLPFS for a price of $737.2 million. Concurrently, NRZ and MLPFS entered into an agreement pursuant to which NRZ agreed to purchase approximately 75% of these retained certificates. NRZ is managed by an affiliate of Fortress. See Note 1 for further information on this sale.

MSR SALE

As discussed in Note 1, on August 6, 2014, SFC and MorEquity entered into an agreement, dated and effective August 1, 2014, to sell the servicing rights of the mortgage loans primarily underlying the mortgage securitizations completed during 2011 through 2013 to Nationstar for a purchase price of $38.8 million. Approximately 50% of the proceeds of the MSR Sale were received on August 29, 2014, the closing date, and 40% were received on October 23, 2014. See Note 1 and Note 20 for further information on the MSR Sale. Investment funds managed by affiliates of Fortress indirectly own a majority interest in Nationstar.

7. Long-term Debt

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

| (dollars in thousands) | Retail Notes | Medium Term Notes | Securitizations | Junior Subordinated Debt | Total |
|---|---|---|---|---|---|
| Interest rates (a) | 6.00%-7.50% | 5.40%-8.25% | 1.76%-5.00% | 6.00 % | |
| Fourth quarter 2014 | $335,486 | $— | $— | $— | $335,486 |
| First quarter 2015 | 16,575 | — | — | — | 16,575 |
| Second quarter 2015 | 7,092 | — | — | — | 7,092 |
| Third quarter 2015 | 23,544 | — | — | — | 23,544 |
| Remainder of 2015 | — | 750,000 | — | — | 750,000 |
| 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) | — | — | 3,055,588 | — | 3,055,588 |
| Total principal maturities | $382,697 | $4,735,837 | $3,055,588 | $350,000 | $8,524,122 |
| | | | | | |
| Total carrying amount (c) | $379,585 | $4,253,867 | $3,052,972 | $171,613 | $7,858,037 |

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

Table of Contents

(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 payments of principal, 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 September 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 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 Company’s beneficial interests in the mortgage-backed retained certificates related to its previous mortgage securitization transactions, 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 remaining asset-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

Table of Contents

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.

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

| (dollars in thousands) | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Assets | | |
| Finance receivables: | | |
| Personal loans | $1,841,139 | $1,572,070 |
| SpringCastle Portfolio | $2,083,145 | $2,505,349 |
| Real estate loans | $— | $5,694,176 |
| Allowance for finance receivable losses | $67,800 | $153,657 |
| Restricted cash | $295,693 | $522,752 |
| Liabilities | | |
| Long-term debt | $3,052,972 | $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 September 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 mortgage-backed retained certificates related to its previous mortgage securitization transactions were sold in four separate transactions on March 31, June

30, August 29, and September 30, 2014. As a result of these sales, we deconsolidated the securitization trusts holding 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.

Table of Contents

During the nine months ended September 30, 2013, we sold the following previously retained mortgage-backed and asset-backed notes:

| (dollars in thousands) | Principal Amount of Previously Retained Notes Issued | Carrying Amount of Additional Debt Recorded |
|---|---|---|
| Mortgage Securitizations | | |
| SLFMT 2012-2 | $20,000 | $20,675 |
| SLFMT 2012-3 | $7,500 | $7,753 |
| SLFMT 2013-2 | $157,517 | $148,559 |
| Consumer Securitizations | | |
| SLFMT 2013-B | $114,000 | $111,578 |
| SpringCastle Securitizations | | |
| SCFT 2013-1 | $372,000 | $357,120 |

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 have been funded.

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 remaining consolidated securitization trusts, we are under no obligation, either contractually or implicitly, to provide financial support to these entities. Consolidated interest expense related to our VIEs for the three and nine months ended September 30, 2014 totaled $50.8 million and $180.3 million, respectively, compared to $64.0 million and $153.4 million for the three and nine months ended September 30, 2013, respectively.

DECONSOLIDATED VIES

As a result of the sales of the mortgage-backed retained certificates during the first nine months of 2014, we deconsolidated the securitization trusts holding the underlying real estate loans and previously issued securitized interests which were reported in long-term debt. The total carrying value of these real estate loans as of the sale dates was $5.2 billion. We have certain representations and warranties associated with these sales that may expose us to future losses. During the third quarter of 2014, we established a reserve for sales recourse obligations of $6.7 million related to these sales. As of September 30, 2014, we had no repurchase activity associated with these sales. However, we will continue to monitor any repurchase activity in the future and will adjust the reserve accordingly.

Table of Contents

## 9. Derivative Financial Instruments

Our principal borrowing subsidiary is SFC. During the three and nine months ended September 30, 2014, SFC did not have any derivative activity.

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.

For the three and nine months ended September 30, 2013, we recognized $1.0 million of net gains and $3.4 million of net losses, respectively, 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 September 30, 2013 | Nine Months Ended September 30, 2013 |
|---|---|---|
| Mark to market gains (losses) | $6,260 | $(8,244) |
| Net interest income | 1,701 | 9,161 |
| Credit valuation adjustment gains | 11 | 50 |
| Other | (292) | (292) |
| Total | $7,680 | $675 |

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 (loss) per share) | 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 |
|---|---|---|---|---|
| Numerator (basic and diluted): | | | | |
| Net income (loss) attributable to Springleaf Holdings, Inc. | $426,750 | $(92,594) | $551,463 | $(46,030) |
| Denominator: | | | | |
| Weighted average number of shares outstanding (basic) | $114,788,439 | $100,000,000 | $114,788,439 | $100,000,000 |
| Effect of dilutive securities | 527,875 | — | 423,959 | — |
| Weighted average number of shares outstanding (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) |

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

33

Table of Contents

11. Accumulated Other Comprehensive Income

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) |
|---|---|---|---|---|---|
| Three Months Ended September 30, 2014 | | | | | |
| Balance at beginning of period | $ 14,580 | $ — | $ 20,153 | $ 3,086 | $ 37,819 |
| Other comprehensive income (loss) before reclassifications | (2,503) | — | — | 761 | (1,742) |
| Reclassification adjustments from accumulated other comprehensive income | (1,788) | — | — | — | (1,788) |
| Balance at end of period | $ 10,289 | $ — | $ 20,153 | $ 3,847 | $ 34,289 |
| Three Months Ended September 30, 2013 - Revised | | | | | |
| Balance at beginning of period | $ 5,484 | $ — | $ 8,120 | $ 6,221 | $ 19,825 |
| Other comprehensive loss before reclassifications | (291) | — | — | (2,056) | (2,347) |
| Reclassification adjustments from accumulated other comprehensive income | 231 | — | — | — | 231 |
| Balance at end of period | $ 5,424 | $ — | $ 8,120 | $ 4,165 | $ 17,709 |
| Nine Months Ended September 30, 2014 | | | | | |
| Balance at beginning of period | $ 4,362 | $ — | $ 20,153 | $ 3,580 | $ 28,095 |
| Other comprehensive income before reclassifications | 9,840 | — | — | 267 | 10,107 |
| Reclassification adjustments from accumulated other comprehensive income | (3,913) | — | — | — | (3,913) |
| Balance at end of period | $ 10,289 | $ — | $ 20,153 | $ 3,847 | $ 34,289 |
| Nine Months Ended September 30, 2013 - Revised | | | | | |
| Balance at beginning of period | $ 14,121 | $ 104 | $ 8,120 | $ 4,127 | $ 26,472 |
| Other comprehensive income (loss) before reclassifications | (7,233) | — | — | 38 | (7,195) |

| | | | | | |
|---|---|---|---|---|---|
| Reclassification adjustments from accumulated other comprehensive income | (1,464) | (104) | — | — | (1,568) |
| Balance at end of period | $ 5,424 | $ — | $ 8,120 | $ 4,165 | $ 17,709 |

34

Table of Contents

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 September 30, 2014 | Three Months Ended September 30, 2013 Revised | Nine Months Ended September 30, 2014 | Nine Months Ended September 30, 2013 Revised |
|---|---|---|---|---|
| Unrealized gains (losses) on investment securities: | | | | |
| Reclassification from accumulated other comprehensive income to investment revenues, before taxes | $2,750 | $(355) | $6,019 | $2,253 |
| Income tax effect | (962) | 124 | (2,106) | (789) |
| Reclassification from accumulated other comprehensive income to investment revenues, net of taxes | 1,788 | (231) | 3,913 | 1,464 |
| Unrealized gains on cash flow hedges: | | | | |
| Reclassification from accumulated other comprehensive income to interest expense, before taxes | — | — | — | 160 |
| Income tax effect | — | — | — | (56) |
| Reclassification from accumulated other comprehensive income to interest expense, net of taxes | — | — | — | 104 |
| Total | $1,788 | $(231) | $3,913 | $1,568 |

## 12. Income Taxes

At September 30, 2014, we had a net deferred tax liability of $146.4 million, compared to $128.3 million at December 31, 2013. The increase in the net deferred tax liability was primarily due to the sales of the mortgage securitizations during the first nine months of 2014. We have a valuation allowance on our gross state deferred tax assets, net of a deferred federal tax benefit of $24.9 million, at September 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 $22.2 million at September 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 nine months ended September 30, 2014 was 32.8% compared to (5.2)% for the same period in 2013. The effective tax rate for the nine months ended September 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 3.6%, partially offset by the effect of our state income taxes, which increased the effective tax rate by 1.4%. The effective tax rate for the nine months ended September 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

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.

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.

Table of Contents

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 $22.1 million at September 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.

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 September 30, 2014 | Three Months Ended September 30, 2013 | Nine Months Ended September 30, 2014 | Nine Months Ended September 30, 2013 |
|---|---|---|---|---|
| Pension | | | | |
| Components of net periodic benefit cost: | | | | |
| Interest cost | $3,805 | $3,589 | $11,441 | $10,769 |
| Expected return on assets | (4,107) | (3,874) | (12,326) | (11,622) |
| Amortization of net loss | 2 | 12 | 4 | 35 |
| Net periodic benefit cost | $(300) | $(273) | $(881) | $(818) |
| Postretirement | | | | |

| | | | | |
|---|---|---|---|---|
| Components of net periodic benefit cost: | | | | |
| Service cost | $20 | $81 | $64 | $242 |
| Interest cost | 21 | 64 | 73 | 193 |
| Amortization of net gain | (81) | — | (215) | — |
| Net periodic benefit cost | $(40) | $145 | $(78) | $435 |

15. Share-Based Compensation

Total share-based compensation expense, net of forfeitures, for all stock-based awards during the three and nine months ended September 30, 2014 was $0.5 million and $4.1 million, respectively, compared to $131.3 million during the three and nine months ended September 30, 2013.

16. Segment Information

Our segments coincide with how our businesses are managed. At September 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 lending. Branch operations primarily conduct business in 26 states, which are our core operating states. Our Centralized Internet Group (“CIG”) processes and underwrites loan applications that we receive through an internet portal. If the applicant is located near an existing branch (“in footprint”), CIG 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”), CIG originates the loan.

- 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 or previously acquired or originated through centralized distribution channels are either serviced by: (i) MorEquity, an indirect wholly owned subsidiary, all of which are subserviced by Nationstar or (ii) our centralized servicing operation. 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, the carrying value of these loans totaled $16.3 million.

Table of Contents

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;
- 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;
- the difference in provision for finance receivable losses 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.

Table of Contents

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 |
|---|---|---|---|---|---|---|---|---|
| Three Months Ended September 30, 2014 | | | | | | | | |
| Interest income: | | | | | | | | |
| Finance charges | $236,190 | $— | $130,981 | $53,568 | $3,850 | $— | $10,856 | $435,445 |
| Finance receivables held for sale originated as held for investment | — | — | — | 41,468 | — | — | 6,211 | 47,679 |
| Total interest income | 236,190 | — | 130,981 | 95,036 | 3,850 | — | 17,067 | 483,124 |
| Interest expense | 40,466 | — | 17,685 | 83,795 | 1,837 | — | 36,359 | 180,142 |
| Net interest income | 195,724 | — | 113,296 | 11,241 | 2,013 | — | (19,292) | 302,982 |
| Provision for finance receivable losses | 56,087 | — | 28,332 | 37,192 | 1,290 | — | (19,930) | 102,971 |
| Net interest income (loss) after provision for finance receivable losses | 139,637 | — | 84,964 | (25,951) | 723 | — | 638 | 200,011 |
| Other revenues: | | | | | | | | |
| Insurance | — | 43,997 | — | — | 14 | — | (1) | 44,010 |
| Investment | — | 13,723 | — | (954) | 45 | — | (1,563) | 11,251 |
| Intersegment - insurance commissions | 19,540 | (19,759) | — | 220 | (1) | — | — | — |
| Portfolio servicing fees from SpringCastle | — | — | 16,006 | — | — | (16,006) | — | — |
| Net gain (loss) on fair value adjustments on debt | — | — | 1,522 | — | — | — | (170) | 1,352 |
| Net gain on sales of real estate loans and related trust assets * | — | — | — | 279,889 | — | — | 361,439 | 641,328 |
| Other | 618 | 2,428 | 264 | (2,593) | 8 | — | (12,700) | (11,975) |
| Total other revenues | 20,158 | 40,389 | 17,792 | 276,562 | 66 | (16,006) | 347,005 | 685,966 |
| Other expenses: | | | | | | | | |
| Operating expenses: | | | | | | | | |
| Salaries and benefits | 64,015 | 4,791 | 6,837 | 17,186 | 1,915 | — | (42) | 94,702 |
| Other operating expenses | 44,554 | 3,758 | 5,493 | 18,984 | 1,365 | — | 963 | 75,117 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Portfolio servicing fees to Springleaf | — | — | 16,006 | — | — | (16,006 ) | — | — |
| Insurance losses and loss adjustment expenses | — | 20,451 | — | — | — | — | (310 ) | 20,141 |
| Total other expenses | 108,569 | 29,000 | 28,336 | 36,170 | 3,280 | (16,006 ) | 611 | 189,960 |
| Income (loss) before provision for (benefit from) income taxes | 51,226 | 11,389 | 74,420 | 214,441 | (2,491 ) | — | 347,032 | 696,017 |
| Income before provision for income taxes attributable to non-controlling interests | — | — | 34,945 | — | — | — | — | 34,945 |
| Income (loss) before provision for (benefit from) income taxes attributable to Springleaf Holdings, Inc. | $ 51,226 | $ 11,389 | $ 39,475 | $ 214,441 | $ (2,491 ) | $ — | $ 347,032 | $ 661,072 |

* 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.

| (dollars in thousands) | Consumer | Insurance | Acquisitions and Servicing | Real Estate | Other | Eliminations | Push-down Accounting Adjustments | Consolidated Total |
|---|---|---|---|---|---|---|---|---|
| Three Months Ended September 30, 2013 - Revised | | | | | | | | |
| Interest income | $ 188,601 | $ — | $ 162,918 | $ 170,772 | $ 10,000 | $ — | $ 51,635 | $ 583,926 |
| Interest expense | 38,241 | — | 22,418 | 131,699 | 3,323 | — | 33,476 | 229,157 |
| Net interest income | 150,360 | — | 140,500 | 39,073 | 6,677 | — | 18,159 | 354,769 |
| Provision for finance receivable losses | 38,174 | — | 60,662 | 52,645 | 2,361 | — | 8,422 | 162,264 |
| Net interest income (loss) after provision for finance receivable losses | 112,186 | — | 79,838 | (13,572 ) | 4,316 | — | 9,737 | 192,505 |
| Other revenues: | | | | | | | | |
| Insurance | — | 38,266 | — | — | 18 | — | (7 ) | 38,277 |
| Investment | — | 8,314 | — | — | (1 ) | — | (1,781 ) | 6,532 |
| Intersegment - insurance commissions | 15,131 | (15,142 ) | — | 36 | (25 ) | — | — | — |
| Portfolio servicing fees from SpringCastle | — | — | 9,565 | — | — | (9,565 ) | — | — |
| Net loss on repurchases and repayments of debt | (2,890 ) | — | — | (15,818 ) | (706 ) | — | (14,158 ) | (33,572 ) |
| Net gain (loss) on fair value adjustments on debt | — | — | 6,619 | 12,217 | — | — | (12,250 ) | 6,586 |
| Other | 910 | 2,426 | 279 | (2,047 ) | — | — | 35 | 1,603 |
| Total other revenues | 13,151 | 33,864 | 16,463 | (5,612 ) | (714 ) | (9,565 ) | (28,161 ) | 19,426 |
| Other expenses: | | | | | | | | |
| Operating expenses: | | | | | | | | |
| Salaries and benefits | 62,318 | 4,481 | 4,006 | 7,551 | 136,249 | — | (53 ) | 214,552 |
| Other operating expenses | 30,421 | 3,115 | 21,488 | 14,313 | 2,038 | — | 1,103 | 72,478 |
| Portfolio servicing fees to Springleaf | — | — | 9,565 | — | — | (9,565 ) | — | — |
| Insurance losses and loss adjustment expenses | — | 16,849 | — | — | — | — | (299 ) | 16,550 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total other expenses | 92,739 | 24,445 | 35,059 | 21,864 | 138,287 | (9,565 ) | 751 | 303,580 |
| Income (loss) before provision for (benefit from) income taxes | 32,598 | 9,419 | 61,242 | (41,048 ) | (134,685 ) | — | (19,175 ) | (91,649 ) |
| Income before provision for income taxes attributable to non-controlling interests | — | — | 31,643 | — | — | — | — | 31,643 |
| Income (loss) before provision for (benefit from) income taxes attributable to Springleaf Holdings, Inc. | $32,598 | $9,419 | $29,599 | $(41,048 ) | $(134,685) | $— | $(19,175 ) | $(123,292 ) |

Table of Contents

| (dollars in thousands) | Consumer | Insurance | Acquisitions and Servicing | Real Estate | Other | Eliminations | Push-down Accounting Adjustments | Consolidated Total |
|---|---|---|---|---|---|---|---|---|
| At or for the Nine Months Ended September 30, 2014 | | | | | | | | |
| Interest income: | | | | | | | | |
| Finance charges | $666,281 | $— | $413,952 | $338,121 | $13,265 | $— | $81,971 | $1,513,590 |
| Finance receivables held for sale originated as held for investment | — | — | — | 48,598 | — | — | 6,323 | 54,921 |
| Total interest income | 666,281 | — | 413,952 | 386,719 | 13,265 | — | 88,294 | 1,568,511 |
| Interest expense | 122,097 | — | 57,986 | 291,084 | 5,810 | — | 99,886 | 576,863 |
| Net interest income | 544,184 | — | 355,966 | 95,635 | 7,455 | — | (11,592) | 991,648 |
| Provision for finance receivable losses | 149,238 | — | 121,681 | 118,992 | 6,557 | — | (17,272) | 379,196 |
| Net interest income (loss) after provision for finance receivable losses | 394,946 | — | 234,285 | (23,357) | 898 | — | 5,680 | 612,452 |
| Other revenues: | | | | | | | | |
| Insurance | — | 125,075 | — | — | 46 | — | (5) | 125,116 |
| Investment | — | 35,652 | — | (954) | 69 | — | (3,433) | 31,334 |
| Intersegment - insurance commissions | 51,504 | (51,936) | — | 442 | (10) | — | — | — |
| Portfolio servicing fees from SpringCastle | — | — | 51,274 | — | — | (51,274) | — | — |
| 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 | — | — | (14,810) | 8,298 | — | — | (8,521) | (15,033) |
| Net gain on sales of real estate loans and related | — | — | — | 194,894 | — | — | 536,420 | 731,314 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| trust assets * | | | | | | | | |
| Other | 1,742 | 6,103 | 856 | (4,022 ) | 618 | — | (12,700 ) | (7,403 ) |
| Total other revenues | 51,817 | 114,894 | 37,320 | 188,635 | 676 | (51,274 ) | 516,645 | 858,713 |
| Other expenses: | | | | | | | | |
| Operating expenses: | | | | | | | | |
| Salaries and benefits | 195,778 | 14,501 | 24,612 | 34,559 | 9,183 | — | (129 ) | 278,504 |
| Other operating expenses | 112,668 | 10,745 | 17,763 | 43,616 | 5,190 | — | 2,907 | 192,889 |
| Portfolio servicing fees to Springleaf | — | — | 51,274 | — | — | (51,274 ) | — | — |
| Insurance losses and loss adjustment expenses | — | 57,923 | — | — | — | — | (750 ) | 57,173 |
| Total other expenses | 308,446 | 83,169 | 93,649 | 78,175 | 14,373 | (51,274 ) | 2,028 | 528,566 |
| Income (loss) before provision for (benefit from) income taxes | 138,317 | 31,725 | 177,956 | 87,103 | (12,799 ) | — | 520,297 | 942,599 |
| Income before provision for income taxes attributable to non-controlling interests | — | — | 81,542 | — | — | — | — | 81,542 |
| Income (loss) before provision for (benefit from) income taxes attributable to Springleaf Holdings, Inc. | $138,317 | $31,725 | $96,414 | $87,103 | $(12,799 ) | $— | $520,297 | $861,057 |
| Assets | $3,651,365 | $1,060,074 | $2,261,704 | $3,656,616 | $624,921 | $— | $8,138 | $11,262,818 |

* 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.

| (dollars in thousands) | Consumer | Insurance | Acquisitions and Servicing | Real Estate | Other | Eliminations | Push-down Accounting Adjustments | Consolidated Total |
|---|---|---|---|---|---|---|---|---|
| At or for the Nine Months Ended September 30, 2013 - Revised | | | | | | | | |
| Interest income | $519,688 | $— | $331,288 | $535,280 | $37,631 | $— | $153,674 | $1,577,561 |
| Interest expense | 111,110 | — | 47,009 | 427,608 | 12,164 | — | 102,977 | 700,868 |
| Net interest income | 408,578 | — | 284,279 | 107,672 | 25,467 | — | 50,697 | 876,693 |
| Provision for finance receivable losses | 52,188 | — | 78,459 | 188,737 | (3,385) | — | 23,062 | 339,061 |
| Net interest income (loss) after provision for finance receivable losses | 356,390 | — | 205,820 | (81,065) | 28,852 | — | 27,635 | 537,632 |
| Other revenues: | | | | | | | | |
| Insurance | — | 107,114 | — | — | 58 | — | (28) | 107,144 |
| Investment | — | 31,792 | — | — | 1,396 | — | (5,934) | 27,254 |
| Intersegment - insurance commissions | 43,341 | (43,347) | — | 94 | (88) | — | — | — |
| Portfolio servicing fees from SpringCastle | — | — | 11,945 | — | — | (11,945) | — | — |
| Net gain (loss) on repurchases and repayments of debt | (4,390) | — | — | (35,418) | (977) | — | 6,976 | (33,809) |
| Net gain (loss) on fair value adjustments on debt | — | — | 6,619 | 45,428 | — | — | (44,950) | 7,097 |
| Other | 1,698 | 6,797 | 360 | (1,645) | (90) | — | (134) | 6,986 |
| Total other revenues | 40,649 | 102,356 | 18,924 | 8,459 | 299 | (11,945) | (44,070) | 114,672 |
| Other expenses: | | | | | | | | |
| Operating expenses: | | | | | | | | |
| Salaries and benefits | 184,077 | 11,424 | 6,417 | 20,648 | 149,436 | — | (160) | 371,842 |
| Other operating expenses | 87,609 | 7,993 | 43,624 | 42,281 | 9,532 | — | 3,418 | 194,457 |
| Portfolio servicing fees to | — | — | 11,945 | — | — | (11,945) | — | — |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Springleaf Insurance losses and loss adjustment expenses | — | 48,373 | — | — | — | — | (723 ) | 47,650 |
| Total other expenses | 271,686 | 67,790 | 61,986 | 62,929 | 158,968 | (11,945 ) | 2,535 | 613,949 |
| Income (loss) before provision for (benefit from) income taxes | 125,353 | 34,566 | 162,758 | (135,535 ) | (129,817 ) | — | (18,970 ) | 38,355 |
| Income before provision for income taxes attributable to non-controlling interests | — | — | 86,383 | — | — | — | — | 86,383 |
| Income (loss) before provision for (benefit from) income taxes attributable to Springleaf Holdings, Inc. | $125,353 | $34,566 | $76,375 | $(135,535 ) | $(129,817 ) | $— | $(18,970 ) | $(48,028 ) |
| Assets | $3,035,759 | $913,440 | $2,855,486 | $8,901,567 | $1,486,783 | $— | $(675,537 ) | $16,517,498 |

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 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

Table of Contents

of these corrections, we have determined that our previous quarterly condensed financial statements and our annual consolidated financial statements were not materially misstated.

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 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 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;

- 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.

Table of Contents

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.

| | Three Months Ended September 30, 2013 (Unaudited) | | | | Nine Months Ended September 30, 2013 (Unaudited) | | | |
|---|---|---|---|---|---|---|---|---|
| (dollars in thousands except earnings (loss) per share) | As Reported | Out-of-Period | Adjustments | As Revised | As Reported | Out-of-Period | Adjustments | As Revised |
| Interest income | $585,300 | $ — | $(1,374) | $583,926 | $1,578,935 | $ — | $(1,374) | $1,577,561 |
| Interest expense | 228,439 | — | 718 | 229,157 | 697,365 | — | 3,503 | 700,868 |
| Net interest income | 356,861 | — | (2,092) | 354,769 | 881,570 | — | (4,877) | 876,693 |
| Provision for finance receivable losses | 158,785 | 4,424 | (945) | 162,264 | 341,723 | (853) | (1,809) | 339,061 |
| Net interest income after provision for finance receivable losses | 198,076 | (4,424) | (1,147) | 192,505 | 539,847 | 853 | (3,068) | 537,632 |
| Other revenues: | | | | | | | | |
| Insurance | 38,277 | — | — | 38,277 | 107,144 | — | — | 107,144 |
| Investment | 6,756 | — | (224) | 6,532 | 27,687 | — | (433) | 27,254 |
| Net loss on repurchases and repayments of debt | (34,503) | — | 931 | (33,572) | (34,558) | — | 749 | (33,809) |
| Net gain on fair value adjustments on debt | — | — | 6,586 | 6,586 | — | — | 7,097 | 7,097 |
| Other | 1,603 | — | — | 1,603 | 6,986 | — | — | 6,986 |
| Total other revenues | 12,133 | — | 7,293 | 19,426 | 107,259 | — | 7,413 | 114,672 |
| Other expenses: | | | | | | | | |
| Operating expenses: | | | | | | | | |
| Salaries and benefits | 214,552 | — | — | 214,552 | 371,842 | — | — | 371,842 |
| Other operating expenses | 69,595 | — | 2,883 | 72,478 | 191,574 | — | 2,883 | 194,457 |
| Insurance losses and loss adjustment | 16,550 | — | — | | | | | |

expenses