

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

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

FORM 10-Q

(Mark One)

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  
(State of Incorporation)

27-3379612  
(I.R.S. Employer Identification No.)

601 N.W. Second Street, Evansville, IN  
(Address of principal executive offices)

47708  
(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  No

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  No

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.

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

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

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

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## 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
<b>Total assets</b>	<b>\$11,262,818</b>	<b>\$15,402,686</b>
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
<b>Total liabilities</b>	<b>8,752,700</b>	<b>13,516,058</b>
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

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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.

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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

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Net income (loss) attributable to Springleaf Holdings, Inc.	\$426,750	\$(92,594	) \$551,463	\$(46,030	)
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Share Data:

Weighted average number of shares outstanding:

Basic	114,788,439	100,000,000	114,788,439	100,000,000
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Diluted	115,316,314	100,000,000	115,212,398	100,000,000
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Earnings (loss) per share:

Basic	\$3.72	\$(0.93	) \$4.80	\$(0.46	)
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Diluted	\$3.70	\$(0.93	) \$4.79	\$(0.46	)
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See Notes to Condensed Consolidated Financial Statements.

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## 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.





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## 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.



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Condensed Consolidated Statements of Cash Flows (Unaudited)

(dollars in thousands)

Nine Months Ended September 30,	2014	2013 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)