Springleaf Holdings, Inc.
Form 10-K
March 16, 2015

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

FORM 10-K

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

For the fiscal year ended December 31, 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	27-3379612
(State of incorporation)	(I.R.S. Employer Identification No.)
601 N.W. Second Street, Evansville, IN	47708
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (812) 424-8031

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No þ

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 þ 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K 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 þ	Non-accelerated filer o (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 þ

The aggregate market value of the voting and non-voting common equity of Springleaf Holdings, Inc. held by non-affiliates as of the close of business on June 30, 2014 was $636,841,779.

At March 10, 2015, there were 115,058,245 shares of the registrant's common stock, $.01 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III (Items 10, 11, 12, 13, and 14) will be incorporated by reference from the registrant's Definitive Proxy Statement for its 2015 Annual Meeting to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

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Forward-Looking Statements

This report may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect our current views with respect to, among other things, future events and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “could,” “seeks,” “approximately,” “predicts,” “intend “estimates,” “anticipates,” “target,” “projects,” “contemplates” or the negative version of those words or other comparable wor Any forward-looking statements contained in this report are based upon our historical performance and on our current plans, estimates and expectations in light of information currently available to us. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business, prospects, growth strategy and liquidity. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to:

- various risks relating to the proposed acquisition of OneMain Financial Holdings, Inc. (“OneMain”) from CitiFinancial Credit Company (the “Proposed Acquisition”), including in respect of the satisfaction of closing conditions to the Proposed Acquisition that are materially adverse to the business, financial condition or results of operations of the combined company;
- unanticipated difficulties financing the purchase price;
- unanticipated expenditures relating to the Proposed Acquisition;
- uncertainties as to the timing of the closing of the Proposed Acquisition;
- litigation relating to the Proposed Acquisition;
- the impact of the Proposed Acquisition on each company’s relationships with employees and third parties;
- the inability to obtain, or delays in obtaining, cost savings and synergies from the Proposed Acquisition and risks associated with the integration of the companies;
- changes in general economic conditions, including the interest rate environment in which we conduct business and the financial markets through which we can access capital and also invest cash flows from our Consumer and Insurance segment;
- levels of unemployment and personal bankruptcies;
- natural or accidental events such as earthquakes, hurricanes, tornadoes, fires, or floods affecting our customers, collateral, or branches or other operating facilities;
- war, acts of terrorism, riots, civil disruption, pandemics, or other events disrupting business or commerce;
- changes in the rate at which we can collect or potentially sell our finance receivables portfolio;
- the effectiveness of our credit risk scoring models in assessing the risk of customer unwillingness or lack of capacity to repay;
- changes in our ability to attract and retain employees or key executives to support our businesses;
- changes in the competitive environment in which we operate, including the demand for our products, customer responsiveness to our distribution channels, and the strength and ability of our competitors to operate independently or to enter into business combinations that result in a more attractive range of customer products or provide greater financial resources;
- shifts in collateral values, delinquencies, or credit losses;
- changes in federal, state and local laws, regulations, or regulatory policies and practices, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (which, among other things, established the Consumer Financial Protection Bureau, which has broad authority to regulate and examine financial institutions), that affect our ability to conduct business or the manner in which we conduct business, such as licensing requirements, pricing limitations or restrictions on the method of offering products, as well as changes that may result from increased regulatory scrutiny of the sub-prime lending industry;
- potential liability relating to real estate and personal loans which we have sold or may sell in the future, or relating to securitized loans, if it is determined that there was a non-curable breach of a warranty made in connection with such

transactions;

- the effect of future sales of our remaining portfolio of real estate loans and the transfer of servicing for these loans;
- the costs and effects of any litigation or governmental inquiries or investigations involving us, particularly those that are determined adversely to us;
- our continued ability to access the capital markets or the sufficiency of our current sources of funds to satisfy our cash flow requirements;
- our ability to comply with our debt covenants;
- our ability to generate sufficient cash to service all of our indebtedness;
- our substantial indebtedness, which could prevent us from meeting our obligations under our debt instruments and limit our ability to react to changes in the economy or our industry, or our ability to incur additional borrowings;

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- the potential for downgrade of our debt by rating agencies, which would have a negative impact on our cost of, and access to, capital;
- the impacts of our securitizations and borrowings;
- our ability to maintain sufficient capital levels in our regulated and unregulated subsidiaries;
- changes in accounting standards or tax policies and practices and the application of such new policies and practices to the manner in which we conduct business;
- the material weakness that we have identified in our internal control over financial reporting; and
- other risks described in “Risk Factors” in Item 1A in Part I of this report.

The forward-looking statements made in this report relate only to events as of the date on which the statements are made. We do not undertake any obligation to publicly update or review any forward-looking statement except as required by law, whether as a result of new information, future developments or otherwise.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from what we may have expressed or implied by these forward-looking statements. We caution that you should not place undue reliance on any of our forward-looking statements. You should specifically consider the factors identified in this report that could cause actual results to differ before making an investment decision to purchase our common stock. Furthermore, new risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us.

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PART I

Item 1. Business.

BUSINESS OVERVIEW

Springleaf Holdings, Inc. (“SHI” or, collectively with its subsidiaries, whether directly or indirectly owned, “Springleaf,” “the Company,” “we,” “us,” or “our”) is a leading consumer finance company providing responsible loan products to customers through our branch network and through our centralized operations. We have a nearly 100-year track record of high quality origination, underwriting and servicing of personal loans, primarily to non-prime consumers. Our deep understanding of local markets and customers, together with our proprietary underwriting process and data analytics, allow us to price, manage and monitor risk effectively through changing economic conditions. With an experienced management team, a strong balance sheet, proven access to the capital markets and strong demand for consumer credit, we believe we are well positioned for future growth.

We staff each of our branch offices with local, well-trained personnel who have significant experience in the industry and with Springleaf. Our business model revolves around an effective origination, underwriting, and servicing process that leverages each branch office’s local presence in these communities along with the personal relationships developed with our customers. Credit quality is also driven by our long-standing underwriting philosophy, which takes into account each prospective customer’s household budget, and his or her willingness and capacity to repay the loan. Our extensive network of branches and expert personnel is complemented by our centralized operations, which allows us to reach customers located outside our branch footprint and to more effectively process applications from customers within our branch footprint who prefer the convenience of online transactions.

In connection with our personal loan business, our two insurance subsidiaries offer our customers credit and non-credit insurance policies covering our customers and the property pledged as collateral for our personal loans.

We pursue strategic acquisitions of loan portfolios through our Springleaf Acquisitions division, which we service through our centralized operations. We also pursue fee-based opportunities in servicing loans for others through our centralized operations. See “Centralized Operations” for further information on our centralized servicing centers.

In addition, we, from time to time, pursue acquisitions of companies in the business of originating and servicing consumer loans or related products. As part of this strategy, on March 2, 2015, we entered into a Stock Purchase Agreement (the “Stock Purchase Agreement”) with CitiFinancial Credit Company to acquire OneMain, which we refer to in this report as the “Proposed Acquisition” and is more fully described in Note 24 of the Notes to Consolidated Financial Statements in Item 8. The Proposed Acquisition is expected to close in the third quarter of 2015, although there can be no assurance that the Proposed Acquisition will close, or, if it does, when the actual closing will occur. At closing, the combined company is expected to have nearly $14 billion of net finance receivables and close to 2,000 branch offices across 43 states.

At December 31, 2014, we had $6.5 billion of net finance receivables due from over 1.2 million customer accounts.

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. At December 31, 2014, Springleaf Financial Holdings, LLC (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”).

INDUSTRY AND MARKET OVERVIEW

We operate in the consumer finance industry serving the large and growing population of consumers who have limited access to credit from banks, credit card companies and other lenders. According to the Federal Reserve Bank of New York, as of December 31, 2014, the U.S. consumer finance industry had grown to approximately $3.2 trillion of outstanding borrowings in the form of personal loans, vehicle loans and leases, credit cards, home equity lines of credit, and student loans. Furthermore, difficult economic conditions in recent years have resulted in an increase in the number of non-prime consumers in the United States.

This industry’s traditional lenders have recently undergone fundamental changes, forcing many to retrench and in some cases to exit the market altogether. Tightened credit requirements imposed by banks, credit card companies, and other traditional lenders

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that began during the recession of 2008-2009 have further reduced the supply of consumer credit for non-prime borrowers. In addition, we believe that recent regulatory developments create a dis-incentive for these lenders to resume or support these lending activities. As a result, while the number of non-prime consumers in the United States has grown in recent years, the supply of consumer credit to this demographic has contracted. We believe this large and growing number of potential customers in our target market, combined with the decline in available consumer credit, provides an attractive market opportunity for our business model.

We are one of the few remaining national participants in the consumer installment lending industry still servicing this large and growing population of non-prime customers. Our centralized operations, combined with the capabilities resident in our national branch system, provide an effective nationwide platform to efficiently and responsibly address this growing market of consumers. We believe we are, therefore, well-positioned to capitalize on the significant growth and expansion opportunity created by the large supply-demand imbalance within our industry.

SEGMENTS

Our segments coincide with how our businesses are managed. At December 31, 2014, our three segments include:

- Consumer and Insurance;
- Acquisitions and Servicing; and
- Real Estate.

Management considers Consumer and Insurance and Acquisitions and Servicing as our “Core Consumer Operations” and Real Estate as our “Non-Core Portfolio.” See Notes 1 and 22 of the Notes to Consolidated Financial Statements in Item 8 for more information about our segments.

CORE CONSUMER OPERATIONS

Consumer and Insurance

We originate and service secured and unsecured personal loans and offer voluntary credit insurance and related products through our branch network and our centralized operations. Personal loan origination and servicing, along with our insurance products, forms the core of our operations. Our branch operations include 831 branch offices in 26 states. In addition, our centralized support operations provide servicing support to branch operations.

Our insurance business is conducted through our subsidiaries, Merit Life Insurance Co. (“Merit”) and Yosemite Insurance Company (“Yosemite”), which are both wholly owned subsidiaries of SFC. Merit is a life and health insurance company that writes credit life, credit accident and health, and non-credit insurance and is licensed in 46 states, the District of Columbia, and the U.S. Virgin Islands. Yosemite is a property and casualty insurance company that writes credit-related property and casualty and credit involuntary unemployment insurance and is licensed in 46 states.

Products and Services. Our personal loan portfolio comprises high yielding assets that have performed well through difficult market conditions. Our personal loans are typically fully amortizing, fixed rate, non-revolving loans frequently secured by titled personal property (such as automobiles), consumer goods, or other personal property.

In mid-June 2014, we launched our Direct Auto Loan Program to further expand our core product offerings and to better serve our customers’ needs. The new auto loan product offers a customized solution for our current and prospective customers to finance the purchase of a vehicle, pay off an existing auto loan with another lender, or use the equity in their auto to consolidate debt, make home improvements or receive cash. We offer the new auto loan product through our branch network and our centralized operations. In 2014, we utilized a new facility in Mendota Heights, Minnesota, to provide additional services on behalf of our branch operations, including the servicing of the new auto loan product.

The typical size of the auto secured loan is $6,000 - $20,000, with a maximum term of five years. The new auto loan product is secured by the customer’s automobile in all cases, compared to our personal loans, of which 49% were secured by titled personal property (primarily automobiles) at December 31, 2014. We report the new auto loan product in our core personal loans, which are included in our Core Consumer Operations. At December 31, 2014, we had over 19,000 auto loans totaling $237.8 million.

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We write the following types of credit insurance policies covering our customers and the property pledged as collateral through products that we offer to our customers:

- Credit life insurance — Insures the life of the borrower in an amount typically equal to the unpaid balance of the finance receivable and provides for payment to the lender of the finance receivable in the event of the borrower's death.
- Credit accident and health insurance — Provides scheduled monthly loan payments to lender during borrower's disability due to illness or injury.
- Credit involuntary unemployment insurance — Provides scheduled monthly loan payments to the lender during borrower's involuntary unemployment.
- Credit-related property and casualty insurance — Written to protect the value of property pledged as collateral for the finance receivable.

A borrower's purchase of credit life, credit accident and health, credit-related property and casualty, or credit involuntary unemployment insurance is voluntary, with the exception of lender placed property damage coverage for property pledged as collateral.

We also offer non-credit insurance policies, which are primarily traditional level term life policies with very limited underwriting. The purchase of this coverage is also voluntary.

In addition, we offer auto security membership plans of an unaffiliated company. We have no risk of loss on these membership plans, and these plans are not considered insurance products. We recognize income from this ancillary product in other revenues — other. The unaffiliated company providing these membership plans is responsible for any required reimbursement to the customer on the ancillary product.

Customer Development. Our extensive branch network helps solicit new prospects by facilitating our "high-touch" servicing approach for personal loans due to the geographical proximity that typically exists between our branch offices and our customers. Our customers often develop a relationship with their local office representatives, which we believe not only improves the credit performance of our personal loans but also leads to additional lending opportunities.

Our centralized operations allow us to reach customers located outside our branch footprint and to more effectively process applications for customers within our branch footprint who prefer the convenience of online transactions. We believe this provides us a significant opportunity to grow our customer base, loan portfolio and finance charges. If a customer applies online and is located near an existing branch, we request, though do not require, that the customer visit the branch to meet with one of our employees, who will close and fund the loans. Loans closed in a branch office are serviced by that branch. This approach provides the branches with an additional source of customers who are located close to a branch, but who prefer the convenience of applying online or during hours when the branches are not open. We also believe that this approach will enable us to leverage our branch network to offer additional products and services, including insurance products, and to help maintain the credit quality of the loans we source online.

We use search engine optimization, banner advertisements and email campaigns to attract new customers through the internet. We also have entered into agreements with other internet loan originators to purchase leads for potential customers seeking loans. Our e-signature capabilities facilitate our online lending products. Customers who are approved for loans through our centralized operations also have the added convenience of receiving the loan funds through an automated clearinghouse ("ACH") direct deposit into their bank accounts. These loans are serviced by our centralized operations.

We also solicit new prospects, as well as current and former customers, through a variety of direct mail offers. Our data warehouse is a central, proprietary source of information regarding current and former customers. We use this information to tailor offers to specific customers. In addition to internal data, we purchase lists of new potential personal loan borrowers from major list vendors based on predetermined selection criteria. Mail solicitations include invitations to apply for personal loans and pre-qualified offers of guaranteed personal loan credit.

Through our merchant referral program, merchants refer their customers to us and we originate a loan directly to the merchant's customers to facilitate a retail purchase. We believe this approach allows us to apply our proprietary underwriting standards to these loans rather than relying on the merchant's underwriting standards. In addition, it gives us direct access to the customer, which gives our branches the opportunity to build a relationship with the customer that could lead to opportunities to offer additional products and services, including insurance products. Our branch employees are actively soliciting new relationships with merchants in their communities, and we believe that this referral program provides us with a significant opportunity to grow our customer base and increase our finance receivables revenue.

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We market our insurance products to eligible finance receivable customers through both our branch network and our centralized operations. This allows us to benefit from the customer base underlying our consumer loan business, which significantly reduces the marketing expenses that are typically borne by insurance companies. In addition, the overhead costs of our consumer and insurance businesses are shared.

Credit Risk. We use credit risk scoring models at the time of the credit application to assess the applicant’s expected willingness and capacity to repay. We develop these models using numerous factors, including past customer credit repayment experience and application data, and periodically revalidate these models based on recent portfolio performance. Our underwriting process in the branches and for loan applications received through our website that are not automatically approved also includes the development of a budget (net of taxes and monthly expenses) for the applicant. We may obtain a security interest in either titled personal property or consumer household goods.

Our customers are primarily considered non-prime and require significantly higher levels of servicing than prime or near-prime customers. As a result, we charge these customers higher interest rates to compensate us for the related credit risks and servicing.

Account Servicing. The account servicing and collection processing for our personal loans are generally handled at the branch office where the personal loans were originated, or in our centralized service centers. All servicing and collection activity is conducted and documented on the Customer Lending and Solicitation System (“CLASS”), a proprietary system which logs and maintains, within our centralized information systems, a permanent record of all transactions and notations made with respect to the servicing and/or collection of a personal loan and is also used to assess a personal loan application. CLASS permits all levels of branch office management to review on a daily basis the individual and collective performance of all branch offices for which they are responsible.

Acquisitions and Servicing

We pursue strategic acquisitions of loan portfolios through our Springleaf Acquisitions division, which we service through our centralized operations. As part of this strategy, on April 1, 2013, we acquired the SpringCastle Portfolio through a joint venture in which we own a 47% equity interest and which we consolidate in our financial statements. 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 are in a liquidating status and vary in form and substance from our originated loans. We assumed the direct servicing obligations for these loans in September 2013. At December 31, 2014, the SpringCastle Portfolio included over 277,000 of acquired loans, representing $2.0 billion in net finance receivables.

NON-CORE PORTFOLIO

Since we ceased real estate lending in January 2012, our real estate loans are in a liquidating status. In 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, which substantially completed our plan to liquidate our non-core real estate loans. At December 31, 2014, our real estate loans held for investment totaled $625.3 million and comprised less than 10% of our net finance receivables. Real estate loans held for sale totaled $205.0 million at December 31, 2014.

CENTRALIZED OPERATIONS

We continually seek to identify functions that could be more effective if centralized to achieve reduced costs or free our lending specialists to service our customers and market our products. Our centralized operational functions support the following:

- mail and telephone solicitations;
- payment processing;
- originating “out of footprint” loans;
- servicing of delinquent real estate loans and certain personal loans;
- bankruptcy process for Chapter 7, 11, 12 and 13 loans;
- litigation requests for wage garnishments and other actions against borrowers;
- collateral protection insurance tracking;
- repossessing and re-marketing of titled collateral; and
- charge-off recovery operations.

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We began utilizing a new servicing facility in Mendota Heights, Minnesota, in May, 2014, and in February, 2015, we established a new servicing facility in Tempe, Arizona. We believe these newly added facilities, along with the London, Kentucky, facility and the offices in Evansville, Indiana, position us for additional portfolio purchases or fee-based servicing, as well as additional flexibility in the servicing of our lending products.

OPERATIONAL CONTROLS

We control and monitor our businesses through a variety of methods including the following:

- Our operational policies and procedures standardize various aspects of lending and collections.
- Our branch finance receivable systems control amounts, rates, terms, and fees of our customers' accounts; create loan documents specific to the state in which the branch office operates or to the customer's location if the loan is made electronically through our centralized operations; and control cash receipts and disbursements.
- Our headquarters accounting personnel reconcile bank accounts, investigate discrepancies, and resolve differences.
- Our credit risk management system reports allow us to track individual branch office performance and to monitor lending and collection activities.
- Our executive information system is available to headquarters and field operations management to review the status of activity through the close of business of the prior day.
- Our branch field operations management structure is designed to control a large, decentralized organization with succeeding levels of supervision staffed with more experienced personnel.
- Our field operations compensation plan aligns the operating activities and goals with corporate strategies by basing the incentive portion of field personnel compensation on profitability and credit quality.
- Our compliance department assesses our compliance with federal and state laws and regulations, as well as our compliance with our internal policies and procedures; oversees compliance training to ensure employees have a sufficient level of understanding of the laws and regulations that impact their job responsibilities; and manages our regulatory examination process.
- Our executive office of customer care maintains our consumer complaint resolution and reporting process.
- Our internal audit department audits our business for adherence to operational policy and procedure and compliance with federal and state laws and regulations.

REGULATION

Federal Laws

Various federal laws and regulations govern loan origination, servicing and collections, including:

- the Dodd-Frank Act;
- the Equal Credit Opportunity Act (prohibits discrimination against creditworthy applicants) and the Consumer Financial Protection Bureau ("CFPB") Regulation B, which implements this Act;
- the Fair Credit Reporting Act (governs the accuracy and use of credit bureau reports);
- the Truth in Lending Act (governs disclosure of applicable charges and other finance receivable terms) and the CFPB's Regulation Z, which implements this Act;
- the Fair Debt Collection Practices Act;
- the Gramm-Leach-Bliley Act (governs the handling of personal financial information) and CFPB Regulation P, which implements this Act;
- the Servicemembers Civil Relief Act, which can impose limitations on the servicer's ability to collect on a loan originated with an obligor who is on active duty status and up to 9 months thereafter;
- the Real Estate Settlement Procedures Act and the CFPB's Regulation X (both of which regulate the making and servicing of certain loans secured by real estate);

- the Federal Trade Commission's Consumer Claims and Defenses Rule, also known as the "Holder in Due Course" Rule; and
- the Federal Trade Commission Act.

On July 21, 2010, the President of the United States signed into law the Dodd-Frank Act. This law and the regulations promulgated under it are likely to affect our operations in terms of increased oversight of financial services products by the CFPB and the imposition of restrictions on the terms of certain loans. Among regulations the CFPB has promulgated are mortgage servicing regulations that became effective January 10, 2014 and are applicable to a substantial portion of the portfolio serviced by or for Springleaf. The CFPB has significant authority to implement and enforce Federal consumer finance laws, including the new protections established in the Dodd-Frank Act, as well as the authority to identify and prohibit unfair,

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deceptive, and abusive acts and practices. In addition, under the Dodd-Frank Act, securitizations of loan portfolios are subject to certain restrictions and additional requirements, including requirements that the originator retain a portion of the credit risk of the securities sold and the reporting of buyback requests from investors. We also utilize third-party debt collectors and will continue to be responsible for oversight of their procedures and controls.

The CFPB has supervisory, examination and enforcement authority with respect to various federal consumer protection laws for some providers of consumer financial products and services, such as any nonbank that it has reasonable cause to determine has engaged or is engaging in conduct that poses risks to consumers with regard to consumer financial products or services. In addition to the authority to bring nonbanks under the CFPB's supervisory authority based on risk determinations, the CFPB also has authority under the Dodd-Frank Act to supervise nonbanks, regardless of size, in certain specific markets, such as mortgage companies (including, mortgage originators, brokers and servicers) and payday lenders. Currently, the CFPB has supervisory authority over us with respect to mortgage servicing and mortgage origination, which allows the CFPB to conduct an examination of our mortgage servicing practices and our prior mortgage origination practices. The Dodd-Frank Act also gives the CFPB supervisory authority over entities that are designated as "larger participants" in certain financial services markets, including consumer installment loans and related products. The CFPB has not yet promulgated regulations that designate "larger participants" for consumer finance companies. If we are designated as a "larger participant" for this market, we also will be subject to supervision and examination by the CFPB with respect to our consumer loan business. We expect to be designated as a "larger participant." The CFPB has published proposed regulations for "larger participants" in the market of auto finance. If those regulations are adopted as proposed, we would be a larger participant in the market of auto finance.

In addition to its supervision and examination authority, the CFPB is authorized to conduct investigations to determine whether any person is engaging in, or has engaged in, conduct that violates federal consumer financial protection laws, and to initiate enforcement actions for such violations, regardless of its direct supervisory authority. Investigations may be conducted jointly with other regulators. After the effective date of the CFPB's new mortgage servicing regulations, Springleaf received a request from the CFPB for information on Springleaf's servicing of residential mortgage loans. The primary purpose of this limited review was to assess elements of Springleaf's compliance with a specific section of the new rules, which covers general servicing policies, procedures, and requirements.

The CFPB also has enforcement authority and is authorized to conduct investigations to determine whether any person is engaging in, or has engaged in, conduct that violates federal consumer financial protection laws, and to initiate enforcement actions for such violations, regardless of its direct supervisory authority. Investigations may be conducted jointly with other regulators. In furtherance of its regulatory and supervisory powers, the CFPB has the authority to impose monetary penalties for violations of applicable federal consumer financial laws, require remediation of practices and pursue administrative proceedings or litigation for violations of applicable federal consumer financial laws (including the CFPB's own rules). The CFPB has the authority to obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief) and monetary penalties ranging from $5,000 per day for ordinary violations of federal consumer financial laws to $25,000 per day for reckless violations and $1 million per day for knowing violations. Also, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations implemented under Title X of the Dodd-Frank Act, the Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions to remedy violations of state law. If the CFPB or one or more states attorneys general or state regulators believe that we have violated any of the applicable laws or regulations, they could exercise their enforcement powers in ways that could have a material adverse effect on us or our business. The CFPB has actively utilized this enforcement authority against financial institutions and financial service providers, including the imposition of significant monetary penalties and orders for restitution and orders requiring mandatory changes to compliance policies and procedures, enhanced oversight and control over affiliate and third-party vendor agreements and services and mandatory review of business practices, policies and procedures by third-party auditors and consultants. If, as a result of an examination, the CFPB were to conclude that our loan origination or servicing activities violate applicable law or regulations, we could be subject to a formal or informal enforcement action. Formal enforcement actions are generally made public, which carries reputational risk. We have not been notified of any planned examinations or enforcement actions by the CFPB.

The Dodd-Frank Act also may adversely affect the securitization market because it requires, among other things, that a securitizer generally retain not less than 5% of the credit risk for certain types of securitized assets that are created, transferred, sold, or conveyed through issuance of asset-backed securities with an exception for securitizations that are wholly composed of “qualified residential mortgages.” On December 24, 2014, the Federal agencies published in the Federal Register the final rule implementing the risk retention requirements of Section 941 of the Dodd Frank Act, with an effective date of February 23, 2015. Compliance with the rule with respect to asset-backed securities collateralized by residential mortgages is required beginning December 24, 2015. Compliance with the rule with regard to all other classes of asset-backed securities is required beginning December 24, 2016. Moreover, the Securities and Exchange Commission (the “SEC”) has proposed significant changes to Regulation AB, including, among other requirements, that issuers and underwriters make any third-party due

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diligence reports on asset-backed securities publicly available. This could result in sweeping changes to the commercial and residential mortgage loan securitization markets, as well as to the market for the re-securitization of mortgage-backed securities. Many of these regulations will be phased in over the next year or a longer period. Once implemented, the risk retention requirement may limit our ability to securitize loans and impose on us additional compliance requirements to meet origination and servicing criteria for qualified residential mortgages. The impact of the risk retention rule on the asset-backed securities market is uncertain.

State Laws

Various state laws and regulations also govern personal loans and real estate secured loans. Many states have laws and regulations that are similar to the federal laws referred to above, but the degree and nature of such laws and regulations vary from state to state. While federal law preempts state law in the event of certain conflicts, compliance with state laws and regulations is still required in the absence of conflicts.

These additional state laws and regulations, under which we conduct a substantial amount of our lending business, generally:

- provide for state licensing and periodic examination of lenders and loan originators, including state laws adopted or amended to comply with licensing requirements of the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (the “SAFE Act”) (which, in some states, requires licensing of individuals who perform real estate loan modifications);
- require the filing of reports with regulators;
- impose maximum term, amount, interest rate, and other charge limitations;
- regulate whether and under what circumstances we may offer insurance and other ancillary products in connection with a lending transaction; and
- provide for additional consumer protections.

There is a clear trend of increased state regulation on loan origination, servicing and collection, as well as more detailed reporting, more detailed examinations, and coordination of examinations among the states.

State authorities also regulate and supervise our insurance business. The extent of such regulation varies by product and by state, but relates primarily to the following:

- licensing;
- conduct of business, including marketing and sales practices;
- periodic financial and market conduct examination of the affairs of insurers;
- form and content of required financial reports;
- standards of solvency;
- limitations on the payment of dividends and other affiliate transactions;
- types of products offered;
- approval of policy forms and premium rates;
- permissible investments;
- reserve requirements for unearned premiums, losses, and other purposes; and
- claims processing.

Every jurisdiction in which we operate regulates credit insurance premium rates and premium refund calculations.

COMPETITION

We operate primarily in the consumer installment lending industry focusing on the non-prime customer. As of December 31, 2014, Springleaf and OneMain each maintained a national footprint (defined as 500 or more branches and receivables over $2 billion) of brick and mortar branches. As a result of the Proposed Acquisition, the combined company will have approximately 2.5 million customers and nearly 2,000 branch offices.

In addition, there are a large number of local, regional and internet competitors in the consumer installment lending industry serving the large and growing population of non-prime customers. We also compete with a large number of other types of financial institutions within our geographic footprint and over the internet, including community banks and credit unions, that offer similar products and services. We believe that competition between consumer installment lenders occurs primarily on the basis of price, speed of service, flexibility of loan terms offered, and the quality of customer service provided.

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We believe that we possess several competitive strengths that position us to capitalize on the significant growth and expansion opportunity created by the large supply-demand imbalance within our industry, and to compete effectively with other lenders in our industry. The capabilities resident in our national branch system provide us with a proven distribution channel for our personal loan and insurance products, allowing us to provide same-day fulfillment to approved customers and giving us a distinct competitive advantage over many industry participants who do not have—and cannot replicate without significant investment—a similar footprint. Our centralized operations also enhance our nationwide footprint by allowing us to serve customers that reside outside of our branch footprint. We utilize a rigorous underwriting process that is supported by proprietary technology, data analytics and decisioning tools, which we have developed through significant investment and which enhance the quality of our lending and servicing processes. In addition, our high-touch relationship-based servicing model is a major contributor to our superior loan performance, and distinguishes us from our competitors.

SEASONALITY

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Seasonality" in Item 7 for discussion of our seasonal trends.

EMPLOYEES

As of December 31, 2014, we had 5,030 employees.

AVAILABLE INFORMATION

SHI files annual, quarterly, and current reports, proxy statements, and other information with the SEC. The SEC's website, www.sec.gov, contains these reports and other information that registrants (including SHI) file electronically with the SEC. Readers may also read and copy any document that SHI files at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549, U.S.A. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room.

These reports are also available free of charge through our website, www.springleaf.com (posted on the "Company Information — Investor Relations — Financial Information — SEC Filings" section), as soon as reasonably practicable after we file them with, or furnish them to, the SEC.

In addition, our Code of Ethics for Principal Executive and Senior Financial Officers (the "Code of Ethics") is posted on the "Company Information — Investor Relations — Corporate Governance" section of our website at www.springleaf.com. We will post on our website any amendments to the Code of Ethics and any waivers that are required to be described.

The information on our website is not incorporated by reference into this report. The website addresses listed above are provided for the information of the reader and are not intended to be active links.

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Item 1A. Risk Factors.

We face a variety of risks that are inherent in our business. Accordingly, you should carefully consider the following discussion of risks in addition to the other information regarding our business provided in this report and in other documents we file with the SEC. These risks are subject to contingencies which may or may not occur, and we are not able to express a view on the likelihood of any such contingency occurring. New risks may emerge at any time, and we cannot predict those risks or estimate the extent to which they may affect our business or financial performance.

RISKS RELATED TO OUR BUSINESS

Our consolidated results of operations and financial condition and our borrowers’ ability to make payments on their loans have been, and may in the future be, adversely affected by economic conditions and other factors that we cannot control.

Uncertainty and negative trends in general economic conditions in the United States and abroad, including significant tightening of credit markets and a general decline in the value of real property, historically have created a difficult operating environment for our businesses and other companies in our industries. Many factors, including factors that are beyond our control, may impact our consolidated results of operations or financial condition and/or affect our borrowers’ willingness or capacity to make payments on their loans. These factors include: unemployment levels, housing markets, energy costs and interest rates; events such as natural disasters, acts of war, terrorism, catastrophes, major medical expenses, divorce or death that affect our borrowers; and the quality of the collateral underlying our receivables. If we experience an economic downturn or if the U.S. economy is unable to continue or sustain its recovery from the most recent economic downturn, or if we become affected by other events beyond our control, we may experience a significant reduction in revenues, earnings and cash flows, difficulties accessing capital and a deterioration in the value of our investments. We may also become exposed to increased credit risk from our customers and third parties who have obligations to us.

Moreover, our customers are primarily non-prime borrowers. Accordingly, such borrowers have historically been, and may in the future become, more likely to be affected, or more severely affected, by adverse macroeconomic conditions. If our borrowers default under a finance receivable held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral, if any, and the outstanding principal and accrued but unpaid interest of the finance receivable, which could adversely affect our cash flow from operations. In addition, foreclosure of a real estate loan (part of our legacy real estate portfolio) is an expensive and lengthy process that can negatively affect our anticipated return on the foreclosed loan. The cost to service our loans may also increase without a corresponding increase in our finance charge income.

Also, certain geographic concentrations of our loan portfolio may occur or increase as we adjust our risk and loss tolerance and strategy to achieve our profitability goals. Any geographic concentration may expose us to an increased risk of loss if that geographic region experiences higher unemployment rates than average, natural disasters, weak economic conditions, or other adverse economic factors that disproportionately affect that region.

If aspects of our business, including the quality of our finance receivables portfolio or our borrowers, are significantly affected by economic changes or any other conditions in the future, we cannot be certain that our policies and procedures for underwriting, processing and servicing loans will adequately adapt to such changes. If we fail to adapt to changing economic conditions or other factors, or if such changes affect our borrowers’ willingness or capacity to repay their loans, our results of operations, financial condition and liquidity would be materially adversely affected.

As part of our growth strategy, we have committed to building our consumer lending business. If we are unable to successfully implement our growth strategy, our results of operations, financial condition and liquidity may be materially adversely affected.

We believe that our future success depends on our ability to implement our growth strategy, the key feature of which has been to shift our primary focus to originating consumer loans as well as acquiring portfolios of consumer loans and/or companies in the business of originating and servicing consumer loans or related products. In connection with this revised focus, we have also recently expanded into internet lending through our centralized operations.

We may not be able to implement our new strategy successfully, and our success depends on a number of factors, including, but not limited to, our ability to:

- address the risks associated with our new focus on personal (including auto) loan receivables, including, but not limited to consumer demand for finance receivables, and changes in economic conditions and interest rates;

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- address the risks associated with the new centralized method of originating and servicing our internet loans through our centralized operations, which represents a departure from our traditional high-touch branch- based servicing function and includes the potential for higher default and delinquency rates;
- integrate, and develop the expertise required to capitalize on, our centralized operations;
- obtain regulatory approval in connection with our internet lending;
- obtain regulatory approval in connection with the acquisition of consumer loan portfolios and/or companies in the business of selling consumer loans or related products;
- comply with regulations in connection with doing business and offering loan products over the internet, including various state and federal e-signature rules mandating that certain disclosures be made and certain steps be followed in order to obtain and authenticate e-signatures, with which we have limited experience;
- successfully source, underwrite and integrate new acquisitions of loan portfolios and other businesses; and
- successfully integrate OneMain if the Proposed Acquisition is completed.

In order for us to realize the benefits associated with our new focus on originating and servicing consumer loans and grow our business, we must implement our strategic objectives in a timely and cost-effective manner as well as anticipate and address any risks to which we may become subject. In any event, we may not realize these benefits for many years, or our competitors may introduce more compelling products, services or enhancements. If we are not able to realize the benefits, or if we do not do so in a timely manner, our results of operations, financial condition and liquidity could be negatively affected which would have a material adverse effect on business.

There are risks associated with the acquisition of large loan portfolios, including the possibility of increased delinquencies and losses, difficulties with integrating the loans into our servicing platform and disruption to our ongoing business, which could have a material adverse effect on our results of operations, financial condition and liquidity.

We may acquire large portfolios of finance receivables in the future either through the direct purchase of such assets or the purchase of the equity of a company with such a portfolio. An example is the Proposed Acquisition. Since we will not have originated or serviced the loans we acquire, we may not be aware of legal or other deficiencies related to origination or servicing, and our review of the portfolio prior to purchase may not uncover those deficiencies. Further, we may have limited recourse against the seller of the portfolio.

The ability to integrate and successfully service newly acquired loan portfolios will depend in large part on the success of our development and integration of expanded servicing capabilities, including additional personnel. We may fail to realize some or all of the anticipated benefits of the transaction if the integration process takes longer, or is more costly, than expected. Our failure to meet the challenges involved in successfully integrating the acquired portfolios with our current business or otherwise to realize any of the anticipated benefits of the transaction, could impair our operations. In addition, the integration of future large portfolio acquisitions are complex, time-consuming and expensive processes that, without proper planning and effective and timely implementation, could significantly disrupt our business.

Potential difficulties we may encounter during the integration process with future acquisitions include, but are not limited to, the following:

- the integration of the portfolio into our information technology platforms and servicing systems;
- the quality of servicing during any interim servicing period after we purchase a portfolio but before we assume servicing obligations from the seller or its agents;
- the disruption to our ongoing businesses and distraction of our management teams from ongoing business concerns;
- incomplete or inaccurate files and records;

- the retention of existing customers;
- the creation of uniform standards, controls, procedures, policies and information systems;
- the occurrence of unanticipated expenses; and
- potential unknown liabilities associated with the transactions, including legal liability related to origination and servicing prior to the acquisition.

For example, in some cases loan files and other information (including servicing records) may be incomplete or inaccurate. If our employees are unable to access customer information easily, or if we are unable to produce originals or copies of documents or accurate information about the loans, collections could be affected significantly, and we may not be able to enforce our right to collect in some cases. Similarly, collections could be affected by any changes to our collection practices, the restructuring of any key servicing functions, transfer of files and other changes that would result from our assumption of the servicing of the acquired portfolios.

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The anticipated benefits and synergies of our future acquisitions will assume a successful integration, and will be based on projections, which are inherently uncertain, as well as other assumptions. Even if integration is successful, anticipated benefits and synergies may not be achieved.

There are risks associated with our ability to expand our centralized loan servicing capabilities through integration of the servicing facilities in Mendota Heights, Minnesota, and Tempe, Arizona, which could have a material adverse effect on our results of operations, financial condition and liquidity.

A key part of our efforts to expand our centralized loan servicing capacity will depend in large part on the success of management's efforts to integrate the Minnesota and Arizona servicing facilities with our current operations. We may fail to realize some or all of the anticipated benefits of these facilities if the integration process takes longer, or is more costly, than expected. Our failure to meet the challenges involved in successfully integrating these facilities with our current business or otherwise to realize any of the anticipated benefits could impair our operations. In addition, the integration is a complex, time-consuming and expensive process that, without proper planning and effective and timely implementation, could significantly disrupt our business. Potential difficulties we may encounter during the integration process may include, but are not limited to, the following:

- the integration of the personnel with certain of our management teams, strategies, operations, products and services;
- the integration of the physical facilities with our information technology platforms and servicing systems; and
- the disruption to our ongoing businesses and distraction of our management teams from ongoing business concerns.

If our estimates of finance receivable losses are not adequate to absorb actual losses, our provision for finance receivable losses would increase, which would adversely affect our results of operations.

We maintain an allowance for finance receivable losses. To estimate the appropriate level of allowance for finance receivable losses, we consider known and relevant internal and external factors that affect finance receivable collectability, including the total amount of finance receivables outstanding, historical finance receivable charge-offs, our current collection patterns, and economic trends. Our methodology for establishing our allowance for finance receivable losses is based on the guidance in Accounting Standards Codification ("ASC") 450 and, in part, on our historic loss experience. If customer behavior changes as a result of economic conditions and if we are unable to predict how the unemployment rate, housing foreclosures, and general economic uncertainty may affect our allowance for finance receivable losses, our provision may be inadequate. Our allowance for finance receivable losses is an estimate, and if actual finance receivable losses are materially greater than our allowance for finance receivable losses, our results of operations could be adversely affected. Neither state regulators nor federal regulators regulate our allowance for finance receivable losses. Additional information regarding our allowance for finance receivable losses is included in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations—Allowance for Finance Receivable Losses."

Our risk management efforts may not be effective.

We could incur substantial losses and our business operations could be disrupted if we are unable to effectively identify, manage, monitor, and mitigate financial risks, such as credit risk, interest rate risk, prepayment risk, liquidity risk, and other market-related risks, as well as operational risks related to our business, assets and liabilities. To the extent our models used to assess the creditworthiness of potential borrowers do not adequately identify potential risks, the valuations produced would not adequately represent the risk profile of the borrower and could result in a riskier finance receivable profile than originally identified. Our risk management policies, procedures, and techniques, including our scoring technology, may not be sufficient to identify all of the risks we are exposed to, mitigate the risks we have identified or identify concentrations of risk or additional risks to which we may become subject in the future.

Our branch loan approval process is decentralized, which may result in variability of loan structures, and could adversely affect our results of operations, financial condition and liquidity.

Our branch finance receivable origination system is decentralized. We train our employees individually on-site in the branch to make loans that conform to our underwriting standards. Such training includes critical aspects of state and federal regulatory compliance, cash handling, account management and customer relations. Subject to approval by district managers and/or directors of operations in certain cases, our branch officers have the authority to approve and structure loans within broadly written underwriting guidelines rather than having all loan terms approved centrally. As a result, there may be variability in finance receivable structure (e.g., whether or not collateral is taken for the loan) and loan portfolios among branch offices or regions, even when underwriting policies are followed. Moreover, we cannot be certain that every loan is made in accordance with our underwriting standards and rules and we have in the past experienced some instances of loans extended that varied

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from our underwriting standards. The nature of our approval process could adversely affect our operating results and variances in underwriting standards and lack of supervision could expose us to greater delinquencies and charge-offs than we have historically experienced, which could adversely affect our results of operations, financial condition and liquidity.

Changes in market conditions, including rising interest rates, could adversely affect the rate at which our borrowers prepay their loans and the value of our finance receivables portfolio, as well as increase our financing cost, which could negatively affect our results of operations, financial condition and liquidity.

Changing market conditions, including but not limited to, changes in interest rates, the availability of credit, the relative economic vitality of the area in which our borrowers and their assets are located, changes in tax laws, other opportunities for investment available to our customers, homeowner mobility, and other economic, social, geographic, demographic, and legal factors beyond our control, may affect the rates at which our borrowers prepay their loans. Generally, in situations where prepayment rates have slowed, the weighted-average life of our finance receivables has increased. Any increase in interest rates may further slow the rate of prepayment for our finance receivables, which could adversely affect our liquidity by reducing the cash flows from, and the value of, the finance receivables we hold for sale or utilize as collateral in our secured funding transactions.

Moreover, the vast majority of our finance receivables are fixed-rate finance receivables, which generally decline in value if interest rates increase. As such, if changing market conditions cause interest rates to increase substantially, the value of our fixed-rate finance receivables could decline. In addition, rising interests rates will increase our cost of capital. Accordingly, any increase in interest rates could negatively affect our results of operations, financial condition and liquidity.

We may be required to indemnify, or repurchase finance receivables from, purchasers of finance receivables that we have sold or securitized, or which we will sell or securitize in the future, if our finance receivables fail to meet certain criteria or characteristics or under other circumstances, which could adversely affect our results of operations, financial condition and liquidity.

We have sold $6.4 billion of our legacy real estate portfolio in 2014 and have securitized $1.9 billion of our consumer loan portfolio and all of the SpringCastle Portfolio at December 31, 2014. The documents governing our finance receivable sales and securitizations contain provisions that require us to indemnify the purchasers of securitized finance receivables, or to repurchase the affected finance receivables, under certain circumstances. While our sale and securitization documents vary, they generally contain customary provisions that may require us to repurchase finance receivables if:

- our representations and warranties concerning the quality and characteristics of the finance receivable are inaccurate;
- there is borrower fraud; and
- we fail to comply, at the individual finance receivable level or otherwise, with regulatory requirements in connection with the origination and servicing of the finance receivables.

As a result of the current market environment, we believe that many purchasers of real estate loans (including through securitizations) are particularly aware of the conditions under which originators must indemnify purchasers or repurchase finance receivables, and would benefit from enforcing any repurchase remedies that they may have. At its extreme, our exposure to repurchases or our indemnification obligations under our representations and warranties could include the current unpaid balance of all finance receivables that we have sold or securitized and which are not subject to settlement agreements with purchasers.

The risk of loss on the finance receivables that we have securitized is recognized in our allowance for finance receivable losses since all of our consumer loan securitizations are recorded on-balance sheet. If we are required to indemnify purchasers or repurchase finance receivables that we sell that result in losses that exceed our reserve for sales recourse, or recognize losses on securitized finance receivables that exceed our recorded allowance for finance receivable losses associated with our securitizations, this could adversely affect our results of operations, financial condition and liquidity.

Our insurance operations are subject to a number of risks and uncertainties, including claims, catastrophic events, underwriting risks and dependence on a sole distribution channel.

Insurance claims and policyholder liabilities are difficult to predict and may exceed the related reserves set aside for claims (losses) and associated expenses for claims adjudication (loss adjustment expenses). Additionally, events such as hurricanes, tornados, earthquakes, pandemic disease, cyber security breaches and other types of catastrophes, and prolonged economic downturns, could adversely affect our financial condition or results of operations. Other risks relating to our insurance

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operations include changes to laws and regulations applicable to us, as well as changes to the regulatory environment. Examples include changes to laws or regulations affecting capital and reserve requirements; frequency and type of regulatory monitoring and reporting; consumer privacy, use of customer data and data security; benefits or loss ratio requirements; insurance producer licensing or appointment requirements; required disclosures to consumers; and collateral protection insurance (i.e., insurance that our lender companies purchase, at the customer’s expense, on the customer’s loan collateral for the periods of time the borrower fails to adequately, as required by his loan, insure that collateral). Because our customers do not affirmatively consent to collateral protection insurance at the time it is purchased and hence, directly agree to the amount charged for it, regulators may in the future prohibit our insurance company from providing this insurance to our lending operations. Moreover, our insurance companies are dependent on our lending operations for the sole source of business and product distribution. If our lending operations discontinue offering insurance products, including as a result of regulatory requirements, our insurance operations would have no method of distribution for their products.

We are a party to various lawsuits and proceedings which, if resolved in a manner adverse to us, could materially adversely affect our results of operations, financial condition and liquidity.

In the normal course of business, from time to time, we have been named as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with our business activities. Certain of the legal actions include claims for substantial compensatory and/or punitive damages, or claims for indeterminate amounts of damages. Some of these proceedings are pending in jurisdictions that permit damage awards disproportionate to the actual economic damages alleged to have been incurred. The continued occurrences of large damage awards in general in the United States, including large punitive damage awards in certain jurisdictions that bear little or no relation to actual economic damages incurred by plaintiffs, create the potential for an unpredictable result in any given proceeding. A large judgment that is adverse to us could cause our reputation to suffer, encourage additional lawsuits against us and have a material adverse effect on our results of operations, financial condition and liquidity.

If we lose the services of any of our key management personnel, our business could suffer.

Our future success significantly depends on the continued service and performance of our key management personnel. Competition for these employees is intense and we may not be able to attract and retain key personnel. We do not maintain any “key man” or other related insurance. The loss of the service of members of our senior management or key team members, or the inability to attract additional qualified personnel as needed, could materially harm our business.

Employee misconduct could harm us by subjecting us to monetary loss, significant legal liability, regulatory scrutiny and reputational harm.

Our reputation is critical to maintaining and developing relationships with our existing and potential customers and third parties with whom we do business. There is a risk that our employees could engage in misconduct that adversely affects our business. For example, if an employee were to engage—or be accused of engaging—in illegal or suspicious activities including fraud or theft, we could suffer direct losses from the activity, and in addition we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial condition, customer relationships, and ability to attract future customers. Employee misconduct could prompt regulators to allege or to determine based upon such misconduct that we have not established adequate supervisory systems and procedures to inform employees of applicable rules or to detect and deter violations of such rules. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent misconduct may not be effective in all cases. Misconduct by our employees, or even unsubstantiated allegations of misconduct, could result in a material adverse effect on our reputation and our business.

Current and proposed regulation related to consumer privacy, data protection and information security could increase our costs.

We are subject to a number of federal and state consumer privacy, data protection, and information security laws and regulations. For example, we are subject to the federal Gramm-Leach-Bliley Act, which governs the use of personal financial information by financial institutions. Moreover, various federal and state regulatory agencies require us to notify customers in the event of a security breach. Federal and state legislators and regulators are increasingly pursuing new guidance, laws, and regulation. Compliance with current or future customer privacy, data protection, and information security laws and regulations could result in higher compliance, technology or other operating costs. Any violations of these laws and regulations may require us to change our business practices or operational structure, and could subject us to legal claims, monetary penalties, sanctions, and the obligation to indemnify and/or notify customers or take other remedial actions.

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Significant disruptions in the operation of our information systems could have a material adverse effect on our business.

Our business relies heavily on information systems to deliver products and services to our customers, and to manage our ongoing operations. These systems may encounter service disruptions due to system, network or software failure, security breaches, computer viruses, natural disasters or other reasons. There can be no assurance that our policies and procedures addressing these issues will adequately address the disruption. A disruption could impair our ability to offer and process consumer loans, provide customer service, perform collections activities or perform other necessary business activities, which could result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability.

Security breaches in our information systems, in the information systems of third parties or in our branches, central servicing facilities, or our internet lending platform could adversely affect our reputation and could subject us to significant costs and regulatory penalties.

Our operations rely heavily on the secure processing, storage and transmission of confidential customer and other information in our computer systems and networks. Our branch offices and centralized servicing centers, as well as our administrative and executive offices, are part of an electronic information network that is designed to permit us to originate and track finance receivables and collections, and perform several other tasks that are part of our everyday operations. Our computer systems, software, and networks may be vulnerable to breaches, unauthorized access, misuse, computer viruses, or other malicious code that could result in disruption to our business, or the loss or theft of confidential information, including customer information. Any failure, interruption, or breach in our cyber security, including any failure of our back-up systems or failure to maintain adequate security surrounding customer information, could result in reputational harm, disruption in the management of our customer relationships, or the inability to originate, process and service our finance receivable products. Further, any of these cyber security and operational risks could result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to lawsuits by customers for identity theft or other damages resulting from the misuse of their personal information and possible financial liability, any of which could have a material adverse effect on our results of operations, financial condition and liquidity. In addition, regulators may impose penalties or require remedial action if they identify weaknesses in our security systems, and we may be required to incur significant costs to increase our cyber security to address any vulnerabilities that may be discovered or to remediate the harm caused by any security breaches. As part of our business, we may share confidential customer information and proprietary information with clients, vendors, service providers, and business partners. The information systems of these third parties may be vulnerable to security breaches and we may not be able to ensure that these third parties have appropriate security controls in place to protect the information we share with them. If our confidential information is intercepted, stolen, misused, or mishandled while in possession of a third party, it could result in reputational harm to us, loss of customer business, and additional regulatory scrutiny, and it could expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our results of operations, financial condition and liquidity. Although we have insurance that is intended to cover certain losses from such events, there can be no assurance that such insurance will be adequate or available.

Our branch offices and centralized servicing centers have physical customer records necessary for day-to-day operations that contain extensive confidential information about our customers, including financial and personally identifiable information. We also retain physical records in various storage locations outside of these locations. The loss or theft of customer information and data from our branch offices, central servicing facilities, or other storage locations could subject us to additional regulatory scrutiny and penalties, and could expose us to civil litigation and possible financial liability, which could have a material adverse effect on our results of operations, financial condition and liquidity. In addition, if we cannot locate original documents (or copies, in some cases), we may not be able to collect on the finance receivables for which we do not have documents.

We may not be able to make technological improvements as quickly as some of our competitors, which could harm our ability to compete with our competitors and adversely affect our results of operations, financial condition and liquidity.

The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial and lending institutions to better serve customers and reduce costs. Our future success and, in particular, the success of our centralized operations, will depend, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience, as well as to create additional efficiencies in our operations. We may not be able to effectively implement new technology- driven products and services as quickly as some of our competitors or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could harm our ability to compete with our competitors and adversely affect our results of operations, financial condition and liquidity.

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We could face environmental liability and costs for damage caused by hazardous waste (including the cost of cleaning up contaminated property) if we foreclose upon or otherwise take title to real estate pledged as collateral.

If a real estate loan goes into default, we start foreclosure proceedings in appropriate circumstances, which could result in our taking title to the mortgaged real estate. We also consider alternatives to foreclosure, such as "short sales," where we do not take title to mortgaged real estate. There is a risk that toxic or hazardous substances could be found on property after we take title. In addition, we own certain properties through which we operate our business, such as the buildings at our headquarters, and the servicing facility in London, Kentucky acquired on September 1, 2013. As the owner of any property where hazardous waste is present, we could be held liable for clean-up and remediation costs, as well as damages for any personal injuries or property damage caused by the condition of the property. We may also be responsible for these costs if we are in the chain of title for the property, even if we were not responsible for the contamination and even if the contamination is not discovered until after we have sold the property. Costs related to these activities and damages could be substantial. Although we have policies and procedures in place to investigate properties for potential hazardous substances before taking title to properties, these reviews may not always uncover potential environmental hazards.

We ceased real estate lending and the purchase of retail finance contracts and are in the process of liquidating these portfolios, which subjects us to certain risks which if we do not effectively manage could adversely affect our results of operations, financial condition and liquidity.

In connection with our plan for strategic growth and new focus on consumer lending, we engaged in a number of restructuring initiatives, including but not limited to, ceasing real estate lending, ceasing purchasing retail sales contracts and revolving retail accounts from the sale of consumer goods and services by retail merchants, closing certain of our branches and reducing our workforce.

Since terminating our real estate lending business at the beginning of 2012, which historically accounted for in excess of 50% of the interest income of our business, and ceasing retail sales purchases, we have been liquidating these legacy portfolios. In 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, which substantially completed our plan to liquidate our non-core real estate loans. Consequently, as of December 31, 2014 our real estate loans held for investment and held for sale totaled $625.3 million and $205.0 million, respectively. Due to the fact that we are no longer able to offer our remaining legacy real estate lending customers the same range of loan restructuring alternatives in delinquency situations that we may historically have extended to them, such customers may be less able, and less likely, to repay their loans.

Moreover, if we fail to realize the anticipated benefits of the restructuring of our business and associated liquidation of our legacy portfolios, we may experience an adverse effect on our results of operations, financial condition and liquidity.

We are not able to track the default status of the senior lien loans for our second mortgages if we are not the holder of the senior loan.

Second mortgages constituted 64% of our real estate loans as of December 31, 2014. In instances where we hold the second mortgage, either we or another creditor holds the first mortgage on the property, and our second mortgage is subordinate in right of payment to the first mortgage holder's right to receive payment. If we are not the holder of the related first mortgage, we are not able to track the default status of a first mortgage for our second mortgages. In such instances, the value of our second mortgage may be lower than our records indicate and the provisions we maintain for finance receivable losses associated with such second mortgages may be inadequate.

RISKS RELATED TO OUR INDUSTRY AND REGULATION

We operate in a highly competitive market, and we cannot ensure that the competitive pressures we face will not have a material adverse effect on our results of operations, financial condition and liquidity.

The consumer finance industry is highly competitive. Our profitability depends, in large part, on our ability to originate finance receivables. We compete with other consumer finance companies as well as other types of financial institutions that offer similar products and services in originating finance receivables. Some of these competitors may have greater financial, technical and marketing resources than we possess. Some competitors may also have a lower cost of funds and access to funding sources that may not be available to us. While banks and credit card companies have decreased their lending to non-prime customers in recent years, there is no assurance that such lenders will not resume those lending activities. Further, because of increased regulatory pressure on payday lenders, many of those lenders are starting to make more traditional installment consumer loans in order to reduce regulatory scrutiny of their practices, which could increase competition in markets in which we operate. In addition, in July 2013, the Dodd-Frank Act's three-year moratorium on banks affiliated with non-financial businesses expired. When the Dodd-Frank Act was enacted in 2010, a moratorium was imposed that prohibited the Federal Deposit Insurance Corporation from approving deposit insurance for certain banks controlled by non-financial commercial enterprises. The expiration of the moratorium could result in an increase of traditionally non- financial enterprises entering the banking space, which could increase the number of our competitors. There can be no assurance that the competitive pressures we face will not have a material adverse effect on our results of operations, financial condition and liquidity.

Our businesses are subject to regulation in the jurisdictions in which we conduct our business.

Our businesses are subject to numerous federal, state and local laws and regulations, and various state authorities regulate and supervise our insurance operations. The laws under which a substantial amount of our consumer and real estate businesses are conducted generally: provide for state licensing of lenders and, in some cases, licensing of employees involved in real estate loan modifications; impose limits on the term of a finance receivable, amounts, interest rates and charges on the finance receivables; regulate whether and under what circumstances insurance and other ancillary products may be offered to consumers in connection with a lending transaction; regulate the manner in which we use personal data; and provide for other consumer protections. We are also subject to extensive servicing regulations which we must comply with when servicing our legacy real estate loans and the SpringCastle Portfolio, and which we will have to comply with when we acquire loan portfolios in the future and assume the servicing obligations for the acquired loans. The extent of state regulation of our insurance business varies by product and by jurisdiction, but relates primarily to the following: licensing; conduct of business; periodic examination of the affairs of insurers; form and content of required financial reports; standards of solvency; limitations on dividend payments and other related party transactions; types of products offered; approval of policy forms and premium rates; permissible investments; deposits of securities for the benefit of policyholders; reserve requirements for unearned premiums, losses and other purposes; and claims processing.

All of our operations are subject to regular examination by state and federal regulators, and as a whole, our entities are subject to several hundred regulatory examinations in a given year. These examinations may result in requirements to change our policies or practices, and in some cases, we are required to pay monetary fines or make reimbursements to customers. Many state regulators and some federal regulators have indicated an intention to pool their resources in order to conduct examinations of licensed entities, including us, at the same time (referred to as a "multi-state" examination). This could result in more in-depth examinations, which could be more costly and lead to more significant enforcement actions.

We are also subject to potential enforcement, supervisions and other actions that may be brought by state attorneys general or other state enforcement authorities and other governmental agencies. Any such actions could subject us to civil money penalties, customer remediation and increased compliance costs, as well as damage our reputation and brand and could limit or prohibit our ability to offer certain products and services or engage in certain business practices.

The Department of Defense has proposed changes to the regulations that have been promulgated as a result of the Military Lending Act. If the changes are adopted, we would be subject to the limitations of the Military Lending Act, which places a 36% limitation on all fees, charges, interest rate and credit and non-credit insurance premiums for loans made to members of the military or their dependents.

We believe that we maintain all material licenses and permits required for our current operations and are in substantial compliance with all applicable federal, state and local regulations, but we may not be able to maintain all requisite licenses and permits, and the failure to satisfy those and other regulatory requirements could have a material adverse effect on our operations. In addition, changes in laws or regulations applicable to us could subject us to additional licensing, registration and other regulatory requirements in the future or could adversely affect our ability to operate or the manner in which we conduct business.

A material failure to comply with applicable laws and regulations could result in regulatory actions, lawsuits and damage to our reputation, which could have a material adverse effect on our results of operations, financial condition and liquidity.

For more information with respect to the regulatory framework affecting our businesses, see “Business—Regulation” included in Item 1.

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The enactment of the Dodd-Frank Act and the creation of the CFPB significantly increases our regulatory costs and burdens.

The Dodd-Frank Act was adopted in 2010. This law, and the regulations already promulgated and to be promulgated under it, affect our operations in terms of increased oversight of financial services products by the CFPB, and the imposition of restrictions on the allowable terms for certain consumer credit transactions. The CFPB has significant authority to implement and enforce federal consumer finance laws, including the Truth in Lending Act, the Equal Credit Opportunity Act, the Fair Credit Billing Act and new requirements for financial services products provided for in the Dodd-Frank Act, as well as the authority to identify and prohibit unfair, deceptive, or abusive acts and practices. In addition, the Dodd-Frank Act provides the CFPB with broad supervisory, examination and enforcement authority over various consumer financial products and services, including the ability to require reimbursements and other payments to customers for alleged legal violations, and to impose significant penalties, as well as injunctive relief that prohibits lenders from engaging in allegedly unlawful practices. Further, state attorneys general and state regulators are authorized to bring civil actions to enforce certain consumer protection provisions of the Dodd-Frank Act. The Dodd-Frank Act and accompanying regulations are being phased in over time, and while some regulations have been promulgated, many others have not yet been proposed or finalized. We cannot predict the terms of all of the final regulations, their intended consequences or how such regulations will affect us or our industry.

The CFPB currently has supervisory authority over our real estate servicing activities, and likely will have supervisory authority over our consumer lending business. It also has the authority to bring enforcement actions for violations of laws over which it has jurisdiction regardless of whether it has supervisory authority for a given product or service. The CFPB recently finalized mortgage servicing regulations that became effective in January 2014, which makes it more difficult and expensive to service mortgages. In addition, the Dodd-Frank Act also gives the CFPB supervisory authority over entities that are designated as “larger participants” in certain financial services markets, including consumer installment loans and related products. The CFPB has not yet promulgated regulations that designate “larger participants” for consumer finance companies. If we are designated as a “larger participant” for this market, we also will be subject to supervision and examination by the CFPB with respect to our consumer loan business. The CFPB has published proposed regulations for “larger participants” in the market of auto finance. If those regulations are adopted as proposed, we would be a larger participant in the market of auto finance. The CFPB’s broad supervisory and enforcement powers could affect our business and operations significantly in terms of increased operating and regulatory compliance costs, and limits on the types of products we offer and the manner in which they are offered, among other things. See “Business—Regulation” for further information on the CFPB.

The CFPB and certain state regulators recently have brought enforcement actions against lenders for the sale of ancillary products, such as “debt forgiveness” products that forgive a borrower’s debt if certain events occur (e.g., death or disability). Among other things, the regulators have questioned the cost of the product when compared to the benefits and whether the tactics used by the lender to sell the products mislead consumers. Although our insurance products are regulated by insurance regulators, sales of insurance could be challenged in a similar manner. In addition, we sell a few other ancillary products that are not considered to be insurance, and which could be subject to additional CFPB or state regulator scrutiny.

Our use of third-party vendors is subject to increasing regulatory attention.

Recently, the CFPB and other regulators have issued regulatory guidance that has focused on the need for financial institutions to perform increased due diligence and ongoing monitoring of third-party vendor relationships, thus increasing the scope of management involvement and decreasing the benefit that we receive from using third-party vendors. Moreover, if our regulators conclude that we have not met the heightened standards for oversight of our third-party vendors, we could be subject to enforcement actions, civil monetary penalties, supervisory orders to cease and desist or other remedial actions, which could have an adverse effect on our business, financial condition and operating results.

We purchase and sell finance receivables, including charged off receivables and receivables where the borrower is in default. This practice could subject us to heightened regulatory scrutiny, which may expose us to legal action, cause us to incur losses and/or limit or impede our collection activity.

As part of our business model, we purchase and sell finance receivables and plan to expand this practice in the future. Although the borrowers for some of these finance receivables are current on their payments, other borrowers may be in default (including in bankruptcy) or the debt may have been charged off as uncollectible. The CFPB and other regulators have recently significantly increased their scrutiny of the purchase and sale of debt, and collections practices undertaken by purchasers of debt, especially delinquent and charged off debt. The CFPB has criticized sellers of debt for not maintaining sufficient documentation to support and verify the validity or amount of the debt. It has also criticized debt collectors for, among other things, their collection tactics, attempting to collect debts that no longer are valid, misrepresenting the amount of the debt and not having sufficient documentation to verify the validity or amount of the debt. Our purchases or sales of receivables could

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expose us to lawsuits or fines by regulators if we do not have sufficient documentation to support and verify the validity and amount of the finance receivables underlying these transactions, or if we or purchasers of our finance receivables use collection methods that are viewed as unfair or abusive. In addition, our collections could suffer and we may incur additional expenses if we are required to change collection practices or stop collecting on certain debts as a result of a lawsuit or action on the part of regulators.

The Dodd-Frank Act also may adversely affect the securitization market because it requires, among other things, that a securitizer generally retain not less than 5% of the credit risk for certain types of securitized assets that are transferred, sold, or conveyed through issuance of asset-backed securities. Moreover, the SEC has proposed significant changes to Regulation AB, which, if adopted in their present form, could result in sweeping changes to the commercial and residential mortgage loan securitization markets, as well as to the market for the re-securitization of mortgage-backed securities. The SEC also has proposed rules that would require issuers and underwriters to make any third-party due diligence reports on asset-backed securities publicly available. These changes could result in additional costs or limit our ability to securitize loans.

For more information with respect to the regulatory framework affecting our businesses, see “Business—Regulation” included in Item 1.

Investment Company Act considerations could affect our method of doing business.

We intend to conduct our business operations so that neither we nor any of our subsidiaries are required to register as an investment company under the Investment Company Act of 1940 (the “Investment Company Act”). We are a holding company that conducts its businesses primarily through wholly owned subsidiaries and are not an investment company because our subsidiaries are primarily engaged in the non-investment company business of consumer finance. Certain of our subsidiaries rely on exemptions from registration as an investment company, including pursuant to Sections 3(c)(4) and 3(c)(5) of the Investment Company Act. We rely on guidance published by the SEC staff or on our analyses of such guidance to determine our subsidiaries’ qualification under these and other exemptions. To the extent that the SEC staff publishes new or different guidance with respect to these matters, we may be required to adjust our business operations accordingly. Any additional guidance from the SEC staff could provide additional flexibility to us, or it could inhibit our ability to conduct our business operations. The SEC recently solicited public comment on a wide range of issues relating to certain exemptions from the Investment Company Act, including the nature of real estate or real estate related assets that qualify for purposes of certain exemptions. There can be no assurance that the laws and regulations governing the Investment Company Act status of real estate or real estate related assets or SEC guidance regarding Investment Company Act exemptions for real estate assets will not change in a manner that adversely affects our operations. If we fail to qualify for an exemption or exception from the Investment Company Act in the future, we could be required to restructure our activities or the activities of our subsidiaries, which could negatively affect us. In addition, if we or one or more of our subsidiaries fail to maintain compliance with the applicable exemptions or exceptions and we do not have another basis available to us on which we may avoid registration, and we were therefore required to register as an investment company under the Investment Company Act, we would become subject to substantial regulation with respect to our capital structure, management, operations, transactions with affiliated persons, holdings, and other matters, which could have an adverse effect on us.

Real estate loan servicing and loan modifications have come under increasing scrutiny from government officials and others, which could make servicing our legacy real estate portfolio more costly and difficult.

Real estate loan servicers have recently come under increasing scrutiny. In addition, some states and municipalities have passed laws that impose additional duties on foreclosing lenders and real estate loan servicers, such as mandatory mediation or extensive requirements for maintenance of vacant properties, which, in some cases, begin even before a lender has taken title to property. These additional requirements can delay foreclosures, make it uneconomical to foreclose on mortgaged real estate or result in significant additional costs, which could materially adversely affect the value of our portfolio. The CFPB recently finalized mortgage servicing regulations that became effective in January 2014, which makes it more difficult and expensive to service real estate loans.

The U.S. Government has implemented a number of federal programs designed to assist homeowners, including the Home Affordable Modification Program (“HAMP”), which provides homeowners with assistance in avoiding residential real estate loan foreclosures. In third quarter 2009, our subsidiary, MorEquity, Inc. (“MorEquity”) entered into a Commitment to Purchase Financial Instrument and Servicer Participation Agreement with the Federal National Mortgage Association as financial agent for the United States Department of the Treasury, which provides for participation in HAMP. On February 1, 2011, MorEquity entered into subservicing agreements for the servicing of its real estate loans with Nationstar Mortgage LLC (“Nationstar”). Loans subserviced by Nationstar and servicers for certain securitized loans that are eligible for modification pursuant to HAMP guidelines are subject to HAMP. We also have implemented proprietary real estate loan modification programs in order to help

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customers in our branch segment remain current on their loans and avoid foreclosure. HAMP, our proprietary loan modification programs and other existing or future legislative or regulatory actions, including possible amendments to the bankruptcy laws, which result in the modification of outstanding real estate loans, may adversely affect the value of, and the returns on, our existing portfolio and the assets we acquire in the future.

RISKS RELATED TO THE PROPOSED ACQUISITION

Failure to complete the Proposed Acquisition could negatively affect our share price, future business and financial results.

Completion of the Proposed Acquisition is not assured and is subject to risks, including the risks that necessary regulatory approvals and clearances will not be obtained or that other closing conditions will not be satisfied. If the Proposed Acquisition is not completed, our ongoing business and financial results may be adversely affected and we will be subject to several risks, including:

- having to pay certain significant transaction costs relating to the Proposed Acquisition without receiving the benefits of the Proposed Acquisition;
- our share price may decline to the extent that the current market prices reflect an assumption by the market that the Proposed Acquisition will be completed;
- we may be subject to litigation related to any failure to complete the Proposed Acquisition; and
- if the Proposed Acquisition fails to close as a result of our failure to obtain antitrust approvals for, or resolve any objections of antitrust authorities to, the Proposed Acquisition, we will be required to pay the Seller a termination fee of $212.5 million.

Delays in completing the Proposed Acquisition may substantially reduce the expected benefits of the Proposed Acquisition.

Satisfying the conditions to, and completion of, the Proposed Acquisition may take longer than, and could cost more than, we expect. Any delay in completing or any additional conditions imposed (including those imposed by governmental entities in order to approve the Proposed Acquisition) in order to complete the Proposed Acquisition may materially adversely affect the synergies and other benefits that we expect to achieve from the Proposed Acquisition and the integration of our businesses. In addition, we and OneMain each have the right to terminate the Stock Purchase Agreement if the Proposed Acquisition is not completed by March 2, 2016, subject to extension by either party for three months if any required antitrust or state consumer finance or insurance regulatory approvals have not been obtained.

We have agreed to take all action (including the divestiture, licensing or holding separate of assets) as may be necessary to resolve any antitrust objections to the Proposed Acquisition by governmental entities, except we will not be required to commit or agree to divest, license or hold separate assets of the Company and/or OneMain that account for more than $677 million in aggregate revenue of the Company and/or OneMain, as the case may be, for the twelve months ended December 31, 2014. Divestitures or licensing of assets can be time consuming and may delay or prevent completion of the Proposed Acquisition. Because potential buyers will likely be aware of the circumstances of the sale or license, these assets could be sold or licensed at prices or rates lower than their fair market value.

We will incur substantial transaction fees and costs in connection with the Proposed Acquisition.

We expect to incur a significant amount of non-recurring expenses in connection with the Proposed Acquisition, including legal, accounting and other expenses. In general, these expenses are payable by us whether or not the Proposed Acquisition is completed. Additional unanticipated costs may be incurred following consummation of the

Proposed Acquisition in the course of the integration of our businesses and the business of OneMain. We cannot be certain that the elimination of duplicative costs or the realization of other efficiencies related to the integration of the two businesses will offset the transaction and integration costs in the near term, or at all.

In connection with the Proposed Acquisition, we may incur indebtedness that could have important consequences for our business and any investment in our securities.

We are obligated to complete the Proposed Acquisition whether or not we consummate any related financing transactions. If we do incur debt in connection with the Proposed Acquisition, the incurrence of such indebtedness could have important consequences for our business and any investment in our securities, including increased risks related to our indebtedness. See "Risks Related to Our Indebtedness" for a discussion of the risks related to our indebtedness.

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In addition, OneMain currently has a significant amount of indebtedness. The indenture governing OneMain's unsecured debt contains a number of restrictive covenants that impose significant operating and financial restrictions on OneMain and may limit our ability to integrate OneMain's operations, including, but not limited to, restrictions on OneMain's ability to:

- incur or guarantee additional indebtedness or issue certain preferred stock;
- make dividend payments or distributions on or purchases of OneMain's equity interests;
- make other restricted payments or investments;
- create certain liens;
- make certain dispositions of assets;
- engage in certain transactions with affiliates;
- sell securities of our subsidiaries;
- create restrictions on OneMain's restricted subsidiaries' ability to pay dividends or make other payments; and
- merge, consolidate or sell all or substantially all of OneMain's properties and assets.

We and OneMain will be subject to various uncertainties while the Proposed Acquisition is pending that could adversely affect our financial results or the anticipated benefits of the Proposed Acquisition.

Uncertainty about the effect of the Proposed Acquisition on counterparties to contracts, employees and other parties may have an adverse effect on us or the anticipated benefits of the Proposed Acquisition. These uncertainties could cause contract counterparties and others who deal with us or OneMain to seek to change existing business relationships with us or OneMain, and may impair our and OneMain's ability to attract, retain and motivate key personnel until the Proposed Acquisition is completed and for a period of time thereafter. Employee retention and recruitment may be particularly challenging prior to completion of the Proposed Acquisition, as our employees and prospective employees, and the employees and prospective employees of OneMain, may experience uncertainty about their future roles with us following the Proposed Acquisition.

The pursuit of the Proposed Acquisition and the preparation for the integration of the two companies may place a significant burden on management and internal resources. Any significant diversion of management attention away from ongoing business and any difficulties encountered in the transition and integration process could affect our financial results prior to and/or following the completion of the Proposed Acquisition and could limit us from pursuing attractive business opportunities and making other changes to our business prior to completion of the Proposed Acquisition or termination of the Stock Purchase Agreement.

Our assets, liabilities or results of operations could be adversely affected by known or unknown or unexpected events, conditions or actions that might occur at OneMain prior to the closing of the Proposed Acquisition.

The OneMain assets, liabilities, business, financial condition, cash flows, operating results and prospects to be acquired or assumed by us by reason of the Proposed Acquisition could be adversely affected before or after the Proposed Acquisition closing as a result of known or previously unknown events or conditions occurring or existing before the Proposed Acquisition closing. Adverse changes in OneMain's business or operations could occur or arise as a result of actions by OneMain, legal or regulatory developments including the emergence or unfavorable resolution of pre-acquisition loss contingencies, deteriorating general business, market, industry or economic conditions, and other factors both within and beyond the control of OneMain. A significant decline in the value of OneMain assets to be acquired by us or a significant increase in OneMain liabilities to be assumed by us could adversely affect our future business, financial condition, cash flows, operating results and prospects following the completion of the Proposed Acquisition.

If completed, the Proposed Acquisition may not achieve its intended results, and we may be unable to successfully integrate our and OneMain's operations.

We entered into the Stock Purchase Agreement with the expectation that the Proposed Acquisition will result in various benefits, including, among other things, cost savings and operating efficiencies. Achieving the anticipated benefits of the Proposed Acquisition is subject to a number of uncertainties, including whether our business and the business of OneMain can be integrated in an efficient and effective manner.

It is possible that the integration process could take longer than anticipated and could result in the loss of valuable employees, additional and unforeseen expenses, the disruption of our ongoing business, processes and systems, or inconsistencies in standards, controls, procedures, practices, policies and compensation arrangements, any of which could adversely affect our ability to achieve the anticipated benefits of the Proposed Acquisition. There may be increased risk due to integrating financial reporting and internal control systems. Difficulties in combining operations of the two companies could also result in the loss of contract counterparties or other persons with whom we or OneMain conduct business and potential disputes or litigation with

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contract counterparties or other persons with whom we or OneMain conduct business. Our results of operations following the Proposed Acquisition could also be adversely affected by any issues attributable to either company's operations that arise or are based on events or actions that occur prior to the closing of the Proposed Acquisition. The integration process is subject to a number of uncertainties, and no assurance can be given that the anticipated benefits, expense savings and synergies will be realized or, if realized, the timing of their realization. Failure to achieve these anticipated benefits could result in increased costs or decreases in the amount of expected revenues and could adversely affect our future business, financial condition, operating results and prospects.

In addition, pursuant to the terms of the Stock Purchase Agreement, if consumer finance regulatory approvals are received in states representing ninety percent of all OneMain loans and all of the other conditions to the Proposed Acquisition closing have been satisfied, then, at the Seller’s option and subject to certain requirements and limitations, the parties will be obligated to effect the closing and we will be required to pay the full purchase price. If this occurs, certain arrangements will need to be put in place to permit the closing, which could result in a disruption of OneMain’s operations and adversely affect our financial condition or results of operation.

After the closing of the Proposed Acquisition, we will be reliant on the Seller to provide certain operational services and support to OneMain, and a failure by Seller to perform such services could materially increase our costs or disrupt our business, which could adversely affect our financial condition and results of operations.

RISKS RELATED TO OUR INDEBTEDNESS

An inability to access adequate sources of liquidity may adversely affect our ability to fund operational requirements and satisfy financial obligations.

Our ability to access capital and credit was significantly affected by the substantial disruption in the U.S. credit markets and the associated credit rating downgrades on our debt. In addition, the risk of volatility surrounding the global economic system and uncertainty surrounding regulatory reforms such as the Dodd-Frank Act continue to create uncertainty around access to the capital markets. Historically, we funded our operations and repaid our debt and other obligations using funds collected from our finance receivable portfolio and new debt issuances. Although market conditions have improved recently, for a number of years following the economic downturn and disruption in the credit markets, our traditional borrowing sources, including our ability to cost effectively issue large amounts of unsecured debt in the capital markets, particularly issuances of commercial paper, have generally not been available to us. Instead we have primarily raised capital through securitization transactions and, although there can be no assurances that we will be able to complete additional securitizations, we currently expect our near-term sources of capital markets funding to continue to derive from securitization transactions.

If we are unable to complete additional securitization transactions on a timely basis or upon terms acceptable to us or otherwise access adequate sources of liquidity, our ability to fund our own operational requirements and satisfy financial obligations may be adversely affected.

Our indebtedness is significant, which could affect our ability to meet our obligations under our debt instruments and could materially and adversely affect our business and ability to react to changes in the economy or our industry.

We currently have a significant amount of indebtedness. As of December 31, 2014, we had $8.4 billion of indebtedness outstanding (including securitizations and secured indebtedness). Interest expense on our indebtedness was $734.0 million in 2014. There can be no assurance that we will be able to repay or refinance our debt in the future.

The amount of indebtedness could have important consequences, including the following:

- it may require us to dedicate a significant portion of our cash flow from operations to the payment of the principal of, and interest on, our indebtedness, which reduces the funds available for other purposes, including finance receivable originations;
- it could limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing regulatory, business and economic conditions;
- it may limit our ability to incur additional borrowings or securitizations for working capital, capital expenditures, business development, debt service requirements, acquisitions or general corporate or other purposes, or to refinance our indebtedness;
- it may require us to seek to change the maturity, interest rate and other terms of our existing debt;
- it may cause a further downgrade of our debt and long-term corporate ratings; and

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- it may cause us to be more vulnerable to periods of negative or slow growth in the general economy or in our business.

In addition, meeting our anticipated liquidity requirements is contingent upon our continued compliance with our existing debt agreements. An event of default or declaration of acceleration under one of our existing debt agreements could also result in an event of default and declaration of acceleration under certain of our other existing debt agreements. Such an acceleration of our debt would have a material adverse effect on our liquidity and our ability to continue as a going concern. Furthermore, our existing debt agreements do not restrict us from incurring significant additional indebtedness. If our debt obligations increase, whether due to the increased cost of existing indebtedness or the incurrence of additional indebtedness, the consequences described above could be magnified.

Certain of our outstanding notes contain covenants that restrict our operations and may inhibit our ability to grow our business and increase revenues.

SFC’s indenture and certain of SFC’s notes contain a covenant that limits SFC’s and its subsidiaries’ ability to create or incur liens. These restrictions do not generally apply to us or SFI and its subsidiaries. The restrictions may interfere with our ability to obtain new or additional financing or may affect the manner in which we structure such new or additional financing or engage in other business activities, which may significantly limit or harm our results of operations, financial condition and liquidity. A default and resulting acceleration of obligations could also result in an event of default and declaration of acceleration under certain of our other existing debt agreements. Such an acceleration of our debt would have a material adverse effect on our liquidity and our ability to continue as a going concern. A default could also significantly limit our alternatives to refinance both the debt under which the default occurred and other indebtedness. This limitation may significantly restrict our financing options during times of either market distress or our financial distress, which are precisely the times when having financing options is most important.

The assessment of our liquidity is based upon significant judgments or estimates that could prove to be materially incorrect.

In assessing our current financial position and developing operating plans for the future, management has made significant judgments and estimates with respect to our liquidity, including but not limited to:

- our ability to generate sufficient cash to service all of our outstanding debt;
- our continued ability to access debt and securitization markets and other sources of funding on favorable terms;
- our ability to complete on favorable terms, as needed, additional borrowings, securitizations, finance receivable portfolio sales, or other transactions to support liquidity, and the costs associated with these funding sources, including sales at less than carrying value and limits on the types of assets that can be securitized or sold, which would affect profitability;
- the potential for downgrade of our debt by rating agencies, which would have a negative impact on our cost of, and access to, capital;
- our ability to finance the Proposed Acquisition;
- our ability to comply with our debt covenants;
- the amount of cash expected to be received from our finance receivable portfolio through collections (including prepayments) and receipt of finance charges, which could be materially different than our estimates;
- the potential for declining financial flexibility and reduced income should we use more of our assets for securitizations and finance receivable portfolio sales; and
- the potential for reduced income due to the possible deterioration of the credit quality of our finance receivable portfolios.

Additionally, there are numerous risks to our financial results, liquidity, and capital raising and debt refinancing plans that are not quantified in our current liquidity forecasts. These risks include, but are not limited, to the following:

- our inability to grow our personal loan portfolio with adequate profitability to fund operations, loan losses, and other expenses;
- our inability to monetize assets including, but not limited to, our access to debt and securitization markets;
- our inability to obtain the additional necessary funding to finance the Company’s operations after the Proposed Acquisition;
- the effect of federal, state and local laws, regulations, or regulatory policies and practices, including the Dodd-Frank Act (which, among other things, established the CFPB with broad authority to regulate and examine financial institutions), on our ability to conduct business or the manner in which we conduct business, such as licensing

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requirements, pricing limitations or restrictions on the method of offering products, as well as changes that may result from increased regulatory scrutiny of the sub-prime lending industry;

- potential liability relating to real estate and personal loans which we have sold or may sell in the future, or relating to securitized loans, if it is determined that there was a non-curable breach of a warranty made in connection with the transaction;
- the potential for increasing costs and difficulty in servicing our loan portfolio as a result of heightened nationwide regulatory scrutiny of loan servicing and foreclosure practices in the industry generally, and related costs that could be passed on to us in connection with the subservicing of our real estate loans that were originated or acquired centrally;
- reduced cash receipts as a result of the liquidation of our real estate loan portfolio;
- the potential for additional unforeseen cash demands or accelerations of obligations;
- reduced income due to loan modifications where the borrower's interest rate is reduced, principal payments are deferred, or other concessions are made;
- the potential for declines in bond and equity markets; and
- the potential effect on us if the capital levels of our regulated and unregulated subsidiaries prove inadequate to support current business plans.

We intend to repay indebtedness with one or more of the following activities, among others: finance receivable collections, cash on hand, additional debt financings (particularly new securitizations and possible new issuances and/or debt refinancing transactions), finance receivable portfolio sales, or a combination of the foregoing. There can be no assurance that we will be successful in undertaking any of these activities to support our operations and repay our obligations.

However, the actual outcome of one or more of our plans could be materially different than expected or one or more of our significant judgments or estimates about the potential effects of these risks and uncertainties could prove to be materially incorrect. In the event of such an occurrence, if third-party financing is not available, our liquidity could be substantially and materially affected, and as a result, substantial doubt could exist about our ability to continue as a going concern.

Current ratings could adversely affect our ability to raise capital in the debt markets at attractive rates, which could negatively affect our results of operations, financial condition and liquidity.

Each of Standard & Poor's Ratings Services ("S&P"), Moody's Investors Service, Inc. ("Moody's"), and Fitch, Inc. ("Fitch") rates SFC's debt. As of December 31, 2014, SFC's long term corporate debt rating was rated B with a stable outlook by S&P, B with a stable outlook by Fitch and B2 with a stable outlook by Moody's. As a result of the announcement on March 3, 2015 relating to the Proposed Acquisition, each of the rating agencies changed SFC's ratings from a stable outlook to a negative watch. Currently, no other Springleaf entity has a corporate debt rating, though they may be rated in the future. Ratings reflect the rating agencies' opinions of a company's financial strength, operating performance, strategic position and ability to meet our obligations. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

If SFC's current ratings continue in effect or our ratings are downgraded, it will likely increase the interest rate that we would have to pay to raise money in the capital markets, making it more expensive for us to borrow money and adversely impacting our access to capital. As a result, our ratings could negatively impact our results of operations, financial condition and liquidity.

Our securitizations may expose us to financing and other risks, and there can be no assurance that we will be able to access the securitization market in the future, which may require us to seek more costly financing.

We have securitized, and may in the future securitize, certain of our finance receivables to generate cash to originate or purchase new finance receivables or pay our outstanding indebtedness. In each such transaction, we convey a pool of finance receivables to a special purpose entity ("SPE"), which, in turn, conveys the finance receivables to a trust (the issuing entity). Concurrently, the trust issued non-recourse notes or certificates pursuant to the terms of an indenture or pooling and servicing agreement, respectively, which then are transferred to the SPE in exchange for the finance receivables. The securities issued by the trust are secured by the pool of finance receivables. In exchange for the transfer of finance receivables to the issuing entity, we receive the cash proceeds from the sale of the trust securities, all residual interests, if any, in the cash flows from the finance receivables after payment of the trust securities, and a 100% beneficial interest in the issuing entity. As a result of the challenging credit and liquidity conditions, the value of the subordinated securities we retain in our securitizations might be reduced or, in some cases, eliminated.

Although we have successfully completed a number of securitizations since 2012, the securitization market remains constrained, and we can give no assurances that we will be able to complete additional securitizations.

SFC currently acts as servicer with respect to its consumer loan securitization trusts and related series of asset-backed securities. If SFC defaults in its servicing obligations, an early amortization event could occur with respect to the relevant asset-backed securities and SFC could be replaced as servicer. Servicer defaults include, for example, the failure of the servicer to make any payment, transfer or deposit in accordance with the securitization documents, a breach of representations, warranties or agreements made by the servicer under the securitization documents and the occurrence of certain insolvency events with respect to the servicer. Such an early amortization event could have materially adverse consequences on our liquidity and cost of funds.

Rating agencies may also affect our ability to execute a securitization transaction, or increase the costs we expect to incur from executing securitization transactions, not only by deciding not to issue ratings for our securitization transactions, but also by altering the criteria and process they follow in issuing ratings. Rating agencies could alter their ratings processes or criteria after we have accumulated finance receivables for securitization in a manner that effectively reduces the value of those finance receivables by increasing our financing costs or otherwise requiring that we incur additional costs to comply with those processes and criteria. We have no ability to control or predict what actions the rating agencies may take.

Further, other matters, such as (i) accounting standards applicable to securitization transactions and (ii) capital and leverage requirements applicable to banks and other regulated financial institutions holding residential mortgage-backed securities or other asset-backed securities, could result in decreased investor demand for securities issued through our securitization transactions, or increased competition from other institutions that undertake securitization transactions. In addition, compliance with certain regulatory requirements, including the Dodd-Frank Act and the Investment Company Act, may affect the type of securitizations that we are able to complete.

If it is not possible or economical for us to securitize our finance receivables in the future, we would need to seek alternative financing to support our operations and to meet our existing debt obligations, which may be less efficient and more expensive than raising capital via securitizations and may have a material adverse effect on our results of operations, financial condition and liquidity.

RISKS RELATED TO OUR ORGANIZATION AND STRUCTURE

If the ownership of our common stock continues to be highly concentrated, it may prevent minority stockholders from influencing significant corporate decisions and may result in conflicts of interest.

The Initial Stockholder, which is primarily owned by a private equity fund managed by an affiliate of Fortress, owns approximately 75% of our outstanding common stock. As a result, the Initial Stockholder owns shares sufficient for the majority vote over all matters requiring a stockholder vote, including: the election of directors; mergers, consolidations and acquisitions; the sale of all or substantially all of our assets and other decisions affecting our capital structure; the amendment of our certificate of incorporation and our bylaws; and our winding up and dissolution. This concentration of ownership may delay, deter or prevent acts that would be favored by our other stockholders. The interests of the Initial Stockholder may not always coincide with our interests or the interests of our other stockholders. This concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of us. Also, the Initial Stockholder may seek to cause us to take courses of action that, in its judgment, could enhance its investment in us, but which might involve risks to our other stockholders or adversely affect us or our other stockholders. As a result, the market price of our common stock could decline or stockholders might not receive a premium over the then-current market price of our common stock upon a change in control. In addition, this concentration of share ownership may adversely affect the trading price of our common stock because investors may perceive disadvantages in owning shares in a company with significant stockholders.

We are a holding company with no operations and will rely on our operating subsidiaries to provide us with funds necessary to meet our financial obligations and to pay dividends.

We are a holding company with no material direct operations. Our principal assets are the equity interests we directly or indirectly hold in our operating subsidiaries, which own our operating assets. As a result, we are dependent on loans, dividends and other payments from our subsidiaries to generate the funds necessary to meet our financial obligations and to pay dividends on our common stock. Our subsidiaries are legally distinct from us and may be prohibited or restricted from paying dividends or otherwise making funds available to us under certain conditions. For example, our insurance subsidiaries are subject to regulations that limit their ability to pay dividends or make loans or advances to us, principally to protect policyholders, and certain of our debt agreements limit the ability of certain of our subsidiaries to pay dividends. If we are unable to obtain funds from our subsidiaries, we may be unable to, or our board may exercise its discretion not to, pay dividends.

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We do not anticipate paying any dividends on our common stock in the foreseeable future.

We have no plans to pay regular dividends on our common stock, and we anticipate that a significant amount of any free cash flow generated from our operations will be utilized to redeem or prepay outstanding indebtedness, and accordingly would not be available for dividends. Any declaration and payment of future dividends to holders of our common stock will be at the sole discretion of our board of directors and will depend on many factors, including our financial condition, earnings, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our board of directors deems relevant. Until such time that we pay a dividend, our investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

Certain provisions of a stockholders agreement with our Initial Stockholder (the "Stockholders Agreement"), our restated certificate of incorporation and our amended and restated bylaws could hinder, delay or prevent a change in control of us, which could adversely affect the price of our common stock.

Certain provisions of the Stockholders Agreement, our restated certificate of incorporation and our amended and restated bylaws contain provisions that could make it more difficult for a third party to acquire us without the consent of our board of directors or Fortress. These provisions provide for:

- a classified board of directors with staggered three-year terms;
- removal of directors only for cause and only with the affirmative vote of at least 80% of the voting interest of stockholders entitled to vote (provided, however, that for so long as Fortress and certain of its affiliates and permitted transferees beneficially own, directly or indirectly, at least 30% of our issued and outstanding common stock (including Fortress' proportionate interest in shares of our common stock held by the Initial Stockholder), directors may be removed with or without cause with the affirmative vote of a majority of the voting interest of stockholders entitled to vote);
- provisions in our restated certificate of incorporation and amended and restated bylaws prevent stockholders from calling special meetings of our stockholders (provided, however, that for so long as Fortress and certain of its affiliates and permitted transferees beneficially own, directly or indirectly, at least 20% of our issued and outstanding common stock (including Fortress' proportionate interest in shares of our common stock held by the Initial Stockholder), any stockholders that collectively beneficially own at least 20% of our issued and outstanding common stock may call special meetings of our stockholders);
- advance notice requirements by stockholders with respect to director nominations and actions to be taken at annual meetings;
- certain rights to Fortress and certain of its affiliates and permitted transferees with respect to the designation of directors for nomination and election to our board of directors, including the ability to appoint a majority of the members of our board of directors, plus one director, for so long as Fortress and certain of its affiliates and permitted transferees continue to beneficially own, directly or indirectly at least 30% of our issued and outstanding common stock (including Fortress's proportionate interest in shares of our common stock held by the Initial Stockholder);
- no provision in our restated certificate of incorporation or amended and restated bylaws for cumulative voting in the election of directors, which means that the holders of a majority of the outstanding shares of our common stock can elect all the directors standing for election;
- our restated certificate of incorporation and our amended and restated bylaws only permit action by our stockholders outside a meeting by unanimous written consent, provided, however, that for so long as Fortress and certain of its affiliates and permitted transferees beneficially own, directly or indirectly, at least 20% of our issued and outstanding common stock (including Fortress's proportionate interest in shares of our common stock held by the Initial Stockholder), our stockholders may act without a meeting by written consent of a majority of our stockholders; and
- under our restated certificate of incorporation, our board of directors has authority to cause the issuance of preferred stock from time to time in one or more series and to establish the terms, preferences and rights of any such series of

preferred stock, all without approval of our stockholders. Nothing in our restated certificate of incorporation precludes future issuances without stockholder approval of the authorized but unissued shares of our common stock.

In addition, these provisions may make it difficult and expensive for a third party to pursue a tender offer, change in control or takeover attempt that is opposed by Fortress, our management or our board of directors. Public stockholders who might desire to participate in these types of transactions may not have an opportunity to do so, even if the transaction is favorable to stockholders. These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a

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change in control or change our management and board of directors and, as a result, may adversely affect the market price of our common stock and the ability of public stockholders to realize any potential change of control premium.

Certain of our stockholders have the right to engage or invest in the same or similar businesses as us.

Fortress and AIG and their respective affiliates, including the Initial Stockholder, engage in other investments and business activities in addition to their ownership of us. Under our restated certificate of incorporation, Fortress and AIG and their respective affiliates, including the Initial Stockholder, have the right, and have no duty to abstain from exercising such right, to engage or invest in the same or similar businesses as us, do business with any of our clients, customers or vendors or employ or otherwise engage any of our officers, directors or employees. If Fortress and AIG and their respective affiliates, including the Initial Stockholder, or any of their officers, directors or employees acquire knowledge of a potential transaction that could be a corporate opportunity, they have no duty, to the fullest extent permitted by law, to offer such corporate opportunity to us, our stockholders or our affiliates.

In the event that any of our directors and officers who is also a director, officer or employee of any of Fortress, AIG or their respective affiliates, including the Initial Stockholder, acquires knowledge of a corporate opportunity or is offered a corporate opportunity, provided that this knowledge was not acquired solely in such person’s capacity as our director or officer and such person acts in good faith, then even if Fortress or AIG or their respective affiliates, including the Initial Stockholder, pursues or acquires the corporate opportunity or if Fortress or AIG or their respective affiliates, including the Initial Stockholder, do not present the corporate opportunity to us such person is deemed to have fully satisfied such person’s fiduciary duties owed to us and is not liable to us.

Licensing and insurance laws and regulations may delay or impede purchases of our common stock.

Certain of the states in which we are licensed to originate loans and the state in which our insurance subsidiaries are domiciled (Indiana) have laws or regulations which require regulatory approval for the acquisition of “control” of regulated entities. In addition, the insurance laws and regulations in Indiana generally provide that no person may acquire control, directly or indirectly, of a domiciled insurer, unless the person has provided required information to, and the acquisition is approved or not disapproved by, the Indiana Department of Insurance. Under some state laws or regulations, there exists a presumption of “control” when an acquiring party acquires as little as 10% of the voting securities of a regulated entity or of a company which itself controls (directly or indirectly) a regulated entity (the threshold is 10% under Indiana’s insurance statutes). Therefore, any person acquiring 10% or more of our common stock may need the prior approval of some state insurance and/or licensing regulators, or a determination from such regulators that “control” has not been acquired, which could significantly delay or otherwise impede their ability to complete such purchase.

RISKS RELATED TO OUR COMMON STOCK

The market price and trading volume of our common stock may be volatile, which could result in rapid and substantial losses for our stockholders.

The market price of our common stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines significantly, public stockholders may be unable to resell their shares at or above their purchase price, if at all. The market price of our common stock may fluctuate or decline significantly in the future. Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include:

- reaction to the Proposed Acquisition;

- variations in our quarterly or annual operating results;
- changes in our earnings estimates (if provided) or differences between our actual financial and operating results and those expected by investors and analysts;
- the contents of published research reports about us or our industry or the failure of securities analysts to cover our common stock after this offering;
- additions to, or departures of, key management personnel;
- any increased indebtedness we may incur in the future;
- announcements by us or others and developments affecting us;
- actions by institutional stockholders;
- litigation and governmental investigations;
- changes in market valuations of similar companies;
- speculation or reports by the press or investment community with respect to us or our industry in general;

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- increases in market interest rates that may lead purchasers of our shares to demand a higher yield;
- announcements by us or our competitors of significant contracts, acquisitions, dispositions, strategic relationships, joint ventures or capital commitments; and
- general market, political and economic conditions, including any such conditions and local conditions in the markets in which our borrowers are located.

These broad market and industry factors may decrease the market price of our common stock, regardless of our actual operating performance. The stock market in general has from time to time experienced extreme price and volume fluctuations, including in recent months. In addition, in the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

Future offerings of debt or equity securities by us may adversely affect the market price of our common stock.

In the future, we may attempt to obtain financing or to further increase our capital resources by issuing additional shares of our common stock or offering debt or other equity securities, including commercial paper, medium-term notes, senior or subordinated notes, debt securities convertible into equity or shares of preferred stock. In particular, we intend to continue to seek opportunities to acquire consumer finance portfolios and/or businesses that engage in consumer finance loan servicing and/or consumer finance loan originations. Future acquisitions could require substantial additional capital in excess of cash from operations. We would expect to finance the capital required for acquisitions through a combination of additional issuances of equity, corporate indebtedness, asset-backed acquisition financing and/or cash from operations.

Issuing additional shares of our common stock or other equity securities or securities convertible into equity may dilute the economic and voting rights of our stockholders at the time of such issuance or reduce the market price of our common stock or both. Upon liquidation, holders of debt securities and preferred shares, if issued, and lenders with respect to other borrowings would receive a distribution of our available assets prior to the holders of our common stock. Debt securities convertible into equity could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred shares, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, which may adversely affect the amount, timing or nature of our future offerings. Thus, holders of our common stock bear the risk that our future offerings may reduce the market price of our common stock and dilute their stockholdings in us.

The market price of our common stock could be negatively affected by sales of substantial amounts of our common stock in the public markets.

Approximately 75% of our outstanding common stock is held by the Initial Stockholder and can be resold into the public markets in the future in accordance with the requirements of Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"). A decline in the price of our common stock might impede our ability to raise capital through the issuance of additional common stock or other equity securities.

The future issuance of additional common stock in connection with our incentive plans, acquisitions or otherwise will dilute all other stockholdings.

We have an aggregate of 1,885,167,105 shares of common stock authorized but unissued. We may issue all of these shares of common stock without any action or approval by our stockholders, subject to certain exceptions. We also intend to continue to evaluate acquisition opportunities and may issue common stock in connection with these acquisitions. Any common stock issued in connection with our incentive plans, acquisitions, the exercise of outstanding stock options or otherwise would dilute the percentage ownership held by our existing shareholders.

As a public company, we will incur additional costs and face increased demands on our management.

As a newly public company with shares listed on the New York Stock Exchange (the "NYSE"), we are required to comply with an extensive body of regulations, including certain provisions of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), regulations of the SEC and requirements of the NYSE. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. For example, as a result of becoming a public company, we have added independent directors and created additional board committees. In addition, we may incur additional costs associated with our public company reporting requirements and maintaining directors' and officers' liability insurance.

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We are currently continuing to evaluate and monitor developments with respect to these rules, which may impose additional costs on us and materially affect our results of operations, financial condition and liquidity.

A material weakness in our internal control over financial reporting could have a material adverse effect on our results of operations, financial condition and liquidity.

As a U.S.-listed public company, we are required to comply with Section 404 of the Sarbanes-Oxley Act of 2002. Section 404 requires that we complete an annual assessment of our internal control over financial reporting to enable management to report on the operating effectiveness of those controls. In addition, we are required to have our independent registered public accounting firm provide an opinion regarding the operating effectiveness of our internal controls. As discussed under “Item 9A. Controls and Procedures,” our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures and internal control over financial reporting were not effective as of December 31, 2014, due to the existence of a material weakness in our internal control over financial reporting. Specifically, management was unable to complete the process for assessing that certain spreadsheet and report controls operated effectively due to insufficient documentation demonstrating compliance with the control design. Such controls are designed to provide reasonable assurance to management as to the completeness and accuracy of inputs, assumptions and formulas included in certain spreadsheets and reports used in the preparation and analysis of accounting and financial information. We have taken and continue to take steps to remediate the underlying cause of this material weakness. However, we cannot provide any assurance that these remediation efforts will be successful or that they will cause our internal control over financial reporting to be effective.

We also cannot provide any assurance that our internal control over financial reporting will be operating effectively in the future. If we are not able to maintain or document effective internal control over financial reporting, our independent registered public accounting firm may not be able to opine as to the operating effectiveness of our internal control over financial reporting as of the required dates. Matters affecting our internal controls over financial reporting may cause us to be unable to report our financial information on a timely basis, or may cause us to restate previously issued financial information, and thereby subject us to adverse regulatory consequences, including sanctions or investigations by the SEC, or violations of the NYSE listing rules. There also could be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements also is likely to suffer if we or our independent registered public accounting firm reports a material weakness in our internal control over financial reporting in the future. This could materially adversely affect us by, for example, leading to a decline in our share price and impairing our ability to raise capital.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We generally conduct branch office operations, branch office administration, and centralized operations, including the newly added servicing facilities in Mendota Heights, Minnesota, and Tempe, Arizona, in leased premises. Lease terms generally range from three to five years. We also lease an executive office in Old Greenwich, Connecticut, under a seven year lease that expires in 2021, and two administrative offices, each in Wilmington, Delaware, and Chicago, Illinois, with both having seven year leases that expire in 2020 and 2021, respectively. Since February 2015, we have leased an additional office in Wilmington, Delaware, under a seven year lease that expires in 2022.

Our investment in real estate and tangible property is not significant in relation to our total assets due to the nature of our business. At December 31, 2014, our subsidiaries owned one branch office in Riverside, California, one branch office in Isabela, Puerto Rico, one branch office in Terre Haute, Indiana, a loan servicing facility in London, Kentucky, and six buildings in Evansville, Indiana. The Evansville buildings house our administrative offices and our centralized operations for our Core Consumer Operations and our Non-Core Portfolio.

Item 3. Legal Proceedings.

See Note 19 of the Notes to Consolidated Financial Statements in Item 8.

Item 4. Mine Safety Disclosures.

None.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

MARKET INFORMATION AND STOCKHOLDERS

SHI's common stock has been listed for trading on the NYSE under the symbol "LEAF" since October 16, 2013. Our initial public offering was priced at $17.00 per share on October 15, 2013.

High and low sales prices of our common stock for each quarterly period during the past two years were as follows:

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
2014				
High sales price of our common stock	$39.86	$34.74	$27.35	$28.56
Low sales price of our common stock	32.04	25.28	22.35	23.43
2013 *				
High sales price of our common stock	$25.65	N/A	N/A	N/A
Low sales price of our common stock	18.51	N/A	N/A	N/A

* SHI's common stock has been listed for trading on the NYSE under the symbol "LEAF" since October 16, 2013; therefore, the previous quarters in 2013 were not applicable.

On March 10, 2015, there were 7 registered holders of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name. On March 10, 2015, the closing price for our common stock, as reported on the NYSE, was $48.20.

DIVIDEND POLICY

We did not pay any dividends in 2014 or 2013 and do not currently anticipate paying dividends on our common stock. Any declaration and payment of future dividends to holders of our common stock will be at the discretion of our board of directors and will depend on many factors, including our financial condition, earnings, cash flows, capital requirements, level of indebtedness, statutory and contractual restrictions applicable to the payment of dividends, and other considerations that our board of directors deems relevant.

Because we are a holding company and have no direct operations, we will only be able to pay dividends from our available cash on hand and any funds we receive from our subsidiaries. Our insurance subsidiaries are subject to regulations that limit their ability to pay dividends or make loans or advances to us, principally to protect policyholders, and certain of our debt agreements may limit the ability of certain of our subsidiaries to pay dividends. See "Our Insurance Subsidiaries" and "Our Debt Agreements" under "Liquidity and Capital Resources" in Item 7 of this report for further information on insurance subsidiary dividends and our debt agreements. Under Delaware law, dividends may be payable only out of surplus, which is calculated as our net assets less our liabilities and our capital, or, if we have no surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

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STOCK PERFORMANCE

The following graph shows a comparison of the cumulative total shareholder return for our common stock, the NYSE Financial Sector (Total Return) Index, and the NYSE Composite (Total Return) Index from October 16, 2013 (the date our common stock began trading on the NYSE) through December 31, 2014. This data assumes an investment in one share on October 16, 2013.

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Item 6. Selected Financial Data.

Due to the significance of the ownership interest acquired on November 30, 2010 by FCFI Acquisition LLC., an affiliate of Fortress (the “Fortress Acquisition”), a new basis of accounting was established and, for accounting purposes, the old entity (the “Predecessor Company”) was terminated and a new entity (the “Successor Company”) was created. This distinction is made in the following table of selected financial data through the inclusion of a vertical black line between the Successor Company and the Predecessor Company columns. Due to the nature of the Fortress Acquisition and at the direction of our acquirer, we revalued our assets and liabilities based on their fair values at the date of the Fortress Acquisition in accordance with business combination accounting standards (“push-down accounting”), which resulted in a $1.5 billion bargain purchase gain for the one month ended December 31, 2010. Push-down accounting affected and continues to affect, among other things, the carrying amount of our finance receivables and long-term debt, our finance charges on our finance receivables and related yields, our interest expense, our allowance for finance receivable losses, and our net charge-offs and charge-off ratio. In general, on a quarterly basis, we accrete or amortize the valuation adjustment recorded in connection with the Fortress Acquisition, or record adjustments based on current expected cash flows as compared to expected cash flows at the time of the Fortress Acquisition.

The financial information for 2010 includes the financial information of the Successor Company for the one month ended December 31, 2010 and of the Predecessor Company for the eleven months ended November 30, 2010. These separate periods are presented to reflect the new accounting basis established for our Company as of November 30, 2010.

As a result of the application of push-down accounting, the assets and liabilities of the Successor Company are not comparable to those of the Predecessor Company, and the income statement items for the one month ended December 31, 2010 and the years ended December 31, 2011 through 2014 would not have been the same as those reported if push-down accounting had not been applied. In addition, key ratios of the Successor Company are not comparable to those of the Predecessor Company, and are not comparable to other institutions due to the new accounting basis established.

In connection with the initial public offering of common stock of SHI, we executed a reorganization of Springleaf Holdings, LLC, the predecessor entity of SHI, into SHI, a newly formed Delaware corporation. The reorganization was completed on October 9, 2013. In connection with the reorganization, Springleaf Financial Holdings, LLC’s predecessor, AGF Holding Inc., contributed all of the common stock of SFI to Springleaf Holdings, LLC and, as a result, SFI became a wholly owned subsidiary of Springleaf Holdings, LLC. The financial statements of SFI have been adjusted on a retrospective basis, as appropriate, as financial statements of SHI to account for the reorganization.

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The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 and our audited consolidated financial statements and related notes in Item 8.

	Successor Company					Predecessor Company
(dollars in thousands except earnings (loss) per share)	At or for the Year Ended				At or for the One Month Ended	At or for the Eleven Months Ended
	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	November 30, 2010 (a)
Consolidated Statements of Operations Data:						
Interest income	$1,981,778	$2,154,078	$1,714,813	$1,871,229	$181,227	$1,688,720
Interest expense	734,022	919,749	1,075,205	1,284,773	120,328	996,469
Provision for finance receivable losses	474,147	527,661	341,578	329,675	38,710	444,349
Other revenues	832,326	153,060	97,343	141,505	31,937	227,263
Other expenses	701,439	782,171	700,741	758,424	61,976	737,052
Income (loss) before provision for (benefit from) income taxes	904,496	77,557	(305,368)	(360,138)	1,463,458	(261,887)
Net income (loss)	607,450	93,742	(217,697)	(241,733)	1,465,421 (a)	(11,190)
Net income attributable to non-controlling interests	102,814	113,043	—	—	—	—
Net income (loss) attributable to Springleaf Holdings, Inc.	504,636	(19,301)	(217,697)	(241,733)	1,465,421	(11,190)
Earnings (loss) per share:						
Basic	$4.40	$(0.19)	$(2.18)	$(2.42)	$14.65	$(0.11)
Diluted	4.38	(0.19)	(2.18)	(2.42)	14.65	(0.11)
Consolidated Balance Sheet Data:						
Net finance receivables, less allowance for finance receivable losses	$6,307,653	$13,424,988	$11,627,339	$13,087,563	$14,352,474	N/A (b)
Total assets	11,057,864	15,402,686	14,666,620	15,510,806	18,288,041	N/A (b)

Long-term debt	8,384,910		12,769,036	12,620,853		13,087,649		15,169,946		N/A	(b)
Total liabilities	9,220,902		13,516,058	13,485,698		14,165,867		16,676,855		N/A	(b)
Springleaf shareholders' equity	2,025,269		1,540,020	1,180,922		1,344,939		1,611,186		N/A	(b)
Non-controlling interests	(188,307	)	346,608	—		—		—		N/A	(b)
Total shareholders' equity	1,836,962		1,886,628	1,180,922		1,344,939		1,611,186		N/A	(b)
Other Operating Data:											
Ratio of earnings to fixed charges	2.22		1.08	0.72	(c)	0.72	(c)	13.04	(d)	0.74	(c)

(a) Net income for the one month ended December 31, 2010 included a bargain purchase gain of $1.5 billion resulting from the Fortress Acquisition.

(b) Not applicable. Our consolidated balance sheets are presented at December 31; therefore, balance sheet information at November 30, 2010 is not applicable.

(c) Earnings did not cover total fixed charges by $305.4 million in 2012, $360.1 million in 2011, and $261.9 million during the eleven months ended November 30, 2010.

(d) Not meaningful due to the impact of the bargain purchase gain of $1.5 billion.

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Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read together with the audited consolidated financial statements and related notes in Item 8. This discussion and analysis contains forward-looking statements that involve risk, uncertainties, and assumptions. See “Forward-Looking Statements” beginning on page 3 of this report. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including those discussed in “Risk Factors” in Item 1A in Part I of this report.

An index to our management’s discussion and analysis follows:

Our Business

Springleaf is a leading consumer finance company providing responsible loan products primarily to non-prime customers. We originate consumer loans through our network of 831 branch offices in 26 states and on a centralized basis as part of our centralized operations. We also pursue strategic acquisitions of loan portfolios. Through two insurance subsidiaries, we write credit and non-credit insurance policies covering our customers and the property pledged as collateral for our loans.

At December 31, 2014, we had three business segments: Consumer and Insurance, Acquisitions and Servicing, and Real Estate.

When we initially defined our operating segments in early 2013, we presented Consumer and Insurance as two distinct reporting segments. However, over the course of 2013 and into 2014, management has shifted its strategy for the Insurance segment toward organic growth primarily as an ancillary product complementing our consumer lending activities and has been increasingly viewing and managing the Insurance segment together with Consumer. As a result of the changes in strategy and the way that management views the insurance business of the Company, we are now presenting them as one segment.

See Notes 1 and 22 of the Notes to Consolidated Financial Statements in Item 8 for more information about our segments.

OUR PRODUCTS

Our core product offerings include:

- Personal Loans — We offer personal loans through our branch network and over the internet through our centralized operations to customers who generally need timely access to cash. Our personal loans are typically non-revolving with a fixed-rate and a fixed, original term of two to five years. At December 31, 2014, we had over 924,000 personal loans, representing \$3.8 billion of net finance receivables, of which \$1.9 billion, or 49%, was secured by collateral consisting of titled personal property (such as automobiles), \$1.4 billion, or 35%, was secured by consumer household goods or other items of personal property, and the remainder was unsecured.

- Insurance Products — We offer our customers credit insurance (life insurance, accident and health insurance, and involuntary unemployment insurance) and non-credit insurance through both our branch network and our centralized

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operations. Credit insurance and non-credit insurance products are provided by our subsidiaries, Merit and Yosemite. We also offer auto security membership plans of an unaffiliated company as an ancillary product.

- SpringCastle Portfolio — On April 1, 2013, we acquired the SpringCastle Portfolio through a joint venture in which we own a 47% equity interest. These loans included 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. We assumed the direct servicing obligations for these loans in September 2013. At December 31, 2014, the SpringCastle Portfolio included over 277,000 of acquired loans, representing $2.0 billion in net finance receivables.

Our non-core and non-originating legacy products include:

- Real Estate Loans — We ceased real estate lending in January 2012, and during 2014, we sold $6.4 billion of real estate loans held for sale. The remaining real estate loans may be closed-end accounts or open-end home equity lines of credit, generally have a fixed rate and maximum original terms of 360 months, and are secured by first or second mortgages on residential real estate. We continue to service the liquidating real estate loans and support any advances on open-end accounts. At December 31, 2014, $227.0 million of real estate loans held for investment, or 36%, were secured by first mortgages and $398.4 million, or 64%, were secured by second mortgages. Real estate loans held for sale totaled $205.0 million at December 31, 2014, all of which were secured by first mortgages.

- Retail Sales Finance — We ceased purchasing retail sales contracts and revolving retail accounts in January 2013. We continue to service the liquidating retail sales contracts and will provide revolving retail sales financing services on our revolving retail accounts. We refer to retail sales contracts and revolving retail accounts collectively as “retail sales finance.”

HOW WE ASSESS OUR BUSINESS PERFORMANCE

Our net profit and the return on our investment required to generate net profit are the primary metrics by which we assess our business performance. Accordingly, we closely monitor the primary drivers of net profit which consist of the following:

Net Interest Income

We track the spread between the interest income earned on our finance receivables and the interest expense incurred on our debt, and continually monitor the components of our yield and our cost of funds.

Net Credit Losses

The credit quality of our loans is driven by our long-standing underwriting philosophy, which takes into account the prospective customer’s household budget, and his or her willingness and capacity to repay the proposed loan. The profitability of our loan portfolio is directly connected to net credit losses; therefore, we closely analyze credit performance. We also monitor recovery rates because of their contribution to the reduction in the severity of our charge offs. Additionally, because delinquencies are an early indicator of future net credit losses, we analyze delinquency trends, adjusting for seasonality, to determine whether or not our loans are performing in line with our original estimates.

Operating Expenses

We assess our operational efficiency using various metrics and conduct extensive analysis to determine whether fluctuations in cost and expense levels indicate operational trends that need to be addressed. Our operating expense analysis also includes a review of origination and servicing costs to assist us in managing overall profitability.

Because loan volume and portfolio size determine the magnitude of the impact of each of the above factors on our earnings, we also closely monitor origination volume and annual percentage rate.

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2014 Initiatives

NON-CORE REAL ESTATE LOAN TRANSACTIONS

During 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. We sold finance receivables held for sale with a carrying value of $6.4 billion and recorded net gains totaling $726.3 million during 2014. As a result of these transactions, we established a reserve for sales recourse obligations of $22.5 million during the last half of 2014. These transactions substantially complete the Company's previously disclosed plan to liquidate its non-core real estate loans. See Note 1 of the Notes to Consolidated Financial Statements in Item 8 for further information on these sales.

In conjunction with these real estate loan transactions, we have closed our operational locations 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 expenses of $3.8 million in 2014 due to the workforce reductions and the closings of the servicing facilities, which are included in salaries and benefits and other operating expenses.

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.

2015 Developments and Outlook

PROPOSED ACQUISITION

On March 2, 2015, SHI entered into the Stock Purchase Agreement to acquire OneMain for an aggregate purchase price of $4.25 billion. The Proposed Acquisition is expected to close in the third quarter of 2015, although there can be no assurance that the Proposed Acquisition will close, or, if it does, when the actual closing will occur. At closing, the combined company is expected to have nearly $14 billion of net finance receivables and close to 2,000 branch offices across 43 states. We continue to evaluate our options for financing the purchase price for the Proposed Acquisition, which could be financed through cash on hand, the issuance of equity (which could significantly increase the number of shares of SHI's common stock outstanding) or debt securities, bank borrowings, securitizations or a combination thereof. See Note 24 of the Notes to Consolidated Financial Statements in Item 8 for further information on the Proposed Acquisition.

SECURITIZATIONS

Renewal of Sumner Brook 2013-VFN1 Securitization

On January 16, 2015, we amended the note purchase agreement with Sumner Brook Funding Trust 2013-VFN1 (the "Sumner Brook 2013-VFN1 Trust") to extend the two-year funding period to a three-year funding period. Following the three-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 August 2024. The maximum principal balance of variable funding notes that can be issued remained at $350 million. No amounts have been funded. See Note 11 of the Notes to Consolidated Financial Statements in Item 8 for discussion of the initial securitization transaction.

2015-A Securitization

On February 26, 2015, we completed a private securitization transaction in which a wholly owned special purpose vehicle of SFC sold $1.2 billion of notes backed by personal loans held by Springleaf Funding Trust 2015-A (the "2015-A Trust"), at a 3.55% weighted average yield. We sold the asset-backed notes for $1.2 billion, after the price discount but before expenses and a $12.5 million interest reserve requirement.

Sale of SpringCastle 2014-A Notes

On March 9, 2015, Springleaf Acquisition Corporation agreed to sell $231.7 million and $130.8 million principal amount of the Class C and Class D SpringCastle 2014-A Notes, respectively, to an unaffiliated third party at a premium to the principal balance. The sale is expected to be completed on March 16, 2015.

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OUTLOOK

Assuming the U.S. economy continues to experience slow to moderate growth, we expect to continue our long history of strong credit performance. We believe the strong credit quality of our personal loan portfolio is the result of our disciplined underwriting practices and ongoing collection efforts. We also continue to see growth in the volume of personal loan originations driven by the following factors:

- Declining competition from thrifts and banks (although banks continue to serve non-prime customers in other ways) as these institutions have retreated from the non-prime market in the face of regulatory scrutiny and in the aftermath of the housing crisis. As a result of the reduced lending of these competitors, access to credit has fallen substantially for the non-prime segment of customers, which, in turn, has increased our potential customer base.
- Slow but sustained economic growth.
- Migration of customer activity from traditional channels such as direct mail to online channels (served by our centralized operations) where we believe we are well suited to capture volume due to our scale, technology, and deployment of advanced analytics.
- Our renewed focus on our personal loan business.

In addition, with an experienced management team, a strong balance sheet, proven access to the capital markets, and strong demand for consumer credit, we believe we are well positioned for future personal loan growth.

We regularly consider strategic acquisitions and have been involved in transactions of various magnitudes involving a variety of forms of consideration and financing. On March 2, 2015, SHI entered into the Stock Purchase Agreement to acquire OneMain, which, when consummated, will be the most significant acquisition transaction ever undertaken by the Company. This transaction will create a combined company that we believe is financially strong and optimized for finance receivable growth. See Note 24 of the Notes to Consolidated Financial Statements in Item 8 for further information on the Proposed Acquisition and “Risk Factors” included in Item 1A of this report for further discussion of the risks associated with the Proposed Acquisition.

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Results of Operations

CONSOLIDATED RESULTS

See table below for our consolidated operating results. A further discussion of our operating results for each of our business segments is provided under "Segment Results."

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

Years Ended December 31,	2014	2013	2012
Interest income:			
Finance charges	$1,920,513	$2,153,745	$1,712,073
Finance receivables held for sale originated as held for investment	61,265	333	2,740
Total interest income	1,981,778	2,154,078	1,714,813
Interest expense	734,022	919,749	1,075,205
Net interest income	1,247,756	1,234,329	639,608
Provision for finance receivable losses	474,147	527,661	341,578
Net interest income after provision for finance receivable losses	773,609	706,668	298,030
Other revenues:			
Insurance	166,459	148,179	126,423
Investment	39,127	35,132	35,896
Net loss on repurchases and repayments of debt	(66,175)	(41,716)	(15,542)
Net gain (loss) on fair value adjustments on debt	(15,033)	6,055	(2,992)
Net gain on sales of real estate loans and related trust assets	726,322	—	—
Other	(18,374)	5,410	(46,442)
Total other revenues	832,326	153,060	97,343
Other expenses:			
Operating expenses:			
Salaries and benefits	359,818	463,920	320,164
Other operating expenses	265,990	253,372	296,395
Restructuring expenses	—	—	23,503
Insurance losses and loss adjustment expenses	75,631	64,879	60,679
Total other expenses	701,439	782,171	700,741
Income (loss) before provision for (benefit from) income taxes	904,496	77,557	(305,368)
Provision for (benefit from) income taxes	297,046	(16,185)	(87,671)
Net income (loss)	607,450	93,742	(217,697)
Net income attributable to non-controlling interests	102,814	113,043	—
Net income (loss) attributable to Springleaf Holdings, Inc.	$504,636	$(19,301)	$(217,697)

Share Data:			
Weighted average number of shares outstanding:			
Basic	114,791,225	102,917,172	100,000,000
Diluted	115,265,123	102,917,172	100,000,000
Earnings (loss) per share:			
Basic	$4.40	$(0.19)	$(2.18)
Diluted	$4.38	$(0.19)	$(2.18)

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Comparison of Consolidated Results for 2014 and 2013

Finance charges decreased in 2014 when compared to 2013 due to the net of the following:
(dollars in thousands)

2014 compared to 2013	
Decrease in average net receivables	$(435,031)
Increase in yield	201,799
Total	$(233,232)

Average net receivables decreased in 2014 when compared to 2013 primarily due to our liquidating real estate loan portfolio, including the transfers of real estate loans with a total carrying value of $6.7 billion to finance receivables held for sale and the subsequent sales of nearly all of these real estate loans during 2014. This decrease also reflected lower SpringCastle average net receivables resulting from liquidations, partially offset by higher personal loan average net receivables resulting from our continued focus on personal loan originations through our branch network and centralized operations.

Yield increased in 2014 when compared to 2013 primarily from our personal loans, which have higher yields. This increase also reflected a higher proportion of personal loans as a result of the transfers of real estate loans to finance receivables held for sale during 2014.

Finance charges for 2014 when compared to 2013 were favorably impacted by an additional three months of finance charges on the SpringCastle Portfolio totaling $143.2 million, which is included in the change in average net receivables and yield in the table above.

Interest expense decreased in 2014 when compared to 2013 due to the net of the following:
(dollars in thousands)

2014 compared to 2013	
Decrease in average debt	$(194,988)
Increase in weighted average interest rate	9,261
Total	$(185,727)

Average debt decreased in 2014 when compared to 2013 primarily due to debt repurchases and repayments of $4.7 billion during 2014 and the elimination of $3.5 billion of debt associated with our mortgage securitizations as a result of the sales of the Company’s beneficial interests in the mortgage-backed certificates during 2014. These decreases were partially offset by net debt issuances pursuant to our consumer securitization transactions completed during 2014. See Note 11 of the Notes to Consolidated Financial Statements in Item 8 for further information on our 2014 consumer loan securitization transactions.

The weighted average interest rate on our debt increased in 2014 when compared to 2013 primarily due to the elimination of debt associated with our mortgage securitizations discussed above, which generally have lower interest rates. This increase was partially offset by the debt repurchases and repayments discussed above, which resulted in lower accretion of net discount applied to long-term debt.

Interest expense for 2014 when compared to 2013 included an additional three months of interest expense on long-term debt associated with the securitization of the SpringCastle Portfolio totaling $22.2 million, which is included in the change in average debt and weighted average interest rate in the table above.

Provision for finance receivable losses decreased $53.5 million in 2014 when compared to 2013. This decrease was primarily due to a reduction in the allowance requirements on our real estate loans deemed to be purchased credit impaired finance receivables and troubled debt restructured (“TDR”) finance receivables subsequent to the Fortress Acquisition as a result of the transfers of real estate loans with a total carrying value of $6.7 billion to finance receivables held for sale and the subsequent sales of nearly all of these real estate loans during 2014. This decrease was partially offset by: (i) higher net charge-offs and additional allowance requirements on our personal loans primarily due to growth in our personal loans during 2014 and higher

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personal loan delinquency ratio at December 31, 2014; (ii) an additional three months of provision for finance receivable losses associated with the SpringCastle Portfolio totaling $53.0 million in 2014; and (iii) $37.2 million of recoveries recorded in June 2013 resulting from a sale of previously charged-off finance receivables in June 2013 (net of a $4.0 million adjustment for the subsequent buyback of certain finance receivables).

Insurance revenues increased $18.3 million in 2014 when compared to 2013 primarily due to increases in credit and non-credit earned premiums reflecting higher originations of personal loans during 2014. The increase in credit premiums also reflects the origination of personal loans with longer terms.

Net loss on repurchases and repayments of debt of $66.2 million and $41.7 million in 2014 and 2013, respectively, reflected repurchases of debt at net amounts greater than carrying value.

Net loss on fair value adjustments on debt of $15.0 million in 2014 and net gain on fair value adjustments on debt of $6.1 million in 2013 reflected net unrealized (loss) gain, respectively, on fair value adjustments of the long-term debt associated with the 2013 securitization of the SpringCastle Portfolio that was accounted for at fair value through earnings.

Net gain on sales of real estate loans and related trust assets of $726.3 million in 2014 reflected the reversal of the remaining unaccreted push-down accounting basis for the real estate loans, less allowance for finance receivable losses that we established at the date of the Fortress Acquisition. See Note 1 of the Notes to Consolidated Financial Statements in Item 8 for further information on these sales.

Other revenues decreased $23.8 million in 2014 when compared to 2013 primarily due to impairments recognized on our finance receivables held for sale and provision adjustments for liquidated held for sale accounts during 2014. This decrease was partially offset by servicing fee revenues for the servicing of the real estate loans included in the sale of certain mortgage servicing rights in August 2014 (the “MSR Sale”). We continued to service these loans until the servicing transfer on September 30, 2014, under an interim servicing agreement. See Note 1 of the Notes to Consolidated Financial Statements in Item 8 for further information on the MSR Sale.

Salaries and benefits decreased $104.1 million in 2014 when compared to 2013 primarily due to $146.0 million of share-based compensation expense due to the grant of restricted stock units (“RSUs”) to certain of our executives and employees in the second half of 2013. This decrease was partially offset by: (i) higher salary accruals reflecting an increase in number of employees and increased commissions related to originations of personal loans; (ii) share-based compensation expenses of $5.7 million during 2014 due to the grant of RSUs to certain of our executives and employees subsequent to the initial public offering of SHI common stock; and (iii) employee retention and severance accruals of $3.2 million recorded in the second half of 2014 due to the recent workforce reduction of approximately 170 employees.

Other operating expenses increased $12.6 million in 2014 when compared to 2013 primarily due to higher professional fees primarily due to one-time costs relating to the real estate sales transactions and higher advertising and information technology expenses during 2014. This increase was partially offset by servicing fee expenses for the SpringCastle Portfolio recorded in 2013 pursuant to an interim servicing agreement that was in place between April 1, 2013 and August 31, 2013.

Provision for income taxes totaled $297.0 million for 2014 compared to benefit from income taxes of $16.2 million for 2013. The effective tax rate for 2014 was 32.8% compared to (20.9)% for 2013. The effective tax rate for 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 4.0%, partially offset by the effect of our state income taxes, which increased the effective tax rate by 1.5%. The effective tax rate for 2013 differed from the federal statutory rate primarily due to the effects of the non-controlling interest in our joint venture and a change in tax status, partially offset by the effect of interest and penalties on prior year tax returns.

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Comparison of Consolidated Results for 2013 and 2012

Finance charges increased in 2013 when compared to 2012 due to the net of the following:
(dollars in thousands)

2013 compared to 2012	
Decrease in average net receivables	$(103,360)
Increase in yield	63,404
Change in number of days (due to 2012 leap year)	(3,495)
SpringCastle finance charges in 2013	485,123
Total	$441,672

Average net receivables (excluding SpringCastle Portfolio) decreased in 2013 when compared to 2012 primarily due to our liquidating real estate loan portfolio as well as the impact of our branch office closings during 2012, partially offset by higher personal loan average net receivables resulting from our continued focus on personal loans.

Yield increased in 2013 when compared to 2012 primarily due to our continued focus on personal loans, which have higher yields.

The acquisition of the SpringCastle Portfolio favorably impacted our finance charge revenues.

Interest expense decreased in 2013 when compared to 2012 due to the net of the following:
(dollars in thousands)

2013 compared to 2012	
Decrease in average debt	$(90,037)
Decrease in weighted average interest rate	(137,057)
SpringCastle interest expense in 2013	71,638
Total	$(155,456)

Average debt (excluding the securitization of the SpringCastle Portfolio) decreased in 2013 when compared to 2012 primarily due to debt repurchases and repayments of $6.4 billion in 2013. This decrease was partially offset by debt issuances pursuant to ten securitization transactions completed in 2013, including the securitization of the SpringCastle Portfolio.

The weighted average interest rate on our debt decreased in 2013 when compared to 2012 primarily due to the debt repurchases and repayments discussed above, which resulted in lower accretion of net discount applied to long-term debt. The lower weighted average interest rate also reflected the completion of ten securitization transactions in 2013, which generally have lower interest rates.

Provision for finance receivable losses increased $186.1 million in 2013 when compared to 2012. This increase was primarily due to additional provision from the SpringCastle Portfolio of $133.1 million and the additional allowance requirements of $81.6 million recorded in 2013 on our real estate loans deemed to be TDR finance receivables subsequent to the Fortress Acquisition and growth in our personal loans in 2013. These increases were partially offset by $37.2 million of recoveries on charged-off finance receivables resulting from a sale of these finance receivables to an unrelated third party in June 2013 (net of a $4.0 million adjustment for the subsequent buyback of certain finance receivables) and favorable personal and real estate loan delinquency trends. We expect to continue to sell charged-off finance receivables within our portfolios from time to time. If we were to sell additional charged-off finance receivables in a given period, we would recognize a decrease to our provision for finance receivable losses and improve our liquidity. The allowance for finance receivable losses was eliminated with the application of push-down accounting as the allowance for finance receivable losses was incorporated in the new fair value basis of the finance receivables as of the Fortress Acquisition date.

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Insurance revenues increased $21.8 million in 2013 when compared to 2012 primarily due to increases in credit and non-credit earned premiums reflecting higher originations of personal loans in 2013.

Net loss on repurchases and repayments of debt of $41.7 million and $15.5 million in 2013 and 2012, respectively, reflected repurchases of debt at net amounts greater than carrying value.

Net gain on fair value adjustments on debt of $6.1 million in 2013 and net loss on fair value adjustments on debt of $3.0 million in 2012 reflected net unrealized gain (loss), respectively, on fair value adjustments of the long-term debt associated with the 2013 securitization of the SpringCastle Portfolio and a securitization that was revalued at a discount based on its fair value at the time of the Fortress Acquisition, that were accounted for at fair value through earnings.

Other revenues increased $51.9 million in 2013 when compared to 2012 reflecting favorable variances in writedowns and net gain (loss) on sales of real estate owned primarily due to a decrease in the number of real estate owned properties.

Salaries and benefits increased $143.8 million in 2013 when compared to 2012 primarily due to $146.0 million of share-based compensation expense due to the grant of RSUs to certain of our executives and employees in the second half of 2013 and higher bonus and commissions accruals resulting from increased originations of personal loans, partially offset by lower pension expenses primarily due to the pension plan freeze effective December 31, 2012.

Other operating expenses decreased $43.0 million in 2013 when compared to 2012 primarily due to lower expenses recorded in 2013 for refunds to customers of our United Kingdom subsidiary relating to payment protection insurance, lower real estate expenses on real estate owned, and lower occupancy costs as a result of fewer branch offices in 2013. These decreases were partially offset by 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 and higher professional services expenses.

Benefit from income taxes decreased $71.5 million in 2013 when compared to 2012. The effective tax rate in 2013 was (20.9)% compared to 28.7% in 2012. The effective tax rate for 2013 differed from the federal statutory rate primarily due to the effects of the non-controlling interest in our joint venture, which decreased the effective tax rate by 51.0%, a change in tax status, which decreased the effective tax rate by 14.6%, and interest and penalties on prior year tax returns, which increased the effective tax rate by 7.7%. The effective tax rate for 2012 differed from the federal statutory rate primarily due to the impact of recording a full valuation allowance on the deferred tax assets related to our foreign operations and a partial valuation allowance on the deferred tax assets related to our state operations.

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Reconciliation of Income (Loss) before Provision for (Benefit from) Income Taxes on Push-Down Accounting Basis to Historical Accounting Basis

Due to the nature of the Fortress Acquisition, we revalued our assets and liabilities based on their fair values at November 30, 2010, the date of the Fortress Acquisition, in accordance with business combination accounting standards, or push-down accounting. Push-down accounting affected and continues to affect, among other things, the carrying amount of our finance receivables and long-term debt, our finance charges on our finance receivables and related yields, our interest expense, our allowance for finance receivable losses, and our net charge-offs and charge-off ratio. In general, on a quarterly basis, we accrete or amortize the valuation adjustments recorded in connection with the Fortress Acquisition, or record adjustments based on current expected cash flows as compared to expected cash flows at the time of the Fortress Acquisition, in each case, as described in more detail in the footnotes to the table below. In addition, push-down accounting resulted in the elimination of accretion or amortization of discounts, premiums, and other deferred costs on our finance receivables and long-term debt prior to the Fortress Acquisition. The reconciliations of income (loss) before provision for (benefit from) income taxes on a push-down accounting basis to income (loss) before provision for (benefit from) income taxes on a historical accounting basis (which is a basis of accounting other than U.S. GAAP that we believe provides a consistent basis for both management and other interested third parties to better understand our operating results) were as follows:

(dollars in thousands)

Years Ended December 31,	2014	2013	2012
Income (loss) before provision for (benefit from) income taxes - push-down accounting basis	$904,496	$77,557	$(305,368)
Interest income adjustments (a)	(92,940)	(199,650)	(206,502)
Interest expense adjustments (b)	132,641	137,875	230,746
Provision for finance receivable losses adjustments (c)	(15,286)	22,416	180,719
Repurchases and repayments of long-term debt adjustments (d)	16,030	(11,097)	36,624
Fair value adjustments on debt (e)	8,521	56,369	13,361
Sales of finance receivables held for sale originated as held for investment adjustments (f)	(541,082)	—	—
Amortization of other intangible assets (g)	4,355	5,113	13,618
Other (h)	17,258	6,477	(9,647)
Income (loss) before provision for (benefit from) income taxes - historical accounting basis	$433,993	$95,060	$(46,449)

(a) Interest income adjustments consist of: (1) the accretion of the net discount applied to non-credit impaired net finance receivables to revalue the non-credit impaired net finance receivables to their fair value at the date of the Fortress Acquisition using the interest method over the remaining life of the related net finance receivables; (2) the difference in finance charges earned on our pools of purchased credit impaired net finance receivables under a level rate of return over the expected lives of the underlying pools of purchased credit impaired finance receivables, net of the finance charges earned on these finance receivables under historical accounting basis; and (3) the elimination of the accretion or amortization of historical unearned points and fees, deferred origination costs, premiums, and discounts.

Components of interest income adjustments consisted of:

(dollars in thousands)

Years Ended December 31,	2014	2013	2012
Accretion of net discount applied to non-credit impaired net finance receivables	$(69,966)	$(157,891)	$(170,166)

Purchased credit impaired finance receivables finance charges	(29,860)	(57,443)	(53,096)
Elimination of accretion or amortization of historical unearned points and fees, deferred origination costs, premiums, and discounts	6,886	15,684	16,760
Total	$(92,940)	$(199,650)	$(206,502)

(b) Interest expense adjustments consist of: (1) the accretion of the net discount applied to long-term debt to revalue the debt securities to their fair value at the date of the Fortress Acquisition using the interest method over the remaining life of the related debt securities; and (2) the elimination of the accretion or amortization of historical discounts, premiums, commissions, and fees.

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Components of interest expense adjustments were as follows:

(dollars in thousands) Years Ended December 31,	2014	2013	2012
Accretion of net discount applied to long-term debt	$145,050	$178,450	$285,449
Elimination of accretion or amortization of historical discounts, premiums, commissions, and fees	(12,409)	(40,575)	(54,703)
Total	$132,641	$137,875	$230,746

(c) Provision for finance receivable losses consists of the allowance for finance receivable losses adjustments and net charge-offs quantified in the table below. Allowance for finance receivable losses adjustments reflect the net difference between our allowance adjustment requirements calculated under our historical accounting basis net of adjustments required under push-down accounting basis. Net charge-offs reflect the net charge-off of loans at a higher carrying value under historical accounting basis versus the discounted basis to their fair value at date of the Fortress Acquisition under push-down accounting basis.

Components of provision for finance receivable losses adjustments were as follows:

(dollars in thousands) Years Ended December 31,	2014	2013	2012
Allowance for finance receivable losses adjustments	$13,525	$85,904	$279,427
Net charge-offs	(28,811)	(63,488)	(98,708)
Total	$(15,286)	$22,416	$180,719

(d) Repurchases and repayments of long-term debt adjustments reflect the impact on acceleration of the accretion of the net discount or amortization of the net premium applied to long-term debt.

(e) Fair value adjustments on debt reflect differences between historical accounting basis and push-down accounting basis. On a historical accounting basis, certain long-term debt components are marked-to-market on a recurring basis and are no longer marked-to-market on a recurring basis after the application of push-down accounting at the time of the Fortress Acquisition.

(f) Fair value adjustments on sales of finance receivables held for sale originated as held for investment reflect 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 that were sold in the 2014 period.

(g) Amortization of other intangible assets reflects the amortization over the remaining estimated life of intangible assets established at the date of the Fortress Acquisition as a result of the application of push-down accounting.

(h) “Other” items reflect differences between historical accounting basis and push-down accounting basis relating to various items such as the elimination of deferred charges, adjustments to the basis of other real estate assets, fair value adjustments to fixed assets, adjustments to insurance claims and policyholder liabilities, and various other differences all as of the date of the Fortress Acquisition.

At December 31, 2014, the remaining unaccreted push-down accounting basis totaled $5.3 million for net finance receivables, less allowance for finance receivable losses, and $561.4 million for long-term debt.

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Segment Results

See Note 1 of the Notes to Consolidated Financial Statements in Item 8 for a description of our segments. Management considers Consumer and Insurance and Acquisitions and Servicing as our Core Consumer Operations and Real Estate as our Non-Core Portfolio. 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 was added effective April 1, 2013 as a result of our co-investment in the SpringCastle Portfolio and therefore, was not affected by the Fortress Acquisition. See Note 22 of the Notes to Consolidated Financial Statements in Item 8 for reconciliations of segment totals to consolidated financial statement amounts.

We allocate revenues and expenses (on a historical accounting basis) to each segment using the following methodologies:

Interest income	Directly correlated with a specific segment.
Interest expense	Disaggregated into three categories based on the underlying debt that the expense pertains to: l securitizations — allocated to the segments whose finance receivables serve as the collateral securing each of the respective debt instruments; l unsecured debt — allocated to the segments based on expected leverage for that segment or the balance of unencumbered assets and cash proceeds from sale of receivables in that segment; and l secured term loan — allocated to the segments whose finance receivables served as the collateral securing each of the respective debt instruments.
Provision for finance receivable losses	Directly correlated with a specific segment except for allocations to "other," which are based on the remaining delinquent accounts as a percentage of total delinquent accounts.
Insurance revenues	Directly correlated with a specific segment.
Investment revenues	Directly correlated with a specific segment.
Net gain (loss) on repurchases and repayments of debt	Allocated to the segments based on the interest expense allocation of debt.
Net gain (loss) on fair value adjustments on debt	Directly correlated with a specific segment.
Other revenues — other	Directly correlated with a specific segment except for gains and losses on foreign currency exchange and derivatives. These items are allocated to the segments based on the interest expense allocation of debt.
Salaries and benefits	Directly correlated with a specific segment. Other salaries and benefits not directly correlated with a specific segment are allocated to each of the segments based on services provided.
Other operating expenses	Directly correlated with a specific segment. Other operating expenses not directly correlated with a specific segment are allocated to each of the segments based on services provided.
Insurance losses and loss adjustment expenses	Directly correlated with a specific segment.

We evaluate the performance of each of our segments based on its pretax operating earnings.

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CORE CONSUMER OPERATIONS

Pretax operating results for Consumer and Insurance (which are reported on a historical accounting basis) and Acquisitions and Servicing are presented in the table below on an aggregate basis:
(dollars in thousands)

Years Ended December 31,	2014	2013	2012
Interest income	$1,465,593	$1,211,036	$585,041
Interest expense	245,674	220,638	141,440
Net interest income	1,219,919	990,398	443,601
Provision for finance receivable losses	354,953	250,288	90,598
Net interest income after provision for finance receivable losses	864,966	740,110	353,003
Other revenues:			
Insurance	166,407	148,131	126,423
Investment	49,879	41,705	41,418
Net gain (loss) on repurchases and repayments of debt	(27,844)	(5,357)	5,879
Net gain (loss) on fair value adjustments on debt	(14,810)	5,534	—
Other	77,738	43,607	10,519
Total other revenues	251,370	233,620	184,239
Other expenses:			
Operating expenses:			
Salaries and benefits	312,660	270,299	258,828
Other operating expenses	271,252	212,942	120,492
Restructuring expenses	—	—	15,863
Insurance loss and loss adjustment expenses	76,568	65,783	62,092
Total other expenses	660,480	549,024	457,275
Pretax operating income	455,856	424,706	79,967
Pretax operating income attributable to non-controlling interests	102,814	113,043	—
Pretax operating income attributable to Springleaf Holdings, Inc.	$353,042	$311,663	$79,967

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Selected financial statistics for Consumer and Insurance (which are reported on a historical accounting basis) and Acquisitions and Servicing were as follows:

(dollars in thousands) At or for the Years Ended December 31,	2014	2013	2012
Consumer and Insurance			
Net finance receivables	$3,806,662	$3,140,792	$2,544,614
Number of accounts	918,564	830,513	729,140
TDR finance receivables	$22,107	$14,840	$14,652
Allowance for finance receivables losses - TDR	$1,523	$923	$776
Provision for finance receivable losses - TDR	$1,786	$1,892	$2,575
Average net receivables	$3,394,790	$2,793,060	$2,426,968
Yield	26.99 %	25.84 %	24.10 %
Gross charge-off ratio (a)	5.65 %	5.18 %	4.63 %
Recovery ratio (b)	(0.71)%	(1.66)%	(0.99)%
Charge-off ratio (a) (b)	4.94 %	3.52 %	3.64 %
Delinquency ratio	2.82 %	2.60 %	2.75 %
Origination volume	$3,644,224	$3,253,008	$2,465,110
Number of accounts	784,613	790,943	652,111
Acquisitions and Servicing			
Net finance receivables	$1,979,190	$2,505,349	$—
Number of accounts	277,533	344,045	—
TDR finance receivables	$9,905	$—	$—
Allowance for finance receivables losses - TDR	$2,673	$—	$—
Provision for finance receivable losses - TDR	$2,689	$—	$—
Average net receivables	$2,216,888	$2,730,979	$—
Yield	24.78 %	23.78 %	— %
Net charge-off ratio	6.74 %	6.44 %	— %
Delinquency ratio	4.69 %	8.18 %	— %

(a) The gross charge-off ratio and charge-off ratio in 2013 reflect $14.5 million of additional charge-offs recorded in March 2013 (on a historical accounting basis) related to our change in charge-off policy for personal loans effective March 31, 2013. Excluding these additional charge-offs, the gross charge-off ratio would have been 4.66% in 2013.

(b) The recovery ratio and charge-off ratio in 2013 reflects $22.7 million of recoveries on charged-off personal loans resulting from a sale of our charged-off finance receivables in June 2013, net of a $2.7 million adjustment for the subsequent buyback of certain personal loans. Excluding the impacts of the $14.5 million of additional charge-offs and the $22.7 million of recoveries on charged-off personal loans, the charge-off ratio would have been 3.81% in

2013.

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Comparison of Pretax Operating Results for 2014 and 2013

(dollars in thousands)

Years Ended December 31,	2014	2013
Interest income:		
Finance charges - Consumer and Insurance	$916,228	$721,772
Finance charges - Acquisitions and Servicing	549,365	489,264
Total	$1,465,593	$1,211,036

Finance charges — Consumer and Insurance increased $194.5 million in 2014 when compared to 2013 primarily due to increases in average net receivables and yield. Average net receivables increased in 2014 when compared to 2013 primarily due to increased originations on personal loans resulting from our continued focus on personal loans. Yield increased in 2014 when compared to 2013 primarily due to pricing of new personal loans at higher state specific rates with concentrations in states with more favorable returns.

Finance charges — Acquisitions and Servicing for 2014 were favorably impacted by an additional three months of finance charges on the SpringCastle Portfolio when compared to 2013, partially offset by lower average net receivables reflecting the liquidating status of the acquired portfolio.

(dollars in thousands)

Years Ended December 31,	2014	2013
Interest expense - Consumer and Insurance	$163,968	$149,000
Interest expense - Acquisitions and Servicing	81,706	71,638
Total	$245,674	$220,638

Interest expense — Consumer and Insurance increased $15.0 million in 2014 when compared to 2013 primarily due to additional funding required to support increased originations of personal loans. This increase was partially offset by less utilization of financing from unsecured notes that was replaced by consumer loan securitizations, which generally have lower interest rates.

Interest expense — Acquisitions and Servicing for 2014 included an additional three months of interest expense on long-term debt associated with the securitization of the SpringCastle Portfolio when compared to 2013.

(dollars in thousands)

Years Ended December 31,	2014	2013
Provision for finance receivable losses - Consumer and Insurance	$202,377	$117,172
Provision for finance receivable losses - Acquisitions and Servicing	152,576	133,116
Total	$354,953	$250,288

Provision for finance receivable losses — Consumer and Insurance increased $85.2 million in 2014 when compared to 2013 primarily due to higher net charge-offs and additional allowance requirements on our personal loans resulting from increased originations of personal loans in 2014 and higher personal loan delinquency ratio at December 31, 2014. This increase also reflected $22.7 million of recoveries recorded in June 2013 on previously charged-off personal loans resulting from a sale of these loans in June 2013 (net of a $2.7 million adjustment for the subsequent buyback of certain personal loans).

Provision for finance receivable losses — Acquisitions and Servicing for 2014 included an additional three months of provision for finance receivable losses on the SpringCastle Portfolio when compared to 2013.

Insurance revenues increased $18.3 million in 2014 when compared to 2013 primarily due to increases in credit and non-credit earned premiums reflecting higher originations of personal loans in the 2014 period. The increase in credit premiums also reflects the origination of personal loans with longer terms.

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Net loss on repurchases and repayments of debt — Consumer and Insurance of $6.7 million and $5.4 million in 2014 and 2013, respectively, and net loss on repurchases and repayments of debt — Acquisitions and Servicing of $21.2 million in 2014 reflected repurchases of debt at net amounts greater than carrying value.

Net loss on fair value adjustments on debt — Acquisitions and Servicing of $14.8 million in 2014 and net gain on fair value adjustments on debt — Acquisitions and Servicing of $5.5 million in 2013 reflected net unrealized (loss) gain, respectively, on fair value adjustments of the long-term debt associated with the 2013 securitization of the SpringCastle Portfolio that was accounted for at fair value through earnings.

Other revenues — other increased $34.1 million in 2014 when compared to 2013 primarily due to servicing fee revenues for the fees charged by Acquisitions and Servicing for servicing the SpringCastle Portfolio. We assumed the direct servicing obligations for these loans in September 2013. These fees are eliminated in consolidated operating results with the servicing fee expenses, which are included in other operating expenses.

(dollars in thousands) Years Ended December 31,	2014	2013
Salaries and benefits - Consumer and Insurance	$281,354	$256,722
Salaries and benefits - Acquisitions and Servicing	31,306	13,577
Total	$312,660	$270,299

Salaries and benefits — Consumer and Insurance increased $24.6 million during 2014 when compared to 2013 primarily due to increased originations of personal loans and the redistribution of the allocation of salaries and benefit expenses from our Real Estate segment as a result of the real estate loan sales in 2014.

(dollars in thousands) Years Ended December 31,	2014	2013
Other operating expenses - Consumer and Insurance	$179,522	$129,300
Other operating expenses - Acquisitions and Servicing	91,730	83,642
Total	$271,252	$212,942

Other operating expenses — Consumer and Insurance increased $50.2 million during 2014 when compared to 2013 primarily due to higher professional fees, advertising, and information technology expenses and the redistribution of the allocation of other operating expenses as a result of the real estate loan sales in 2014.

Insurance losses and loss adjustment expenses increased $10.8 million in 2014 when compared to 2013 primarily due to unfavorable variances in benefit reserves and claim reserves.

Comparison of Pretax Operating Results for 2013 and 2012

(dollars in thousands) Years Ended December 31,	2013	2012
Interest income:		
Finance charges - Consumer and Insurance	$721,772	$585,041
Finance charges - Acquisitions and Servicing	489,264	—
Total	$1,211,036	$585,041

Finance charges — Consumer and Insurance increased $136.7 million in 2013 when compared to 2012 primarily due to increases in yield and average net receivables. Yield increased in 2013 when compared to 2012 primarily due to pricing of new personal loans at higher state specific rates with concentrations in states with more favorable returns as a result of the restructuring activities during the first half of 2012. Average net receivables increased in 2013 when compared to 2012 primarily due to increased originations of personal loans resulting from our continued focus on personal loans.

Finance charges — Acquisitions and Servicing reflected the purchase of the SpringCastle Portfolio on April 1, 2013.

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(dollars in thousands) Years Ended December 31,	2013	2012
Interest expense - Consumer and Insurance	$149,000	$141,440
Interest expense - Acquisitions and Servicing	71,638	—
Total	$220,638	$141,440

Interest expense — Consumer and Insurance increased $7.6 million in 2013 when compared to 2012 primarily due to additional funding required to support increased originations of personal loans. This increase was partially offset by less utilization of financing from unsecured notes that was replaced by consumer loan securitizations, which generally have lower interest rates.

Interest expense — Acquisitions and Servicing resulted from the securitization of the SpringCastle Portfolio on April 1, 2013.

(dollars in thousands) Years Ended December 31,	2013	2012
Provision for finance receivable losses - Consumer and Insurance	$117,172	$90,598
Provision for finance receivable losses - Acquisitions and Servicing	133,116	—
Total	$250,288	$90,598

Provision for finance receivable losses — Consumer and Insurance increased $26.6 million in 2013 when compared to 2012 primarily due to higher increases to our allowance for finance receivable losses in 2013 reflecting increased originations of personal loans in 2013. This increase was partially offset by $22.7 million of recoveries on charged-off personal loans resulting from the sale of these loans in June 2013 (net of a $2.7 million adjustment for the subsequent buyback of certain personal loans) and improving delinquency trends.

Insurance revenues increased $21.7 million in 2013 when compared to 2012 primarily due to increases in credit and non-credit earned premiums reflecting higher originations of personal loans in 2013.

Net loss on repurchases and repayments of debt totaled $5.4 million in 2013 compared to net gain on repurchases and repayments of debt of $5.9 million in 2012. The unfavorable variance in net gain (loss) on repurchases and repayments of debt in 2013 when compared to 2012 was primarily due to the repurchase of debt in 2013 with deferred costs remaining and at net amounts greater than carrying value compared to repurchases of debt in 2012 at net amounts less than carrying value.

Net gain on fair value adjustments on debt — Acquisitions and Servicing of $5.5 million in 2013 resulted from the long-term debt associated with the 2013 securitization of the SpringCastle Portfolio that was accounted for at fair value through earnings.

Other revenues — other increased $33.1 million in 2013 when compared to 2012 primarily due to servicing fee revenues of $31.2 million for the fees charged by Acquisitions and Servicing for servicing the SpringCastle Portfolio beginning on April 1, 2013, the acquisition date. These fees are eliminated in consolidated operating results with the servicing fee expenses, which are included in other operating expenses.

(dollars in thousands) Years Ended December 31,	2013	2012
Salaries and benefits - Consumer and Insurance	$256,722	$258,828
Salaries and benefits - Acquisitions and Servicing	13,577	—

Total	$270,299	$258,828

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(dollars in thousands) Years Ended December 31,	2013	2012
Other operating expenses - Consumer and Insurance	$129,300	$120,492
Other operating expenses - Acquisitions and Servicing	83,642	—
Total	$212,942	$120,492

Other operating expenses for Consumer and Insurance increased $8.8 million in 2013 when compared to 2012 primarily due to higher advertising and professional services expenses. These increases were partially offset by lower occupancy costs as a result of fewer branch offices in 2013.

Insurance losses and loss adjustment expenses increased $3.7 million in 2013 when compared to 2012 primarily due to an unfavorable variance in change in benefit reserves resulting from higher levels of insurance in force, partially offset by lower claims incurred.

Reconciliation of Income (Loss) before Provision for (Benefit from) Income Taxes on Historical Accounting Basis to Pretax Core Earnings

Pretax core earnings is a key performance measure used by management in evaluating the performance of our Core Consumer Operations. Pretax core earnings represents our income (loss) before provision for (benefit from) income taxes on a historical accounting basis and excludes results of operations from our non-core portfolio (Real Estate) and other non-originating legacy operations, restructuring expenses related to Consumer and Insurance, gains (losses) resulting from accelerated long-term debt repayment and repurchases of long-term debt related to Core Consumer Operations (attributable to SHI), gains (losses) on fair value adjustments on debt related to Core Consumer Operations (attributable to SHI), one-time costs associated with debt refinance related to Consumer and Insurance, and results of operations attributable to non-controlling interests. Pretax core earnings provides us with a key measure of our Core Consumer Operations' performance as it assists us in comparing its performance on a consistent basis. Management believes pretax core earnings is useful in assessing the profitability of our core business and uses pretax core earnings in evaluating our operating performance. Pretax core earnings is a non-GAAP measure and should be considered in addition to, but not as a substitute for or superior to, operating income, net income, operating cash flow, and other measures of financial performance prepared in accordance with U.S. GAAP.

The following is a reconciliation of income (loss) before provision for (benefit from) income taxes on a historical accounting basis to pretax core earnings:

(dollars in thousands) Years Ended December 31,	2014	2013	2012
Income (loss) before provision for (benefit from) income taxes - historical accounting basis *	$433,993	$95,060	$(46,449)
Adjustments:			
Pretax operating loss - Non-Core Portfolio Operations	13,394	180,339	59,200
Pretax operating loss - Other/non-originating legacy operations	8,469	149,307	67,218
Restructuring expenses - Consumer and Insurance	—	—	15,863
Net (gain) loss from accelerated repayment/repurchase of debt - Core Consumer Operations (attributable to SHI)	16,633	5,357	(5,879)
Net (gain) loss on fair value adjustments on debt - Core Consumer Operations (attributable to SHI)	6,961	(2,601)	—
One-time costs associated with debt refinance - Consumer and Insurance	1,219	—	—

Pretax operating income attributable to non-controlling interests	(102,814)	(113,043)	—
Pretax core earnings	$377,855	$314,419	$89,953

* See reconciliation of income (loss) before provision for (benefit from) income taxes on a push-down accounting basis to a historical accounting basis, which is presented prior to “Segment Results”.

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NON-CORE PORTFOLIO

Pretax operating results for Real Estate (which are reported on a historical accounting basis) were as follows:

(dollars in thousands) Years Ended December 31,	2014	2013	2012
Interest income:			
Finance charges	$354,359	$698,026	$820,439
Finance receivables held for sale originated as held for investment	52,457	—	2,734
Total interest income	406,816	698,026	823,173
Interest expense	353,673	546,266	669,308
Net interest income	53,143	151,760	153,865
Provision for finance receivable losses	127,978	255,157	59,601
Net interest income (loss) after provision for finance receivable losses	(74,835)	(103,397)	94,264
Other revenues:			
Investment	(893)	—	—
Net gain (loss) on repurchases and repayments of debt	(21,975)	(46,385)	13,790
Net gain on fair value adjustments on debt	8,298	56,890	10,369
Net gain on sales of real estate loans and related trust assets *	185,240	—	—
Other	(15,948)	(4,289)	(75,088)
Total other revenues	154,722	6,216	(50,929)
Other expenses:			
Operating expenses:			
Salaries and benefits	37,025	27,312	29,680
Other operating expenses	56,256	55,846	72,037
Restructuring expenses	—	—	818
Total other expenses	93,281	83,158	102,535
Pretax operating loss	$(13,394)	$(180,339)	$(59,200)

* Consistent with our segment reporting presentation in Note 22 of the Notes to Consolidated Financial Statements in Item 8, 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.

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Selected financial statistics for Real Estate (which are reported on a historical accounting basis) were as follows:
(dollars in thousands)

At or for the Years Ended December 31,	2014	2013	2012
Real estate			
Finance receivables held for investment:			
Net finance receivables	$669,619	$9,335,357	$10,552,557
Number of accounts	22,852	119,483	135,151
TDR finance receivables	$159,964	$3,263,249	$2,772,886
Allowance for finance receivables losses - TDR	$56,333	$754,912	$639,948
Provision for finance receivable losses - TDR	$78,623	$184,354	$158,563
Average net receivables	$5,130,730	$9,932,047	$11,183,176
Yield	6.91 %	7.03 %	7.34 %
Loss ratio (a) (b)	2.10 %	2.20 %	2.73 %
Delinquency ratio	8.07 %	8.04 %	7.78 %
Finance receivables held for sale:			
Net finance receivables	$200,236	$—	$—
Number of accounts	3,578	—	—
TDR finance receivables	$194,168	$—	$—

(a) The loss ratio in 2014 reflects $2.2 million of recoveries on charged-off real estate loans resulting from a sale of previously charged-off real estate loans in March 2014, net of a $0.2 million reserve for subsequent buybacks. Excluding these recoveries, our Real Estate loss ratio would have been 2.14% in 2014.

(b) The loss ratio in 2013 reflects $9.1 million of recoveries on charged-off real estate loans resulting from a sale of our charged-off finance receivables in June 2013, net of a $0.8 million adjustment for the subsequent buyback of certain real estate loans. Excluding these recoveries, our Real Estate loss ratio would have been 2.30% in 2013.

Comparison of Pretax Operating Results for 2014 and 2013

Finance charges decreased $343.7 million in 2014 when compared to 2013 primarily due to decreases in average net receivables and yield. Average net receivables decreased in 2014 when compared to 2013 primarily due to the continued liquidation of the real estate portfolio, including the transfers of real estate loans with a total carrying value of $7.2 billion to finance receivables held for sale and the subsequent sales of nearly all of these real estate loans during 2014. The decrease in yield during 2014 reflected a higher proportion of TDR finance receivables during the first half of 2014, which generally have lower rates than non-modified real estate loans. The decrease in yield was partially offset by a higher proportion of our remaining real estate loans that are secured by second mortgages, which generally have higher yields.

Interest expense decreased $192.6 million in 2014 when compared to 2013 primarily due to lower secured term loan interest expense allocated to Real Estate and lower securitization interest expense 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.

Provision for finance receivable losses decreased $127.2 million in 2014 when compared to 2013. The decrease in provision for finance receivable losses reflected a reduction in the allowance requirements recorded during 2014 as a result of the transfers of real estate loans with a total carrying value of $7.2 billion to finance receivables held for sale and the subsequent sales of nearly all of these real estate loans during 2014. This decrease was partially offset by $9.1 million of recoveries on previously charged-off real estate loans resulting from a sale of these loans in June 2013 (net of a $0.8 million adjustment for the subsequent buyback of certain real estate loans).

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Net loss on repurchases and repayments of debt of $22.0 million and $46.4 million in 2014 and 2013, respectively, reflected acceleration of amortization of deferred costs and repurchases of debt at net amounts greater than carrying value.

Net gain on fair value adjustments on debt of $8.3 million and $56.9 million in 2014 and 2013, respectively, reflected differences between historical accounting basis and push-down accounting basis. On a historical accounting basis, certain long-term debt components were marked-to-market on a recurring basis and were no longer marked-to-market on a recurring basis after the application of push-down accounting at the time of the Fortress Acquisition.

Net gain on sales of real estate loans and related trust assets of $185.2 million in 2014 primarily reflected consideration of amounts greater than the equity basis of the real estate loans at the date of sale. The net gain also included proceeds of $39.3 million from the related MSR Sale. The net gain was partially offset by the lower of cost or fair value adjustments recorded on the dates the real estate loans were transferred to finance receivables held for sale. Consistent with our segment reporting presentation, we have combined the lower of cost or fair value adjustments with the final gain (loss) on the sales of these loans.

Comparison of Pretax Operating Results for 2013 and 2012

Finance charges decreased $122.4 million in 2013 when compared to 2012 primarily due to decreases in average net receivables and yield. Average net receivables decreased in 2013 when compared to 2012 primarily due to the cessation of new originations of real estate loans as of January 1, 2012 and the continued liquidation of the portfolio. Yield decreased in 2013 when compared to 2012 primarily due to the increase in TDR finance receivables (which result in reduced finance charges reflecting the reductions to the interest rates on these TDR finance receivables).

Interest expense decreased $123.0 million in 2013 when compared to 2012 primarily due to lower secured term loan and unsecured debt interest expense allocated to Real Estate, partially offset by higher ratio of securitization interest expense reflecting Real Estate's utilization of three real estate loan securitization transactions in 2013.

Provision for finance receivable losses increased $195.6 million in 2013 when compared to 2012. In September 2012, we switched from a migration analysis to a roll rate-based model for purposes of computing our allowance for finance receivable losses for our real estate loans, which resulted in a $144.6 million decrease in the allowance for finance receivable losses. The increase in provision for finance receivable losses also reflected the additional allowance requirements recorded in 2013 on our real estate loans deemed to be TDR finance receivables subsequent to the Fortress Acquisition compared to reductions to the allowance for finance receivable losses for real estate loans in 2012 primarily due to the cessation of real estate loan originations as of January 1, 2012. These increases were partially offset by $9.1 million of recoveries on charged-off real estate loans resulting from the sale of these loans in June 2013 (net of a $0.8 million adjustment for the subsequent buyback of certain real estate loans) and continued liquidation of the real estate portfolio.

Net loss on repurchases and repayments of debt totaled $46.4 million in 2013 compared to net gain on repurchases and repayments of debt of $13.8 million in 2012. The unfavorable variance in net gain (loss) on repurchases and repayments of debt in 2013 when compared to 2012 was primarily due to the repurchase of debt in 2013 with deferred costs remaining and at net amounts greater than carrying value compared to repurchases of debt in 2012 at net amounts less than carrying value.

Net gain on fair value adjustments on debt of $56.9 million and $10.4 million in 2013 and 2012, respectively, reflected differences between historical accounting basis and push-down accounting basis. On a historical accounting basis, certain long-term debt components were marked-to-market on a recurring basis and were no longer marked-to-market on a recurring basis after the application of push-down accounting at the time of the Fortress

Acquisition.

Other revenues — other increased $70.8 million in 2013 when compared to 2012 primarily due to favorable variances in writedowns and net gain (loss) on sales of real estate owned and lower net losses on foreign exchange transactions relating to our Euro denominated debt, cross currency interest rate swap agreement, and Euro denominated cash and cash equivalents.

Other operating expenses decreased $16.2 million in 2013 when compared to 2012 primarily due to lower real estate expenses on real estate owned.

OTHER

"Other" consists of our other non-originating legacy operations, which are isolated by geographic market and/or distribution channel from our prospective 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 as a result of our restructuring activities during the first half of 2012, our liquidating retail sales finance portfolio (including our retail sales finance accounts from our

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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 limited equity capacity in Other. These short equity loans, which have liquidated down to an immaterial level, were previously included in our Core Consumer Operations.

Pretax operating results of the Other components (which are reported on a historical accounting basis) were as follows:

(dollars in thousands) Years Ended December 31,	2014	2013	2012
Interest income	$16,429	$45,366	$100,097
Interest expense	7,381	14,970	33,711
Net interest income	9,048	30,396	66,386
Provision for finance receivable losses	6,502	(200)	10,660
Net interest income after provision for finance receivable losses	2,546	30,596	55,726
Other revenues:			
Insurance	57	80	108
Investment	110	1,521	4,758
Net gain (loss) on repurchases and repayments of debt	(326)	(1,071)	1,413
Other	630	(2,330)	3,911
Total other revenues	471	(1,800)	10,190
Other expenses:			
Operating expenses:			
Salaries and benefits *	10,512	166,507	32,186
Other operating expenses	974	11,596	94,126
Restructuring expenses	—	—	6,822
Total other expenses	11,486	178,103	133,134
Pretax operating loss	$(8,469)	$(149,307)	$(67,218)

* Salaries and benefits in 2013 include $146.0 million of share-based compensation expense due to the grant of RSUs to certain of our executives and employees in the second half of 2013, which is not considered pertinent in determining segment performance.

Net finance receivables of the Other components (which are reported on a historical accounting basis) were as follows:

(dollars in thousands) December 31,	2014	2013	2012
Net finance receivables:			
Personal loans	$28,940	$38,149	$122,417
Real estate loans	6,448	7,456	8,570
Retail sales finance	49,949	103,037	217,092

Total	$85,337	$148,642	$348,079

On December 20, 2013, we sold personal loans totaling $18.3 million (on a historical accounting basis) from our lending operations in Puerto Rico. Pursuant to an interim servicing agreement, we continued to service these loans and perform collection services through March 21, 2014, the servicing transfer date. The remaining decrease in personal loans during 2013 reflected the liquidations on the non-originating portfolios from our legacy operations in 14 states and from our lending operations in Puerto Rico and the U.S. Virgin Islands.

Credit Quality

Our customers encompass a wide range of borrowers. In the consumer finance industry, they are described as prime or near-prime at one extreme and non-prime or sub-prime (less creditworthy) at the other. Our customers' incomes are generally near the national median but our customers may vary from national norms as to their debt-to-income ratios, employment and residency stability, and/or credit repayment histories. In general, our customers have lower credit quality and require significant levels of servicing.

Carrying value of finance receivables includes accrued finance charges, unamortized deferred origination costs and unamortized net premiums and discounts on purchased finance receivables. We record an allowance for loan losses to cover expected losses on our 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
December 31, 2014					
Net finance receivables:					
60-89 days past due	$37,322	$30,680	$12,039	$543	$80,584
90-119 days past due	29,725	18,988	9,039	471	58,223
120-149 days past due	24,509	15,689	5,516	501	46,215
150-179 days past due	20,798	14,172	3,573	308	38,851
180 days or more past due	1,697	2,248	12,034	25	16,004
Total delinquent finance receivables	114,051	81,777	42,201	1,848	239,877
Current	3,661,034	1,839,595	564,961	44,846	6,110,436
30-59 days past due	56,087	57,818	18,173	1,011	133,089
Total	$3,831,172	$1,979,190	$625,335	$47,705	$6,483,402
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

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TROUBLED DEBT RESTRUCTURING

We make modifications to our real estate loans to assist borrowers in avoiding foreclosure. When we modify a real estate loan's contractual terms for economic or other reasons related to the borrower's financial difficulties and grant a concession that we would not otherwise consider, we classify that loan as a TDR finance receivable.

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

(dollars in thousands)	Personal Loans		SpringCastle Portfolio		Real Estate Loans		Total	
December 31, 2014								
TDR net finance receivables (a)	$22,036		$9,905		$196,366		$228,307	
Allowance for TDR finance receivable losses	$1,523		$2,673		$31,869		$36,065	
Allowance as a percentage of TDR net finance receivables (b)	6.91	%	26.99	%	16.23	%	15.80	%
Number of TDR accounts	8,075		1,159		3,463		12,697	
December 31, 2013								
TDR net finance receivables	$14,718		$—		$1,380,223		$1,394,941	
Allowance for TDR finance receivable losses	$923		$—		$176,455		$177,378	
Allowance as a percentage of TDR net finance receivables	6.27	%	—	%	12.78	%	12.78	%
Number of TDR accounts	5,885		—		14,609		20,494	

(a) TDR real estate loan net finance receivables at December 31, 2014 include $91.1 million of TDR finance receivables held for sale.

(b) Real estate loan allowance ratio at December 31, 2014 reflects the higher proportion of real estate loans secured by second mortgages as a result of the real estate loan sales during 2014.

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)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Total
December 31, 2014				
TDR net finance receivables (a) (b)	$499	$566	$33,349	$34,414
Number of TDR accounts (b)	141	53	524	718
December 31, 2013				
TDR net finance receivables (a)	$1,294	$—	$68,901	$70,195
Number of TDR accounts	355	—	929	1,284
December 31, 2012				

TDR net finance receivables (a)	$1,154	$—	$66,096	$67,250
Number of TDR accounts	438	—	594	1,032

(a) Represents the corresponding balance of TDR net finance receivables at the end of the month in which they defaulted.

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(b) TDR real estate loan net finance receivables for 2014 that defaulted during the previous 12 month period include 49 TDR accounts that were held for sale totaling $2.7 million.

Liquidity and Capital Resources

We have historically financed the majority of our operating liquidity and capital needs through a combination of cash flows from operations, securitization debt, unsecured debt, and borrowings under our secured term loan. In the future, we plan to finance our operating liquidity and capital needs through a combination of cash flows from operations, securitization debt, unsecured debt, other corporate debt facilities, and equity.

As a holding company, all of the funds generated from our operations are earned by our operating subsidiaries. Our operating subsidiaries' primary cash needs relate to funding our lending activities, our debt service obligations, our operating expenses and, to a lesser extent, expenditures relating to upgrading and monitoring our technology platform, risk systems, and branch locations.

Our insurance subsidiaries maintain reserves as liabilities on the balance sheet to cover future claims for certain insurance products. Claims reserves totaled $69.9 million as of December 31, 2014.

At December 31, 2014, we had $878.8 million of cash and cash equivalents, and during 2014, SHI generated net income of $504.6 million. Our net cash inflow from operating and investing activities totaled $2.2 billion in 2014. At December 31, 2014, our scheduled principal and interest payments for 2015 on our existing debt (excluding securitizations) totaled $1.1 billion. As of December 31, 2014, we had $2.0 billion unpaid principal balance ("UPB") of unencumbered personal loans and $676.6 million UPB of unencumbered real estate loans.

Based on our estimates and taking into account the risks and uncertainties of our plans, we believe that we will have adequate liquidity to finance and operate our businesses and repay our obligations as they become due for at least the next twelve months. In addition, we continue to evaluate our options for financing the purchase price for the Proposed Acquisition, which could be financed through cash on hand, the issuance of equity (which could significantly increase the number of shares of SHI's common stock outstanding) or debt securities, bank borrowings, securitizations or a combination thereof.

To reduce the risk associated with unfavorable changes in interest rates on our debt not offset by favorable changes in yield of our finance receivables, we monitor the anticipated cash flows of our assets and liabilities, principally our finance receivables and debt. We have funded finance receivables with a combination of fixed-rate and floating-rate debt and equity and have based the mix of fixed-rate and floating-rate debt issuances, in part, on the nature of the finance receivables being supported. On a historical accounting basis, our floating-rate debt represented 1% of our borrowings at December 31, 2014 and 8% at December 31, 2013.

LIQUIDITY

Operating Activities

Cash from operations decreased $275.0 million in 2014 when compared to 2013 primarily due to one-time costs relating to the real estate sales transactions, partially offset by higher net interest income.

Cash from operations increased $447.1 million in 2013 when compared to 2012 primarily due to higher net interest income, lower pension expenses primarily due to the pension plan freeze effective December 31, 2012, and lower occupancy expenses reflecting fewer branch offices in 2013 as a result of the restructuring activities during the first half of 2012. These increases were partially offset by 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, higher professional services expenses, and higher advertising expenses.

Investing Activities

Net cash provided by investing activities of $1.8 billion for 2014 was primarily due to the sales of finance receivables held for sale originated as held for investment during 2014. Net cash used for investing activities of $2.1 billion for 2013 reflected the purchase of the SpringCastle Portfolio on April 1, 2013.

Net cash provided by (used for) investing activities decreased $3.5 billion in 2013 when compared to 2012 primarily due to the purchase of the SpringCastle Portfolio.

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Financing Activities

Net cash used for financing activities of $1.8 billion for 2014 was primarily due to the repayments of the secured term loan and the 2013-BAC trust notes in late March 2014. Net cash provided by financing activities of $325.6 million for 2013 was primarily due to the issuance of long-term debt associated with the securitization of the SpringCastle Portfolio in April 2013.

Net cash provided by (used for) financing activities increased $1.1 billion in 2013 when compared to 2012 primarily due to higher net issuances of long-term debt reflecting ten securitization transactions and three unsecured offerings of senior notes in 2013.

Liquidity Risks and Strategies

SFC's credit ratings are non-investment grade, which have a significant impact on our cost of, and access to, capital. This, in turn, can negatively affect our ability to manage our liquidity and our ability or cost to refinance our indebtedness.

There are numerous risks to our financial results, liquidity, capital raising, and debt refinancing plans, some of which may not be quantified in our current liquidity forecasts. These risks include, but are not limited, to the following:

- our inability to grow or maintain our personal loan portfolio with adequate profitability;
- the effect of federal, state and local laws, regulations, or regulatory policies and practices;
- the liquidation and related losses within our remaining real estate portfolio could result in reduced cash receipts;
- our ability to finance the Proposed Acquisition;
- potential liability relating to real estate and personal loans which we have sold or may sell in the future, or relating to securitized loans; and
- the potential for disruptions in the debt and equity markets.

The principal factors that could decrease our liquidity are customer delinquencies and defaults, a decline in customer prepayments, a prolonged inability to adequately access capital market funding, and the funding requirements for the Proposed Acquisition. We intend to support our liquidity position by utilizing the following strategies:

- maintaining disciplined underwriting standards and pricing for loans we originate or purchase and managing purchases of finance receivables;
- pursuing additional debt financings (including new securitizations and new unsecured debt issuances, debt refinancing transactions and standby funding facilities), or a combination of the foregoing;
- purchasing portions of our outstanding indebtedness 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 may determine; and
- obtaining secured revolving credit facilities to allow us to use excess cash to pay down higher cost debt.

However, it is possible that the actual outcome of one or more of our plans could be materially different than expected or that one or more of our significant judgments or estimates could prove to be materially incorrect.

OUR INSURANCE SUBSIDIARIES

State law restricts the amounts our insurance subsidiaries, Merit and Yosemite, may pay as dividends without prior notice to, or in some cases approval from, the Indiana Department of Insurance. The maximum amount of dividends that can be paid without prior approval in a 12 month period, measured retrospectively from the date of payment, is the greater of 10% of policyholders' surplus as of the prior year-end, or the net gain from operations as of the prior year-end. On October 20, 2014, Merit paid an ordinary dividend of $18.0 million to SFC that did not require prior approval, and Yosemite paid an extraordinary dividend of $57.0 million to SFC upon receiving prior approval. Our insurance subsidiaries paid $150.0 million of extraordinary dividends during each of the third quarter of 2013 and the second quarter of 2012 upon receiving prior approval. On July 31, 2013, Yosemite paid, as an extraordinary dividend to SFC, 100% of the common stock of its wholly owned subsidiary, CommoLoCo, Inc., in the amount of $57.8 million, upon receiving prior approval.

OUR DEBT AGREEMENTS

On December 3, 2014, SHI entered into an Indenture and First Supplemental Indenture pursuant to which it agreed to fully and unconditionally guarantee the payments of principal, premium (if any) and interest on $700 million of 5.25% of Senior Notes due 2019 issued by SFC.

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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 December 31, 2014, approximately $4.3 billion aggregate principal amount of senior notes, including $3.1 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.

The debt agreements to which SFC and its subsidiaries are a party include customary terms and conditions, including covenants and representations and warranties. Some or all of these agreements also contain certain restrictions, including restrictions on the ability to create senior liens on property and assets in connection with any new debt financings and SFC’s ability to sell or convey all or substantially all of its assets, unless the transferee assumes SFC’s obligations under the applicable debt agreement.

With the exception of SFC’s junior subordinated debenture and one consumer loan securitization, none of our debt agreements require SFC or any of its subsidiaries to meet or maintain any specific financial targets or ratios.

Under our debt agreements, certain events, including non-payment of principal or interest, bankruptcy or insolvency, or a breach of a covenant or a representation or warranty may constitute an event of default and trigger an acceleration of payments. In some cases, an event of default or acceleration of payments under one debt agreement may constitute a cross-default under other debt agreements resulting in an acceleration of payments under the other agreements.

As of December 31, 2014, we were in compliance with all of the covenants under our debt agreements.

Junior Subordinated Debenture

In January 2007, SFC issued $350.0 million aggregate principal amount of 60-year junior subordinated debenture (the “debenture”) under an indenture dated January 22, 2007 (the “Junior Subordinated Indenture”), by and between SFC and Deutsche Bank Trust Company, as trustee. The debenture underlies the trust preferred securities sold by a trust sponsored by SFC. SFC can redeem the debenture at par beginning in January 2017.

Pursuant to the terms of the debenture, SFC, upon the occurrence of a mandatory trigger event, is required to defer interest payments to the holders of the debenture (and not make dividend payments to SFI) unless SFC obtains non-debt capital funding in an amount equal to all accrued and unpaid interest on the debenture otherwise payable on the next interest payment date and pays such amount to the holders of the debenture. A mandatory trigger event occurs if SFC’s (1) tangible equity to tangible managed assets is less than 5.5% or (2) average fixed charge ratio is not more than 1.10x for the trailing four quarters (where the fixed charge ratio equals earnings excluding income taxes, interest expense, extraordinary items, goodwill impairment, and any amounts related to discontinued operations, divided by the sum of interest expense and any preferred dividends).

Based upon SFC’s financial results for the twelve months ended September 30, 2014, a mandatory trigger event did not occur with respect to the payment due in January 2015 as we were in compliance with both required ratios discussed above.

Consumer Loan Securitization

In connection with the Sumner Brook 2013-VFN1 securitization, SFC is required to maintain an available cash covenant and a consolidated tangible net worth covenant. At December 31, 2014, SFC was in compliance with these covenants.

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Structured Financings

We execute private securitizations under Rule 144A of the Securities Act of 1933. As of December 31, 2014, our structured financings consisted of the following:

(dollars in thousands)	Initial Note Amounts Issued (a)	Initial Collateral Balance (b)	Current Note Amounts Outstanding	Current Collateral Balance (b)	Current Weighted Average Interest Rate		Collateral Type	Revolving Period
Consumer Securitizations								
SLFMT 2013-A	$567,880	$662,247	$567,880	$662,252	2.75	%	Personal loans	2 years
SLFMT 2013-B	370,170	441,989	370,170	441,996	3.99	%	Personal loans	3 years
SLFMT 2014-A	559,260	644,331	559,260	644,336	2.55	%	Personal loans	2 years
Total consumer securitizations	1,497,310	1,748,567	1,497,310	1,748,584				
SpringCastle Securitization								
SCFT 2014-A	2,559,290	2,737,242	2,411,796	2,589,748	3.78	%	Personal and junior mortgage loans	N/A (c)
Total secured structured financings	$4,056,600	$4,485,809	$3,909,106	$4,338,332				

(a) Represents securities sold at time of issuance or at a later date and does not include retained notes.

(b) Represents UPB of the collateral supporting the issued and retained notes.

(c) Not applicable.

In addition to the structured financings included in the table above, we have access to four conduit facilities, as discussed in Note 11 of the Notes to Consolidated Financial Statements in Item 8. At December 31, 2014, we had drawn $100 million under these facilities.

We also completed a consumer loan securitization in February 2015. See Note 24 of the Notes to Consolidated Financial Statements in Item 8 for further information on this subsequent transaction. Our securitizations have served to partially replace secured and unsecured debt in our capital structure with more favorable non-recourse funding. Our overall funding costs are positively impacted by our increased usage of securitizations as we typically execute these transactions at interest rates significantly below those of our maturing secured and unsecured debt.

The weighted average interest rates on our debt on a historical accounting basis were as follows:

Years Ended December 31,	2014		2013		2012	
Weighted average interest rate	5.35	%	5.48	%	6.03	%

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Contractual Obligations

At December 31, 2014, our material contractual obligations were as follows:

(dollars in thousands)	2015	2016-2017	2018-2019	2020+	Securitizations (a)	Total
Principal maturities on long-term debt:						
Securitization debt:						
Consumer	$—	$—	$—	$—	$1,597,310	$1,597,310
SpringCastle Portfolio	—	—	—	—	2,049,286	2,049,286
Retail notes	47,211	—	—	—	—	47,211
Medium-term notes (b)	750,000	2,277,321	700,000	1,250,000	—	4,977,321
Junior subordinated debt	—	—	—	350,000	—	350,000
Total principal maturities	797,211	2,277,321	700,000	1,600,000	3,646,596	9,021,128
Interest payments on debt (c)	345,188	578,455	273,789	538,671	403,581	2,139,684
Operating leases (d)	27,642	39,480	17,514	4,409	—	89,045
Total	$1,170,041	$2,895,256	$991,303	$2,143,080	$4,050,177	$11,249,857

(a) On-balance sheet securitizations are not included in maturities by period due to their variable monthly payments.

(b) Medium term notes included $700 million aggregate principal amount of 5.25% Senior Notes due 2019, which were issued in December 2014, and reflects the related repurchases of $459 million aggregate principal amount of medium term notes due 2017, as discussed in Note 10 of the Notes to Consolidated Financial Statements in Item 8.

(c) Future interest payments on floating-rate debt are estimated based upon floating rates in effect at December 31, 2014.

(d) Operating leases include annual rental commitments for leased office space, automobiles, and information technology and related equipment.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements as defined by SEC rules. We had no off-balance sheet exposure to losses associated with unconsolidated variable interest entities ("VIEs") at December 31, 2014 or 2013, other than certain representations and warranties associated with the sales of the mortgage-backed retained certificates during 2014. As of December 31, 2014, we had no repurchase activity related to these sales.

Critical Accounting Policies and Estimates

We consider the following policies to be our most critical accounting policies because they involve critical accounting estimates and a significant degree of management judgment:

- allowance for finance receivable losses;
- purchased credit impaired finance receivables;
- TDR finance receivables; and
- fair value measurements.

See Note 2 of the Notes to Consolidated Financial Statements in Item 8 for a discussion of these accounting policies.

We believe the amount of the allowance for finance receivable losses is the most significant estimate we make. See “Allowance for Finance Receivable Losses” below for further discussion of the models and assumptions used to assess the adequacy of the allowance for finance receivable losses and Note 5 of the Notes to Consolidated Financial Statements in Item 8 for period-to-period changes in the components of our allowance for finance receivable losses.

ALLOWANCE FOR FINANCE RECEIVABLE LOSSES

We base our allowance for finance receivable losses primarily on historical loss experience using a roll rate-based model applied to our finance receivable portfolios. In our roll rate-based model, our finance receivable types are stratified by delinquency stages (i.e., current, 1-29 days past due, 30-59 days past due, etc.) and projected forward in one-month increments

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using historical roll rates. In each month of the simulation, losses on our finance receivable types are captured, and the ending delinquency stratification serves as the beginning point of the next iteration. No new volume is assumed. This process is repeated until the number of iterations equals the loss emergence period (the interval of time between the event which causes a borrower to default on a finance receivable and our recording of the charge- off) for our finance receivable types. As delinquency is a primary input into our roll rate-based model, we inherently consider nonaccrual loans in our estimate of the allowance for finance receivable losses.

Management exercises its judgment, based on quantitative analyses, qualitative factors such as recent delinquency and other credit trends, and experience in the consumer finance industry, when determining the amount of the allowance for finance receivable losses. We adjust the amounts determined by the roll rate-based model for management's estimate of the effects of model imprecision, any changes to underwriting criteria, portfolio seasoning, and current economic conditions, including levels of unemployment and personal bankruptcies. We charge or credit this adjustment to expense through the provision for finance receivable losses.

Management considers the performance of our junior-lien real estate loans portfolio when estimating the allowance for finance receivable losses at the time we evaluate our real estate loan portfolio for impairments. However, we are not able to track the default status of the first lien position for our junior lien loans if we are not the holders of the first lien position. We attempt to mitigate the risk resulting from the inability to track this information by utilizing our roll rate-based model. Our roll rate-based model incorporates the historical performance of our real estate portfolio (including junior lien loans) and its output will therefore be impacted by any actual delinquency and charge-offs from junior lien loans.

Recent Accounting Pronouncements

See Note 3 of the Notes to Consolidated Financial Statements in Item 8 for discussion of recently issued accounting pronouncements.

Seasonality

Our personal loan volume is generally highest during the second and fourth quarters of the year, primarily due to marketing efforts, seasonality of demand, and increased traffic in branches after the winter months. Demand for our personal loans is usually lower in January and February after the holiday season and as a result of tax refunds. Delinquencies on our personal loans tend to peak in the second and third quarters and higher net charge-offs on these loans usually occur at year end. These seasonal trends contribute to fluctuations in our operating results and cash needs throughout the year.

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Glossary of Terms

Average debt	average of debt for each day in the period
Average net receivables	average of net finance receivables at the beginning and end of each month in the period
Charge-off ratio	annualized net charge-offs as a percentage of the average of net finance receivables at the beginning of each month in the period
Delinquency ratio	UPB 60 days or more past due (greater than three payments unpaid) as a percentage of UPB
Gross charge-off ratio	annualized gross charge-offs as a percentage of the average of net finance receivables at the beginning of each month in the period
Trust Preferred Securities	capital securities classified as debt for accounting purposes but due to their terms are afforded, at least in part, equity capital treatment in the calculation of effective leverage by rating agencies
Loss ratio	annualized net charge-offs, net writedowns on real estate owned, net gain (loss) on sales of real estate owned, and operating expenses related to real estate owned as a percentage of the average of real estate loans at the beginning of each month in the period
Net interest income	interest income less interest expense
Recovery ratio	annualized recoveries on net charge-offs as a percentage of the average of net finance receivables at the beginning of each month in the period
Tangible equity	total equity less accumulated other comprehensive income or loss
Weighted average interest rate	annualized interest expense as a percentage of average debt
Yield	annualized finance charges as a percentage of average net receivables

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The fair values of certain of our assets and liabilities are sensitive to changes in market interest rates. The impact of changes in interest rates would be reduced by the fact that increases (decreases) in fair values of assets would be partially offset by corresponding changes in fair values of liabilities. In aggregate, the estimated impact of an immediate and sustained 100 basis point increase or decrease in interest rates on the fair values of our interest rate-sensitive financial instruments would not be material to our financial position.

The estimated increases (decreases) in fair values of interest rate-sensitive financial instruments were as follows:

December 31,	2014		2013	
(dollars in thousands)	+100 bp	-100 bp	+100 bp	-100 bp
Assets				
Net finance receivables, less allowance for finance receivable losses (a)	$(146,255)	$152,692	$(483,071)	$525,371
Finance receivables held for sale	(11,806)	13,798	—	—
Fixed-maturity investment securities	(40,885)	40,058	(28,509)	28,589
Liabilities				
Long-term debt (b)	$(253,097)	$265,891	$(345,778)	$252,888

(a) The decrease in +100 and -100 basis points market risk exposure on net finance receivables, less allowance for finance receivable losses at December 31, 2014 when compared to December 31, 2013 reflected the transfers of real estate loans, which generally are more sensitive to changes in interest rates, to finance receivables held for sale and the subsequent sales of nearly all of these real estate loans during 2014.

(b) We have employed a new model to estimate the increase (decrease) in the fair value of our long-term debt at December 31, 2014. This model utilizes a treasury rate for each debt security. Using the new model, the +100 basis points and -100 basis points market risk exposure on long-term debt at December 31, 2013 would have been $(390.1) million and $381.6 million, respectively. Using this comparable basis, the decrease in +100 and -100 basis points market risk exposure on long-term debt at December 31, 2014 when compared to December 31, 2013 reflected the elimination of debt associated with our mortgage securitizations, which generally are more susceptible to price fluctuations.

We derived the changes in fair values by modeling estimated cash flows of certain of our assets and liabilities. We adjusted the cash flows to reflect changes in prepayments and calls, but did not consider loan originations, debt issuances, or new investment purchases.

We did not enter into interest rate-sensitive financial instruments for trading or speculative purposes.

Readers should exercise care in drawing conclusions based on the above analysis. While these changes in fair values provide a measure of interest rate sensitivity, they do not represent our expectations about the impact of interest rate changes on our financial results. This analysis is also based on our exposure at a particular point in time and incorporates numerous assumptions and estimates. It also assumes an immediate change in interest rates, without regard to the impact of certain business decisions or initiatives that we would likely undertake to mitigate or eliminate some or all of the adverse effects of the modeled scenarios.

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Item 8. Financial Statements and Supplementary Data.

An index to our financial statements and supplementary data follows:

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Springleaf Holdings, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows present fairly, in all material respects, the financial position of Springleaf Holdings, Inc. and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting related to insufficient documentation demonstrating compliance with the spreadsheet and report controls designed to provide reasonable assurance to management as to the completeness and accuracy of inputs, assumptions and formulas included in certain spreadsheets and reports used in the preparation and analysis of accounting and financial information existed as of that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the December 31, 2014 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in management's report referred to above. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our audits (which was an integrated audit in 2014). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois
March 16, 2015

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SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

(dollars in thousands) December 31,	2014	2013
Assets		
Cash and cash equivalents	$878,826	$431,409
Investment securities	2,934,749	582,090
Net finance receivables:		
Personal loans (includes loans of consolidated VIEs of $1.9 billion in 2014 and $1.6 billion in 2013)	3,831,172	3,171,704
SpringCastle Portfolio (includes loans of consolidated VIEs of $2.0 billion in 2014 and $2.5 billion in 2013)	1,979,190	2,505,349
Real estate loans (includes loans of consolidated VIEs of $0 in 2014 and $5.7 billion in 2013)	625,335	7,982,349
Retail sales finance	47,705	98,911
Net finance receivables	6,483,402	13,758,313
Allowance for finance receivable losses (includes allowance of consolidated VIEs of $71.7 million in 2014 and $153.7 million in 2013)	(175,749)	(333,325)
Net finance receivables, less allowance for finance receivable losses	6,307,653	13,424,988
Finance receivables held for sale	204,967	—
Restricted cash and cash equivalents (includes restricted cash and cash equivalents of consolidated VIEs of $210.3 million in 2014 and $522.8 million in 2013)	217,975	536,005
Other assets	513,694	428,194
Total assets	$11,057,864	$15,402,686
Liabilities and Shareholders’ Equity		
Long-term debt (includes debt of consolidated VIEs of $3.6 billion in 2014 and $7.3 billion in 2013)	$8,384,910	$12,769,036
Insurance claims and policyholder liabilities	445,553	394,168
Deferred and accrued taxes	152,156	145,520
Other liabilities	238,283	207,334
Total liabilities	9,220,902	13,516,058
Commitments and contingent liabilities (Note 19)		
Shareholders’ equity:		
Common stock, par value $.01 per share; 2,000,000,000 shares authorized, 114,832,895 shares issued and outstanding at December 31, 2014 and 2013	1,148	1,148
Additional paid-in capital	529,569	524,087
Accumulated other comprehensive income	3,226	28,095
Retained earnings	1,491,326	986,690
Springleaf Holdings, Inc. shareholders’ equity	2,025,269	1,540,020
Non-controlling interests	(188,307)	346,608
Total shareholders’ equity	1,836,962	1,886,628

Total liabilities and shareholders' equity	$11,057,864	$15,402,686

See Notes to Consolidated Financial Statements.

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SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations

(dollars in thousands except earnings (loss) per share) Years Ended December 31,	2014	2013	2012
Interest income:			
Finance charges	$1,920,513	$2,153,745	$1,712,073
Finance receivables held for sale originated as held for investment	61,265	333	2,740
Total interest income	1,981,778	2,154,078	1,714,813
Interest expense	734,022	919,749	1,075,205
Net interest income	1,247,756	1,234,329	639,608
Provision for finance receivable losses	474,147	527,661	341,578
Net interest income after provision for finance receivable losses	773,609	706,668	298,030
Other revenues:			
Insurance	166,459	148,179	126,423
Investment	39,127	35,132	35,896
Net loss on repurchases and repayments of debt	(66,175)	(41,716)	(15,542)
Net gain (loss) on fair value adjustments on debt	(15,033)	6,055	(2,992)
Net gain on sales of real estate loans and related trust assets	726,322	—	—
Other	(18,374)	5,410	(46,442)
Total other revenues	832,326	153,060	97,343
Other expenses:			
Operating expenses:			
Salaries and benefits	359,818	463,920	320,164
Other operating expenses	265,990	253,372	296,395
Restructuring expenses	—	—	23,503
Insurance losses and loss adjustment expenses	75,631	64,879	60,679
Total other expenses	701,439	782,171	700,741
Income (loss) before provision for (benefit from) income taxes	904,496	77,557	(305,368)
Provision for (benefit from) income taxes	297,046	(16,185)	(87,671)
Net income (loss)	607,450	93,742	(217,697)
Net income attributable to non-controlling interests	102,814	113,043	—
Net income (loss) attributable to Springleaf Holdings, Inc.	$504,636	$(19,301)	$(217,697)
Share Data:			
Weighted average number of shares outstanding:			

Basic	114,791,225	102,917,172	100,000,000
Diluted	115,265,123	102,917,172	100,000,000
Earnings (loss) per share:			
Basic	$4.40	$(0.19)	$(2.18)
Diluted	$4.38	$(0.19)	$(2.18)

See Notes to Consolidated Financial Statements.

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

(dollars in thousands) Years Ended December 31,	2014	2013	2012
Net income (loss)	$607,450	$93,742	$(217,697)
Other comprehensive income (loss):			
Net unrealized gains (losses) on:			
Investment securities with other-than-temporary impairments	(368)	(78)	475
All other investment securities	19,585	(12,156)	13,300
Cash flow hedges	—	—	(16,987)
Retirement plan liabilities adjustments	(49,740)	17,731	67,019
Foreign currency translation adjustments	800	(547)	3,975
Income tax effect:			
Net unrealized (gains) losses on:			
Investment securities with other-than-temporary impairments	129	27	(166)
All other investment securities	(6,851)	4,260	(4,661)
Cash flow hedges	—	—	5,945
Retirement plan liabilities adjustments	16,646	(5,698)	(23,678)
Other comprehensive income (loss), net of tax, before reclassification adjustments	(19,799)	3,539	45,222
Reclassification adjustments included in net income (loss):			
Net realized (gains) losses on investment securities	(7,800)	(2,788)	2,507
Cash flow hedges	—	(160)	10,504
Income tax effect:			
Net realized gains (losses) on investment securities	2,730	976	(877)
Cash flow hedges	—	56	(3,676)
Reclassification adjustments included in net income (loss), net of tax	(5,070)	(1,916)	8,458
Other comprehensive income (loss), net of tax	(24,869)	1,623	53,680
Comprehensive income (loss)	582,581	95,365	(164,017)
Comprehensive income attributable to non-controlling interests	102,814	113,043	—
Comprehensive income (loss) attributable to Springleaf Holdings, Inc.	$479,767	$(17,678)	$(164,017)

See Notes to Consolidated Financial Statements.

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SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity

(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	—	5,742	—	—	5,742	—	5,742
Excess tax benefit from share-based compensation	—	276	—	—	276	—	276
Withholding tax on vested RSUs	—	(536)	—	—	(536)	—	(536)
Change in non-controlling interests:							
Distributions declared to joint venture partners	—	—	—	—	—	(637,729)	(637,729)
Change in net unrealized gains:							
Investment securities	—	—	7,425	—	7,425	—	7,425
Retirement plan liabilities adjustments	—	—	(33,094)	—	(33,094)	—	(33,094)
Foreign currency translation adjustments	—	—	800	—	800	—	800
Net income	—	—	—	504,636	504,636	102,814	607,450
Balance, December 31, 2014	$ 1,148	$ 529,569	$ 3,226	$ 1,491,326	$ 2,025,269	$ (188,307)	$ 1,836,962
Balance, January 1, 2013	$ 1,000	$ 147,459	$ 26,472	$ 1,005,991	$ 1,180,922	$ —	$ 1,180,922
Sale of common stock	148	251,256	—	—	251,404	—	251,404
Share-based compensation expense, net of forfeitures	—	145,988	—	—	145,988	—	145,988
Underwriting discount and offering expenses	—	(20,616)	—	—	(20,616)	—	(20,616)
Changes in non-controlling interests:							
	—	—	—	—	—	438,081	438,081

Contributions from joint venture partners							
Distributions declared to joint venture partners	—	—	—	—	—	(204,516)	(204,516)
Change in net unrealized losses:							
Investment securities	—	—	(9,759)	—	(9,759)	—	(9,759)
Cash flow hedges	—	—	(104)	—	(104)	—	(104)
Retirement plan liabilities adjustments	—	—	12,033	—	12,033	—	12,033
Foreign currency translation adjustments	—	—	(547)	—	(547)	—	(547)
Net income (loss)	—	—	—	(19,301)	(19,301)	113,043	93,742
Balance, December 31, 2013	$1,148	$524,087	$ 28,095	$986,690	$1,540,020	$ 346,608	$1,886,628
Balance, January 1, 2012	$1,000	$147,459	$ (27,208)	$1,223,688	$1,344,939	$ —	$1,344,939
Change in net unrealized gains (losses):							
Investment securities	—	—	10,578	—	10,578	—	10,578
Cash flow hedges	—	—	(4,214)	—	(4,214)	—	(4,214)
Retirement plan liabilities adjustments	—	—	43,341	—	43,341	—	43,341
Foreign currency translation adjustments	—	—	3,975	—	3,975	—	3,975
Net loss	—	—	—	(217,697)	(217,697)	—	(217,697)
Balance, December 31, 2012	$1,000	$147,459	$ 26,472	$1,005,991	$1,180,922	$ —	$1,180,922

See Notes to Consolidated Financial Statements.

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SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

(dollars in thousands) Years Ended December 31,	2014	2013	2012
Cash flows from operating activities			
Net income (loss)	$607,450	$93,742	$(217,697)
Reconciling adjustments:			
Provision for finance receivable losses	474,147	527,661	341,578
Depreciation and amortization	34,666	(55,148)	165,220
Deferred income tax charge (benefit)	20,114	(118,839)	(167,649)
Net loss (gain) on fair value adjustments on debt	15,033	(6,055)	2,992
Net gain on sales of real estate loans and related trust assets	(726,322)	—	—
Net charge-offs on finance receivables held for sale	9,714	—	—
Writedowns on assets resulting from restructuring	—	—	5,046
Impairments of Ocean Finance and Mortgages Limited assets	—	—	8,342
Net gain on sales of finance receivables	—	—	(5,908)
Net loss on repurchases and repayments of debt	66,175	41,716	15,542
Share-based compensation expense, net of forfeitures	5,742	145,988	—
Other	198	18,667	60,403
Cash flows due to changes in:			
Other assets and other liabilities	(30,590)	16,011	22,689
Insurance claims and policyholder liabilities	51,385	28,930	10,367
Taxes receivable and payable	(98,168)	(9,896)	58,634
Accrued interest and finance charges	(35,842)	(42,315)	(30,302)
Restricted cash and cash equivalents not reinvested	5,615	35,597	(40,967)
Other, net	978	(808)	(174)
Net cash provided by operating activities	400,295	675,251	228,116
Cash flows from investing activities			
Finance receivables originated or purchased, net of deferred origination costs	(2,611,681)	(2,302,161)	(1,701,400)
Principal collections on finance receivables	2,827,105	3,152,767	2,649,404
Purchase of SpringCastle Portfolio	—	(2,963,547)	—
Sales and principal collections on finance receivables held for sale originated as held for investment	3,798,587	15,480	181,561
Available-for-sale investment securities purchased	(351,026)	(554,846)	(1,052,312)
Trading investment securities purchased	(2,978,366)	(10,034)	(743)
Available-for-sale investment securities called, sold, and matured	291,212	846,576	1,210,870
Trading investment securities called, sold, and matured	687,246	8,421	6,064
Change in restricted cash and cash equivalents	111,753	(413,758)	(50,564)
Proceeds from sale of real estate owned	58,783	108,718	181,996
Other, net	(13,185)	(10,758)	(117)
Net cash (used for) provided by investing activities	1,820,428	(2,123,142)	1,424,759
Cash flows from financing activities			
Proceeds from issuance of long-term debt, net of commissions	3,557,129	6,296,061	2,263,317
Excess tax benefit from share-based compensation	276	—	—

Repurchases and repayments of long-term debt	(4,691,886)	(6,434,786)	(3,054,379)
Contributions from joint venture partners	—	438,081	—
Distributions to joint venture partners	(637,729)	(204,516)	—
Proceeds from issuance of common stock, net of offering costs	—	230,788	—
Net cash (used for) provided by financing activities	(1,772,210)	325,628	(791,062)

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Consolidated Statements of Cash Flows (Continued)

(dollars in thousands) Years Ended December 31,	2014	2013	2012
Effect of exchange rate changes on cash and cash equivalents	(1,096)	(676)	2,949
Net change in cash and cash equivalents	447,417	(1,122,939)	864,762
Cash and cash equivalents at beginning of period	431,409	1,554,348	689,586
Cash and cash equivalents at end of period	$878,826	$431,409	$1,554,348
Supplemental cash flow information			
Interest paid	$541,089	$724,208	$845,272
Income taxes paid	375,208	112,536	18,642
Supplemental non-cash activities			
Transfer of finance receivables to real estate owned	$49,294	$93,416	$181,380
Transfer of finance receivables held for investment to finance receivables held for sale (prior to deducting allowance for finance receivable losses)	6,901,755	18,005	182,208
Transfer of finance receivables held for sale to finance receivables held for investment	—	—	1,353
Unsettled investment security purchases and sales	(6,667)	—	—

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SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2014

1. Nature of Operations

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 December 31, 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. At December 31, 2014, we had $6.5 billion of net finance receivables due from over 1.2 million customer accounts. At December 31, 2014, we had a network of 831 branch offices in 26 states, complemented by our centralized operations, which provides support to our branch operations. As of December 31, 2014, we had 5,030 employees.

SEGMENTS

Our segments coincide with how our businesses are managed. At December 31, 2014, our three segments include:

- Consumer and Insurance;
- Acquisitions and Servicing; and
- Real Estate.

When we initially defined our operating segments in early 2013, we presented Consumer and Insurance as two distinct reporting segments. However, over the course of 2013 and into 2014, management has shifted its strategy for the Insurance segment toward organic growth primarily as an ancillary product complementing our consumer lending activities and has been increasingly viewing and managing the Insurance segment together with Consumer. As a result of the changes in strategy and the way that management views the insurance business of the Company, we are now presenting them as one segment. To conform to the new segment alignment, we have revised our prior period segment disclosures.

Management considers Consumer and 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 and Insurance — We originate and service personal loans (secured and unsecured) through two business divisions: branch operations and centralized operations and offer credit insurance (life insurance, accident and health insurance, and involuntary unemployment insurance), non-credit insurance, and ancillary products, such as warranty protection. Branch operations primarily conduct business in 26 states, which are our core operating states. Our centralized operations underwrite and process certain loan applications that we receive from our branch operations or through an internet portal. If the applicant is located near an existing branch (“in footprint”), our centralized operations make the credit decision regarding the application and then request, but do not require, the customer to visit a nearby branch for closing, funding and servicing. If the applicant is not located near a branch (“out of footprint”), our centralized operations originate the loan.

Acquisitions and Servicing — On April 1, 2013, we acquired a consumer loan portfolio with an aggregate unpaid principal balance (“UPB”) of $3.9 billion (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) and includes both closed-end accounts and open-end lines of

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Notes to Consolidated Financial Statements, Continued

credit. These loans vary in form and substance from our typical branch serviced loans and are in a liquidating status with no anticipation of new loan originations.

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 serviced by: (i) MorEquity, Inc. (“MorEquity”) a wholly owned subsidiary, and subserviced by Nationstar Mortgage LLC (“Nationstar”); (ii) Select Portfolio Servicing, Inc.; or (iii) our centralized operations. 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 limited equity capacity in Other. These short equity loans, which have liquidated down to an immaterial level, were previously included in our Core Consumer Operations.

SIGNIFICANT REAL ESTATE LOAN TRANSACTIONS

During 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. These transactions substantially complete the Company’s previously disclosed plan to liquidate its non-core real estate loans and are discussed below.

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 expenses of $3.8 million in 2014 due to the workforce reductions and the closings of the servicing facilities, which are included in salaries and benefits and other operating expenses.

Our insurance subsidiaries have written certain insurance policies on properties, which collateralize 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 following real estate loan sales were completed during 2014. The net gain on each sale transaction disclosed below was subject to revisions relating to customary adjustments to the initial sales price resulting from new information received subsequent to the date of sale.

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 Merrill Lynch, Pierce, Fenner & Smith Incorporated (“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, and recorded a net gain of $72.0 million, 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.

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Notes to Consolidated Financial Statements, Continued

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, and recorded a net loss of $16.9 million, 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).

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 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, and recorded a net gain of $34.8 million, 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 “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, and recorded a net gain of $24.6 million, 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, 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, and recorded a net gain of $608.4 million, 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 Assets 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 MorEquity (collectively, the "Sellers"), entered into a Mortgage Servicing Rights Purchase and Sale Agreement, dated and effective as of August 1, 2014, with Nationstar, pursuant to

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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 2006, 2011, 2012 and 2013 (each a "Pool" and collectively, the "Pools") with a 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 $39.3 million. We received $19.4 million of the proceeds of the MSR Sale on August 29, 2014, the closing date, and $15.7 million of the proceeds on October 23, 2014. The remaining amount was subject to a holdback for resolution of missing documentation and other customary conditions, and was expected to be received no later than 120 days after the date of transfer of servicing upon resolution of those conditions. SFC and Nationstar mutually agreed to extend the resolution period for the holdback beyond 120 days. At December 31, 2014, the holdback remaining totaled $4.2 million. 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 "Whole Loan Sales"). On August 1, 2014, the real estate loans included in the 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 Whole Loan Sales on September 30, 2014 (the "September Whole Loan Sales") and recorded a net loss of $5.0 million, which includes a $7.0 million increase in reserve for recourse obligations during the fourth quarter of 2014. The real estate loans included in the September Whole Loan Sales had a carrying value of $778.4 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. SFC and Credit Suisse mutually agreed to extend the cure period for documentation deficiencies beyond 60 days. During the fourth quarter of 2014, we received $83.0 million of the holdback provision from Credit Suisse. At December 31, 2014, the holdback remaining totaled $37.0 million.

The "November Whole Loan Sales"

We completed the second sale of a portion of the Whole Loan Sales on November 7, 2014 (the "November Whole Loan Sales") and recorded a net gain of $7.8 million. The real estate loans included in the November Whole Loan Sales had a carrying value of $250.6 million (after the basis adjustment for the related allowance for finance receivable losses) as of the date of sale.

The aggregate purchase price of $270.1 million for the November Whole Loan Sales included a holdback provision of $34.3 million, which was subject to our ability to cure certain documentation deficiencies within a 60 day period (subject to extension under certain circumstances) subsequent to the closing of the sale. SFC and Credit Suisse mutually agreed to extend the cure period for documentation deficiencies beyond 60 days. On November 7, 2014, we received $235.8 million of the proceeds, and in December 2014, we received $11.5 million of the holdback provision from Credit Suisse. At December 31, 2014, the holdback remaining totaled $22.8 million.

The “December Whole Loan Sales”

On December 19, 2014, we completed an additional loan sale to Credit Suisse (the “December Whole Loan Sales”) and recorded a net gain of $0.6 million. The real estate loans included in the December Whole Loan Sales had a carrying value of $23.6 million (after the basis adjustment for the related allowance for finance receivable losses) as of the date of sale.

The aggregate purchase price of $25.8 million for the December Whole Loan Sales included a holdback provision of $4.5 million, which was subject to our ability to cure certain documentation deficiencies within a 60 day period (subject to extension

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under certain circumstances) subsequent to the closing of the sale. SFC and Credit Suisse mutually agreed to extend the cure period for documentation deficiencies beyond 60 days. On December 19, 2014, we received $21.3 million of the proceeds from Credit Suisse. At December 31, 2014, the holdback remaining totaled $4.5 million.

2. Summary of Significant Accounting Policies

BASIS OF PRESENTATION

We prepared our consolidated financial statements using generally accepted accounting principles in the United States of America (“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 and for which we are considered to be the primary beneficiary 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 consolidated financial statements and disclosures of contingent assets and liabilities. In management’s opinion, the 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. To conform to the 2014 presentation, we reclassified certain items in prior periods, including certain items in prior periods of our consolidated cash flow statement.

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

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 consolidated balance sheet and the related VIE disclosures in Notes 5 and 11 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 23 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 Note 1 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.

During the fourth quarter of 2014, we discovered that we previously understated the carrying value of the real estate loans associated with the September Whole Loan Sales in our calculation of the gain (loss) on the September Whole Loan Sales. This error resulted in an overstatement of $9.8 million of net gain on sales of real estate loans and related trust assets for the three and nine months ended September 30, 2014. As a result of this finding, we recorded an out-of-period adjustment in the fourth quarter of 2014, which decreased net gain on sales of real estate loans and related trust assets by $9.8 million, decreased provision for income taxes by $3.6 million, and decreased basic and diluted earnings per share each by $0.05. Additionally, the carrying value at the date of sale of the real estate loans associated with the September Whole Loan Sales that were sold on September 30, 2014, was previously reported as $768.6 million but has been corrected in Note 1 in this report to be $778.4 million.

Additionally, during the fourth quarter of 2014, we discovered that we previously overstated the carrying value of the real estate loans associated with the Securitization Assets Sale in our calculation of the gain (loss) on the Securitization Assets Sale. This error resulted in an understatement of $4.5 million of net gain on sales of real estate loans and related trust assets for the three and nine months ended September 30, 2014. As a result of this finding, we recorded an out-of-period adjustment in the fourth quarter of 2014, which increased net gain on sales of real estate loans and related trust assets by $4.5 million, increased provision for income taxes by $1.7 million, and increased basic and diluted earnings per share each by $0.02. Since the carrying value at the date of sale of the real estate loans associated with the Securitization Assets Sale that were sold on August 29, 2014, was previously reported in billions as $4.0 billion, the corrected carrying value reported in billions in Note 1 in this report did not change.

In addition to the out-of-period adjustments previously discussed, during the fourth quarter of 2014, we discovered that we incorrectly included the accrued finance charges in gross finance receivables for certain loan accounts included in the SpringCastle Portfolio, which have revolving credit privileges. The affected disclosure in Note 4 of this report has been corrected by decreasing the gross finance receivables and increasing the accrued interest receivable as of December 31, 2013 by $26.8 million.

Additionally, during the fourth quarter of 2014, we discovered that our personal loans and loans included in the SpringCastle Portfolio deemed to be troubled debt restructured ("TDR") finance receivables were previously incorrectly excluded in the related disclosures of our finance receivables and allowance for finance receivable losses. The applicable amounts have been corrected in Notes 4 and 5 in this report for each period affected.

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").

ACCOUNTING POLICIES

Finance Receivables

Generally, we classify finance receivables as held for investment based on management's intent at the time of origination. We determine classification on a loan-by-loan basis. We classify finance receivables as held for investment due to our ability and intent to hold them until customer payoff. We carry finance receivables at amortized cost which includes accrued finance charges on interest bearing finance receivables, unamortized deferred origination costs, and unamortized net premiums and discounts on purchased finance receivables. They are net of unamortized finance charges on precomputed receivables and unamortized points and fees. We include the cash flows from finance receivables held for investment in the consolidated statements of cash flows as investing activities. We may finance certain insurance products offered to our customers as part of finance receivables. In such cases, the insurance premium is included as an operating cash inflow and the financing of the insurance premium is included as part of the finance receivable as an investing cash flow in the consolidated statements of cash flows.

Although a significant portion of insurance claims and policyholder liabilities originate from the finance receivables, our policy is to report them as liabilities and not net them against finance receivables.

Insurance claims and policyholder liabilities relate to the underwriting activities of our Consumer and Insurance segment.

Finance Receivable Revenue Recognition

We recognize finance charges as revenue on the accrual basis using the interest method, which we report in interest income. We amortize premiums or accrete discounts on finance receivables as a revenue adjustment using the interest method and contractual cash flows. We defer the costs to originate certain finance receivables and the revenue from nonrefundable points and fees on loans and amortize them to revenue using the interest method.

We stop accruing finance charges when the fourth contractual payment becomes past due for personal loans, the SpringCastle Portfolio, and retail sales contracts and when the sixth contractual payment becomes past due for revolving retail accounts. For finance receivables serviced externally, including real estate loans, we stop accruing finance charges when the third or fourth

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contractual payment becomes past due depending on the type of receivable and respective third party servicer. We reverse finance charge amounts previously accrued upon suspension of accrual of finance charges.

For finance receivables that had a carrying value net of the fair value discount established at the time of the Fortress Acquisition, we stop accreting the discount at the time we stop accruing finance charges. We do not reverse accretion of discount that was previously recognized.

We recognize the contractual interest portion of payments received on nonaccrual finance receivables as finance charges at the time of receipt. We resume the accrual of interest on a nonaccrual finance receivable when the past due status on the individual finance receivable improves to the point that the finance receivable no longer meets our policy for nonaccrual.

We accrete the amount required to adjust the fair value of our finance receivables to their contractual amounts over the life of the related finance receivable for non-credit impaired finance receivables and over the life of a pool of finance receivables for purchased credit impaired finance receivables as described below.

Purchased Credit Impaired Finance Receivables

As part of each of our acquisitions, we identify a population of finance receivables for which it is determined that it is probable that we will be unable to collect all contractually required payments. The population of accounts identified principally consists of those finance receivables that are 60 days or more past due at acquisition, which had been classified as TDR finance receivables as of the acquisition date, or had been previously modified.

We accrete the excess of the cash flows expected to be collected on the purchased credit impaired finance receivables over the discounted cash flows (the “accretable yield”) into interest income at a level rate of return over the expected lives of the underlying pools of the purchased credit impaired finance receivables. The underlying pools are based on finance receivables with common risk characteristics. We have established policies and procedures to periodically (at least once a quarter) update the amount of cash flows we expect to collect, incorporating assumptions regarding default rates, loss severities, the amounts and timing of prepayments and other factors that are reflective of then current market conditions. Probable decreases in expected finance receivable cash flows result in the recognition of impairment, which is recognized through the provision for finance receivable losses. Probable significant increases in expected cash flows to be collected would first reverse any previously recorded allowance for finance receivable losses; any remaining increases are recognized prospectively as adjustments to the respective pool’s yield.

Our purchased credit impaired finance receivables remain in our purchased credit impaired pools until liquidation. We do not reclassify modified purchased credit impaired finance receivables as TDR finance receivables.

We have additionally established policies and procedures related to maintaining the integrity of these pools. A finance receivable will not be removed from a pool unless we sell, foreclose, or otherwise receive assets in satisfaction of a particular finance receivable or a finance receivable is charged-off. If the facts and circumstances indicate that a finance receivable should be removed from a pool, that finance receivable will be removed at its carrying amount with the carrying amount being determined using the pro-rata method (the UPB of the particular finance receivable divided by the UPB of the pool multiplied by the carrying amount of the pool). Removal of the finance receivable from a pool does not affect the yield used to recognize accretable yield of the pool. If a finance receivable is removed from the pool because it is charged-off, it is removed at its carrying amount with a charge to the provision for finance receivable losses.

Troubled Debt Restructured Finance Receivables

We make modifications to our personal loans and loans in our SpringCastle Portfolio to assist borrowers who are in bankruptcy or are participating in a consumer credit counseling arrangement. We make modifications to our real estate loans to assist borrowers in avoiding foreclosure. When we modify a loan’s contractual terms for economic or other reasons related to the borrower’s financial difficulties and grant a concession that we would not otherwise consider, we classify that loan as a TDR finance receivable. We restructure finance receivables only if we believe the customer has the ability to pay under the restructured terms for the foreseeable future. We establish reserves on our TDR finance receivables in accordance with the authoritative guidance for impaired loans.

We may modify the terms of existing accounts in certain circumstances, such as certain bankruptcy or other catastrophic situations or for economic or other reasons related to a borrower’s financial difficulties that justify modification. When we

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modify an account, we primarily use a combination of the following to reduce the borrower's monthly payment: reduce interest rate, extend the term, capitalize or forgive past due interest and, to a lesser extent, forgive principal. If the account is delinquent at the time of modification, the account is brought current for delinquency reporting. Account modifications that are deemed to be a TDR finance receivable are measured for impairment in accordance with the authoritative guidance for the accounting for impaired loans. Account modifications that are not classified as a TDR finance receivable are measured for impairment in accordance with the authoritative guidance for the accounting for contingencies.

Finance charges for TDR finance receivables require the application of judgment. We place TDR finance receivables on accrual status or nonaccrual status based on the loans' status prior to modification. We recognize the contractual interest portion of payments received on nonaccrual finance receivables as finance charges at the time of receipt. TDR finance receivables that are placed on nonaccrual status remain on nonaccrual status until the finance receivable liquidates.

Allowance for Finance Receivable Losses

We establish the allowance for finance receivable losses through the provision for finance receivable losses. We evaluate our finance receivable portfolio by finance receivable type. Our finance receivable types (personal loans, SpringCastle Portfolio, real estate loans, and retail sales finance) consist of a large number of relatively small, homogeneous accounts. We evaluate our finance receivable types for impairment as pools. None of our accounts are large enough to warrant individual evaluation for impairment.

Management considers numerous internal and external factors in estimating probable incurred losses in our finance receivable portfolio, including the following:

- prior finance receivable loss and delinquency experience;
- the composition of our finance receivable portfolio; and
- current economic conditions, including the levels of unemployment and personal bankruptcies.

We generally charge off to the allowance for finance receivable losses personal loans that are beyond 180 days past due.

To avoid unnecessary real estate loan foreclosures, we may refer borrowers to counseling services, as well as consider a cure agreement, loan modification, voluntary sale (including a short sale), or deed in lieu of foreclosure. When two payments are past due on a collateral dependent real estate loan and it appears that foreclosure may be necessary, we inspect the property as part of assessing the costs, risks, and benefits associated with foreclosure. Generally, we start foreclosure proceedings on real estate loans when four monthly installments are past due. When foreclosure is completed and we have obtained title to the property, we obtain a third-party's valuation of the property, which is either a full appraisal or a real estate broker's or appraiser's estimate of the property sale value without the benefit of a full interior and exterior appraisal and lacking sales comparisons. Such appraisals or real estate brokers' or appraisers' estimate of value are one factor considered in establishing an appropriate valuation; however, we are ultimately responsible for the valuation established. We reduce finance receivables by the amount of the real estate loan, establish a real estate owned asset, and charge off any loan amount in excess of that value to the allowance for finance receivable losses. We infrequently extend the charge-off period for individual accounts when, in our opinion, such treatment is warranted and consistent with our credit risk policies. We increase the allowance for finance receivable losses for recoveries on accounts previously charged-off.

We may renew a delinquent account if the customer meets current underwriting criteria and it does not appear that the cause of past delinquency will affect the customer’s ability to repay the new loan. We subject all renewals, whether the customer’s account is current or delinquent, to the same credit risk underwriting process as we would a new application for credit.

For our personal loans and retail sales finance receivables, we may offer those customers whose accounts are in good standing the opportunity of a deferment, which extends the term of an account. Prior to granting the deferment, we require a partial payment that is usually the greater of one-half of a regular monthly payment or the interest due on the account. We may extend this offer to customers when they are experiencing higher than normal personal expenses. Generally, this offer is not extended to customers who are delinquent. However, we may offer a deferment to a delinquent customer who is experiencing a temporary financial problem. The account is considered current upon granting the deferment. To evaluate whether a borrower’s financial difficulties are temporary or other than temporary we review the terms of each deferment to ensure that the borrower has the financial ability to repay the outstanding principal and associated interest in full following the deferment and after the customer is brought current. If, following this analysis, we believe a borrower’s financial difficulties are other than temporary, we will not grant deferment, and the loans may continue to age until they are charged off. We limit a customer to two

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deferments in a rolling twelve month period unless we determine that an exception is warranted and is consistent with our credit risk policies.

For our real estate loans, we may offer a deferment to a delinquent customer who is experiencing a temporary financial problem, which extends the term of an account. Prior to granting the deferment, we require a partial payment that is usually the greater of one-half of a regular monthly payment or the interest due on the account and any escrow payments for real estate loans that were originated at our branch offices and require two contractual payments plus any past due principal and escrow payments due on the account for real estate loans that were originated or acquired centrally. We forebear the remaining past due interest when the deferment is granted for real estate loans that were originated or acquired centrally (prior to March 1, 2012, we waived the remaining past due interest). The account is considered current upon granting the deferment. We limit a customer to two deferments in a rolling twelve month period for real estate loans that were originated at our branch offices (one deferment for real estate loans that were originated or acquired centrally) unless we determine that an exception is warranted and is consistent with our credit risk policies.

We do not systemically track deferments granted because we believe the deferments we elect to grant, individually and in the aggregate, do not have a material effect on the amount of contractual cash flows of the finance receivables or the timing of their receipt. Accounts that are granted a deferment are not classified as troubled debt restructurings. We do not consider deferments granted as a troubled debt restructuring because the customer is not experiencing an other than temporary financial difficulty, and we are not granting a concession to the customer or the concession granted is immaterial to the contractual cash flows. We pool accounts that have been granted a deferment together with accounts that have not been granted a deferment for measuring impairment in accordance with the authoritative guidance for the accounting for contingencies.

The allowance for finance receivable losses related to our purchased credit impaired finance receivables is calculated using updated cash flows expected to be collected, incorporating assumptions regarding default rates, loss severities, the amounts and timing of prepayments and other factors that are reflective of current market conditions. Probable decreases in expected finance receivable cash flows result in the recognition of impairment. Probable and significant increases in expected cash flows to be collected would first reverse any previously recorded allowance for finance receivable losses.

We also establish reserves for TDR finance receivables, which are included in our allowance for finance receivable losses. The allowance for finance receivable losses related to our TDR finance receivables represents loan-specific reserves based on an analysis of the present value of expected future cash flows. We establish our allowance for finance receivable losses related to our TDR finance receivables by calculating the present value (discounted at the loan's effective interest rate prior to modification) of all expected cash flows less the recorded investment in the aggregated pool. We use certain assumptions to estimate the expected cash flows from our TDR finance receivables. The primary assumptions for our model are prepayment speeds, default rates, and severity rates.

Finance Receivables Held for Sale

Depending on market conditions or certain of management's capital sourcing strategies, which may impact our ability and/or intent to hold our finance receivables until maturity or for the foreseeable future, we may decide to sell finance receivables originally intended for investment. Our ability to hold finance receivables for the foreseeable future is subject to a number of factors, including economic and liquidity conditions, and therefore may change. As of each reporting period, management determines our ability to hold finance receivables for the foreseeable future based on assumptions for liquidity requirements or other strategic goals. When it is probable that management's intent or ability is to no longer hold finance receivables for the foreseeable future and we subsequently decide to sell specifically identified finance receivables that were originally classified as held for investment, the net finance receivables, less allowance for finance receivable losses are reclassified as finance receivables held for sale and are carried at the lower of cost or fair value. Any amount by which cost exceeds fair value is accounted for as a valuation allowance and is recognized in finance receivables held for sale originated as held for investment revenues. We base the fair value estimates on negotiations with prospective purchasers (if any) or by using projected cash flows discounted at the weighted average interest rates offered in the market for similar finance receivables. We base cash flows on contractual payment terms adjusted for estimates of prepayments and credit related losses. Cash flows resulting from the sale of the finance receivables that were originally classified as held for investment are recorded as an investing activity in the consolidated statements of cash flows since U.S. GAAP requires the statement of cash flow presentation to be based on the original classification of the finance receivable. When sold, we record the sales price we receive less our carrying value of these finance receivables held for sale in other revenues.

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When it is determined that management no longer intends to sell finance receivables which had previously been classified as finance receivables held for sale and we have the ability to hold the finance receivables for the foreseeable future, we reclassify the finance receivables to finance receivables held for investment at the lower of cost or fair value and we accrete any fair value adjustment over the remaining life of the related finance receivables.

Real Estate Owned

We acquire real estate owned through foreclosure on real estate loans and we initially record real estate owned in other assets at the estimated fair value less the estimated cost to sell. The estimated fair value used as a basis to determine the carrying value of real estate owned is defined as the price that would be received in selling the property in an orderly transaction between market participants as of the measurement date.

We test the balances of real estate owned for impairment on a quarterly basis. If the required impairment testing suggests real estate owned is impaired, we reduce the carrying amount to estimated fair value less the estimated costs to sell. We charge these impairments to other revenues. We record the sale price we receive for a property less the carrying value and any amounts refunded to the customer as a recovery or loss in other revenues. We do not profit from foreclosures in accordance with the American Financial Services Association’s Voluntary Standards for Consumer Mortgage Lending. We only attempt to recover our investment in the property, including expenses incurred.

Net Other Intangible Assets

We have determined that each of our net other intangible assets has a finite useful life with the exception of the insurance licenses and certain domain names, which we determined to have indefinite lives.

For those net intangible assets with a finite useful life, we review such intangibles for impairment at least annually and whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Impairment is indicated if the sum of undiscounted estimated future cash flows is less than the carrying value of the respective asset. Impairment is permanently recognized by writing down the asset to the extent that the carrying value exceeds the estimated fair value.

For indefinite lived intangible assets, we first complete a qualitative assessment to determine whether it is necessary to perform a quantitative impairment test annually. If the qualitative assessment indicates that the assets are more likely than not to have been impaired, we proceed with the fair value calculation of the assets. The fair value is determined in accordance with our fair value measurement policy. If the fair value is less than the carrying value, an impairment loss will be recognized in an amount equal to the difference and the indefinite life classification will be evaluated to determine whether such classification remains appropriate.

Reserve for Sales Recourse Obligations

When we sell finance receivables, we establish a reserve for sales recourse in other liabilities, which represents our estimate of losses to be: (a) incurred by us on the repurchase of certain finance receivables that we previously sold; and (b) incurred by us for the indemnification of losses incurred by purchasers. Certain sale contracts include provisions requiring us to repurchase a finance receivable or indemnify the purchaser for losses it sustains with respect to a finance receivable if a borrower fails to make initial loan payments to the purchaser or if the accompanying mortgage loan breaches certain customary representations and warranties. These representations and warranties are made to the purchaser with respect to various characteristics of the finance receivable, such as the manner of origination, the nature and extent of underwriting standards applied, the types of documentation being provided, and, in limited instances, reaching certain defined delinquency limits. Although the representations and warranties are typically in place for the life of the finance receivable, we believe that most repurchase requests occur within the first five years of the sale of a finance receivable. In addition, an investor may request that we refund a portion of the premium paid on the sale of mortgage loans if a loan is prepaid within a certain amount of time from the date of sale. At the time of the sale of each finance receivable (exclusive of finance receivables included in our on-balance sheet securitizations), we record a provision for recourse obligations for estimated repurchases, loss indemnification and premium recapture on finance receivables sold, which is charged to other revenues. Any subsequent adjustments resulting from changes in estimated recourse exposure are recorded in other revenues. We include our reserve for sales recourse obligations in other liabilities.

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Insurance Premiums and Commissions Revenue Recognition

We recognize credit insurance premiums on closed-end real estate loans and revolving finance receivables as revenue when billed monthly. We defer single premium credit insurance premiums in unearned premium reserves which we include in insurance claims and policyholder liabilities. We recognize unearned premiums on credit life insurance as revenue using the sum-of-the-digits or actuarial methods, except in the case of level-term contracts, for which we recognize unearned premiums as revenue using the straight-line method over the terms of the policies. We recognize unearned premiums on credit accident and health insurance as revenue using an average of the sum-of-the-digits and the straight-line methods. We recognize unearned premiums on credit-related property and casualty and credit involuntary unemployment insurance as revenue using the straight-line method over the terms of the policies. We recognize non-credit life insurance premiums as revenue when due. We recognize commissions on ancillary products as other revenue when received. We may finance certain insurance products offered to our customers as part of finance receivables. In such cases, the insurance premium is included as an operating cash inflow and the financing of the insurance premium is included as part of the finance receivable as an investing cash flow in the consolidated statements of cash flows.

Policy Reserves

Policy reserves for credit life, credit accident and health, credit-related property and casualty, and credit involuntary unemployment insurance equal related unearned premiums. We base claim reserves on Company experience. We estimate reserves for losses and loss adjustment expenses for credit-related property and casualty insurance based upon claims reported plus estimates of incurred but not reported claims. We accrue liabilities for future life insurance policy benefits associated with non-credit life contracts and base the amounts on assumptions as to investment yields, mortality, and surrenders. We base annuity reserves on assumptions as to investment yields and mortality. We base insurance reserves assumed under reinsurance agreements where we assume the risk of loss on various tabular and unearned premium methods. Ceded insurance reserves are included in other assets and include estimates of the amounts expected to be recovered from reinsurers on insurance claims and policyholder liabilities.

Acquisition Costs

We defer insurance policy acquisition costs (primarily commissions, reinsurance fees, and premium taxes). We include deferred policy acquisition costs in other assets and amortize these costs over the terms of the related policies, whether directly written or reinsured.

Valuation of Investment Securities

We generally classify our investment securities as available-for-sale or trading, depending on management’s intent. Our investment securities classified as available-for-sale are recorded at fair value. We adjust related balance sheet accounts to reflect the current fair value of investment securities and record the adjustment, net of tax, in accumulated other comprehensive income or loss in shareholders’ equity. We record interest receivable on investment securities in other assets.

We classify investment securities that are deemed to incorporate an embedded derivative and for which it is impracticable for us to isolate and/or value the derivative as trading securities, which we record at fair value. We recognize any changes in fair value in investment revenues.

We classify our investment securities in the fair value hierarchy framework based on the observability of inputs. Inputs to the valuation techniques are described as being either observable (level 1 or 2) or unobservable (level 3) assumptions that market participants would use in pricing an asset or liability.

Impairments on Investment Securities

Available-for-sale. Each quarter, we evaluate our available-for-sale investment securities on an individual basis to identify any instances where the fair value of the investment security is below its amortized cost. For these securities, we then evaluate whether an other-than-temporary impairment exists if any of the following conditions are present:

- we intend to sell the security;
- it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis; or
- we do not expect to recover the security’s entire amortized cost basis (even if we do not intend to sell the security).

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If we intend to sell an impaired investment security or we will likely be required to sell the security before recovery of its amortized cost basis less any current period credit loss, we recognize an other-than-temporary impairment in investment revenues equal to the difference between the investment security's amortized cost and its fair value at the balance sheet date.

In determining whether a credit loss exists, we compare our best estimate of the present value of the cash flows expected to be collected from the security to the amortized cost basis of the security. Any shortfall in this comparison represents a credit loss. The cash flows expected to be collected are determined by assessing all available information, including length and severity of unrealized loss, issuer default rate, ratings changes and adverse conditions related to the industry sector, financial condition of issuer, credit enhancements, collateral default rates, and other relevant criteria. Management considers factors such as our investment strategy, liquidity requirements, overall business plans, and recovery periods for securities in previous periods of broad market declines.

If a credit loss exists with respect to an investment in a security (i.e., we do not expect to recover the entire amortized cost basis of the security), we would be unable to assert that we will recover our amortized cost basis even if we do not intend to sell the security. Therefore, in these situations, an other-than-temporary impairment is considered to have occurred.

If a credit loss exists, but we do not intend to sell the security and we will likely not be required to sell the security before recovery of its amortized cost basis less any current period credit loss, the impairment is classified as: (1) the estimated amount relating to credit loss; and (2) the amount relating to all other factors. We recognize the estimated credit loss in investment revenues, and the non-credit loss amount in accumulated other comprehensive income or loss.

Once a credit loss is recognized, we adjust the investment security to a new amortized cost basis equal to the previous amortized cost basis less the amount recognized in investment revenues. For investment securities for which other-than-temporary impairments were recognized in investment revenues, the difference between the new amortized cost basis and the cash flows expected to be collected is accreted to investment income.

We recognize subsequent increases and decreases in the fair value of our available-for-sale investment securities in accumulated other comprehensive income or loss, unless the decrease is considered other than temporary.

Investment Revenue Recognition

We recognize interest on interest bearing fixed-maturity investment securities as revenue on the accrual basis. We amortize any premiums or accrete any discounts as a revenue adjustment using the interest method. We stop accruing interest revenue when the collection of interest becomes uncertain. We record dividends on equity securities as revenue on ex-dividend dates. We recognize income on mortgage-backed securities as revenue using an effective yield based on estimated prepayments of the underlying mortgages. If actual prepayments differ from estimated prepayments, we calculate a new effective yield and adjust the net investment in the security accordingly. We record the adjustment, along with all investment securities revenue, in investment revenues.

Realized Gains and Losses on Investment Securities

We specifically identify realized gains and losses on investment securities and include them in investment revenues.

Variable Interest Entities

An entity is a VIE if the entity does not have sufficient equity at risk for the entity to finance its activities without additional financial support or has equity investors who lack the characteristics of a controlling financial interest. A VIE is consolidated into the financial statements of its primary beneficiary. When we have a variable interest in a VIE, we qualitatively assess whether we have a controlling financial interest in the entity and, if so, whether we are the primary beneficiary. In applying the qualitative assessment to identify the primary beneficiary of a VIE, we are determined to have a controlling financial interest if we have (1) the power to direct the activities that most significantly impact the economic performance of the VIE, and (2) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. We consider the VIE's purpose and design, including the risks that the entity was designed to create and pass through to its variable interest holders. We continually reassess the VIE's primary beneficiary and whether we have acquired or divested the power to direct the activities of the VIE through changes in governing documents or other circumstances.

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Other Invested Assets

Commercial mortgage loans and insurance policy loans are part of our investment portfolio and we include them in other assets at amortized cost. We recognize interest on commercial mortgage loans and insurance policy loans as revenue on the accrual basis using the interest method. We stop accruing revenue when collection of interest becomes uncertain. We include other invested asset revenue in investment revenues. We record accrued other invested asset revenue receivable in other assets.

Cash and Cash Equivalents

We consider unrestricted cash on hand and short-term investments having maturity dates within three months of their date of acquisition to be cash and cash equivalents.

We typically maintain cash in financial institutions in excess of Federal Deposit Insurance Corporation insurance limits. We evaluate the creditworthiness of these financial institutions in determining the risk associated with these cash balances. We do not believe that the Company is exposed to any significant credit risk on these accounts and have not experienced any losses in such accounts.

Restricted Cash and Cash Equivalents

We include funds to be used for future debt payments relating to our securitization transactions and escrow deposits in restricted cash and cash equivalents.

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. 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 elected to amortize deferred costs over the contractual life of the security. Accretion of discounts and premiums are 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.

Income Taxes

We recognize income taxes using the asset and liability method. We establish deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of assets and liabilities, using the tax rates expected to be in effect when the temporary differences reverse.

Realization of our gross deferred tax asset depends on our ability to generate sufficient taxable income of the appropriate character within the carryforward periods of the jurisdictions in which the net operating and capital losses, deductible temporary differences and credits were generated. When we assess our ability to realize deferred tax assets, we consider all available evidence, including:

- the nature, frequency, and severity of current and cumulative financial reporting losses;
- the timing of the reversal of our gross taxable temporary differences in an amount sufficient to provide benefit for our gross deductible temporary differences;
- the carryforward periods for the net operating and capital loss carryforwards;

- the sources and timing of future taxable income, giving greater weight to discrete sources and to earlier years in the forecast period; and
- tax planning strategies that would be implemented, if necessary, to accelerate taxable amounts.

We provide a valuation allowance for deferred tax assets if it is more likely than not that we will not realize the deferred tax asset in whole or in part. We include an increase or decrease in a valuation allowance resulting from a change in the realizability of the related deferred tax asset in income.

We recognize income tax benefits associated with uncertain tax positions, when, in our judgment, it is more likely than not that the position will be sustained upon examination by a taxing authority. For a tax position that meets the more-likely-than-not

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Notes to Consolidated Financial Statements, Continued

recognition threshold, we initially and subsequently measure the tax benefit as the largest amount that we judge to have a greater than 50% likelihood of being realized upon ultimate settlement with the taxing authority.

Derivative Financial Instruments

Our derivatives were governed by International Swap and Derivatives Association, Inc. ("ISDA") standard Master Agreements, whereby the parties agreed to net the amounts payable and receivable under all contracts governed by the ISDA Master Agreement in the event of a contract default by either one of the parties. If the net exposure was from the counterparty to us, we recorded the derivative asset in other assets on our consolidated balance sheet. If the net exposure was from us to the counterparty, we recorded the derivative liability in other liabilities on our consolidated balance sheet. We recorded net unrealized gains and losses on derivative transactions as adjustments to cash flows from operating activities on our consolidated statements of cash flows.

We recognized the derivatives on our consolidated balance sheets at their fair value. We estimated the fair value of our derivatives using industry standard valuation models.

Our previously held derivatives were formally documented and designated as cash flow hedges or hedges that did not qualify as a cash flow or fair value hedge. We recorded the effective portion of the changes in the fair value of a derivative that was highly effective and was qualified and designated as a cash flow hedge in accumulated other comprehensive income or loss, net of tax, until earnings were affected by the variability of cash flows of the hedged transaction. We recorded changes in the fair value of a derivative that did not qualify as either a cash flow or fair value hedge and changes in the fair value of hedging instruments measured as ineffectiveness in current period earnings in other revenues. We included all components of each derivative's gain or loss in the assessment of hedge effectiveness.

We discontinued hedge accounting prospectively when:

- the derivative was no longer effective in offsetting changes in the cash flows or fair value of a hedged item;
- we sold, terminated, or exercised the derivative and/or the hedged item or they expired; or
- we changed our objectives or strategies and designating the derivative as a hedging instrument was no longer appropriate.

For cash flow hedges that were discontinued for reasons other than the forecasted transaction is not probable of occurring, we began reclassifying the accumulated other comprehensive income or loss adjustment to earnings when earnings were affected by the hedged item.

For cash flows from derivatives that are a part of fair value hedges or cash flow hedges, we classify the cash flows in the same category as cash flows related to the hedged item within the consolidated statements of cash flows.

In compliance with the authoritative guidance for fair value measurements, our valuation methodology for derivatives incorporated the effect of our non-performance risk and the non-performance risk of our counterparties. Effective January 1, 2012, we made an accounting policy election to continue to measure the credit risk of our derivative financial instruments that were subject to master netting agreements on a net basis by counterparty portfolio in compliance with the new authoritative guidance for fair value measurements.

Benefit Plans

We have funded and unfunded noncontributory defined pension plans. We recognize the net pension asset or liability, also referred to herein as the funded status of the benefit plans, in other assets or other liabilities, depending on the funded status at the end of each reporting period. We recognize the net actuarial gains or losses and prior service cost or credit that arise during the period in other comprehensive income or loss.

Many of our employees are participants in our 401(k) plan. Our contributions to the plan are charged to salaries and benefits within operating expenses.

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Share-based Compensation Plans

We measure compensation cost for service-based and performance-based awards at estimated fair value and recognize compensation expense over the requisite service period for awards expected to vest. The estimation of awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from current estimates, such amounts will be recorded as a cumulative adjustment to salaries and benefits in the period estimates are revised. For service-based awards subject to graded vesting, expense is recognized under the straight-line method. Expense for performance-based awards with graded vesting is recognized under the accelerated method, whereby each vesting is treated as a separate award with expense for each vesting recognized ratably over the requisite service period.

Fair Value Measurements

Management is responsible for the determination of the fair value of our financial assets and financial liabilities and the supporting methodologies and assumptions. We employ widely accepted internal valuation models or utilize third-party valuation service providers to gather, analyze, and interpret market information and derive fair values based upon relevant methodologies and assumptions for individual instruments or pools of finance receivables. When our valuation service providers are unable to obtain sufficient market observable information upon which to estimate the fair value for a particular security, we determine fair value either by requesting brokers who are knowledgeable about these securities to provide a quote, which is generally non-binding, or by employing widely accepted internal valuation models.

Our valuation process typically requires obtaining data about market transactions and other key valuation model inputs from internal or external sources and, through the use of widely accepted valuation models, provides a single fair value measurement for individual securities or pools of finance receivables. The inputs used in this process include, but are not limited to, market prices from recently completed transactions and transactions of comparable securities, interest rate yield curves, credit spreads, bid-ask spreads, currency rates, and other market-observable information as of the measurement date as well as the specific attributes of the security being valued, including its term, interest rate, credit rating, industry sector, and other issue or issuer-specific information. When market transactions or other market observable data is limited, the extent to which judgment is applied in determining fair value is greatly increased. We assess the reasonableness of individual security values received from our valuation service providers through various analytical techniques. As part of our internal price reviews, assets that fall outside a price change tolerance are sent to our third-party investment manager for further review. In addition, we may validate the reasonableness of fair values by comparing information obtained from our valuation service providers to other third-party valuation sources for selected securities.

We measure and classify assets and liabilities in the consolidated balance sheets in a hierarchy for disclosure purposes consisting of three “Levels” based on the observability of inputs available in the market place used to measure the fair values. In general, we determine the fair value measurements classified as Level 1 based on inputs utilizing quoted prices in active markets for identical assets or liabilities that we have the ability to access. We generally obtain market price data from exchange or dealer markets. We do not adjust the quoted price for such instruments.

We determine the fair value measurements classified as Level 2 based on inputs utilizing other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The use of observable and unobservable inputs is further discussed in Note 23.

In certain cases, the inputs we use to measure the fair value of an asset may fall into different levels of the fair value hierarchy. In such cases, we determine the level in the fair value hierarchy within which the fair value measurement in its entirety falls based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

We recognize transfers into and out of each level of the fair value hierarchy as of the end of the reporting period.

Our fair value processes include controls that are designed to ensure that fair values are appropriate. Such controls include model validation, review of key model inputs, analysis of period-over-period fluctuations, and reviews by senior management.

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Earnings Per Share

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 and awards.

Transactions with Affiliates of Fortress or AIG

We may enter into transactions with affiliates of Fortress or AIG. These transactions occur at prevailing market rates and terms and primarily include subservicing and refinancing agreements, reinsurance agreements, and derivative transactions. See Note 9 for further information on our transactions with affiliates of Fortress and AIG.

3. Recent Accounting Pronouncements

ACCOUNTING PRONOUNCEMENTS RECENTLY 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 evaluated the potential impact of adopting this ASU and concluded that it will not have a material effect on our consolidated statements of financial condition, results of operations, or cash flows.

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 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.

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.

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Derivatives and Hedging - Hybrid Financial Instruments

In November 2014, the FASB issued ASU 2014-16, Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity, requiring all entities to use the whole instrument approach to determine whether the nature of the host contract in a hybrid instrument issued in the form of a share is more akin to debt or to equity. Under this approach, an issuer or investor considers all stated and implied substantive terms and features of a hybrid instrument when determining the nature of the host contract. The ASU clarifies that the existence or omission of any single feature does not determine the economic characteristics and risks of the host contract and that the presence of an investor-held, fixed price, noncontingent redemption option is not determinative. This guidance applies to both public and nonpublic entities that issue or invest in hybrid instruments issued in the form of shares, and is effective for public entities with fiscal years beginning after December 15, 2014 and nonpublic entities with fiscal years beginning after December 15, 2015. The Company has not issued any hybrid instruments in the form of shares.

Pushdown Accounting

In November 2014, the FASB issued ASU 2014-17, Pushdown Accounting, which gives all companies the option to apply pushdown accounting when they are acquired by another party. The ASU provides an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. Concurrently, the SEC eliminated its guidance which had required or precluded pushdown accounting for registrants generally based on the percentage of ownership. These developments make pushdown accounting optional for all companies effective immediately. This ASU will be applicable to any entity acquired by the Company.

Consolidation

In February 2015, the FASB issued ASU 2015-02, Consolidation - Amendments to the Consolidation Analysis, which amends the current consolidation guidance and ends the deferral granted to investment companies from applying the VIE guidance. This ASU is applicable to entities across all industries, particularly those that use limited partnerships as well as entities in any industry that outsource decision making or have historically applied related party tiebreaker in their consolidation analysis and disclosures. The standard is effective for public business entities for annual periods beginning after December 15, 2015. Early adoption is allowed, including in any interim period. We will evaluate whether the adoption of this ASU will have a material effect on our consolidated statements of financial condition, results of operations, or cash flows.

4. 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 December 31, 2014, $1.9 billion of personal loans, or 49%, were secured by collateral consisting of titled personal property (such as automobiles), $1.4 billion, or 35%, were secured by consumer household goods or other items of personal property, and the remainder was unsecured.

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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 December 31, 2014, $227.0 million of real estate loans, or 36%, were secured by first mortgages and $398.4 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.

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- Retail sales finance — include 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
December 31, 2014					
Gross receivables *	$4,493,016	$1,941,334	$621,105	$52,266	$7,107,721
Unearned finance charges and points and fees	(764,974)	—	(1,173)	(4,965)	(771,112)
Accrued finance charges	58,571	37,856	5,328	404	102,159
Deferred origination costs	44,559	—	75	—	44,634
Total	$3,831,172	$1,979,190	$625,335	$47,705	$6,483,402
December 31, 2013					
Gross receivables *	$3,644,030	$2,457,951	$7,940,500	$108,457	$14,150,938
Unearned finance charges and points and fees	(560,104)	—	(1,115)	(10,444)	(571,663)
Accrued finance charges	48,179	47,398	42,690	898	139,165
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.

Included in the table above are personal loans with a carrying value of $1.9 billion at December 31, 2014 and $1.6 billion at December 31, 2013 and SpringCastle Portfolio loans with a carrying value of $2.0 billion at December 31, 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 were sold during 2014. See Note 1 for further information on these sales. The carrying value of consolidated long-term debt associated with securitizations totaled $3.6 billion at December 31, 2014 and $7.3 billion at December 31, 2013. See Note 11 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 10 for further discussion of the repayment of our secured term loan.

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Maturities of net finance receivables by type at December 31, 2014 were as follows:

(dollars in thousands)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Retail Sales Finance	Total
2015	$941,758	$110,456	$3,887	$11,313	$1,067,414
2016	1,253,387	150,021	8,014	13,089	1,424,511
2017	982,580	160,995	14,044	8,535	1,166,154
2018	504,671	173,872	17,049	4,880	700,472
2019	103,953	184,577	17,100	2,554	308,184
2020+	44,823	1,199,269	565,241	7,334	1,816,667
Total	$3,831,172	$1,979,190	$625,335	$47,705	$6,483,402

Maturities are not a forecast of future cash collections. Company experience has shown that customers typically renew, convert or pay in full a substantial portion of finance receivables prior to maturity.

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

(dollars in thousands) December 31,	2014	2013
Personal loans	$1,471	$4,996
SpringCastle Portfolio	353,650	366,060
Real estate loans	30,646	32,338
Total	$385,767	$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.

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GEOGRAPHIC DIVERSIFICATION

Geographic diversification of finance receivables reduces the concentration of credit risk associated with economic stresses in any one region. However, the unemployment and housing market stresses in the U.S. have been national in scope and not limited to a particular region. The largest concentrations of net finance receivables were as follows:

December 31,	2014			2013 *		
(dollars in thousands)	Amount	Percent		Amount	Percent	
North Carolina	$634,201	10	%	$1,062,882	8	%
California	533,130	8		1,212,860	9	
Illinois	411,751	6		703,637	5	
Pennsylvania	388,048	6		708,075	5	
Ohio	387,657	6		823,417	6	
Virginia	348,644	5		766,309	6	
Indiana	344,330	5		544,516	4	
Florida	334,830	5		880,286	6	
Other	3,100,811	49		7,056,331	51	
Total	$6,483,402	100	%	$13,758,313	100	%

* December 31, 2013 concentrations of net finance receivables are presented in the order of December 31, 2014 state concentrations.

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 December 31, 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.

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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
December 31, 2014					
Net finance receivables:					
60-89 days past due	$37,322	$30,680	$12,039	$543	$80,584
90-119 days past due	29,725	18,988	9,039	471	58,223
120-149 days past due	24,509	15,689	5,516	501	46,215
150-179 days past due	20,798	14,172	3,573	308	38,851
180 days or more past due	1,697	2,248	12,034	25	16,004
Total delinquent finance receivables	114,051	81,777	42,201	1,848	239,877
Current	3,661,034	1,839,595	564,961	44,846	6,110,436
30-59 days past due	56,087	57,818	18,173	1,011	133,089
Total	$3,831,172	$1,979,190	$625,335	$47,705	$6,483,402
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

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.

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Notes to Consolidated Financial Statements, Continued

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
December 31, 2014					
Performing	$3,754,443	$1,928,093	$595,173	$46,400	$6,324,109
Nonperforming	76,729	51,097	30,162	1,305	159,293
Total	$3,831,172	$1,979,190	$625,335	$47,705	$6,483,402
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 report 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 or in finance receivables held for sale as discussed below.

We report finance receivables held for sale of $205.0 million at December 31, 2014, which consist of our non-core real estate loans. See Note 6 for further information on our finance receivables held for sale. At December 31, 2014, finance receivables held for sale include purchased credit impaired real estate loans, as well as 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.

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
December 31, 2014			
Carrying amount, net of allowance (a)	$339,795	$92,794	$432,589
Outstanding balance (b)	628,091	150,983	779,074
Allowance for purchased credit impaired finance receivable losses	—	4,534	4,534

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

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Notes to Consolidated Financial Statements, Continued

(a) The carrying amount of purchased credit impaired FA Loans at December 31, 2014 includes $67.5 million of purchased credit impaired finance receivables held for sale.

(b) The outstanding balance of purchased credit impaired FA Loans at December 31, 2014 includes $99.3 million of purchased credit impaired finance receivables held for sale.

The allowance for purchased credit impaired finance receivable losses at December 31, 2014 and 2013 reflected the net carrying value of these purchased credit impaired finance receivables being higher than the present value of the expected cash flows.

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
Year Ended December 31, 2014			
Balance at beginning of period	$325,201	$771,491	$1,096,692
Accretion (a)	(79,895)	(80,359)	(160,254)
Reclassifications from nonaccretable difference (b)	331,185	—	331,185
Transfers due to finance receivables sold	—	(655,780)	(655,780)
Disposals of finance receivables (c)	(35,670)	(15,919)	(51,589)
Balance at end of period	$540,821	$19,433	$560,254
Year Ended December 31, 2013			
Balance at beginning of period	$—	$629,200	$629,200
Additions	437,604	—	437,604
Accretion	(76,681)	(128,924)	(205,605)
Reclassifications from nonaccretable difference (b)	—	304,575	304,575
Disposals of finance receivables (c)	(35,722)	(33,360)	(69,082)
Balance at end of period	$325,201	$771,491	$1,096,692
Year Ended December 31, 2012			
Balance at beginning of period	$—	$467,105	$467,105
Accretion	—	(132,285)	(132,285)
Reclassifications from nonaccretable difference (b)	—	321,048	321,048
Disposals of finance receivables (c)	—	(26,668)	(26,668)
Balance at end of period	$—	$629,200	$629,200

(a) Accretion on our purchased credit impaired FA Loans for 2014 includes $14.1 million 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) Reclassifications from nonaccretable difference represent the increases in accretion resulting from higher estimated undiscounted cash flows.

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

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Notes to Consolidated Financial Statements, Continued

TROUBLED DEBT RESTRUCTURED FINANCE RECEIVABLES

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

(dollars in thousands)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Total
December 31, 2014				
TDR gross finance receivables (a) (b)	$22,457	$11,107	$195,602	$229,166
TDR net finance receivables (c)	22,036	9,905	196,366	228,307
Allowance for TDR finance receivable losses	1,523	2,673	31,869	36,065
December 31, 2013				
TDR gross finance receivables (a)	$14,999	$—	$1,375,230	$1,390,229
TDR net finance receivables	14,718	—	1,380,223	1,394,941
Allowance for TDR finance receivable losses	923	—	176,455	177,378

(a) As defined earlier in this Note.

(b) TDR real estate loan gross finance receivables at December 31, 2014 include $90.8 million of TDR finance receivables held for sale.

(c) TDR real estate loan net finance receivables at December 31, 2014 include $91.1 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)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Total
December 31, 2014				
TDR average net receivables (a)	$16,463	$5,178	$957,502	$979,143
TDR finance charges recognized (b)	1,823	594	47,962	50,379
December 31, 2013				
TDR average net receivables	$14,603	$—	$1,120,566	$1,135,169
TDR finance charges recognized	1,228	—	63,063	64,291
December 31, 2012				
TDR average net receivables	$13,261	$—	$572,671	$585,932
TDR finance charges recognized	1,212	—	31,076	32,288

(a) TDR real estate loan average net receivables for 2014 include $250.2 million of TDR average net receivables held for sale, which reflect a five-month average since the real estate loans were transferred to finance receivables held for sale on August 1, 2014.

(b) TDR real estate loan finance charges recognized for 2014 include $4.5 million of interest income on TDR finance receivables held for sale.

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Notes to Consolidated Financial Statements, Continued

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.

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

(dollars in thousands)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Total
December 31, 2014				
Pre-modification TDR net finance receivables (a)	$17,612	$10,363	$215,078	$243,053
Post-modification TDR net finance receivables (a)	$16,124	$10,258	$204,190	$230,572
Number of TDR accounts (b)	4,213	1,155	2,385	7,753
December 31, 2013				
Pre-modification TDR net finance receivables	$14,506	$—	$576,142	$590,648
Post-modification TDR net finance receivables	$12,388	$—	$605,174	$617,562
Number of TDR accounts	3,240	—	7,106	10,346
December 31, 2012				
Pre-modification TDR net finance receivables	$18,225	$—	$552,454	$570,679
Post-modification TDR net finance receivables	$15,536	$—	$560,950	$576,486
Number of TDR accounts	5,639	—	5,761	11,400

(a) TDR real estate loan net finance receivables for 2014 include $6.2 million of pre-modification and $6.7 million of post-modification TDR net finance receivables held for sale.

(b) Number of new TDR real estate loan accounts for 2014 includes 94 new TDR accounts that were held for sale.

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Notes to Consolidated Financial Statements, Continued

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)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Total
December 31, 2014				
TDR net finance receivables (a) (b)	$499	$566	$33,349	$34,414
Number of TDR accounts (b)	141	53	524	718
December 31, 2013				
TDR net finance receivables (a)	$1,294	$—	$68,901	$70,195
Number of TDR accounts	355	—	929	1,284
December 31, 2012				
TDR net finance receivables (a)	$1,154	$—	$66,096	$67,250
Number of TDR accounts	438	—	594	1,032

(a) Represents the corresponding balance of TDR net finance receivables at the end of the month in which they defaulted.

(b) TDR real estate loan net finance receivables for 2014 that defaulted during the previous 12 month period include 49 TDR accounts that were held for sale totaling $2.7 million.

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Notes to Consolidated Financial Statements, Continued

5. 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
Year Ended December 31, 2014					
Balance at beginning of period	$94,880	$1,056	$235,549	$1,840	$333,325
Provision for finance receivable losses	205,042	152,576	113,674	2,855	474,147
Charge-offs (a)	(193,246)	(164,508)	(75,844)	(5,309)	(438,907)
Recoveries (b)	25,379	13,653	6,804	1,360	47,196
Reduction in the carrying value of real estate loans transferred to finance receivables held for sale (c)	—	—	(240,012)	—	(240,012)
Balance at end of period	$132,055	$2,777	$40,171	$746	$175,749
Year Ended December 31, 2013					
Balance at beginning of period	$66,580	$—	$113,813	$2,260	$182,653
Provision for finance receivable losses	130,447	133,116	265,100	(1,002)	527,661
Charge-offs (d)	(149,032)	(137,723)	(159,292)	(9,500)	(455,547)
Recoveries (e)	47,637	5,663	15,928	10,082	79,310
Transfers to finance receivables held for sale (f)	(752)	—	—	—	(752)
Balance at end of period	$94,880	$1,056	$235,549	$1,840	$333,325
Year Ended December 31, 2012					
Balance at beginning of period	$39,522	$—	$28,790	$1,007	$69,319
Provision for finance receivable losses	114,288	—	216,229	11,061	341,578
Charge-offs	(119,383)	—	(140,652)	(20,035)	(280,070)
Recoveries	33,260	—	9,446	10,421	53,127
Transfers to finance receivables held for sale (g)	(1,107)	—	—	(194)	(1,301)
Balance at end of period	$66,580	$—	$113,813	$2,260	$182,653

(a) Charge-offs during 2014 included a $4.4 million reduction related to a change in recognizing charge-offs of unsecured loans of customers in bankruptcy status effective mid-November 2014.

(b) Recoveries during 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.

(c) During 2014, we reduced the carrying value of certain real estate loans to $6.7 billion 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.

(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 in 2013 included $37.2 million ($22.7 million of personal loan recoveries, $9.1 million of real estate loan recoveries, and $5.4 million of retail sales finance recoveries) resulting from a sale of previously charged-off finance receivables in June 2013, net of a $4.0 million adjustment for the subsequent buyback of certain finance receivables.

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Notes to Consolidated Financial Statements, Continued

(f) During the fourth quarter of 2013, we decreased the allowance for finance receivable losses as a result of the transfer of $18.0 million of personal loans of our lending operations in Puerto Rico 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.

(g) During the first quarter of 2012, we decreased the allowance for finance receivable losses as a result of the transfers of $77.8 million of finance receivables 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.

Included in the allowance for finance receivable losses are allowances associated with securitizations that totaled $71.7 million at December 31, 2014 and $153.7 million at December 31, 2013. See Note 11 for further discussion regarding our securitization transactions.

The carrying value charged-off for purchased credit impaired loans was as follows:

(dollars in thousands) Years Ended December 31,	2014	2013	2012
Real estate loans			
Charged-off against provision for finance receivable losses:			
SCP Loans	$47,655	$72,424	$—
FA Loans gross charge-offs *	15,324	41,690	38,686

* 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.

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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
December 31, 2014					
Allowance for finance receivable losses for finance receivables:					
Collectively evaluated for impairment	$130,532	$104	$3,768	$746	$135,150
Acquired with deteriorated credit quality (purchased credit impaired finance receivables)	—	—	4,534	—	4,534
Individually evaluated for impairment (TDR finance receivables)	1,523	2,673	31,869	—	36,065
Total	$132,055	$2,777	$40,171	$746	$175,749
Finance receivables:					
Collectively evaluated for impairment	$3,809,136	$1,629,490	$490,235	$47,705	$5,976,566
Purchased credit impaired finance receivables	—	339,795	29,827	—	369,622
TDR finance receivables	22,036	9,905	105,273	—	137,214
Total	$3,831,172	$1,979,190	$625,335	$47,705	$6,483,402
December 31, 2013					
Allowance for finance receivable losses for finance receivables:					
Collectively evaluated for impairment	$93,957	$1,056	$1,760	$1,840	$98,613
Purchased credit impaired finance receivables	—	—	57,334	—	57,334
TDR finance receivables	923	—	176,455	—	177,378
Total	$94,880	$1,056	$235,549	$1,840	$333,325
Finance receivables:					
Collectively evaluated for impairment	$3,156,986	$1,975,023	$5,287,745	$98,911	$10,518,665
Purchased credit impaired finance receivables	—	530,326	1,314,381	—	1,844,707
TDR finance receivables	14,718	—	1,380,223	—	1,394,941
Total	$3,171,704	$2,505,349	$7,982,349	$98,911	$13,758,313

See Note 2 for additional information on the determination of the allowance for finance receivable losses.

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6. Finance Receivables Held for Sale

We report finance receivables held for sale of $205.0 million at December 31, 2014, which are carried at lower of cost or fair value and secured by first mortgages. 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 consolidated statements of operations, which totaled $61.3 million for 2014.

During 2014, we transferred $6.7 billion of real estate loans (after deducting allowance for finance receivable losses) from held for investment to held for sale due to management's intent to no longer hold these loans for the foreseeable future. In 2014, we sold finance receivables held for sale totaling $6.4 billion and recorded a net gain of $726.3 million. At December 31, 2014, the remaining holdback provision relating to these real estate sales totaled $64.4 million. See Note 1 for further information on each of these sales.

During 2013, we transferred $17.3 million of finance receivables (after deducting allowance for finance receivable losses) from held for investment to held for sale due to management's intent to no longer hold these finance receivables for the foreseeable future. In 2013, we sold finance receivables held for sale totaling $18.0 million and recorded a loss in other revenues at the time of sale of $1.8 million.

During 2012, we transferred $180.9 million of finance receivables (after deducting allowance for finance receivable losses) 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 marked these loans to the lower of cost or fair value at the time of transfer and subsequently recorded additional gains in other revenues at the time of sale resulting in net gains of $4.5 million in 2012. In 2012, we sold finance receivables held for sale totaling $171.0 million.

We did not have any transfer activity between finance receivables held for sale to finance receivables held for investment during 2014 or 2013. During 2012, we transferred $1.4 million of finance receivables from held for sale back to held for investment due to management's intent to hold these finance receivables for the foreseeable future.

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7. 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
December 31, 2014				
Fixed maturity available-for-sale securities:				
Bonds:				
U.S. government and government sponsored entities	$60,704	$2,638	$(11)	$63,331
Obligations of states, municipalities, and political subdivisions	99,228	2,558	(103)	101,683
Certificates of deposit and commercial paper (a)	2,525	—	—	2,525
Corporate debt	256,311	11,833	(954)	267,190
Mortgage-backed, asset-backed, and collateralized:				
Residential mortgage-backed securities (“RMBS”)	71,032	2,486	(27)	73,491
Commercial mortgage-backed securities (“CMBS”)	24,768	73	(253)	24,588
Collateralized debt obligations (“CDO”)/Asset-backed securities (“ABS”)	62,788	34	(117)	62,705
Total	577,356	19,622	(1,465)	595,513
Preferred stock	7,163	83	(152)	7,094
Other long-term investments (b)	1,305	44	(6)	1,343
Common stocks (c)	674	—	—	674
Total	$586,498	$19,749	$(1,623)	$604,624
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 (b)	1,394	—	(125)	1,269

Common stocks (c)	850	—	—	850
Total	$523,131	$10,442	$(3,733)	$529,840

(a) Includes certificates of deposit totaling $2.4 million pledged as collateral, primarily to support bank lines of credit.

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

(c) Consists of Federal Home Loan Bank common stock, which is classified as a restricted investment and carried at cost.

As of December 31, 2014 and 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 available-for-sale securities by type and length of time in a continuous unrealized loss position were as follows:

(dollars in thousands)	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2014						
Bonds:						
U.S. government and government sponsored entities	$—	$—	$970	$(11)	$970	$(11)
Obligations of states, municipalities, and political subdivisions	27,395	(100)	624	(3)	28,019	(103)
Corporate debt	35,558	(828)	6,119	(126)	41,677	(954)
RMBS	8,591	(27)	—	—	8,591	(27)
CMBS	16,426	(178)	2,034	(75)	18,460	(253)
CDO/ABS	46,115	(117)	—	—	46,115	(117)
Total	134,085	(1,250)	9,747	(215)	143,832	(1,465)
Preferred stock	6,071	(152)	—	—	6,071	(152)
Other long-term investments	—	—	105	(6)	105	(6)
Total	$140,156	$(1,402)	$9,852	$(221)	$150,008	$(1,623)
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 2014, we did not recognize any other-than-temporary impairment credit loss write-downs to investment revenues. During 2013, we recognized other-than-temporary impairment credit loss write-downs in investment revenues on RMBS totaling $26 thousand. We recognized other-than-temporary impairment credit loss write-downs in investment revenues on corporate debt, RMBS, and CMBS totaling $0.9 million in 2012.

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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 Years Ended December 31,	2014	2013	2012
Balance at beginning of period	$1,523	$1,650	$3,725
Additions:			
Due to other-than-temporary impairments:			
Impairment previously recognized	—	26	924
Reductions:			
Realized due to dispositions with no prior intention to sell	(205)	(153)	(2,999)
Balance at end of period	$1,318	$1,523	$1,650

The fair values of available-for-sale securities sold or redeemed and the resulting realized gains, realized losses, and net realized gains were as follows:

(dollars in thousands) Years Ended December 31,	2014	2013	2012
Fair value	$279,579	$614,575	$608,592
Realized gains	$8,967	$5,096	$2,822
Realized losses	(1,168)	(2,282)	(1,646)
Net realized gains	$7,799	$2,814	$1,176

Contractual maturities of fixed-maturity available-for-sale securities at December 31, 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	$34,177	$33,718
Due after 1 year through 5 years	179,652	176,191
Due after 5 years through 10 years	80,242	77,810
Due after 10 years	140,658	131,049
Mortgage-backed, asset-backed, and collateralized securities	160,784	158,588
Total	$595,513	$577,356

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.

The fair value of bonds on deposit with insurance regulatory authorities totaled $11.6 million at December 31, 2014 and $10.7 million at December 31, 2013.

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TRADING SECURITIES

The fair value of trading securities by type was as follows:

(dollars in thousands) December 31,	2014	2013
Fixed maturity trading securities:		
Bonds:		
U.S. government and government sponsored entities	$303,283	$—
Obligations of states, municipalities, and political subdivisions	14,378	—
Certificates of deposit and commercial paper	237,637	—
Non-U.S. government and government sponsored entities	19,613	—
Corporate debt	1,056,032	1,837
Mortgage-backed, asset-backed, and collateralized:		
RMBS	36,005	10,671
CMBS	151,291	29,897
CDO/ABS	511,402	9,249
Total	$2,329,641	$51,654

The net unrealized and realized gains (losses) on our trading securities, which we report in investment revenues, were as follows:

(dollars in thousands) Years Ended December 31,	2014	2013	2012
Net unrealized gains (losses) on trading securities held at year end	$(9,217)	$(476)	$3,344
Net realized gains on trading securities sold or redeemed during the year	4,830	214	239
Total	$(4,387)	$(262)	$3,583

8. Other Assets

Components of other assets were as follows:

(dollars in thousands) December 31,	2014	2013
Other investments (a)	$103,568	$109,542
Current tax receivable (b)	103,476	6,132
Fixed assets, net (c)	91,086	76,685
Receivables related to sales of real estate loans and related trust assets (d)	78,747	—
Prepaid expenses and deferred charges	54,811	81,835
Ceded insurance reserves	21,965	21,655
Other intangible assets, net	21,287	25,377
Real estate owned	13,295	48,955
Escrow advance receivable	8,069	23,527
Other	17,390	34,486
Total	$513,694	$428,194

(a) Other investments primarily include commercial mortgage loans, receivables related to investments, and accrued investment income.

(b) Current tax receivable includes current federal and state tax assets.

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(c) Fixed assets were net of accumulated depreciation of $170.4 million at December 31, 2014 and $155.0 million at December 31, 2013.

(d) Receivables related to sales of real estate loans and related trust assets includes $64.4 million of holdback provisions on the real estate loan sales as disclosed in Note 1.

OTHER INTANGIBLE ASSETS

The gross carrying amount and accumulated amortization, in total and by major intangible asset class were as follows:

(dollars in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Other Intangible Assets
December 31, 2014			
Value of business acquired (“VOBA”)	$35,778	$(31,799)	$3,979
Customer relationships	17,879	(14,847)	3,032
Licenses	11,575	—	11,575
Customer lists	9,695	(8,684)	1,011
Domain names *	1,690	—	1,690
Total	$76,617	$(55,330)	$21,287
December 31, 2013			
VOBA	$35,778	$(31,260)	$4,518
Customer relationships	17,879	(11,559)	6,320
Licenses	11,575	—	11,575
Customer lists	9,695	(8,156)	1,539
Domain names *	1,425	—	1,425
Total	$76,352	$(50,975)	$25,377

* Domain names includes the addition of the “springleaf.com” domain name in 2013.

Amortization expense totaled $4.4 million in 2014, $5.1 million in 2013, and $13.6 million in 2012. Amortization expense for 2012 included impairment charges totaling $4.6 million. The estimated aggregate amortization of other intangible assets for each of the next five years is reflected in the table below.

(dollars in thousands)	Estimated Aggregate Amortization Expense
2015	$3,931
2016	768
2017	213
2018	167
2019	161

9. 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.

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Notes to Consolidated Financial Statements, Continued

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)

Years Ended December 31,	2014	2013	2012
Subservicing fees	$5,312	$8,544	$9,843
Refinancing concessions	—	291	4,420

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 $1.2 million in 2014, $1.1 million in 2013, and $1.2 million in 2012.

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 $43.6 million at December 31, 2014 and $45.6 million at December 31, 2013.

DERIVATIVES

On August 5, 2013, we terminated our remaining cross currency interest rate swap agreement with AIG Financial Products Corp. (“AIGFP”) and recorded a loss of $1.9 million in other revenues — other. The notional amount of this swap agreement totaled $416.6 million at August 5, 2013. Immediately following this termination, we had no derivative financial instruments. As a result of this termination, AIGFP returned the remaining cash collateral of $40.0 million to SFI that SFI had posted as security for SFC’s swap agreement with AIGFP.

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 purchase 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.

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 $39.3 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. From the closing of the MSR Sale on August 29, 2014, until the servicing transfer on September 30, 2014, we continued to service certain loans on behalf of Nationstar under an interim servicing agreement. At December 31, 2014, the receivable from Nationstar for our interim servicing fees totaled $1.4 million. Investment funds managed by affiliates of Fortress indirectly own a majority interest in Nationstar.

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INSURANCE COVERAGE

We hold various insurance policies with AIG subsidiaries covering liabilities of directors and officers, errors and omissions, lawyers, employment practices, fiduciary, and fidelity bond. Premium expense on these policies totaled $1.0 million in 2014, $0.9 million in 2013, and $0.8 million in 2012.

10. Long-term Debt

Carrying value and fair value of long-term debt by type were as follows:

(dollars in thousands)	December 31, 2014 Carrying Value	December 31, 2014 Fair Value	December 31, 2013 Carrying Value	December 31, 2013 Fair Value
Senior debt	$8,213,287	$8,920,140	$12,597,449	$13,620,644
Junior subordinated debt	171,623	261,625	171,587	294,000
Total	$8,384,910	$9,181,765	$12,769,036	$13,914,644

Weighted average interest rates on long-term debt by type were as follows:

	Years Ended December 31, 2014	2013	2012	At December 31, 2014	2013
Senior debt	6.84 %	6.75 %	8.19 %	7.16 %	6.51 %
Junior subordinated debt	12.26	12.26	12.26	12.26	12.26
Total	6.93	6.82	8.24	7.26	6.59

Principal maturities of long-term debt (excluding projected securitization repayments by period) by type of debt at December 31, 2014 were as follows:

(dollars in thousands)	Retail Notes	Medium Term Notes (a)	Securitizations	Junior Subordinated Debt	Total
Interest rates (b)	6.00%-7.50%	5.25%-8.25%	1.79%-6.82%	6.00 %	
First quarter 2015	$16,575	$—	$—	$—	$16,575
Second quarter 2015	7,092	—	—	—	7,092
Third quarter 2015	23,544	—	—	—	23,544
Fourth quarter 2015	—	750,000	—	—	750,000
2015	47,211	750,000	—	—	797,211
2016	—	375,000	—	—	375,000
2017	—	1,902,321	—	—	1,902,321
2018	—	—	—	—	—
2019	—	700,000	—	—	700,000
2020-2067	—	1,250,000	—	350,000	1,600,000
Securitizations (c)	—	—	3,646,596	—	3,646,596
Total principal maturities	$47,211	$4,977,321	$3,646,596	$350,000	$9,021,128
Total carrying amount (d)	$46,469	$4,522,862	$3,643,956	$171,623	$8,384,910

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Notes to Consolidated Financial Statements, Continued

(a) Medium term notes included $700 million aggregate principal amount of 5.25% Senior Notes due 2019, which were issued in December 2014, and reflects the related repurchases of $459 million aggregate principal amount of medium term notes due 2017 as discussed below under the caption “Repurchase or Repayment of Debt” in this note.

(b) The interest rates shown are the range of contractual rates in effect at December 31, 2014.

(c) Securitizations are not included in above maturities by period due to their variable monthly repayments. See Note 11 for further information on our long-term debt associated with securitizations.

(d) 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 3, 2014, SHI entered into an Indenture and First Supplemental Indenture pursuant to which it agreed to fully and unconditionally guarantee the payments of principal, premium (if any) and interest on $700 million of 5.25% of Senior Notes due 2019 issued by SFC.

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 December 31, 2014, approximately $4.3 billion aggregate principal amount of senior notes, including $3.1 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.

DEBT COVENANTS

The debt agreements to which SFC and its subsidiaries are a party include customary terms and conditions, including covenants and representations and warranties. Some or all of these agreements also contain certain restrictions, including restrictions on the ability to create senior liens on property and assets in connection with any new debt financings and SFC’s ability to sell or convey all or substantially all of its assets, unless the transferee assumes SFC’s obligations under the applicable debt agreement.

With the exception of SFC’s junior subordinated debenture and one consumer loan securitization, none of our debt agreements require SFC or any of its subsidiaries to meet or maintain any specific financial targets or ratios.

Under our debt agreements, certain events, including non-payment of principal or interest, bankruptcy or insolvency, or a breach of a covenant or a representation or warranty may constitute an event of default and trigger an acceleration of payments. In some cases, an event of default or acceleration of payments under one debt agreement may constitute a cross-default under other debt agreements resulting in an acceleration of payments under the other agreements.

As of December 31, 2014, we were in compliance with all of the covenants under our debt agreements.

Junior Subordinated Debenture

In January 2007, SFC issued $350.0 million aggregate principal amount of 60-year junior subordinated debenture (the “debenture”) under an indenture dated January 22, 2007 (the “Junior Subordinated Indenture”), by and between SFC and Deutsche Bank Trust Company, as trustee. The debenture underlies the trust preferred securities sold by a trust sponsored by SFC. SFC can redeem the debenture at par beginning in January 2017.

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Pursuant to the terms of the debenture, SFC, upon the occurrence of a mandatory trigger event, is required to defer interest payments to the holders of the debenture (and not make dividend payments to SFI) unless SFC obtains non-debt capital funding in an amount equal to all accrued and unpaid interest on the debenture otherwise payable on the next interest payment date and pays such amount to the holders of the debenture. A mandatory trigger event occurs if SFC's (1) tangible equity to tangible managed assets is less than 5.5% or (2) average fixed charge ratio is not more than 1.10x for the trailing four quarters (where the fixed charge ratio equals earnings excluding income taxes, interest expense, extraordinary items, goodwill impairment, and any amounts related to discontinued operations, divided by the sum of interest expense and any preferred dividends).

Based upon SFC's financial results for the twelve months ended September 30, 2014, a mandatory trigger event did not occur with respect to the payment due in January 2015 as we were in compliance with both required ratios discussed above.

Consumer Loan Securitization

In connection with the Sumner Brook 2013-VFN1 securitization, SFC is required to maintain an available cash covenant and a consolidated tangible net worth covenant. At December 31, 2014, SFC was in compliance with these covenants.

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.

Medium Term Notes

In December 2014, SFC used the proceeds from its offering of $700 million aggregate principal amount of 5.25% Senior Notes due 2019 to repurchase $9 million and $361 million aggregate principal amount of 6.50% and 6.90%, respectively, medium term notes due 2017 from certain beneficial owners of the notes. SFC recorded a net loss of $19.7 million related to the partial extinguishment on this debt repurchase and capitalized $56.6 million related to a partial modification on this debt repurchase.

Additionally, in December 2014, SFC repurchased $23 million and $66 million aggregate principal amount of 6.50% and 6.90%, respectively, medium term notes due 2017. SFC recorded a net loss of $17.1 million related to these additional debt repurchases in December 2014.

SpringCastle 2013-A Notes

On October 3, 2014, certain indirect subsidiaries of SFC associated with a joint venture in which we own a 47% equity interest (the "Co-Issuers") used the proceeds from the SpringCastle Funding Asset-backed Notes 2014-A (the "SpringCastle 2014-A Notes") to repay in full the SpringCastle Funding Asset-backed Notes 2013-A (the "SpringCastle 2013-A Notes"), which were issued by the Co-Issuers on April 1, 2013. See Note 11 for further information on the refinance of SpringCastle 2013-A Notes. SFC recorded a net loss of $21.2 million related to this refinancing transaction.

Secured Term Loan

On March 31, 2014, Springleaf Financial Funding Company (“SFFC”) prepaid, without penalty or premium, the entire $750 million outstanding principal balance of the secured term loan, plus accrued and unpaid interest. Effective upon the prepayment, all obligations of SFFC, SFC, and the applicable 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.

11. 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 consolidated financial statements and are accounted for as secured borrowings. As a result of the sales of the Company’s

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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 consolidated 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 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) December 31,	2014	2013
Assets		
Finance receivables:		
Personal loans	$1,852,989	$1,572,070
SpringCastle Portfolio	1,979,190	2,505,349
Real estate loans	—	5,694,176
Allowance for finance receivable losses	71,668	153,657
Restricted cash and cash equivalents	210,337	522,752
Liabilities		
Long-term debt	$3,643,956	$7,288,535

2014 SECURITIZATION TRANSACTIONS

Consumer Loan Securitizations

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.

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 December 31, 2014, the required minimum balance of $100 million was drawn under the notes.

Repayment of 2013-BAC Trust Notes

On March 27, 2014, we repaid the entire $231.3 million outstanding principal balance of the notes, plus accrued and unpaid interest of Springleaf Funding Trust 2013-BAC (the “2013-BAC Trust”), a wholly owned special purpose vehicle of SFC. See “2013 Securitization Transactions—Consumer Loan Securitizations” below for discussion of the initial securitization transaction.

Renewal of Midbrook 2013-VFN1 Securitization

On June 13, 2014, we amended the note purchase agreement with Midbrook Funding Trust 2013-VFN1 (the “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. At December 31, 2014, no amounts had been funded. See “2013 Securitization Transactions—Consumer Loan Securitizations” below for discussion of the initial securitization transaction.

Refinance of SpringCastle 2013-A Notes

On October 3, 2014, the Co-Issuers issued $2.62 billion of the SpringCastle 2014-A Notes at a 4.68% weighted average yield in a private placement transaction. The SpringCastle 2014-A Notes are collateralized by the SpringCastle Portfolio.

The Co-Issuers sold the SpringCastle 2014-A Notes for approximately $2.55 billion after the price discount but before expenses. The Co-Issuers used the proceeds from the SpringCastle 2014-A Notes to repay in full on October 3, 2014 the SpringCastle 2013-A Notes, which were issued by the Co-Issuers on April 1, 2013. At September 30, 2014, the UPB of the SpringCastle 2013-A Notes was $1.46 billion.

On October 3, 2014, Springleaf Acquisition Corporation (“SAC”) purchased $362.5 million initial principal amount of the SpringCastle 2014-A Notes. The Co-Issuers retained $61.6 million of the SpringCastle 2014-A Notes. Certain subsidiaries of NRZ own a 30% equity interest in the Co-Issuers. NRZ is managed by an affiliate of Fortress.

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 a series of separate transactions during 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.

2013 SECURITIZATION TRANSACTIONS

Consumer Loan Securitizations

2013-A Securitization. On February 19, 2013, we completed a private securitization transaction in which a wholly owned special purpose vehicle of SFC sold $567.9 million of notes backed by personal loans held by Springleaf Funding Trust 2013-A (the “2013-A Trust”), at a 2.83% weighted average yield. We sold the asset-backed notes for $567.5 million, after the price discount but before expenses and a $6.6 million interest reserve requirement. We initially retained $36.4 million of the 2013-A Trust’s subordinate asset-backed notes.

SpringCastle 2013-A Securitization. On April 1, 2013, in connection with our acquisition of an unsecured loan portfolio from HSBC, the Co-issuer LLCs sold, in a private securitization transaction, $2.2 billion of Class A Notes backed by the acquired loans. The Class A Notes were acquired by initial purchasers for $2.2 billion, after the price discount but before expenses and a $10.0 million advance reserve requirement. The initial purchasers sold the Class A Notes to secondary investors at a 3.75%

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weighted average yield. The Co-issuer LLCs retained subordinate Class B Notes with a principal balance of $372.0 million. As previously discussed, we refinanced these notes in October 2014.

2013-B Securitization. On June 19, 2013, we completed a private securitization transaction in which a wholly owned special purpose vehicle of SFC sold $256.2 million of notes backed by personal loans held by Springleaf Funding Trust 2013-B (the “2013-B Trust”), at a 4.11% weighted average yield. We sold the asset-backed notes for $255.4 million, after the price discount but before expenses and a $4.4 million interest reserve requirement. We initially retained $114.0 million of the 2013-B Trust’s senior asset-backed notes and $29.8 million of the 2013-B Trust’s subordinate asset-backed notes.

2013-BAC Securitization. On September 25, 2013, we completed a private securitization transaction in which 2013-BAC Trust, a wholly owned special purpose vehicle of SFC, issued $500.0 million of notes backed by an amortizing pool of personal loans acquired from subsidiaries of SFC. We sold the personal loan-backed notes for gross proceeds of $500.0 million. As previously discussed, we repaid these notes in March 2014.

Midbrook 2013-VFN1 Securitization. On September 26, 2013, we established a private securitization facility in which 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. As previously discussed, we renewed this note purchase agreement in June 2014.

Springleaf 2013-VFN1 Securitization. On September 27, 2013, we established a private securitization facility in which Springleaf Funding Trust 2013-VFN1 (the “Springleaf 2013-VFN1 Trust”), a wholly owned special purpose vehicle of SFC, may issue variable funding notes with a maximum principal balance of $350 million to be backed by personal loans acquired from subsidiaries of SFC from time to time. No amounts were funded at closing, but may be funded from time to time over a two-year period, which may be extended for one year, subject to the satisfaction of customary conditions precedent. During this period, the notes can also be paid down in whole or in part and then redrawn. Following the two-or three-year funding period, as the case may be, the principal amount of the notes, if any, will amortize and will be due and payable in full in October 2019. At December 31, 2014, there were no amounts drawn under the notes.

Sumner Brook 2013-VFN1 Securitization. On December 20, 2013, we established a private securitization facility in which Sumner Brook Funding Trust 2013-VFN1 (the “Sumner Brook 2013-VFN1 Trust”), a wholly owned special purpose vehicle of SFC, may issue variable funding notes with a maximum principal balance of $350 million to be backed by personal loans acquired from subsidiaries of SFC from time to time. No amounts were funded at closing, but may be funded from time to time over a two-year period. During this period, the notes can also be paid down in whole or in part and then redrawn. Following the two-year funding period, the principal amount of the notes, if any, will amortize and will be due and payable in full in August 2022. At December 31, 2014, no amounts had been drawn under the notes.

Mortgage Loan Securitizations

2013-1 Securitization. On April 10, 2013, we completed a private securitization transaction in which a wholly owned special purpose vehicle of SFC sold $782.5 million of notes backed by real estate loans held by Springleaf Mortgage

Loan Trust 2013-1 (the "2013-1 Trust"), at a 2.85% weighted average yield. We sold the mortgage-backed notes for $782.4 million, after the price discount but before expenses. We initially retained $236.8 million of the 2013-1 Trust's subordinate mortgage-backed notes.

2013-2 Securitization. On July 9, 2013, we completed a private securitization transaction in which a wholly owned special purpose vehicle of SFC sold $599.4 million of notes backed by real estate loans held by Springleaf Mortgage Loan Trust 2013-2 (the "2013-2 Trust"), at a 2.88% weighted average yield. We sold the mortgage-backed notes for $590.9 million, after the price discount but before expenses. We initially retained $535.1 million of the 2013-2 Trust's subordinate mortgage-backed notes.

2013-3 Securitization. On October 9, 2013, we completed a private securitization transaction in which a wholly owned special purpose vehicle of SFC sold $270.5 million of notes backed by real estate loans held by Springleaf Mortgage Loan Trust 2013-3 (the "2013-3 Trust"), at a 3.40% weighted average yield. We sold the mortgage-backed notes for $269.4 million, after

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the price discount but before expenses. We initially retained $228.7 million of the 2013-3 Trust’s subordinate mortgage-backed notes.

Sales of Previously Retained Notes

During 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
SLFMT 2013-3	22,517	22,623
Consumer Securitizations		
SLFMT 2013-B	$114,000	$111,578
SpringCastle Securitizations		
SCFT 2013-1	$372,000	$357,120

2012 SECURITIZATION TRANSACTIONS

Mortgage Loan Securitizations

2012-1 Securitization. On April 20, 2012, we completed a private securitization transaction in which a wholly owned special purpose vehicle of SFC sold $371.0 million of notes backed by real estate loans held by Springleaf Mortgage Loan Trust 2012-1 (the “2012-1 Trust”), at a 4.38% weighted average yield. We sold the mortgage-backed notes for $367.8 million, after the price discount but before expenses. We initially retained $42.6 million of the 2012-1 Trust’s subordinate mortgage-backed notes.

2012-2 Securitization. On August 8, 2012, we completed a private securitization transaction in which a wholly owned special purpose vehicle of SFC sold $750.8 million of notes backed by real estate loans held by Springleaf Mortgage Loan Trust 2012-2 (the “2012-2 Trust”), at a 3.59% weighted average yield. We sold the mortgage-backed notes for $749.7 million, after the price discount but before expenses. We initially retained $107.7 million of the 2012-2 Trust’s subordinate mortgage-backed notes.

2012-3 Securitization. On October 25, 2012, we completed a private securitization transaction in which a wholly owned special purpose vehicle of SFC sold $787.4 million notes backed by real estate loans held by Springleaf Mortgage Loan Trust 2012-3 (the “2012-3 Trust”), at a 2.80% weighted average yield. We sold the mortgage-backed notes for $787.2 million, after the price discount but before expenses. We initially retained $112.3 million of the 2012-3 Trust’s subordinate mortgage-backed notes.

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 totaled $213.8 million in 2014, $224.3 million in 2013, and $119.2 million in 2012.

DECONSOLIDATED VIES

As a result of the sales of the mortgage-backed retained certificates during 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

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warranties associated with these sales that may expose us to future losses. During 2014, we established a reserve for sales recourse obligations of $6.5 million related to these sales. As of December 31, 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.

12. Derivative Financial Instruments

Our principal borrowing subsidiary is SFC. During 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 AIGFP, 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.

Changes in the notional amounts of our cross currency interest rate swap agreements were as follows:

(dollars in thousands) At or for the Years Ended December 31,	2013	2012
Balance at beginning of period	$416,636	$1,269,500
Expired contracts	—	—
Discontinued and terminated contracts	(416,636)	(852,864)
Balance at end of period	$—	$416,636

During 2012, we decreased the notional amounts of our Euro cross currency interest rate swap agreements by €676.7 million. We elected to discontinue hedge accounting prospectively on one of our cash flow hedges as of May 2012 and terminated this cross currency interest rate swap agreement in August 2012. We accelerated the reclassification of amounts in accumulated other comprehensive income to other revenues resulting in gains of $0.7 million in 2012. We continued to report the gain related to the discontinued and terminated cash flow hedge in accumulated other comprehensive income or loss.

The amount of gain (loss) for cash flow hedges recognized in accumulated other comprehensive income or loss, reclassified from accumulated other comprehensive income or loss into other revenues — other (effective portion) and interest expense (effective portion), and recognized in other revenues — other (ineffective portion) were as follows:

(dollars in thousands)	AOCI(L)	From AOCI(L) (a) to Other Revenues - Other	Interest Expense	Earnings (b)	Recognized in Other Revenues - Other
Year Ended December 31, 2013					
Cross currency interest rate	$—	$—	$160	$160	$—
Year Ended December 31, 2012					
Cross currency interest rate	$(16,987)	$(12,343)	$1,839	$(10,504)	$(426)

(a) Accumulated other comprehensive income (loss).

(b) Represents the total amounts reclassified from accumulated other comprehensive income or loss to other revenues — other and to interest expense for cash flow hedges as disclosed on our consolidated statement of comprehensive income (loss).

During 2013 and 2012, we recognized net losses of $3.4 million and $33.8 million, respectively, on SFC's non-designated hedging instruments in other revenues — other.

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Derivative adjustments included in other revenues — other consisted of the following:
(dollars in thousands)

Years Ended December 31,	2013	2012
Mark to market losses	$(8,244)	$(28,659)
Net interest income	9,161	18,745
Credit valuation adjustment gains (losses)	50	(3,559)
Ineffectiveness losses	—	(426)
Other	(292)	2,136
Total	$675	$(11,763)

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.

13. Insurance

Components of insurance claims and policyholder liabilities were as follows:
(dollars in thousands)

December 31,	2014	2013
Finance receivable related:		
Unearned premium reserves	$193,710	$151,987
Benefit reserves	107,339	94,954
Claim reserves	28,299	25,325
Subtotal	329,348	272,266
Non-finance receivable related:		
Benefit reserves	74,639	79,352
Claim reserves	41,566	42,550
Subtotal	116,205	121,902
Total	$445,553	$394,168

Our insurance subsidiaries enter into reinsurance agreements with other insurers (including subsidiaries of AIG). Insurance claims and policyholder liabilities included the following amounts assumed from other insurers:
(dollars in thousands)

December 31,	2014	2013
Non-affiliated insurance companies	$14,853	$16,198
Affiliated insurance companies	43,587	45,619
Total	$58,440	$61,817

At December 31, 2014 and 2013, reserves related to insurance claims and policyholder liabilities ceded to nonaffiliated insurance companies totaled $22.0 million and $21.7 million, respectively.

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Changes in the liability for unpaid claims and loss adjustment expenses, net of reinsurance recoverable:
(dollars in thousands)

At or for the Years Ended December 31,	2014		2013		2012	
Balance at beginning of period	$46,220		$51,037		$47,369	
Additions for losses and loss adjustment expenses incurred to:						
Current year	64,529		58,895		59,883	
Prior years *	(2,541	)	(6,028	)	(2,193	)
Total	61,988		52,867		57,690	
Reductions for losses and loss adjustment expenses paid related to:						
Current year	(39,359	)	(34,591	)	(33,956	)
Prior years	(20,949	)	(23,093	)	(20,066	)
Total	(60,308	)	(57,684	)	(54,022	)
Balance at end of period	$47,900		$46,220			