

Edgar Filing: Springleaf Holdings, Inc. - Form 10-K

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

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

FORM 10-K

☒ 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

(State of incorporation)

601 N.W. Second Street, Evansville, IN

(Address of principal executive offices)

27-3379612

(I.R.S. Employer Identification No.)

47708

(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

Common Stock, par value \$0.01 per share

Name of each exchange on which registered

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 ☐ No ☒

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Edgar Filing: Springleaf Holdings, Inc. - Form 10-K

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 ☐ No ☐

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. ☐

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

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

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.

Table of Contents

TABLE OF CONTENTS

| | |
|---|------------|
| <u>Forward-Looking Statements</u> | <u>3</u> |
| <u>PART I</u> | |
| <u>Item 1. Business</u> | <u>5</u> |
| <u>Item 1A. Risk Factors</u> | <u>13</u> |
| <u>Item 1B. Unresolved Staff Comments</u> | <u>32</u> |
| <u>Item 2. Properties</u> | <u>32</u> |
| <u>Item 3. Legal Proceedings</u> | <u>32</u> |
| <u>Item 4. Mine Safety Disclosures</u> | <u>32</u> |
| <u>PART II</u> | |
| <u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | <u>33</u> |
| <u>Item 6. Selected Financial Data</u> | <u>35</u> |
| <u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>37</u> |
| <u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u> | <u>68</u> |
| <u>Item 8. Financial Statements and Supplementary Data</u> | |
| <u>Reports of Independent Registered Public Accounting Firm</u> | <u>70</u> |
| <u>Consolidated Balance Sheets</u> | <u>71</u> |
| <u>Consolidated Statements of Operations</u> | <u>72</u> |
| <u>Consolidated Statements of Comprehensive Income (Loss)</u> | <u>73</u> |
| <u>Consolidated Statements of Shareholders’ Equity</u> | <u>74</u> |
| <u>Consolidated Statements of Cash Flows</u> | <u>75</u> |
| <u>Notes to Consolidated Financial Statements</u> | <u>77</u> |
| <u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u> | <u>157</u> |
| <u>Item 9A. Controls and Procedures</u> | <u>157</u> |
| <u>Item 9B. Other Information</u> | <u>158</u> |
| <u>PART III</u> | |
| <u>Item 10. Directors, Executive Officers and Corporate Governance</u> | <u>159</u> |
| <u>Item 11. Executive Compensation</u> | <u>159</u> |

| | | |
|-----------------|---|------------|
| <u>Item 12.</u> | <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u> | <u>159</u> |
| <u>Item 13.</u> | <u>Certain Relationships and Related Transactions, and Director Independence</u> | <u>159</u> |
| <u>Item 14.</u> | <u>Principal Accounting Fees and Services</u> | <u>159</u> |
| <u>PART IV</u> | | |
| <u>Item 15.</u> | <u>Exhibits and Financial Statement Schedules</u> | <u>160</u> |

Table of Contents

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,” “intends,” “estimates,” “anticipates,” “target,” “projects,” “contemplates” or the negative version of those words or other comparable words. 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;

Table of Contents

- 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.

Table of Contents

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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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,

Table of Contents

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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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;

Table of Contents

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.

Table of Contents

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

Table of Contents

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 interest 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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

Table of Contents

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.

Table of Contents

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

Table of Contents

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

Table of Contents

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.

Table of Contents

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

Table of Contents

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

Table of Contents

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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

Table of Contents

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;

Table of Contents

• 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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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 | | | | At or for the One Month Ended December 31, 2010 | Predecessor Company At or for the Eleven Months Ended November 30, 2010 (a) |
|---|--------------------------|----------------------|----------------------|----------------------|---|---|
| (dollars in thousands except earnings (loss) per share) | At or for the Year Ended | | | | | |
| | December 31, 2014 | December 31, 2013 | December 31, 2012 | December 31, 2011 | | |
| 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) |

Edgar Filing: Springleaf Holdings, Inc. - Form 10-K

| | | | | | | | |
|---------------------------------------|------------|------------|------------|------------|------------|----------|-----|
| 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.

Table of Contents

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:

| Topic | Page |
|---|-----------|
| <u>Our Business</u> | <u>37</u> |
| <u>2014 Initiatives</u> | <u>39</u> |
| <u>2015 Developments and Outlook</u> | <u>39</u> |
| <u>Results of Operations</u> | <u>41</u> |
| <u>Segment Results</u> | <u>48</u> |
| <u>Credit Quality</u> | <u>59</u> |
| <u>Liquidity and Capital Resources</u> | <u>61</u> |
| <u>Off-Balance Sheet Arrangements</u> | <u>65</u> |
| <u>Critical Accounting Policies and Estimates</u> | <u>65</u> |
| <u>Recent Accounting Pronouncements</u> | <u>66</u> |
| <u>Seasonality</u> | <u>66</u> |
| <u>Glossary of Terms</u> | <u>67</u> |

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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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) |

Edgar Filing: Springleaf Holdings, Inc. - Form 10-K

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) |

41

Table of Contents

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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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) | — | |