Springleaf Holdings, Inc.
Form 10-K
April 15, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2013

OR

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

For the transition period from to .

Commission file number 001-36129

SPRINGLEAF HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**27-3379612**
(State of incorporation)	(I.R.S. Employer Identification No.)
601 N.W. Second Street, Evansville, IN	**47708**
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark 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 x.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o

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

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

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, 2013 was $0.

At April 15, 2014, there were 114,832,895 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 2014 Annual Meeting to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

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Forward-Looking Statements

This report may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect our current views with respect to, among other things, future events and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as outlook, believes, expects, potential, continues, may, will, should, could, seeks, predicts, intends, plans, estimates, anticipates, target, projects, contemplates or the negative version of those words or other compar 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:

- 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 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;
- our ability to successfully realize the benefits of a $3.9 billion consumer loan portfolio acquired on April 1, 2013 from HSBC Finance Corporation and certain of its affiliates (collectively, HSBC), through a joint venture in which we own a 47% equity interest (the SpringCastle Portfolio) as a result of integration difficulties and other challenges;
- the potential liabilities and increased regulatory scrutiny associated with the SpringCastle Portfolio;
- our ability to successfully integrate the centralized mortgage servicing center in Dallas, Texas (the Texas Facility) and any centralized servicing centers that we may establish in the future;
- 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 residential real estate values;
- 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 (the Dodd-Frank Act) (which, among other things, established the Consumer Financial Protection Bureau (the CFPB), 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;

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- the potential for increased costs and difficulty in servicing our legacy real estate loan portfolio (including costs and delays associated with foreclosure on real estate collateral), 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;

- 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 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;

- 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; and

- other risks described in Risk Factors in Item 1A in Part I of this report.

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

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

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PART I

Item 1. Business.

BUSINESS OVERVIEW

Springleaf Holdings, Inc. (SHI or, collectively with its subsidiaries, whether directly or indirectly owned, Springleaf, the Company, we, us, o our) is a leading consumer finance company providing responsible loan products to customers through our branch network and through our internet lending business, known as our iLoan division. 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 iLoan division. Formed at the beginning of 2013, our iLoan division 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.

In addition, we pursue strategic acquisitions of loan portfolios through our loan portfolio acquisitions business, known as our Springleaf Acquisitions division, which we service through our centralized servicing operation. 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. See Core Consumer Operations Acquisitions and Servicing for further information on the SpringCastle Portfolio. Through the acquisition of the SpringCastle Portfolio and other similar acquisitions, we expect to achieve a meaningful return on our investment as well as receive servicing fee income.

We also intend to pursue fee-based opportunities in servicing loans for others through Springleaf Servicing Solutions, our centralized servicing division. See Centralized Support Springleaf Servicing Solutions for further information on our centralized servicing centers.

At December 31, 2013, we had $13.8 billion of net finance receivables due from over 1.3 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. As of the date of this report, Springleaf Financial Holdings, LLC (the Initial Stockholder), an entity controlled by a private equity fund managed by Fortress Investment Group LLC (Fortress), owns approximately 75% of SHI s outstanding common stock.

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Prior to the initial public offering of SHI s common stock, FCFI Acquisition LLC (FCFI), an affiliate of Fortress, owned an 80% economic interest in SHI and American International Group, Inc. (AIG) indirectly owned a 20% economic interest in SHI. FCFI acquired its 80% economic interest in SHI in November 2010. This transaction is referred to in this report as the Fortress Acquisition.

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 Experian plc, as of December 31, 2013, the U.S. consumer finance industry had grown to approximately $2.3 trillion of outstanding borrowings in the form of personal loans, vehicle loans and leases, credit cards, home equity lines of credit, and student loans. According to the Federal Deposit Insurance Corporation, there were approximately 51 million adults living in under-banked households in the United States in 2011. 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 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.

Installment lending to non-prime consumers is one of the most highly fragmented sectors of the consumer finance industry. We believe that installment loans made by competitors that we track are presently provided through approximately 5,000 individually-licensed finance company branches in the United States. 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 iLoan division, combined with the capabilities resident in our national branch system, provides 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, 2013, our four segments include: Consumer, Insurance, Acquisitions and Servicing, and Real Estate. The Acquisitions and Servicing segment was added effective April 1, 2013, as a result of our co-investment in the SpringCastle Portfolio.

Management considers Consumer, Insurance, and Acquisitions and Servicing as our Core Consumer Operations and Real Estate as our Non-Core Portfolio.

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CORE CONSUMER OPERATIONS

Consumer

We originate and service secured and unsecured personal loans and offer voluntary credit insurance and related products through our branches and our iLoan division. Personal loan origination and servicing, along with our insurance products, forms the core of our operations. Our branch operations and our iLoan division have over 3,300 employees and over 830 branch offices in 26 states. In addition, our centralized support operations provide servicing support to branch operations and the iLoan division.

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, consumer goods, or other personal property.

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 iLoan division allows 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. During 2013, we implemented e-signature capabilities to facilitate our online lending products. Customers who are approved for loans through our iLoan division 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 servicing operation.

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.

During 2013, we established a merchant referral program under which 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

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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.

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 for loans originated by the iLoan division. 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.

Insurance

We market our insurance products to eligible finance receivable customers through both our branch operations and our iLoan division. 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.

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.

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

- *Credit life insurance*. Insures the life of the borrower in an amount typically equal to the unpaid balance of the finance receivable and provides for payment to the lender of the finance receivable in the event of the borrower s death.

- *Credit accident and health insurance*. Provides scheduled monthly loan payments to lender during borrower s disability due to illness or injury.

- *Credit involuntary unemployment insurance*. Provides scheduled monthly loan payments to the lender during borrower s involuntary unemployment.

- *Credit-related property and casualty insurance*. Written to protect the value of property pledged as collateral for the finance receivable.

A borrower s purchase of credit life, credit accident and health, credit-related property and casualty, or credit involuntary unemployment insurance is voluntary, with the exception of lender placed property damage coverage for property pledged as collateral. Non-credit insurance policies are primarily traditional level term life policies. The purchase of this coverage is also voluntary.

We also offer ancillary products. The ancillary products we offer are home security and auto security membership plans and home appliance service contracts of unaffiliated companies. We have no risk of loss on these membership plans, and these plans are not considered insurance products. The unaffiliated companies providing these membership plans and service contracts are responsible for any required reimbursement to the customer on these products.

Acquisitions and Servicing

We pursue strategic acquisitions of loan portfolios through our Springleaf Acquisitions division, which we service through our centralized servicing operation. 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. On the purchase date, the SpringCastle Portfolio consisted of over 415,000 unsecured loans and loans secured by subordinate residential real estate mortgages (which we service as unsecured loans due to the fact that the liens are subordinated to superior ranking security interests). These loans vary in form and substance from our originated loans and are in a liquidating status. We assumed the direct servicing obligations for these loans in September 2013. At December 31, 2013, the SpringCastle Portfolio included over 344,000 of acquired loans, representing $2.5 billion in net finance receivables.

CENTRALIZED SUPPORT

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;
- servicing of seriously delinquent real estate loans and certain personal loans;
- foreclosure and real estate owned processing;
- real estate escrow accounts;
- collateral protection insurance tracking; and
- charge-off recovery operations.

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Springleaf Servicing Solutions

On September 1, 2013, we purchased a loan servicing facility located in London, Kentucky (the Kentucky Facility) from Renaissance Bankcard Services of Kentucky, Inc. (Renaissance), a subsidiary of HSBC. The acquisition of the Kentucky Facility, including the transfer of over 200 employees of Renaissance to Springleaf, provides us with a state-of-the-art centralized collection facility for personal loans to position ourselves for additional portfolio purchases or fee-based servicing as well as additional flexibility in the servicing of our own personal loans. During 2013, we also established the Texas Facility, which provides centralized services for our real estate loans, to complement our Evansville, Indiana servicing operation. Together the Kentucky Facility, the Texas Facility, and Evansville servicing centers provide significant flexibility in servicing our own loans as well as those of third parties.

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 iLoan division; 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; manages our regulatory examination process; and 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.

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REGULATION

Consumer, Real Estate, and Acquisitions and Servicing

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 CFPB Regulation B, which implements that 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 that 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 that 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 become 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, 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

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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. 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. According to the request, the primary purpose of this limited review is to assess elements of Springleaf s compliance with a specific section of the new rules, which covers general servicing policies, procedures, and requirements.

In addition to its supervision and examination authority, CFPB 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 (ABS) with an exception for securitizations that are wholly composed of qualified residential mortgages. Several Federal agencies jointly approved proposed rulemaking in April 2011 that would implement the risk retention requirements of Section 941 of the Dodd-Frank Act. On August 28, 2013, these Federal agencies issued a revised proposed rule, which makes various changes to the risk retention requirements in the original proposed rule, including to the definition of qualified residential mortgages and risk-retention exempt securitizations of qualified residential mortgages. 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 diligence reports on ABS publicly available. lf these proposed rules are adopted in their present form, they 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 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 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, as well as more detailed reporting, more detailed examinations, and coordination of examinations among the states.

Insurance

State authorities regulate and supervise our insurance segment. 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.

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COMPETITION

We operate primarily in the consumer installment lending industry focusing on the non-prime customer. Along with OneMain Financial, Springleaf is the only remaining national participant of size in the consumer installment lending industry serving the large and growing population of non-prime customers. We define national consumer installment lenders to be companies with over 500 branches and with personal loan finance receivables in excess of $2 billion. In addition to our direct competitor, we also compete with other consumer finance and internet lending companies, as well as 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, flexibility of loan terms offered, and the quality of customer service provided.

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 iLoan division also enhances 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.

EMPLOYEES

As of December 31, 2013, we had over 4,900 employees.

Available Information

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

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

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

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

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Item 1A. Risk Factors.

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

RISKS RELATED TO OUR BUSINESS

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

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

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

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.

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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, such as our SpringCastle Portfolio that we acquired through our Springleaf Acquisitions division. In connection with this revised focus, we have also recently expanded into internet lending through our iLoan division.

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 loan receivables, including, but not limited to consumer demand for finance receivables, and changes in economic conditions and interest rates;
- address the risks associated with the new centralized method of originating and servicing our internet loans through our iLoan division, 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 iLoan division;
- 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; and
- successfully source, underwrite and integrate new acquisitions of loan portfolios and of other businesses.

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. If we are not able to do so, 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.

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 begun the multi-year process of liquidating these legacy portfolios. However, notwithstanding our decision to exit real estate lending and retail sales and the liquidating status of these portfolios, as of December 31, 2013 our real estate loans totaled $8.0 billion. The continuation or worsening of volatility in residential real estate values could continue to adversely affect our business and results of operations, and such adverse conditions could result in significant write-downs in the future. Similarly, due to the fact that we are no longer able to offer our 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.

We may be unable to efficiently manage our restructuring and the liquidation of our legacy portfolios. In particular, we may not achieve the cost-savings and operational synergies expected as a result of closing certain of our branches and reducing personnel. Similarly, we may be unable to originate or acquire new consumer loans via our branches and over the internet at a level that is sufficient to offset the impact that liquidating our real estate and retail sales portfolios may have on our financial condition. 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.

There are risks associated with the acquisition of large loan portfolios, such as the SpringCastle Portfolio, 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.

On April 1, 2013, we acquired the SpringCastle Portfolio, a $3.9 billion consumer loan portfolio consisting of over 415,000 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). We acquired the portfolio from HSBC through a newly formed joint venture in which we own a 47% equity interest. In the future, we may acquire additional large portfolios of finance receivables either through the direct purchase of such assets or the purchase of the equity of a company with such a portfolio. Since we will not have originated or serviced the loans we acquire, including the SpringCastle Portfolio, 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 service the SpringCastle Portfolio successfully will depend in large part on the success of our development and integration of expanded servicing capabilities, including additional personnel, with our current operations. Similar integration issues are likely to occur with future large portfolio acquisitions. 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 SpringCastle Portfolio 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 the SpringCastle Portfolio and other 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.

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Potential difficulties we may encounter during the integration process with the SpringCastle Portfolio or 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 related to the SpringCastle Portfolio (including servicing records) are 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 resulted from our assumption of the servicing of the SpringCastle Portfolio in September 2013.

The anticipated benefits and synergies from the acquisition and servicing of the SpringCastle Portfolio assume, and our future acquisitions will assume, a successful integration, and are or 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.

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There are risks associated with our ability to expand our centralized loan servicing capabilities through integration of the mortgage servicing facility in Dallas, Texas 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 Texas Facility with our current operations. We may fail to realize some or all of the anticipated benefits of this facility if the integration process takes longer, or is more costly, than expected. Our failure to meet the challenges involved in successfully integrating the Texas Facility 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 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, changes in housing prices, 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. However, the current challenging economic conditions and recent significant declines in home values (and the resulting loss of homeowner equity) has limited many homeowners ability to refinance mortgage loans and reduced prepayment rates for real estate loans, even in the current low interest rate environment. Any increase in interest rates may further slow the rate of prepayment for our finance receivables, which could adversely affect our liquidity by reducing the cash flows from, and the value of, the finance receivables we hold for sale or utilize as collateral in our secured funding transactions.

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

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

We have securitized a large part of our legacy real estate portfolio and have started to securitize our consumer portfolio. In addition, we have sold finance receivables from time to time. 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

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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 finance receivable quality and circumstances are inaccurate, including representations concerning the licensing of a mortgage broker;
- there is borrower fraud or if a payment default occurs on a finance receivable shortly after its origination;
- we fail to comply, at the individual finance receivable level or otherwise, with regulatory requirements; and
- in limited instances, an individual finance receivable reaches certain defined finance delinquency limits.

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 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 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; and 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.

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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.

We are a party to various legal proceedings, including certain purported class action claims, arising in the ordinary course of our business. 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.

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, centralized servicing centers and our iLoan division, 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.

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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 iLoan division, 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.

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

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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 Kentucky Facility 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 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 6% of our real estate loans as of December 31, 2013. 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.

We may be required to take impairment charges for intangible assets.

As a result of our future quarterly reviews and evaluation of our intangible assets for potential impairment, we may be required to take an impairment charge to the extent that the carrying values of our intangible assets exceed their fair value. Also, if we sell a business for less than the carrying value of the assets sold, including intangible assets attributable to that business, we may be required to take an impairment charge on all or part of the intangible assets attributable to that business.

We have recognized impairments on certain intangible assets in 2012 and 2011. Although we did not recognize any impairments on our intangible assets in 2013, we cannot give assurances that we will not have to recognize additional material impairment charges in the future. See Notes 8 and 25 of the Notes to Consolidated Financial Statements in Item 8 for further information on the impairments of our intangible assets.

RISKS RELATED TO OUR INDUSTRY AND REGULATION

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

The consumer finance industry is highly competitive. Our profitability depends, in large part, on our ability to originate finance receivables. We compete with other consumer finance companies as well as other types of financial institutions that offer similar products and services in originating finance receivables. Some of these competitors may have greater financial, technical and marketing resources than we possess. Some competitors may also have a lower cost of funds and access to funding sources that may not be available to us. While banks and credit card companies have decreased their lending to non-prime customers in recent years, there is no assurance that such lenders will not resume those lending activities. Further, because of increased regulatory pressure on payday lenders, many of those lenders are starting to make more traditional installment consumer loans in order to reduce regulatory scrutiny of

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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 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.

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

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

On July 21, 2010, the President of the United States signed the Dodd-Frank Act into law, which, among other things, provided for the creation of the CFPB. This law, and the regulations already promulgated and to be 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 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. In addition to the foregoing, the CFPB has the authority to obtain cease and desist orders providing for affirmative relief and/or monetary penalties. 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. We expect to be designated as a larger participant. 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.

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.

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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 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 ABS. 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 ABS 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.

Potential changes to the Investment Company Act could affect our method of doing business.

The SEC recently solicited public comment on a wide range of issues relating to certain existing provisions of the Investment Company Act of 1940, as amended (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.

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.

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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 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 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 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, 2013, we had $12.8 billion of indebtedness outstanding (including securitizations and secured indebtedness). Interest expense on our indebtedness was $919.7 million in 2013. There can be no assurance that we will be able to repay or refinance our debt in the future.

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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
- 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.

Certain of SFC s indentures and 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.

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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 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:

- the liquidation and related losses within our real estate portfolio could be substantial and result in reduced cash receipts;
- 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;
- 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 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;
- the potential for increasing costs and difficulty in servicing our loan portfolio, especially our liquidating real estate loan portfolio (including costs and delays associated with foreclosure on real estate collateral), 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;

- 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 additional unforeseen cash demands or accelerations of obligations;

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- 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. SFC s term corporate debt rating is currently rated B- with a positive outlook by S&P, B- with a stable outlook by Fitch and B3 with a stable outlook by Moody s. 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.

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The more limited securitization markets since 2007 have impaired our ability to complete securitizations. Although we were able to complete a securitization during the third quarter of 2011, three during 2012 and ten during 2013, the securitization market remains constrained, and we can give no assurances that we will be able to complete additional securitizations. In addition, since the onset of the recent financial crisis, we have only completed six securitizations of personal loan receivables, and we may face challenges executing personal loan securitizations in the future.

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.

Immediately following the completion of the Initial Public Offering of our stock, the Initial Stockholder, which is primarily owned by a private equity fund managed by an affiliate of Fortress, owned approximately 75% of our outstanding common stock. As a result, the Initial Stockholder owned 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, including investors in this offering. 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.

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);

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- 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 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

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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:

- 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;
- 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.

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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).

We and our executive officers, directors and the Initial Stockholder (who hold in the aggregate approximately 78.9% of our outstanding common stock) agreed with the underwriters in connection with our Initial Public Offering that, subject to certain exceptions, for a period of 180 days after the date of our Initial Public Offering prospectus (i.e., October 15, 2013), we and they would not directly or indirectly offer, pledge, sell, contract to sell, sell any option or contract to purchase or otherwise dispose of any common stock or any securities convertible into or exercisable or exchangeable for common stock, or in any manner transfer all or a portion of the economic consequences associated with the ownership of common stock, or cause a registration statement covering any common stock to be filed, without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated. However, Merrill Lynch, Pierce, Fenner & Smith Incorporated may waive these restrictions at its discretion.

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Pursuant to the Stockholders Agreement, the Initial Stockholder and certain of its affiliates and permitted third party transferees have the right, in certain circumstances, to require us to register their approximately 86,064,227 shares of our common stock under the Securities Act for sale into the public markets. Upon the effectiveness of such a registration statement, all shares covered by the registration statement will be freely transferable.

The market price of our common stock may decline significantly when the restrictions on resale by our existing stockholders lapse. 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 the investors who purchase common stock.

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 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. 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.

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

As a U.S.-listed public company, we will be required to comply with Section 404 of the Sarbanes-Oxley Act by December 31, 2014. Section 404 will require 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 will be required to have our independent registered public accounting firm provide an opinion regarding the operating effectiveness of our internal controls. However, in connection with our audit for the year ended December 31, 2013, we determined that we did not maintain effective internal control over financial reporting related to the initial and subsequent accounting for certain complex non-routine transactions, most notably relating to the impact of the Fortress Acquisition and the SpringCastle Portfolio acquisition. Specifically, we did not have adequate resources with an appropriate level of accounting knowledge, experience and training commensurate with the complexity of such transactions. We have begun taking steps to remediate the material weakness identified above and plan to take additional actions to remediate the underlying cause of this material weakness. However, we cannot provide any assurance that these remediation efforts will be successful or that our internal control over financial reporting will be effective as a result of these efforts.

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We can make no 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 New York Stock Exchange (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.

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Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We generally conduct branch office operations, branch office administration, other operations, and operational support in leased premises. Lease terms generally range from three to five years. We also lease an executive office in Connecticut under a seven year lease that expires in 2021, an administrative office in Delaware under a seven year lease that expires in 2020, and a mortgage servicing center in Dallas, Texas under a four year lease that expires in 2017.

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, 2013, 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 services and support operations for our Core Consumer Operations and our Non-Core Portfolio.

Our United Kingdom subsidiary leases land on which it owns an office facility in Tamworth, England under a 999 year land lease that expires in 3001.

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

None.

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PART II

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

MARKET INFORMATION AND STOCKHOLDERS

SHI s common stock has been listed for trading on the NYSE under the symbol LEAF since October 16, 2013. Our initial public offering was priced at $17.00 per share on October 15, 2013. For the period October 16, 2013 through December 31, 2013, the high sales price of our common stock was $25.65 and the low sales price was $18.51 on the NYSE.

On October 15, 2013, our registration statement (File No. 333-190653) was declared effective for our initial public offering, pursuant to which we registered the offering and sale of 11,631,667 shares of common stock by us and 9,413,481 shares of common stock by the selling shareholders, and we granted the underwriters an over-allotment option to purchase an additional 3,156,772 shares, all at a public offering price of $17.00 per share. The underwriters exercised the over-allotment option in full on October 16, 2013, and the offering closed on October 21, 2013. Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Allen & Company LLC and Barclays Capital Inc. acted as joint book-running managers.

As a result of the offering, we received net proceeds of $230.8 million, after deducting underwriting discounts and commissions of $15.8 million and additional offering-related expenses of $4.8 million, for total expenses to us of $20.6 million. No offering expenses were paid directly or indirectly to any of our directors or officers (or their associates), or persons owning ten percent or more of any class of our equity securities or to any other affiliate. We used the proceeds of the offering to repay a portion of our indebtedness as well as for other general corporate purposes, including originations of new personal loans, and to satisfy working capital obligations.

On April 11, 2014, there were 10 registered holders of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name. On April 11, 2014, the closing price for our common stock, as reported on the NYSE, was $22.88.

DIVIDEND POLICY

We did not pay any dividends in 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 limit the ability of certain of our subsidiaries to pay dividends. See Liquidity and Capital Resources Liquidity in Item 7 of this report for further information on insurance subsidiary dividends and our debt agreements. Under Delaware law, dividends may be payable only out of surplus, which is calculated as our net assets less our liabilities and our capital, or, if we have no surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

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RECENT SALES OF UNREGISTERED SECURITIES

On August 5, 2013, in connection with its formation and initial capitalization, Springleaf Holdings, LLC, the predecessor entity of SHI, issued 100 common interests to AGF Holding Inc., the predecessor entity of Springleaf Financial Holdings, LLC, for an aggregate purchase price of $1,000. On September 30, 2013, Springleaf Holdings, LLC granted restricted stock units relating to a total of 8.203125 of its common interests to two of our executives. This grant was subsequently amended on October 8, 2013 to reduce the number of RSUs granted to the executives by 0.859375 RSUs and to grant these units to a certain management employee. These RSUs were converted into the right to receive a total of 8.203125% of the outstanding shares of our common stock after we converted from Springleaf Holdings, LLC into a corporation and were renamed Springleaf Holdings, Inc. on October 9, 2013. These transactions were exempt from registration pursuant to Section 4(a)(2) of the Securities Act.

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, 2013. This data assumes an investment in one share on October 16, 2013.

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Item 6. Selected Financial Data.

As a result of the Fortress Acquisition which was completed on November 30, 2010, 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, 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, 2012, and 2013 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.

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. In addition to the revisions to the consolidated financial statements disclosed in Note 24 of the Notes to Consolidated Financial Statements in Item 8, we have revised the amounts previously reported in the following table of selected financial data at December 31, 2011, at or for the one month ended December 31, 2010, for the eleven months ended November 30, 2010, and at or for the year ended December 31, 2009. The primary impacts of the revisions on these periods were as follows:

- bargain purchase gain and interest expense previously reported for the one month ended December 31, 2010 increased by $2.1 million and $1.6 million, respectively;
- investment revenues previously reported for the eleven months ended November 30, 2010 increased by $3.4 million; and

- net gain (loss) on fair value adjustments on debt and investment revenues previously reported for 2009 decreased by $159.7 million and $5.3 million, respectively.

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Bargain purchase gain is included in net income in the following table, and its revision primarily reflects the correction of the fair value adjustment on our policy reserves and the elimination of a deferred tax asset. Investment revenues and net gain (loss) on fair value adjustments on debt are included in other revenues in the following table, and the related revisions reflect the change in fair value on our investment securities and long-term debt with embedded derivatives. The revisions to periods prior to the Fortress Acquisition were made on a historical basis of accounting.

[redacted]

Consolidated Statement of Operations Data:						
Interest income	**$ 2,154,078**	$ 1,714,813	$ 1,871,229	$ 181,227	$ 1,688,720	$ 2,133,968
Interest expense	**919,749**	1,075,205	1,284,773	120,328	996,469	1,091,163
Provision for finance receivable losses	**527,661**	341,578	329,675	38,710	444,349	1,275,546
Other revenues	**153,060**	97,343	141,505	31,937	227,263	(38,032)
Other expenses	**782,171**	700,741	758,424	61,976	737,052	802,829
Income (loss) before benefit from income taxes	**77,557**	(305,368)	(360,138)	1,463,458	(261,887)	(1,073,602)
Net income (loss)	**93,742**	(217,697)	(241,733)	1,465,421(a)	(11,190)	(642,087)
Net income attributable to non-controlling interests	**113,043**					
Net income (loss) attributable to Springleaf	**(19,301)**	(217,697)	(241,733)	1,465,421	(11,190)	(642,087)
Earnings (loss) per share of Springleaf:						
Basic and diluted	**$ (0.19)**	$ (2.18)	$ (2.42)	$ 14.65	$ (0.11)	$ (6.42)
Consolidated Balance Sheet Data:						
Net finance receivables, less allowance for finance receivable losses	**$ 13,424,988**	$ 11,627,339	$ 13,087,563	$ 14,352,474	N/A(b)	$ 17,306,700
Total assets	**15,402,686**	14,666,620	15,510,806	18,288,041	N/A(b)	22,812,952
Long-term debt	**12,769,036**	12,620,853	13,087,649	15,169,946	N/A(b)	17,903,052
Total liabilities	**13,516,058**	13,485,698	14,165,867	16,676,855	N/A(b)	21,043,880
Springleaf shareholders equity	**1,540,020**	1,180,922	1,344,939	1,611,186	N/A(b)	1,769,072
Non-controlling interests	**346,608**				N/A(b)	
Total shareholders equity	**1,886,628**	1,180,922	1,344,939	1,611,186	N/A(b)	1,769,072
Other Operating Data:						
Ratio of earnings to fixed charges	**1.08**	N/A(c)	N/A(c)	N/M(d)	N/A(c)	N/A(c)
Historical Accounting Basis Data (e):						
Loss before provision for (benefit from) income taxes attributable to Springleaf	**$ (17,983)**	$ (46,449)	$ (94,301)	$ (173,496)	$ (261,887)	$ (1,073,602)

(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.

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(c) Earnings did not cover total fixed charges by $305.4 million in 2012, $360.1 million in 2011, $261.9 million during the eleven months ended November 30, 2010, and $1.1 billion in 2009.

(d) Not meaningful.

(e) The historical accounting basis uses the same accounting basis that we employed prior to the Fortress Acquisition, which is a basis of accounting other than generally accepted accounting principles in the United States of America (U.S. GAAP).

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

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

An index to our management s discussion and analysis follows:

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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 over 830 branch offices in 26 states and on a centralized basis as part of our iLoan division. Through two insurance subsidiaries, we write credit and non-credit insurance policies covering our customers and the property pledged as collateral for our loans. We also pursue strategic acquisitions of loan portfolios. As part of this strategy, in April 2013 we acquired from HSBC a $3.9 billion unpaid principal balance (UPB) consumer loan portfolio through a joint venture in which we own a 47% equity interest.

At December 31, 2013, we had four business segments: Consumer, Insurance, Acquisitions and Servicing, and Real Estate. See Note 1 of the Notes to Consolidated Financial Statements in Item 8 for a description of our segments.

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OUR PRODUCTS

Our core product offerings include:

- ***Personal Loans*** We offer personal loans through our branch network and over the internet through our iLoan division 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 four years. At December 31, 2013, we had nearly 843,000 personal loans, representing $3.2 billion of net finance receivables, of which $1.4 billion, or 44%, was secured by collateral consisting of titled personal property (such as automobiles), $1.3 billion, or 40%, was secured by consumer household goods or other items of personal property, and the remainder was unsecured.

- ***SpringCastlePortfolio*** We acquired the SpringCastle Portfolio from HSBC on April 1, 2013 through a newly formed 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, 2013, the SpringCastle Portfolio included over 344,000 of acquired loans, representing $2.5 billion in net finance receivables.

- ***Insurance Products*** We offer our customers credit insurance (life insurance, accident and health insurance, and involuntary unemployment insurance), non-credit insurance, and ancillary products, such as warranty protection, through both our branch operations and our iLoan division. Credit insurance and non-credit insurance products are provided by our subsidiaries, Merit and Yosemite. The ancillary products are home security and auto security membership plans and home appliance service contracts of unaffiliated companies.

Our legacy products include:

- ***Real Estate Loans*** We ceased real estate lending in January 2012. These 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.

- ***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:

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Net Interest Income

We track the spread between the interest income earned on our loans 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.

2013 Initiatives

In October 2013, Springleaf became a public company listed on the NYSE. In January 2013, we expanded our business model and began originating personal loans on a centralized basis through our iLoan division. In April 2013, we built up our loan portfolio beyond our branch and internet businesses by acquiring over 415,000 new customer accounts from HSBC through a newly formed joint venture. To complement our Evansville, Indiana servicing operations, we added two servicing facilities in 2013 and welcomed over 400 new employees to our Springleaf Servicing Solutions division.

In February 2013, we demonstrated the ability to attract capital markets funding for our personal loans by completing our first securitization of personal loans, a first for our industry in 15 years. During 2013, we continued to replace our maturing unsecured debt with lower-cost, non-recourse securitization debt backed by our legacy real estate loan portfolio by effecting three mortgage loan securitizations. In May 2013, we re-entered the unsecured debt market, our first unsecured note issuance in six years.

Further information on Springleaf s accomplishments during 2013 are discussed below.

iLOAN DIVISION

Our extensive network of branches and expert personnel is complemented by our iLoan division. Formed at the beginning of 2013, the iLoan division allows us to more effectively process applications from customers within our branch footprint who prefer the convenience of online transactions and to reach customers located outside our branch footprint. During 2013, we expanded our iLoan efforts using e-signature and ACH funding capabilities.

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SPRINGCASTLE PORTFOLIO

On April 1, 2013, we acquired the SpringCastle Portfolio from HSBC for a purchase price of $3.0 billion, through a newly formed joint venture in which we own a 47% equity interest. At the time of purchase, the portfolio consisted of over 415,000 finance receivable accounts with an aggregate UPB of $3.9 billion. The portfolio included both 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).

SPRINGLEAF SERVICING SOLUTIONS

We have expanded our loan servicing capabilities to include centralized servicing of our legacy real estate loans and centralized servicing of acquired loan portfolios, such as the SpringCastle Portfolio, as well as our internet-originated loans.

In September 2013, our Springleaf Servicing Solutions division assumed direct servicing of the SpringCastle Portfolio for which we earn a fee from the joint venture. We believe this servicing capability, in addition to efforts to expand our organic centralized servicing capabilities, will enable us to further improve efficiencies in our servicing operations, improve our ability to make future acquisitions of loan portfolios and attract fee-based servicing opportunities.

SECURITIZATIONS

In February 2013, we demonstrated the ability to attract capital markets funding for our personal loan business by completing our first consumer loan securitization, a first for our industry in 15 years. Subsequent to our inaugural consumer loan securitization, we completed nine additional securitizations in 2013, including two additional consumer loan securitizations effected in June and September 2013, three mortgage loan securitizations effected in April, July, and October 2013, the SpringCastle Portfolio securitization effected in April 2013, and three conduit securitizations effected in the last half of 2013. See Note 11 of the Notes to Consolidated Financial Statements in Item 8 for further information on our securitizations.

SFC S OFFERINGS OF SENIOR NOTES

On May 29, 2013, SFC issued $300 million aggregate principal amount of 6.00% senior notes due 2020.

On September 24, 2013, SFC issued $650 million aggregate principal amount of 7.75% senior notes due 2021 (the 7.75% Senior Notes) and $300 million aggregate principal amount of 8.25% senior notes due 2023 (the 8.25% Senior Notes). SFC issued $500 million aggregate principal amount of the 7.75% Senior Notes and $200 million aggregate principal amount of the 8.25% Senior Notes in exchange for $700 million aggregate principal amount of SFC s outstanding 6.90% medium term notes due 2017. SFC used a portion of the proceeds from this offering to repurchase $183.7 million aggregate principal amount of its 6.90% medium term notes due 2017.

REPAYMENTS OF LONG-TERM DEBT

In 2013, we repaid $6.4 billion of long-term debt consisting of $3.0 billion of the secured term loan (net of the New Loan Tranche of $750.0 million), $1.7 billion of securitizations, $848.3 million (668.5 million) of Euro denominated notes, $689.7 million of medium-term notes (net of $700.0 million exchange of SFC s medium-term notes discussed above), and $159.5 million of retail notes.

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INITIAL PUBLIC OFFERING

On October 21, 2013, we completed our initial public offering of common stock. The Company, together with certain selling stockholders, sold 24,201,920 shares (including 3,156,772 shares sold in connection with the exercise by the underwriters of their over-allotment option) of common stock, par value $0.01 per share, at a price of $17.00 per share, less an underwriting discount of $1.105 per share. As a result of the offering, we received net proceeds of $230.8 million, after deducting underwriting discounts and commissions of $15.8 million and additional offering-related expenses of $4.8 million, for total expenses to us of $20.6 million. We used the proceeds of the offering to repay a portion of our indebtedness as well as for other general corporate purposes, including originations of new personal loans, and to satisfy working capital obligations.

2014 Developments and Outlook

SECURITIZATION

On March 26, 2014, we completed a private securitization transaction in which a wholly owned special purpose vehicle of SFC sold $559.3 million of notes backed by personal loans held by Springleaf Funding Trust 2014-A (the 2014-A Trust), at a 2.62% weighted average yield. We sold the asset-backed notes for $559.2 million, after the price discount but before expenses and a $6.4 million interest reserve requirement. We initially retained $32.9 million of the 2014-A Trust s subordinate asset-backed notes.

REPAYMENT OF 2013-BAC TRUST NOTES

On September 25, 2013, we completed a private securitization transaction in which Springleaf Funding Trust 2013-BAC (the 2013-BAC Trust), a wholly owned special purpose vehicle of SFC, issued $500 million of notes backed by an amortizing pool of personal loans acquired from subsidiaries of SFC. On March 27, 2014, we repaid the entire $231.3 million outstanding principal balance of the notes, plus accrued and unpaid interest.

SALE OF 2009-1 RETAINED CERTIFICATES

On July 30, 2009, we completed a private securitization transaction in which a wholly owned special purpose vehicle sold $1.2 billion of certificates backed by real estate loans of the American General Mortgage Loan Trust 2009-1 (the 2009-1 Trust). We initially retained $786.3 million of the 2009-1 Trust s subordinate mortgage-backed certificates (the 2009-1 Retained Certificates).

In February 2014, Third Street Funding LLC, an affiliate of SFC and the owner of the 2009-1 Retained Certificates, offered the Certificates for sale in a competitive auction. On March 6, 2014, Merrill Lynch, Pierce, Fenner and Smith Incorporated (MLPFS) was declared the winning bidder and we entered into an agreement to sell, subject to certain closing conditions, all of our interest in the 2009-1 Retained Certificates to MLPFS for a price of $738.0 million. Concurrently, New Residential Investment Corp. and MLPFS entered into an agreement pursuant to which New Residential Investment Corp. agreed to purchase approximately 75% of the 2009-1 Retained Certificates. New Residential Investment Corp. is managed by an affiliate of Fortress.

On March 31, 2014, we completed the sale of the 2009-1 Retained Certificates, some of which were sold through an unaffiliated initial purchaser pursuant to a separate certificate purchase agreement. The real estate loans included in this transaction had a carrying value of $780.7 million as of December 31, 2013 and are included within net finance receivables. We retained no interest in the certificates issued by, or the real estate loans included in, the 2009-1 Trust. This transaction reflects an acceleration of the

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liquidation of our legacy real estate portfolio, which we plan to effect through continued runoff and opportunistic sales. While we continue to manage the runoff of the portfolio, we will continue to consider opportunistic sales of additional portions of the portfolio as market conditions allow.

SALE OF REAL ESTATE LOANS

On March 7, 2014, we entered into an agreement to sell, subject to certain closing conditions, performing and non-performing real estate loans totaling $70.2 million in carrying value included within net finance receivables as of December 31, 2013. We completed this transaction on March 31, 2014.

PREPAYMENT OF SECURED TERM LOAN

On March 31, 2014, SFFC prepaid, without penalty or premium, the entire $750.0 million outstanding principal balance of the secured term loan, plus accrued and unpaid interest. Effective upon the prepayment, all obligations of SFFC, SFC, and the Subsidiary Guarantors under the secured term loan (other than contingent reimbursement obligations and indemnity obligations) were terminated and all guarantees and security interests were released.

OUTLOOK

Assuming the U.S. economy continues to experience slow to moderate growth, we expect to continue our long history of strong credit performance. During 2012 and much of 2013, we experienced unusually low charge-off ratios as a result of tightening underwriting practices in 2010-2011. The personal loan portfolio typically exhibited charge-off ratios in the range of 4.75-5.75% prior to the start of the recession in 2008. We would expect the charge-off ratios of the personal loan portfolio to return to these levels. 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 banks, thrifts, and credit unions as these institutions have retreated from the non-prime market in the face of regulatory scrutiny and in the aftermath of the housing crisis. This reduction in competition has occurred concurrently with the exit of sub-prime credit card providers from the industry. 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 iLoan division) where 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 as we have discontinued real estate and other product originations both in our branches and in centralized lending.

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 anticipate the credit quality ratios in our real estate loan portfolio will remain under pressure as the portfolio continues to liquidate, however, performance may improve as a result of strengthening home prices as well as increased centralization of real estate loan servicing and the application of analytics to more effectively target portfolio management and collections strategies.

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Prior Period Revisions

In preparing our annual consolidated financial statements for the year ended December 31, 2013, we identified certain out-of-period errors. In addition to these errors, we previously recorded and disclosed out-of-period adjustments in prior reporting periods when the errors were discovered. As a result, we have revised all previously reported periods included in this report. We have corrected the errors identified in the fourth quarter of 2013 and have included these corrections in the appropriate prior periods. Similarly, we have reversed all out-of period adjustments previously recorded and disclosed, and have included the adjustments in the appropriate periods. After evaluating the quantitative and qualitative aspects of these corrections, we have determined that our previous quarterly and annual consolidated financial statements were not materially misstated.

The effect of these revisions decreased net loss by $0.9 million and increased basic and diluted earnings per share by $0.01 in 2012 and increased net loss by $17.6 million and decreased basic and diluted earnings per share by $0.18 in 2011. At September 30, 2013, the cumulative effect of this revision decreased shareholders equity by $16.5 million, increased total assets by $90.1 million, and increased total liabilities by $106.6 million.

See Note 24 of the Notes to Consolidated Financial Statements in Item 8 for further information on the prior period revisions. All prior period data presented in the discussion and analysis of our financial condition and results of operations reflects the revised balances.

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Results of Operations

CONSOLIDATED RESULTS

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

(dollars in thousands except earnings (loss) per share) Years Ended December 31,	2013	2012	2011
Interest income	**$ 2,154,078**	$ 1,714,813	$ 1,871,229
Interest expense	**919,749**	1,075,205	1,284,773
Net interest income	**1,234,329**	639,608	586,456
Provision for finance receivable losses	**527,661**	341,578	329,675
Net interest income after provision for finance receivable losses	**706,668**	298,030	256,781
Other revenues:			
Insurance	**148,179**	126,423	120,190
Investment	**35,132**	35,896	37,659
Net gain (loss) on repurchases and repayments of debt	**(41,716)**	(15,542)	10,673
Net gain (loss) on fair value adjustments on debt	**6,055**	(2,992)	1,372
Other	**5,410**	(46,442)	(28,389)
Total other revenues	**153,060**	97,343	141,505
Other expenses:			
Operating expenses:			
Salaries and benefits	**463,920**	320,164	359,724
Other operating expenses	**253,372**	296,395	343,432
Restructuring expenses		23,503	
Insurance losses and loss adjustment expenses	**64,879**	60,679	55,268
Total other expenses	**782,171**	700,741	758,424
Income (loss) before benefit from income taxes	**77,557**	(305,368)	(360,138)
Benefit from income taxes	**(16,185)**	(87,671)	(118,405)
Net income (loss)	**93,742**	(217,697)	(241,733)
Net income attributable to non-controlling interests	**113,043**		
Net loss attributable to Springleaf	**$ (19,301)**	$ (217,697)	$ (241,733)
Share Data:			
Weighted average number of shares outstanding:			
Basic and diluted	**102,917,172**	100,000,000	100,000,000

Earnings (loss) per share:			
Basic and diluted	**$ (0.19)**	$ (2.18)	**$** (2.42)

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Comparison of Consolidated Results for 2013 and 2012

(dollars in thousands) **Years Ended December 31,**		**2013**		**2012**
Interest income:				
Finance charges	**$**	**2,153,745**	$	1,712,073
Interest income on finance receivables held for sale originated as held for investment		**333**		2,740
Total	**$**	**2,154,078**	$	1,714,813

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 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.

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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 troubled debt restructured (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.

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 increased $26.2 million in 2013 when compared to 2012 primarily due to the repurchases of debt in 2013 at net amounts greater than par compared to the repurchases of debt in 2012 at net amounts less than par, as well as repurchases of debt in 2013 with higher fair value mark losses when compared to 2012.

Net gain (loss) on fair value adjustments on debt increased $9.0 million in 2013 when compared to 2012 reflecting net unrealized gains on long-term debt issuances associated with securitizations that were issued at a discount or revalued at a discount based on its fair value at the time of the Fortress Acquisition, which we record at fair value.

Other revenues other 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 restricted stock units (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)%. 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%.

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Comparison of Consolidated Results for 2012 and 2011

(dollars in thousands) **Years Ended December 31,**		**2012**		**2011**
Interest income:				
Finance charges	$	1,712,073	$	1,871,229
Interest income on finance receivables held for sale originated as held for investment		2,740		
Total	$	1,714,813	$	1,871,229

Finance charges decreased in 2012 when compared to 2011 due to the net of the following:

(dollars in thousands)		
2012 compared to 2011		
Decrease in average net receivables	$	(167,929)
Increase in yield		4,874
Increase in number of days (due to 2012 leap year)		3,899
Total	$	(159,156)

Average net receivables decreased in 2012 when compared to 2011 primarily due to our liquidating real estate loan portfolio as well as the impact of our branch office closings during 2012, which were partially offset by an increase in personal loans average net receivables.

Yield increased in 2012 when compared to 2011 primarily due to a higher proportion of personal loans in our finance receivable portfolio, which have higher yields. This increase was partially offset by the increase in TDR finance receivables and the diminishing impact on yield from the effects of push-down accounting over time.

Interest expense decreased in 2012 when compared to 2011 due to the following:

(dollars in thousands)		
2012 compared to 2011		
Decrease in average debt	$	(127,517)
Decrease in weighted average interest rate		(82,051)
Total	$	(209,568)

Average debt decreased in 2012 when compared to 2011 primarily due to the repayment or repurchase of $3.0 billion of debt at maturity in 2012. The weighted average interest rate on our debt decreased in 2012, when compared to 2011, primarily due to debt repurchases in 2012 resulting in lower accretion of net discount applied to long-term debt from the effects of push-down accounting and the completion of three securitization transactions.

Provision for finance receivable losses increased $11.9 million in 2012 when compared to 2011. While our overall net finance receivables declined by 10.2% and our delinquency and charge-off trends improved in 2012 when compared to 2011, we increased our allowance for finance receivable losses (through the provision for finance receivable losses) by $114.6 million. The increase in the allowance for finance receivable losses during 2012 reflected the additional allowance requirements on our real estate loans deemed to be TDR finance receivables, and on our finance receivables originated, in each case

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subsequent to the Fortress Acquisition. Finance receivables were revalued at the time of the Fortress Acquisition at fair value, resulting in no allowance reserved.

Net loss on repurchases and repayments of debt totaled $15.5 million in 2012 resulting from the repurchases of debt in 2012 at net amounts less than par and with fair value mark losses compared to a net gain on repurchases and repayments of debt of $10.7 million in 2011 resulting from the refinancing of our secured term loan in May 2011.

Net gain (loss) on fair value adjustments on debt decreased $4.4 million in 2012 when compared to 2011 reflecting net unrealized losses on a long-term debt issuance associated with a mortgage securitization that was revalued at a discount based on its fair value at the time of the Fortress Acquisition, which we record at fair value.

Other revenues other decreased $18.1 million in 2012 when compared to 2011 primarily due to unfavorable variances in foreign exchange gains (losses) on Euro denominated debt and related derivative adjustments, partially offset by foreign exchange transaction gains in 2012.

Salaries and benefits decreased $39.6 million in 2012 when compared to 2011 primarily due to having fewer employees in 2012 as a result of the restructuring activities during the first half of 2012.

Other operating expenses decreased $47.0 million in 2012 when compared to 2011 primarily due to fewer branch offices in 2012, lower amortization of other intangible assets resulting from the write off of our United Kingdom subsidiary s trade names and customer relationship intangible assets in fourth quarter 2011 and our United Kingdom subsidiary s customer lists intangible assets in third quarter 2012. These decreases were partially offset by additional expenses recorded in 2012 for refunds to our United Kingdom subsidiary s customers relating to payment protection insurance.

We recorded restructuring expenses of $23.5 million in 2012 due to our branch office closings and workforce reductions, which were instituted as part of a strategic effort to reposition the Company and to renew focus on the personal loan business. See Note 18 of the Notes to Consolidated Financial Statements in Item 8 for further information on the restructuring expenses.

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Reconciliation of Income (Loss) before Benefit from Income Taxes on Push-Down Accounting Basis to Income (Loss) before Provision for (Benefit from) Income Taxes on 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 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,**	**2013**	**2012**	**2011**
Income (loss) before benefit from income taxes - push-down accounting basis	**$ 77,557**	$ (305,368)	$ (360,138)
Interest income adjustments (a)	**(199,650)**	(206,502)	(247,172)
Interest expense adjustments (b)	**137,875**	230,746	350,266
Provision for finance receivable losses adjustments (c)	**22,416**	180,719	79,157
Repurchases and repayments of long-term debt adjustments (d)	**(11,097)**	36,624	(35,100)
Fair value adjustments on debt (e)	**56,369**	13,361	78,552
Amortization of other intangible assets (f)	**5,113**	13,618	41,085
Other (g)	**6,477**	(9,647)	(951)
Income (loss) before provision for (benefit from) income taxes - historical accounting basis	**$ 95,060**	$ (46,449)	$ (94,301)

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

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Components of interest income adjustments consisted of:

(dollars in thousands) **Years Ended December 31,**	**2013**	**2012**	**2011**
Accretion of net discount applied to non-credit impaired net finance receivables	**$ (157,891)**	$ (170,166)	$ (227,334)
Purchased credit impaired finance receivables finance charges	**(57,443)**	(53,096)	(42,921)
Elimination of accretion or amortization of historical unearned points and fees, deferred origination costs, premiums, and discounts	**15,684**	16,760	23,083
Total	**$ (199,650)**	$ (206,502)	$ (247,172)

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

Components of interest expense adjustments were as follows:

(dollars in thousands) **Years Ended December 31,**	**2013**	**2012**	**2011**
Accretion of net discount applied to long-term debt	**$ 178,450**	$ 285,449	$ 403,877
Elimination of accretion or amortization of historical discounts, premiums, commissions, and fees	**(40,575)**	(54,703)	(53,611)
Total	**$ 137,875**	$ 230,746	$ 350,266

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

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

(dollars in thousands) **Years Ended December 31,**	**2013**	**2012**	**2011**
Allowance for finance receivable losses adjustments	**$ 85,904**	$ 279,427	$ 255,631
Net charge-offs	**(63,488)**	(98,708)	(176,474)
Total	**$ 22,416**	$ 180,719	$ 79,157

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

(e) Fair value adjustments on debt reflect differences between historical accounting basis and push-down accounting basis relating to fair value adjustments to long-term debt associated with securitizations that were issued at a discount or revalued at a discount based on its fair value at the time of the Fortress Acquisition.

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

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

At December 31, 2013, the remaining un-accreted push-down basis totaled $631.3 million for net finance receivables, less allowance for finance receivable losses and $733.9 million for long-term debt.

Segment Results

See Note 1 of the Notes to Consolidated Financial Statements in Item 8 for a description of our segments. Management considers Consumer, Insurance, and Acquisitions and Servicing as our Core Consumer Operations and Real Estate as our Non-Core Portfolio. Due to the nature of the Fortress Acquisition, we applied push-down accounting. However, we report the operating results of our Core Consumer Operations, Non-Core Portfolio, and Other using the same accounting basis that we employed prior to the Fortress Acquisition, which we refer to as historical accounting basis, to provide a consistent basis for both management and other interested third parties to better understand the operating results of these segments. The historical accounting basis (which is a basis of accounting other than U.S. GAAP) also provides better comparability of the operating results of these segments to our competitors and other companies in the financial services industry. The historical accounting basis is not applicable to the Acquisitions and Servicing segment since this segment was added effective April 1, 2013 as a result of our co-investment in the SpringCastle Portfolio and therefore, was not affected by the Fortress Acquisition. See Note 22 of the Notes to Consolidated Financial Statements in Item 8 for reconciliations of segment totals to consolidated financial statement amounts.

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

[redacted]

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

CORE CONSUMER OPERATIONS

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

(dollars in thousands)

Years Ended December 31,	**2013**	2012	2011
Interest income	**$ 1,211,036**	$ 585,041	$ 534,861
Interest expense	**220,638**	141,440	125,268
Net interest income	**990,398**	443,601	409,593
Provision for finance receivable losses	**250,288**	90,598	8,607
Net interest income after provision for finance receivable losses	**740,110**	353,003	400,986
Other revenues:			
Insurance	**148,131**	126,423	120,456
Investments	**41,705**	41,418	47,822
Net gain (loss) on repurchases and repayments of debt	**(5,357)**	5,879	(3,275)
Net gain on fair value adjustments on debt	**5,534**		
Other	**43,607**	10,519	(3,366)
Total other revenues	**233,620**	184,239	161,637
Other expenses:			
Operating expenses:			
Salaries and benefits	**270,299**	258,828	273,602
Other operating expenses	**212,942**	120,492	153,905
Restructuring expenses		15,863	
Insurance loss and loss adjustment expenses	**65,783**	62,092	56,490
Total other expenses	**549,024**	457,275	483,997
Pretax operating income	**424,706**	79,967	78,626
Pretax operating income attributable to non-controlling interests	**113,043**		
Pretax operating income attributable to Springleaf	**$ 311,663**	$ 79,967	$ 78,626

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

(dollars in thousands) At or for the Years Ended December 31,	2013	2012	2011
Consumer			
Net finance receivables	**$ 3,140,792**	$ 2,544,614	$ 2,413,881
Number of accounts	**830,513**	729,140	690,509
Average net receivables	**$ 2,793,060**	$ 2,426,968	$ 2,337,210
Yield	**25.84%**	24.10%	22.88%
Gross charge-off ratio (a)	**5.18%**	4.63%	5.09%
Recovery ratio (b)	**(1.66)%**	(0.99)%	(1.14)%
Charge-off ratio (a)(b)	**3.52%**	3.64%	3.95%
Delinquency ratio	**2.60%**	2.75%	2.98%
Origination volume	**$ 3,253,008**	$ 2,465,110	$ 2,258,235
Number of accounts	**790,943**	652,111	604,844
Acquisitions and Servicing			
Net finance receivables	**$ 2,505,349**		
Number of accounts	**344,045**		
Average net receivables	**$ 2,730,979**		
Yield	**23.78%**		
Net charge-off ratio	**6.44%**		
Delinquency ratio	**8.18%**		

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

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

Comparison of Pretax Operating Results for 2013 and 2012

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

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

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

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

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

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

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

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

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

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

Net gain on fair value adjustments on debt Acquisitions and Servicing resulted from the long-term debt associated with the securitization of the SpringCastle Portfolio that was issued at a discount.

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

(dollars in thousands) **Years Ended December 31,**		**2013**		**2012**
Salaries and benefits - Consumer	**$**	**240,893**	$	247,048
Salaries and benefits - Insurance		**15,829**		11,780
Salaries and benefits - Acquisitions and Servicing		**13,577**		
Total	**$**	**270,299**	$	258,828

(dollars in thousands) **Years Ended December 31,**		**2013**		**2012**
Other operating expenses - Consumer	**$**	**118,107**	$	110,386
Other operating expenses - Insurance		**11,193**		10,106
Other operating expenses - Acquisitions and Servicing		**83,642**		
Total	**$**	**212,942**	$	120,492

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

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

Comparison of Pretax Operating Results for 2012 and 2011

Finance charges for Consumer increased $50.2 million in 2012 when compared to 2011 primarily due to increases in yield and average net receivables. Average net receivables increased in 2012 when compared to 2011 due to higher personal loan average net receivables from increased originations of personal loans.

Interest expense for Consumer increased $16.2 million in 2012 when compared to 2011 primarily due to higher unsecured debt interest expense allocated to Consumer reflecting the higher proportion of personal loans allocated to our unsecured debt.

Provision for finance receivable losses for Consumer increased $82.0 million in 2012 when compared to 2011 primarily due to increasing the allowance for finance receivable losses in 2012 as opposed to recording an allowance reduction in 2011. Effective September 30, 2011, we switched from a migration analysis to a roll rate-based model for purposes of computing our allowance for finance receivable losses for our personal loans. While the delinquency and charge-off trends of our personal loans improved in 2012 over 2011, we increased our allowance for finance receivable losses during 2012 due to a 5.4% growth in these finance receivables during 2012.

Insurance revenues increased $6.0 million in 2012 when compared to 2011 primarily due to increases in credit earned premiums reflecting higher originations of personal loans in 2012, partially offset by a decrease in premiums assumed under reinsurance agreements.

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Investment revenues for Insurance decreased $6.4 million in 2012 when compared to 2011 primarily due to decreases in average invested assets and average invested asset yield, partially offset by a favorable variance in net realized gains (losses) on investment securities.

Net gain on repurchases and repayments of debt of $5.9 million in 2012 reflected repurchases of debt in 2012 at net amounts less than par compared to a loss on repurchases and repayments of debt of $3.3 million in 2011 resulting from the refinancing of our secured term loan in May 2011.

Other revenues other for Consumer and Insurance increased $13.9 million in 2012 when compared to 2011 primarily due to foreign exchange transaction gains in 2012, curtailment gain in 2012 as a result of our pension plan freeze, partially offset by unfavorable variances in foreign exchange gains (losses) on Euro denominated debt and related derivative adjustments.

Salaries and benefits for Consumer and Insurance decreased $14.8 million in 2012 when compared to 2011 primarily due to having fewer employees in 2012 as a result of the restructuring activities during the first half of 2012.

Other operating expenses for Consumer and Insurance decreased $33.4 million in 2012 when compared to 2011 primarily due to fewer branch offices in 2012.

We recorded restructuring expenses of $15.9 million during the first half of 2012 in connection with our restructuring activities in 2012.

Insurance losses and loss adjustment expenses increased $5.6 million in 2012 when compared to 2011 primarily due to an unfavorable variance in change in claim reserves.

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

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

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

(dollars in thousands) **Years Ended December 31,**		**2013**		**2012**		**2011**
Income (loss) before provision for (benefit from) income taxes - historical accounting basis	**$**	**95,060**	$	(46,449)	$	(94,301)
Adjustments:						
Pretax operating loss - Non-Core Portfolio Operations		**180,339**		59,200		178,897
Pretax operating (income) loss - Other/non-originating legacy operations		**149,307**		67,218		(5,970)
Restructuring expenses - Core Consumer Operations				15,863		
Net (gain) loss from accelerated repayment/repurchase of debt - Consumer		**5,357**		(5,879)		3,275
Net gain on fair value adjustments on debt - Core Consumer Operations (attributable to SHI)		**(2,601)**				
Impact from change in accounting estimate - Consumer						(39,935)
Pretax operating income attributable to non-controlling interests		**(113,043)**				
Pretax core earnings	**$**	**314,419**	$	89,953	$	41,966

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NON-CORE PORTFOLIO

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

(dollars in thousands) Years Ended December 31,	2013	2012	2011
Interest income	**$ 698,026**	$ 823,173	$ 939,053
Interest expense	**546,266**	669,308	760,620
Net interest income	**151,760**	153,865	178,433
Provision for finance receivable losses	**255,157**	59,601	246,225
Net interest income after provision for finance receivable losses	**(103,397)**	94,264	(67,792)
Other revenues:			
Net gain (loss) on repurchases and repayments of debt	**(46,385)**	13,790	(17,924)
Net gain on fair value adjustments on debt	**56,890**	10,369	79,924
Other	**(4,289)**	(75,088)	(44,142)
Total other revenues	**6,216**	(50,929)	17,858
Other expenses:			
Operating expenses:			
Salaries and benefits	**27,312**	29,680	31,310
Other operating expenses	**55,846**	72,037	97,653
Restructuring expenses		818	
Total other expenses	**83,158**	102,535	128,963
Pretax operating loss	**$ (180,339)**	$ (59,200)	$ (178,897)

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

(dollars in thousands) At or for the Years Ended December 31,	2013	2012	2011
Real estate			
Net finance receivables	**$ 9,335,357**	$ 10,552,557	$ 11,857,850
Number of accounts	**119,483**	135,151	151,731
TDR finance receivables	**$ 3,263,249**	$ 2,772,886	$ 2,299,679
Allowance for finance receivables losses - TDR	**$ 754,912**	$ 639,948	$ 540,740
Provision for finance receivable losses - TDR	**$ 184,354**	$ 158,563	$ 134,229
Average net receivables	**$ 9,932,047**	$ 11,183,176	$ 12,596,103
Yield	**7.03%**	7.34%	7.49%
Loss ratio*	**2.20%**	2.73%	3.22%
Delinquency ratio	**8.04%**	7.78%	8.03%

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

Comparison of Pretax Operating Results for 2013 and 2012

(dollars in thousands) Years Ended December 31,	2013	2012
Interest income:		
Finance charges	**$ 698,026**	$ 820,439
Interest income on finance receivables held for sale originated as held for investment		2,734
Total	**$ 698,026**	$ 823,173

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

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

Provision for finance receivable losses increased $195.6 million in 2013 when compared to 2012. In September 2012, we switched from a migration analysis to a roll rate-based model for purposes of computing our allowance for finance receivable losses for our real estate loans, which resulted in a $144.6

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million decrease in the allowance for finance receivable losses. The increase in provision for finance receivable losses also reflected the additional allowance requirements recorded in 2013 on our real estate loans deemed to be TDR finance receivables subsequent to the Fortress Acquisition compared to reductions to the allowance for finance receivable losses for real estate loans in 2012 primarily due to the cessation of real estate loan originations as of January 1, 2012. These increases were partially offset by $9.1 million of recoveries on charged-off real estate loans resulting from the sale of these loans in June 2013 (net of a $0.8 million adjustment for the subsequent buyback of certain real estate loans) and continued liquidation of the real estate portfolio.

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

Net gain on fair value adjustments on debt increased $46.5 million in 2013 when compared to 2012 reflecting net unrealized gains on a long-term debt issuance associated with a mortgage securitization that was issued at a discount or revalued at a discount based on its fair value at the time of the Fortress Acquisition, which we record at fair value.

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

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

Comparison of Pretax Operating Results for 2012 and 2011

(dollars in thousands) **Years Ended December 31,**		**2012**		**2011**
Interest income:				
Finance charges	$	820,439	$	939,053
Interest income on finance receivables held for sale originated as held for investment		2,734		
Total	$	823,173	$	939,053

Finance charges decreased $118.6 million in 2012 when compared to 2011 primarily due to decreases in average net receivables and yield. Average net receivables decreased in 2012 when compared to 2011 primarily due to the cessation of new originations of real estate loans as of January 1, 2012.

Interest expense decreased $91.3 million in 2012 when compared to 2011 primarily due to lower unsecured debt interest expense allocated to Real Estate. The lower proportion of real estate loans allocated to our unsecured debt reflected Real Estate s utilization of three securitization transactions in 2012 that have lower cost of funds.

Provision for finance receivable losses decreased $186.6 million in 2012 when compared to 2011 due to lower required allowance for finance receivable losses in response to the 11.0% decline in our real estate loans during 2012 and the improved delinquency and charge-off trends of these finance receivables. We switched from a migration analysis to a roll rate-based model for purposes of computing our allowance

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for finance receivable losses for our real estate loans. There was no requirement for further increase to our allowance for finance receivable losses under the new roll rate analysis and after consideration of the improved delinquency and charge-off trends of our real estate loans in 2012 when compared to 2011 and the decline in these finance receivables during 2012.

Net gain on repurchases and repayments of debt of $13.8 million in 2012 reflected repurchases of debt in 2012 at net amounts less than par compared to a loss on repurchases and repayments of debt of $17.9 million in 2011 resulting from the refinancing of our secured term loan in May 2011.

Net gain on fair value adjustments on debt decreased $69.6 million in 2012 when compared to 2011 reflecting net unrealized losses on a long-term debt issuance associated with a mortgage securitization that was issued at a discount or revalued at a discount based on its fair value at the time of the Fortress Acquisition, which we record at fair value.

Other operating expenses decreased $25.6 million in 2012 when compared to 2011 primarily due to fewer branch offices in 2012 and lower real estate expenses on real estate owned.

We recorded restructuring expenses of $0.8 million in 2012 in connection with our branch office closings and workforce reductions in 2012.

OTHER

Other consists of our other non-originating legacy operations, which are isolated by geographic market and/or distribution channel from our prospective Core Consumer Operations and our Non-Core Portfolio. These operations include our legacy operations in 14 states where we have also ceased branch-based personal lending as a result of our restructuring activities during the first half of 2012, our liquidating retail sales finance portfolio (including our retail sales finance accounts from our dedicated auto finance operation), our lending operations in Puerto Rico and the U.S. Virgin Islands, and the operations of our United Kingdom subsidiary. Other also includes $146.0 million of share-based compensation expense due to the grant of RSUs to certain of our executives and employees in the second half of 2013, which is not considered pertinent in determining segment performance.

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

(dollars in thousands) Years Ended December 31,	2013	2012	2011
Interest income	**$ 45,366**	$ 100,097	$ 150,143
Interest expense	**14,970**	33,711	48,619
Net interest income	**30,396**	66,386	101,524
Provision for finance receivable losses	**(200)**	10,660	(4,314)
Net interest income after provision for finance receivable losses	**30,596**	55,726	105,838
Other revenues:			
Insurance	**80**	108	111
Investments	**1,521**	4,758	1,161
Net gain (loss) on repurchases and repayments of debt	**(1,071)**	1,413	(3,228)
Other	**(2,330)**	3,911	14,056
Total other revenues	**(1,800)**	10,190	12,100
Other expenses:			
Operating expenses:			
Salaries and benefits*	**166,507**	32,186	55,186
Other operating expenses	**11,596**	94,126	56,782
Restructuring expenses		6,822	
Total other expenses	**178,103**	133,134	111,968
Pretax operating income (loss)	**$ (149,307)**	$ (67,218)	$ 5,970

* Salaries and benefits in 2013 include $146.0 million of share-based compensation expense due to the grant of RSUs to certain of our executives and employees in the second half of 2013.

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

(dollars in thousands) December 31,	2013	2012	2011
Net finance receivables:			
Personal loans	**$ 38,149**	$ 122,417	$ 310,514
Real estate loans	**7,456**	8,570	130,248
Retail sales finance	**103,037**	217,092	390,528
Total	**$ 148,642**	$ 348,079	$ 831,290

On December 20, 2013, we sold personal loans totaling $18.3 million (on a historical accounting basis) from our lending operations in Puerto Rico. Pursuant to an interim servicing agreement, we will continue to service these loans and perform collection services prior to the servicing transfer date, which we anticipate to be in March 2014.

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Credit Quality

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

As a result of the Fortress Acquisition, we applied push-down accounting and adjusted the carrying value of our finance receivables (the FA Loans) to their fair value on November 30, 2010. For purchased finance receivables, such as the SpringCastle Portfolio (SCP Loans), we also record these loans at fair value on the day of purchase.

Carrying value of finance receivables includes accrued finance charges, unamortized deferred origination costs and unamortized net premiums and discounts on purchased finance receivables. We record an allowance for loan losses to cover expected losses on our finance receivables.

For both the FA Loans and SCP Loans, we segregate between those considered to be performing (FA Performing Loans and SCP Performing Loans, respectively) and those for which it was determined it was probable that we would be unable to collect all contractually required payments (FA Credit Impaired Loans and SCP Credit Impaired Loans, respectively). For the FA Performing Loans and the SCP Performing Loans, we accrete the purchase discount to contractual cash flows over the remaining life of the loan to finance charges. For the FA Credit Impaired Loans and SCP Credit Impaired Loans, we record the expected credit loss at purchase and recognize finance charges on the expected effective yield.

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FINANCE RECEIVABLES

Net finance receivables by originated before and after the Fortress Acquisition and the related allowance for finance receivable losses were as follows:

(dollars in thousands) December 31,	2013	2012
Personal Loans		
FA Performing Loans at Fortress Acquisition	**$ 168,386**	$ 336,141
Originated after Fortress Acquisition	**3,003,318**	2,313,591
Allowance for finance receivable losses	**(94,880)**	(66,580)
Personal loans, less allowance for finance receivable losses	**3,076,824**	2,583,152
SpringCastle Portfolio		
SCP Performing Loans	**1,975,023**	
SCP Credit Impaired Loans	**530,326**	
Allowance for finance receivable losses	**(1,056)**	
SpringCastle Portfolio, less allowance for finance receivable losses	**2,504,293**	
Real Estate Loans		
FA Performing Loans at Fortress Acquisition	**6,597,300**	7,463,046
FA Credit Impaired Loans	**1,314,381**	1,398,767
Originated after Fortress Acquisition*	**70,668**	90,090
Allowance for finance receivable losses	**(235,549)**	(113,813)
Real estate loans, less allowance for finance receivable losses	**7,746,800**	8,838,090
Retail Sales Finance		
FA Performing Loans at Fortress Acquisition	**63,158**	126,558
Originated after Fortress Acquisition	**35,753**	81,799
Allowance for finance receivable losses	**(1,840)**	(2,260)
Retail sales finance, less allowance for finance receivable losses	**97,071**	206,097
Total net finance receivables, less allowance	**$ 13,424,988**	$ 11,627,339
Allowance for finance receivable losses as a percentage of finance receivables		
Personal loans	**2.99%**	2.51%
SpringCastle Portfolio	**0.04%**	
Real estate loans	**2.95%**	1.27%
Retail sales finance	**1.86%**	1.08%

* Real estate loan originations in 2013 and 2012 were from advances on home equity lines of credit.

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We consider the delinquency status of the finance receivable as our primary credit quality indicator. We monitor delinquency trends to manage our exposure to credit risk. We consider finance receivables 60 days or more past due as delinquent and consider the likelihood of collection to decrease at such time.

The following is a summary of net finance receivables by type by days delinquent:

(dollars in thousands)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Retail Sales Finance	Total
December 31, 2013					
Net finance receivables:					
60-89 days past due	**$ 28,504**	**$ 60,669**	**$ 97,567**	**$ 1,290**	**$ 188,030**
90-119 days past due	**22,804**	**47,689**	**68,190**	**1,017**	**139,700**
120-149 days past due	**18,780**	**33,671**	**55,222**	**757**	**108,430**
150-179 days past due	**14,689**	**26,828**	**45,158**	**740**	**87,415**
180 days or more past due	**938**	**3,579**	**356,766**	**173**	**361,456**
Total delinquent finance receivables	**85,715**	**172,436**	**622,903**	**3,977**	**885,031**
Current	**3,038,307**	**2,232,965**	**7,183,437**	**92,093**	**12,546,802**
30-59 days past due	**47,682**	**99,948**	**176,009**	**2,841**	**326,480**
Total	**$ 3,171,704**	**$ 2,505,349**	**$ 7,982,349**	**$ 98,911**	**$ 13,758,313**
December 31, 2012					
Net finance receivables:					
60-89 days past due	$ 21,683	$	$ 99,956	$ 2,107	$ 123,746
90-119 days past due	17,538		73,803	1,416	92,757
120-149 days past due	14,050		58,364	1,171	73,585
150-179 days past due	9,613		45,648	743	56,004
180 days or more past due	12,107		382,562	331	395,000
Total delinquent finance receivables	74,991		660,333	5,768	741,092
Current	2,534,960		8,094,459	197,392	10,826,811
30-59 days past due	39,781		197,111	5,197	242,089
Total	$ 2,649,732	$	$ 8,951,903	$ 208,357	$ 11,809,992

TROUBLED DEBT RESTRUCTURING

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

Information regarding TDR finance receivables were as follows:

(dollars in thousands) December 31,	2013	2012
TDR net finance receivables	$ 1,380,223	$ 834,979
Allowance for TDR finance receivable losses	$ 176,455	$ 94,855
Allowance as a percentage of TDR net finance receivables	12.78%	11.36%
Number of TDR accounts	14,609	8,054

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Net finance receivables that were modified as TDR finance receivables within the previous 12 months and for which there was a default during the period were as follows:

(dollars in thousands) Years Ended December 31,	2013	2012	2011
Real Estate Loans			
Number of TDR accounts	**929**	594	188
TDR net finance receivables*	**$ 68,901**	$ 66,096	$ 19,941

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

We may make modifications to loans in our newly acquired SpringCastle Portfolio to assist borrowers in avoiding default and to mitigate the risk of loss. When we modify a loan s contractual terms for economic or other reasons related to the borrower s financial difficulties and grant a concession that we would not otherwise consider, we classify that loan as a TDR finance receivable. We restructure finance receivables only if we believe the customer has the ability to pay under the restructured terms for the foreseeable future. There were no SpringCastle Portfolio TDR accounts as of the April 1, 2013 acquisition date as any account deemed as a TDR under our policy was categorized as a purchased credit impaired finance receivables. The amount of SpringCastle Portfolio loans that has been classified as a TDR finance receivable subsequent to the acquisition date is less than $0.2 million and has not yet reached a significant level for detailed disclosure.

Liquidity and Capital Resources

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

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

Our insurance subsidiaries maintain reserves as liabilities on the balance sheet to cover future claims for certain insurance products. Claims reserves totaled $67.9 million as of December 31, 2013.

At December 31, 2013, we had $431.4 million of cash and cash equivalents and in 2013 SHI generated a net loss of $19.3 million. Our net cash outflow from operating and investing activities totaled $1.4 billion in 2013 as a result of the purchase of the SpringCastle Portfolio. At December 31, 2013, our scheduled principal and interest payments for 2014 on our existing debt (excluding securitizations) totaled $754.9

million. As of December 31, 2013, we had $1.7 billion UPB of unencumbered personal loans and $1.4 billion UPB of unencumbered real estate loans.

Based on our estimates and taking into account the risks and uncertainties of our plans, we believe that we will have adequate liquidity to finance and operate our businesses and repay our obligations as they become due for at least the next twelve months.

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To reduce the risk associated with unfavorable changes in interest rates on our debt not offset by favorable changes in yield of our finance receivables, we monitor the anticipated cash flows of our assets and liabilities, principally our finance receivables and debt. We have funded finance receivables with a combination of fixed-rate and floating-rate debt and equity and have based the mix of fixed-rate and floating-rate debt issuances, in part, on the nature of the finance receivables being supported. On a historical accounting basis, our floating-rate debt represented 8% of our borrowings at December 31, 2013 and 31% at December 31, 2012 (which included the impact of our remaining interest rate swap agreement).

LIQUIDITY

Operating Activities

Cash from operations increased $447.1 million in 2013 when compared to 2012 primarily due to higher net interest income, lower pension expenses primarily due to the pension plan freeze effective December 31, 2012, and lower occupancy expenses reflecting fewer branch offices in 2013 as a result of the restructuring activities during the first half of 2012. These increases were partially offset by servicing fee expenses for the SpringCastle Portfolio pursuant to an interim servicing agreement that was in place between April 1, 2013 and August 31, 2013, higher professional services expenses, and higher advertising expenses.

Cash from operations increased $56.8 million in 2012 when compared to 2011 primarily due to lower salaries and benefits and other operating expenses reflecting fewer employees and branch offices in 2012 due to the restructuring activities during the first half of 2012, as well as higher net interest income.

Investing Activities

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

Net cash provided by investing activities decreased $89.7 million in 2012 when compared to 2011 primarily due to the settlement of a note receivable from AIG in 2011 and restrictions on cash due to the completion of three securitization transactions during 2012 and the modification of our secured term loan in 2011 combined with an increase in proceeds from net sales of investment securities and sales of finance receivables held for sale in 2012.

Financing Activities

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

Net cash used for financing activities decreased $1.6 billion in 2012 when compared to 2011 primarily due to higher amounts of long-term debt repayments in 2011.

Liquidity Risks and Strategies

We currently have a significant amount of indebtedness in relation to our equity. SFC s credit ratings are non-investment grade, which have a significant impact on our cost of, and access to, capital. This, in turn, negatively affects our ability to manage our liquidity and our ability and cost to refinance our indebtedness.

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

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

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

- maintaining disciplined underwriting standards and pricing for loans we originate or purchase and managing purchases of finance receivables;
- pursuing additional debt financings (including new securitizations and new unsecured debt issuances, debt refinancing transactions and standby funding facilities), or a combination of the foregoing;
- purchasing portions of our outstanding indebtedness through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices, as well as with such consideration, as we or our affiliates may determine; and
- obtaining secured revolving credit facilities to allow us to use excess cash to pay down higher cost debt.

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

OUR INSURANCE SUBSIDIARIES

State law restricts the amounts our insurance subsidiaries, Merit and Yosemite, may pay as dividends without prior notice to, or in some cases approval from, the Indiana Department of Insurance. The maximum amount of dividends that can be paid without prior approval in a 12 month period, measured retrospectively from the date of payment, is the greater of 10% of policyholders surplus as of the prior year-end, or the net gain from operations as of the prior year-end. Our insurance subsidiaries paid $150.0 million of extraordinary dividends during each of the third quarter of 2013 and the second quarter of 2012 upon receiving prior approval and $45.0 million of dividends in the second quarter of 2011 that did not require prior approval. Effective July 31, 2013, Yosemite paid, as an extraordinary dividend to SFC, 100% of the common stock of its wholly owned subsidiary, CommoLoCo, Inc., in the amount of $57.8 million, upon receiving prior approval.

OUR DEBT AGREEMENTS

On December 30, 2013, SHI entered into Guaranty Agreements whereby it agreed to fully and unconditionally guarantee the payment of principal of, premium (if any), and interest on approximately $5.2 billion aggregate principal amount of senior notes on a senior basis and $350.0 million aggregate principal amount of a junior subordinated debenture (collectively, the notes) on a junior subordinated basis issued by SFC. The notes consist of the following: 8.250% Senior Notes due 2023; 7.750% Senior Notes due 2021; 6.00% Senior Notes due 2020; a 60-year junior subordinated debenture; and all senior notes outstanding on December 30, 2013, issued pursuant to the Indenture dated as of May 1, 1999 (the 1999 Indenture), between SFC and Wilmington Trust, National Association (the successor trustee to Citibank N.A.). As of December 30, 2013, approximately $3.9 billion aggregate principal amount of senior notes were outstanding under the 1999 Indenture. The 60-year junior subordinated debenture underlies the trust preferred securities sold by a trust sponsored by SFC. On December 30, 2013, SHI entered into a Trust Guaranty Agreement whereby it agreed to fully and unconditionally guarantee the related payment obligations under the trust preferred securities.

The debt agreements to which SFC and its subsidiaries are a party include customary terms and conditions, including covenants and representations and warranties. These agreements also contain certain restrictions, including restrictions on the ability to create senior liens on property and assets in connection with any new debt financings and restrictions on the intercompany transfer of funds from certain subsidiaries to SFC or SFI, except for those funds needed for debt payments and operating expenses.

With the exception of SFC s junior subordinated debentures and two certain consumer loan securitizations, none of our debt agreements require SFC or any of its subsidiaries to meet or maintain any specific financial targets or ratios.

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

As of December 31, 2013, we were in compliance with all of the covenants under our debt agreements.

Junior Subordinated Debentures

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

The Junior Subordinated Indenture restricts SFC s ability to sell or convey all or substantially all of its assets, unless the transferee assumes SFC s obligations and covenants under the Junior Subordinated Indenture. The Junior Subordinated Indenture provides for customary events of default, including: payment defaults; bankruptcy and insolvency; and upon admission by SFC in writing of its inability to pay its debts generally as they become due or that it has taken corporate action with regard to the commencement of voluntary bankruptcy or insolvency proceedings. In the case of an event of default arising from certain events of bankruptcy or insolvency, all outstanding debentures will become due and payable immediately without further action or notice. If any other event of default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding debentures may declare all the debentures to be due and payable immediately.

Further, pursuant to the terms of the debentures, SFC, upon the occurrence of a mandatory trigger event, is required to defer interest payments to the holders of the debentures (and not make dividend payments to SFI) unless SFC obtains non-debt capital funding in an amount equal to all accrued and unpaid interest on the debentures otherwise payable on the next interest payment date and pays such amount to the holders

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of the debentures. A mandatory trigger event occurs if SFC s (1) tangible equity to tangible managed assets is less than 5.5% or (2) average fixed charge ratio is not more than 1.10x for the trailing four quarters (where the fixed charge ratio equals earnings excluding income taxes, interest expense, extraordinary items, goodwill impairment, and any amounts related to discontinued operations, divided by the sum of interest expense and any preferred dividends).

Based upon SFC s financial results for the twelve months ended September 30, 2013, a mandatory trigger event occurred with respect to the payment due in January 2014 as the average fixed charge ratio was 0.75x. On January 10, 2014, SFC issued one share of SFC common stock to SFI for $10.5 million to satisfy the January 2014 interest payments required by SFC s debentures.

Consumer Loan Securitizations

In connection with the 2013-BAC securitization, SFC is required to maintain a consolidated tangible net worth covenant. At December 31, 2013, SFC is in compliance with this covenant.

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

Secured Term Loan

SFFC, a wholly owned subsidiary of SFC, was party to a secured term loan maturing in 2017 pursuant to a credit agreement among SFFC, SFC, the Subsidiary Guarantors, and a syndicate of lenders, various agents, and Bank of America, N.A, as administrative agent. SFC subsidiaries that borrowed funds through the secured term loan were required to pledge eligible finance receivables or certain other assets to support their borrowings under the secured term loan.

On September 30, 2013, SFC, SFFC, and the Subsidiary Guarantors entered into an incremental facility joinder agreement with Bank of America, N.A., as lender, administrative agent and collateral agent, and established new term loan commitments totaling $750.0 million under the secured term loan (the New Loan Tranche). SFFC remained the borrower of the loans made under the New Loan Tranche. The New Loan Tranche is guaranteed by SFC and by the Subsidiary Guarantors and is secured by the same collateral as, and on a pro rata basis with, the initial loans under the secured term loan.

During 2013, SFFC made prepayments, without penalty or premium, and the initial loans under the secured term loan maturing in 2017 were fully repaid in October 2013. At December 31, 2013, the outstanding principal amount of loans under the New Loan Tranche of the secured term loan maturing in 2019 totaled $750.0 million, which we repaid in March 2014.

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Structured Financings

We execute private securitizations under Rule 144A of the Securities Act. As of December 31, 2013, our structured financings consisted of the following:

(dollars in thousands)	Initial Note Amounts Issued (a)	Initial Collateral Balance	Current Note Amounts Outstanding	Current Collateral Balance (b)	Current Weighted Average Interest Rate	Collateral Type	Revolving Period
Mortgage Securitizations							
AGFMT 2006-1	$ 457,061	$ 473,570	$ 116,580	$ 136,350	5.7500%	Mortgage loans	N/A
AGFMT 2009-1	1,179,513	1,965,856	147,153	967,229	5.7500%	Mortgage loans	N/A
AGFMT 2010-1	716,897	1,002,653	284,168	600,363	5.5293%	Mortgage loans	N/A
SLFMT 2011-1	365,441	496,861	249,504	376,247	4.8581%	Mortgage loans	N/A
SLFMT 2012-1	394,611	473,009	281,869	389,388	4.0243%	Mortgage loans	N/A
SLFMT 2012-2	770,806	970,034	596,431	845,784	3.2742%	Mortgage loans	N/A
SLFMT 2012-3	794,854	1,030,568	642,967	929,604	2.4555%	Mortgage loans	N/A
SLFMT 2013-1	782,489	1,021,846	689,749	953,299	2.2496%	Mortgage loans	N/A
SLFMT 2013-2	756,878	1,137,307	709,631	1,102,832	2.6699%	Mortgage loans	N/A
SLFMT 2013-3	292,978	500,390	286,586	495,617	2.8285%	Mortgage loans	N/A
Consumer Securitizations							
SLFMT 2013-A	567,880	662,247	567,880	662,250	2.7526%	Personal loans	2 years
SLFMT 2013-B	370,170	441,989	370,170	441,992	3.9872%	Personal loans	3 years
SLFMT 2013-BAC	500,000	645,162	351,046	496,207	(c)	Personal loans	N/A
Total mortgage and consumer securitizations	7,949,578	10,821,492	5,293,734	8,397,162			
SpringCastle Securitization							
SCFT 2013-1	2,572,000	3,934,955	2,029,034	3,422,471	3.7958%	Personal and junior mortgage loans	N/A
Total secured structured financings	$ 10,521,578	$ 14,756,447	$ 7,322,768	$ 11,819,633			

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

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

(c) Current weighted average interest for SLFMT 2013-BAC was the average daily one-month LIBOR plus 2.00%.

In addition to the structured financings included in the table above, we completed three conduit securitizations in 2013, as discussed in Note 11 of the Notes to Consolidated Financial Statements in Item 8. At December 31, 2013, there were no amounts drawn under these notes.

Our 2013 securitizations have served to partially replace secured and unsecured debt in our capital structure with more favorable non-recourse funding. Our overall funding costs are positively impacted by our increased usage of securitizations as we typically execute these transactions at interest rates significantly below those of our maturing secured and unsecured debt.

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

Years Ended December 31,	**2013**	**2012**	**2011**
Weighted average interest rate	**5.48%**	6.03%	5.96%

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Contractual Obligations

At December 31, 2013, our material contractual obligations were as follows:

(dollars in thousands)	2014	2015-2016	2017-2018	2019+	Securitizations (a)	Total
Principal maturities on long-term debt:						
Secured term loan	$	$	$	$ 750,000	$	$ 750,000
Securitization debt:						
Real estate					4,004,638	4,004,638
Consumer					1,289,096	1,289,096
SpringCastle Portfolio					2,029,034	2,029,034
Retail notes	356,052	47,254				403,306
Medium-term notes		1,125,000	2,379,337	1,250,000		4,754,337
Junior subordinated debt				350,000		350,000
Total principal maturities	356,052	1,172,254	2,379,337	2,350,000	7,322,768	13,580,411
Interest payments on debt (a) (b)	398,813	711,138	443,200	663,939	1,801,814	4,018,904
Operating leases (c)	25,443	33,401	13,102	2,876		74,822
Total	$ 780,308	$ 1,916,793	$ 2,835,639	$ 3,016,815	$ 9,124,582	$ 17,674,137

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

(b) Future interest payments on floating-rate debt are estimated based upon floating rates in effect at December 31, 2013.

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

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements as defined by SEC rules. We had no off-balance sheet exposure to losses associated with unconsolidated variable interest entities (VIEs) at December 31, 2013 or 2012.

Critical Accounting Policies and Estimates

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

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

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

We believe the amount of the allowance for finance receivable losses is the most significant estimate we make. See Allowance for Finance Receivable Losses below for further discussion of the models and assumptions used to assess the adequacy of the allowance for finance receivable losses.

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ALLOWANCE FOR FINANCE RECEIVABLE LOSSES

We base our allowance for finance receivable losses primarily on historical loss experience using a roll rate-based model applied to our finance receivable portfolios. We switched from the migration analysis to the roll rate-based model effective September 30, 2012 for our retail sales finance and real estate loan portfolios and effective September 30, 2011 for our personal loans. These changes in methodology were considered changes in estimates and incorporated prospectively into our calculation of allowance for finance receivable losses on the respective effective dates. As of September 30, 2012, we recorded an allowance for finance receivable losses for our retail and real estate loans using the roll rate-based model that was $0.7 million higher than the equivalent number produced using migration analysis. As of September 30, 2011, we recorded an allowance for finance receivable losses for our personal loans using the roll-rate based model that was $6.2 million lower than the equivalent number produced using migration analysis. We adopted the roll rate-based model as follows:

In our roll rate-based model, our finance receivable types are stratified by delinquency stages (i.e., current, 1-29 days past due, 30-59 days past due, etc.) and projected forward in one-month increments using historical roll rates. In each month of the simulation, losses on our finance receivable types are captured, and the ending delinquency stratification serves as the beginning point of the next iteration. No new volume is assumed. This process is repeated until the number of iterations equals the loss emergence period (the interval of time between the event which causes a borrower to default on a finance receivable and our recording of the charge- off) for our finance receivable types. As delinquency is a primary input into our roll rate-based model, we inherently consider nonaccrual loans in our estimate of the allowance for finance receivable losses.

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

We based our allowance for finance receivable losses primarily on historical loss experience using migration analysis prior to September 30, 2012 for our retail sales finance and real estate loan portfolios and prior to September 30, 2011 for our personal loans. Our migration analysis utilized a rolling 12 months of historical data that was updated quarterly for our real estate loan and retail sales finance receivable portfolios. The primary inputs for our migration analysis were (1) the related historical finance receivable balances, (2) the historical delinquency, charge-off, recovery and repayment amounts, and (3) the related finance receivable balances in each stage of delinquency (i.e., current, greater than 30 days past due, greater than 60 days past due, etc.). The primary assumptions used in our migration analysis were the weighting of historical data and our estimate of the loss emergence period for the portfolio.

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

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Recent Accounting Pronouncements

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

Seasonality

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

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Glossary of Terms

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

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

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

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

December 31,	**2013**		**2012**	
(dollars in thousands)	**+100 bp**	**-100 bp**	**+100 bp**	**-100 bp**
Assets				
Net finance receivables, less allowance for finance receivable losses	**$ (483,071)**	**$ 525,371**	$ (457,090)	$ 452,130
Fixed-maturity investment securities	**(28,509)**	**28,589**	(21,255)	N/M(a)
Swap agreements			515	(862)
Liabilities				
Long-term debt (b)	**(345,778)**	**252,888**	(305,775)	120,263

(a) Not meaningful since front end treasury rates were well below 100 basis points at December 31, 2012.

(b) Increase in -100 basis points market risk exposure on long-term debt reflected a significant amount of maturities in 2013 that were replaced with new issuances that were more susceptible to price fluctuations.

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

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

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

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Item 8. Financial Statements and Supplementary Data.

An index to our financial statements and supplementary data follows:

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Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income (loss), shareholders equity, and cash flows present fairly, in all material respects, the financial position of Springleaf Holdings, Inc. and its subsidiaries (the Company) at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois

April 15, 2014

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SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(dollars in thousands) December 31,	2013	2012 Revised
Assets		
Cash and cash equivalents	**$ 431,409**	$ 1,554,348
Investment securities	**582,090**	888,577
Net finance receivables:		
Personal loans (includes loans of consolidated VIEs of $1.6 billion in 2013 and $0 in 2012)	**3,171,704**	2,649,732
SpringCastle Portfolio (includes loans of consolidated VIEs of $2.5 billion in 2013 and $0 in 2012)	**2,505,349**	
Real estate loans (includes loans of consolidated VIEs of $5.7 billion in 2013 and $4.1 billion in 2012)	**7,982,349**	8,951,903
Retail sales finance	**98,911**	208,357
Net finance receivables	**13,758,313**	11,809,992
Allowance for finance receivable losses (includes allowance of consolidated VIEs of $180.5 million in 2013 and $15.6 million in 2012)	**(333,325)**	(182,653)
Net finance receivables, less allowance for finance receivable losses	**13,424,988**	11,627,339
Restricted cash (includes restricted cash of consolidated VIEs of $522.8 million in 2013 and $109.0 million in 2012)	**536,005**	157,844
Other assets	**428,194**	438,512
Total assets	**$ 15,402,686**	$ 14,666,620
Liabilities and Shareholders Equity		
Long-term debt (includes debt of consolidated VIEs of $7.3 billion in 2013 and $3.1 billion in 2012)	**$ 12,769,036**	$ 12,620,853
Insurance claims and policyholder liabilities	**394,168**	365,238
Deferred and accrued taxes	**145,520**	271,796
Other liabilities	**207,334**	227,811
Total liabilities	**13,516,058**	13,485,698
Shareholders equity:		
Common stock	**1,148**	1,000
Additional paid-in capital	**524,087**	147,459
Accumulated other comprehensive income	**28,095**	26,472
Retained earnings	**986,690**	1,005,991
Springleaf Holdings, Inc. shareholders equity	**1,540,020**	1,180,922
Non-controlling interests	**346,608**	
Total shareholders equity	**1,886,628**	1,180,922
Total liabilities and shareholders equity	**$ 15,402,686**	$ 14,666,620

See Notes to Consolidated Financial Statements.

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SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(dollars in thousands except earnings (loss) per share) Years Ended December 31,	2013	2012 Revised	2011 Revised
Interest income	**$ 2,154,078**	$ 1,714,813	$ 1,871,229
Interest expense	**919,749**	1,075,205	1,284,773
Net interest income	**1,234,329**	639,608	586,456
Provision for finance receivable losses	**527,661**	341,578	329,675
Net interest income after provision for finance receivable losses	**706,668**	298,030	256,781
Other revenues:			
Insurance	**148,179**	126,423	120,190
Investment	**35,132**	35,896	37,659
Net gain (loss) on repurchases and repayments of debt	**(41,716)**	(15,542)	10,673
Net gain (loss) on fair value adjustments on debt	**6,055**	(2,992)	1,372
Other	**5,410**	(46,442)	(28,389)
Total other revenues	**153,060**	97,343	141,505
Other expenses:			
Operating expenses:			
Salaries and benefits	**463,920**	320,164	359,724
Other operating expenses	**253,372**	296,395	343,432
Restructuring expenses		23,503	
Insurance losses and loss adjustment expenses	**64,879**	60,679	55,268
Total other expenses	**782,171**	700,741	758,424
Income (loss) before benefit from income taxes	**77,557**	(305,368)	(360,138)
Benefit from income taxes	**(16,185)**	(87,671)	(118,405)
Net income (loss)	**93,742**	(217,697)	(241,733)
Net income attributable to non-controlling interests	**113,043**		
Net loss attributable to Springleaf Holdings, Inc.	**$ (19,301)**	$ (217,697)	**$** (241,733)
Share Data:			
Weighted average number of shares outstanding:			
Basic and diluted	**102,917,172**	100,000,000	100,000,000
Earnings (loss) per share:			
Basic and diluted	**$ (0.19)**	$ (2.18)	**$** (2.42)

See Notes to Consolidated Financial Statements.

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SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

(dollars in thousands) Years Ended December 31,	2013	2012 Revised	2011 Revised
Net income (loss)	**$ 93,742**	$ (217,697)	$ (241,733)
Other comprehensive income (loss):			
Net unrealized gains (losses) on:			
Investment securities on which other-than- temporary impairments were taken	**(78)**	475	74
All other investment securities	**(12,156)**	13,300	11,878
Cash flow hedges		(16,987)	31,793
Retirement plan liabilities adjustments	**17,731**	67,019	(54,988)
Foreign currency translation adjustments	**(547)**	3,975	(234)
Income tax effect:			
Net unrealized (gains) losses on:			
Investment securities on which other-than- temporary impairments were taken	**27**	(166)	(26)
All other investment securities	**4,260**	(4,661)	(4,157)
Cash flow hedges		5,945	(11,128)
Retirement plan liabilities adjustments	**(5,698)**	(23,678)	19,342
Other comprehensive income (loss), net of tax, before reclassification adjustments	**3,539**	45,222	(7,446)
Reclassification adjustments included in net income (loss):			
Net realized (gains) losses on investment securities	**(2,788)**	2,507	471
Cash flow hedges	**(160)**	10,504	(26,730)
Income tax effect:			
Net realized gains (losses) on investment securities	**976**	(877)	(165)
Cash flow hedges	**56**	(3,676)	9,356
Reclassification adjustments included in net income (loss), net of tax	**(1,916)**	8,458	(17,068)
Other comprehensive income (loss), net of tax	**1,623**	53,680	(24,514)
Comprehensive income (loss)	**95,365**	(164,017)	(266,247)
Comprehensive income attributable to non-controlling interests	**113,043**		
Comprehensive loss attributable to Springleaf Holdings, Inc.	**$ (17,678)**	$ (164,017)	$ (266,247)

See Notes to Consolidated Financial Statements.

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SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders Equity

	Springleaf Holdings, Inc. Shareholders Equity						
(dollars in thousands)	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Springleaf Holdings, Inc. Shareholders Equity	Non-controlling Interests	Total Shareholders Equity
Balance, January 1, 2013 - Revised	$ 1,000	$ 147,459	$ 26,472	$ 1,005,991	$ 1,180,922	$	$ 1,180,922
Sale of common stock	148	251,256			251,404		251,404
Share-based compensation expense, net of forfeitures		145,988			145,988		145,988
Underwriting discount and offering expenses		(20,616)			(20,616)		(20,616)
Changes in non-controlling interests:							
Contributions from joint venture partners							