

Springleaf Holdings, Inc.
Form 10-Q
August 06, 2015

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

OR

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

For the transition period from to

Commission file number 001-36129

SPRINGLEAF HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

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

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

47708
(Zip Code)

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

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

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

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

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

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

At August 3, 2015, there were 134,482,414 shares of the registrant’s common stock, \$0.01 par value, outstanding.

Table of Contents

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

<u>Item 1.</u>	<u>Financial Statements (Unaudited)</u>	
	<u>Condensed Consolidated Balance Sheets</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Operations</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>5</u>
	<u>Condensed Consolidated Statements of Shareholders' Equity</u>	<u>6</u>
	<u>Condensed Consolidated Statements of Cash Flows</u>	<u>7</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>8</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>49</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>78</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>78</u>

PART II — OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>79</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>79</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>79</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	<u>79</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>79</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>79</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>79</u>

Table of Contents

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)

(dollars in millions)	June 30, 2015	December 31, 2014
Assets		
Cash and cash equivalents	\$3,594	\$879
Investment securities	2,271	2,935
Net finance receivables:		
Personal loans (includes loans of consolidated VIEs of \$3.1 billion in 2015 and \$1.9 billion in 2014)	4,300	3,831
SpringCastle Portfolio (includes loans of consolidated VIEs of \$1.8 billion in 2015 and \$2.0 billion in 2014)	1,764	1,979
Real estate loans	573	625
Retail sales finance	33	48
Net finance receivables	6,670	6,483
Allowance for finance receivable losses (includes allowance of consolidated VIEs of \$120 million in 2015 and \$72 million in 2014)	(180)	(176)
Net finance receivables, less allowance for finance receivable losses	6,490	6,307
Finance receivables held for sale	193	205
Restricted cash and cash equivalents (includes restricted cash and cash equivalents of consolidated VIEs of \$320 million in 2015 and \$210 million in 2014)	333	218
Other assets	427	485
Total assets	\$13,308	\$11,029
Liabilities and Shareholders' Equity		
Long-term debt (includes debt of consolidated VIEs of \$4.9 billion in 2015 and \$3.6 billion in 2014)	\$9,676	\$8,356
Insurance claims and policyholder liabilities	458	446
Deferred and accrued taxes	116	152
Other liabilities	227	238
Total liabilities	10,477	9,192
Commitments and contingent liabilities (Note 14)		
Shareholders' equity:		
Common stock, par value \$.01 per share; 2,000,000,000 shares authorized, 134,482,414 and 114,832,895 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	1	1
Additional paid-in capital	1,522	529
Accumulated other comprehensive income (loss)	(7)	3
Retained earnings	1,480	1,492

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Springleaf Holdings, Inc. shareholders' equity	2,996	2,025	
Non-controlling interests	(165) (188)
Total shareholders' equity	2,831	1,837	
Total liabilities and shareholders' equity	\$13,308	\$11,029	

See Notes to Condensed Consolidated Financial Statements.

3

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

(dollars in millions except earnings (loss) per share)	Three Months Ended June		Six Months Ended June 30,	
	30, 2015	2014	2015	2014
Interest income:				
Finance charges	\$408	\$530	\$810	\$1,078
Finance receivables held for sale originated as held for investment	5	3	9	7
Total interest income	413	533	819	1,085
Interest expense	171	192	329	397
Net interest income	242	341	490	688
Provision for finance receivable losses	80	115	167	276
Net interest income after provision for finance receivable losses	162	226	323	412
Other revenues:				
Insurance	40	43	76	81
Investment	16	10	33	20
Net loss on repurchases and repayments of debt	—	—	—	(7)
Net gain (loss) on fair value adjustments on debt	—	1	—	(16)
Net gain on sales of real estate loans and related trust assets	—	35	—	90
Other	—	3	(2)	5
Total other revenues	56	92	107	173
Other expenses:				
Operating expenses:				
Salaries and benefits	112	92	205	184
Other operating expenses	75	60	140	118
Insurance losses and loss adjustment expenses	20	19	36	37
Total other expenses	207	171	381	339
Income before provision for (benefit from) income taxes	11	147	49	246
Provision for (benefit from) income taxes	(8)	44	(1)	75
Net income	19	103	50	171
Net income attributable to non-controlling interests	31	31	62	47
Net income (loss) attributable to Springleaf Holdings, Inc.	\$(12)	\$72	\$(12)	\$124

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Share Data:

Weighted average number of shares outstanding:

Basic	127,411,208	114,788,439	121,253,548	114,788,439
Diluted	127,411,208	115,176,021	121,253,548	115,160,440

Earnings (loss) per share:

Basic	\$(0.09	) \$0.63	\$(0.10	) \$1.09
Diluted	\$(0.09	) \$0.63	\$(0.10	) \$1.08

See Notes to Condensed Consolidated Financial Statements.

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

(dollars in millions)	Three Months Ended June		Six Months Ended June 30,		
	30, 2015	2014	2015	2014	
Net income	\$19	\$103	\$50	\$171	
Other comprehensive income (loss):					
Net unrealized gains (losses) on non-credit impaired investment securities	(10	) 9	(5	) 19
Foreign currency translation adjustments	(1) —	—	—	
Income tax effect:					
Net unrealized (gains) losses on non-credit impaired investment securities	4	(3) 2	(7)
Other comprehensive income (loss), net of tax, before reclassification adjustments	(7	) 6	(3	) 12
Reclassification adjustments included in net income:					
Net realized gains on investment securities	(4) (1) (10) (3)
Income tax effect:					
Net realized gains on investment securities	1	—	3	1	
Reclassification adjustments included in net income, net of tax	(3) (1) (7) (2)
Other comprehensive income (loss), net of tax	(10	) 5	(10	) 10
Comprehensive income	9	108	40	181	
Comprehensive income attributable to non-controlling interests	31	31	62	47	
Comprehensive income (loss) attributable to Springleaf Holdings, Inc.	\$(22	) \$77	\$(22	) \$134

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Shareholders' Equity (Unaudited)

(dollars in millions)	Springleaf Holdings, Inc. Shareholders' Equity						
	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Springleaf Holdings, Inc. Shareholders' Equity	Non-controlling Interests	Total Shareholders' Equity
Balance, January 1, 2015	\$1	\$ 529	\$ 3	\$1,492	\$2,025	\$ (188)	\$1,837
Sale of common stock, net of offering costs	—	976	—	—	976	—	976
Non-cash incentive compensation from Initial Stockholder	—	15	—	—	15	—	15
Share-based compensation expense, net of forfeitures	—	4	—	—	4	—	4
Excess tax benefit from share-based compensation	—	2	—	—	2	—	2
Withholding tax on vested RSUs	—	(4)	—	—	(4)	—	(4)
Change in non-controlling interests:							
Distributions declared to joint venture partners	—	—	—	—	—	(39)	(39)
Change in net unrealized losses:							
Investment securities	—	—	(10)	—	(10)	—	(10)
Net income (loss)	—	—	—	(12)	(12)	62	50
Balance, June 30, 2015	\$1	\$ 1,522	\$ (7)	\$1,480	\$2,996	\$ (165)	\$2,831
Balance, January 1, 2014	\$1	\$ 524	\$ 28	\$987	\$1,540	\$ 347	\$1,887
Share-based compensation expense, net of forfeitures	—	4	—	—	4	—	4
Change in non-controlling interests:							
Distributions declared to joint venture partners	—	—	—	—	—	(6)	(6)
Change in net unrealized gains:							
Investment securities	—	—	10	—	10	—	10
Net income	—	—	—	124	124	47	171
Balance, June 30, 2014	\$1	\$ 528	\$ 38	\$1,111	\$1,678	\$ 388	\$2,066

See Notes to Condensed Consolidated Financial Statements.

Table of ContentsSPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)

(dollars in millions)	Six Months Ended June 30,	
	2015	2014
Cash flows from operating activities		
Net income	\$50	\$171
Reconciling adjustments:		
Provision for finance receivable losses	167	276
Depreciation and amortization	41	(14)
Deferred income tax benefit	(30)	(155)
Non-cash incentive compensation from Initial Stockholder	15	—
Net loss on fair value adjustments on debt	—	16
Net gain on sales of real estate loans and related trust assets	—	(90)
Net loss on repurchases and repayments of debt	—	7
Share-based compensation expense, net of forfeitures	4	4
Other	(13)	(1)
Cash flows due to changes in:		
Other assets and other liabilities	(13)	4
Insurance claims and policyholder liabilities	13	18
Taxes receivable and payable	(28)	131
Accrued interest and finance charges	3	(7)
Restricted cash and cash equivalents not reinvested	—	(6)
Net cash provided by operating activities	209	354
Cash flows from investing activities		
Finance receivables originated or purchased, net of deferred origination costs	(1,532)	(1,227)
Principal collections on finance receivables	1,227	1,550
Sales and principal collections on finance receivables held for sale originated as held for investment	74	1,080
Available-for-sale investment securities purchased	(209)	(148)
Trading investment securities purchased	(1,318)	(38)
Available-for-sale investment securities called, sold, and matured	223	117
Trading investment securities called, sold, and matured	1,963	12
Change in restricted cash and cash equivalents	(109)	11
Proceeds from sale of real estate owned	10	41
Other, net	—	(1)
Net cash provided by investing activities	329	1,397
Cash flows from financing activities		
Proceeds from issuance of long-term debt, net of commissions	1,829	673
Proceeds from issuance of common stock, net of offering costs	976	—
Repayment of long-term debt	(591)	(1,959)
Distributions to joint venture partners	(39)	(6)
Excess tax benefit from share-based compensation	2	—
Net cash provided by (used for) financing activities	2,177	(1,292)

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

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(dollars in millions)	Six Months Ended June 30,	
	2015	2014
Effect of exchange rate changes on cash and cash equivalents	—	1
Net change in cash and cash equivalents	2,715	460
Cash and cash equivalents at beginning of period	879	431
Cash and cash equivalents at end of period	\$3,594	\$891
Supplemental non-cash activities		
Transfer of finance receivables to real estate owned	\$5	\$33
Transfer of finance receivables held for investment to finance receivables held for sale (prior to deducting allowance for finance receivable losses)	\$—	\$1,291
Unsettled investment security purchases and sales	\$13	\$—

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

SPRINGLEAF HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

June 30, 2015

1. Business and Basis of Presentation

Springleaf Holdings, Inc. (“SHI” or, collectively with its subsidiaries, whether directly or indirectly owned, “Springleaf,” the “Company,” “we,” “us,” or “our”) is a Delaware corporation, primarily owned by Springleaf Financial Holdings, LLC (the “Initial Stockholder”).

At June 30, 2015, the Initial Stockholder owned approximately 58% of SHI’s common stock. The Initial Stockholder is owned primarily by a private equity fund managed by an affiliate of Fortress Investment Group LLC (“Fortress”) and AIG Capital Corporation, a subsidiary of American International Group, Inc. (“AIG”). As a result of our offering of common stock in May of 2015, the economic interests of Fortress and AIG have been reduced to approximately 55% and 3%, respectively, at June 30, 2015. See Note 2 for further information on this offering.

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 insurance businesses.

BASIS OF PRESENTATION

We prepared our condensed consolidated financial statements using generally accepted accounting principles in the United States of America (“U.S. GAAP”). These statements are unaudited. The year-end condensed balance sheet data was derived from our audited financial statements, but does not include all disclosures required by U.S. GAAP. The statements include the accounts of SHI, its subsidiaries (all of which are wholly owned, except for certain indirect subsidiaries associated with a joint venture in which we own a 47% equity interest), and variable interest entities (“VIEs”) in which we hold a controlling financial interest and for which we are considered to be the primary beneficiary as of the financial statement date.

We eliminated all material intercompany accounts and transactions. We made judgments, estimates, and assumptions that affect amounts reported in our condensed consolidated financial statements and disclosures of contingent assets and liabilities. In management’s opinion, the condensed consolidated financial statements include the normal, recurring adjustments necessary for a fair statement of results. Ultimate results could differ from our estimates. We evaluated the effects of and the need to disclose events that occurred subsequent to the balance sheet date. These statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (“2014 Annual Report on Form 10-K”). We follow the same significant accounting policies for our interim reporting.

To conform to the 2015 presentation, we reclassified certain prior period items as a result of our early adoption of accounting standards update (“ASU”) 2015-03, Interest - Imputation of Interest (“ASU 2015-03”). See Note 3 for further information on the adoption of this ASU.

Prior Period Revisions

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

Table of Contents

During the second quarter of 2015, we identified incorrect allocations of our total assets disclosure within the segment footnote. We have evaluated the impact of these errors and concluded that they were not material to any previously issued financial statements, however, we have corrected the previously disclosed periods in Note 16 of this report. We will also correct the prior period segment disclosures presented in our applicable quarterly and annual reports as follows:

(dollars in millions)	Consumer and Insurance	Real Estate	Other
Assets*			
March 31, 2015	\$5,117	\$3,613	\$1,690
December 31, 2014	4,411	4,116	441
September 30, 2014	4,633	3,745	615
June 30, 2014	4,397	6,688	963
December 31, 2013	4,139	8,650	520

*The revised amounts do not reflect the retrospective reclassifications of our debt issuance costs previously recorded in other assets to long-term debt, as a result of our early adoption of ASU 2015-03.

During the second quarter of 2015, we discovered that we had not charged-off certain bankrupt accounts in our SpringCastle Portfolio and we identified an error in the calculation of the allowance for our TDR personal loans. As a result of these findings, we recorded an out-of-period adjustment in the second quarter of 2015, which increased provision for finance receivable losses by \$8 million, decreased provision for income taxes by \$3 million, and decreased basic and diluted earnings per share each by \$0.03 for the three and six months ended June 30, 2015.

2. Significant Transactions

PENDING ACQUISITION OF ONEMAIN FINANCIAL

On March 2, 2015, SHI entered into a Stock Purchase Agreement (the “Stock Purchase Agreement”) with CitiFinancial Credit Company (“Citigroup”) to acquire OneMain Financial Holdings, LLC (formerly OneMain Financial Holdings, Inc.) (“OneMain”), which we refer to in this report as the “Proposed Acquisition”. The Stock Purchase Agreement provides that, upon the terms and subject to the conditions set forth therein, SHI will purchase from Citigroup all of the equity of OneMain for an aggregate purchase price of \$4.25 billion in cash, which will be adjusted up or down, as applicable, by the amount by which OneMain’s stockholder’s equity as of the closing exceeds or is less than \$1.94 billion. The Proposed Acquisition would bring together two branch-based consumer finance companies, with complementary strategies and locations, focused on the non-prime market in the United States. On a combined basis, Springleaf and OneMain have approximately 2,000 branches, with OneMain’s larger geographic footprint covering 43 states.

The parties’ respective obligations to consummate the Proposed Acquisition are subject to customary closing conditions, including (i) the expiration or early termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended (the “HSR Act”); (ii) receipt of all consents, authorizations or approvals of all state regulatory authorities governing consumer lending and insurance in various states in which OneMain or any of its subsidiaries operates; (iii) the accuracy of the other party’s representations and warranties as of the closing date; and (iv) compliance by the other party with its covenants and agreements contained in the Stock Purchase Agreement (in the case of clauses (iii) and (iv), subject to customary materiality qualifiers). Under the Stock Purchase Agreement, we are required to take all action necessary to resolve any objection that antitrust enforcement authorities may assert with respect to the Proposed Acquisition, provided that we will not be required to commit or agree to divest, license or hold separate assets of the Company and/or OneMain that account for

more than \$677 million in revenue of the Company and/or OneMain, as the case may be, for the twelve months ended December 31, 2014. If the Stock Purchase Agreement is terminated as a result of the failure to obtain antitrust approvals, we will be required to pay Citigroup a termination fee of \$213 million.

Because the Proposed Acquisition is not likely to be a reportable transaction pursuant to the HSR Act, the parties do not plan to file premerger notification forms with the U.S. Department of Justice (the "DOJ") and the Federal Trade Commission, and therefore are likely not subject to a mandatory HSR waiting period. On March 22, 2015, we were notified by the DOJ, Antitrust Division, that they would be reviewing the Proposed Acquisition from an antitrust perspective and we and OneMain subsequently met with, and provided information to, the DOJ staff on a voluntary basis. Thereafter, both parties received a voluntary request for information from the DOJ. On April 28, 2015, the DOJ also issued a Civil Investigative Demand ("CID") to both parties. The voluntary request for information and the CID seek documentary materials and information regarding the

Table of Contents

Proposed Acquisition and the marketplace in which both parties operate. We have responded to the DOJ's request. On June 5, 2015, we, OneMain and the DOJ entered into a timing agreement whereby we and OneMain agreed not to consummate the Proposed Acquisition prior to September 10, 2015, in order to provide the DOJ with a sufficient opportunity to complete its review of the Proposed Acquisition from an antitrust perspective. In addition, we have been contacted by certain state Attorney General's offices, which may seek to coordinate their antitrust review of the Proposed Acquisition with the DOJ.

The review of the Proposed Acquisition from an antitrust perspective has not yet been completed. The DOJ and certain state Attorneys General have expressed to us potential concerns with respect to the Proposed Acquisition. We expect to constructively engage with the DOJ and the states in an attempt to resolve any potential concerns. These discussions could result in a delay in the consummation of the Proposed Acquisition beyond the third quarter.

EQUITY OFFERING

On May 4, 2015, we completed an offering of 27,864,525 shares of common stock, consisting of 19,417,476 shares of common stock offered by us and 8,447,049 shares of common stock offered by the Initial Stockholder. Citigroup Global Markets Inc., Goldman, Sachs & Co., Barclays Capital Inc., and Credit Suisse Securities (USA) LLC acted as joint book-running managers.

The net proceeds from this sale to the Company were approximately \$976 million, after deducting the underwriting discounts and commissions and additional offering-related expenses totaling \$24 million. We intend to use the net proceeds of the offering, together with cash on hand, the proceeds from the sale of investment securities, and other funding options, to fund the Proposed Acquisition and/or for general corporate purposes, which may include debt repurchases and repayments, capital expenditures and other possible acquisitions.

In connection with our initial public offering in October 2013, certain executives of Springleaf received a grant of incentive units in the Initial Stockholder. These incentive units are subject to their continued employment with the Company and provide benefits (in the form of distributions) in the event the Initial Stockholder makes distributions to one or more of its members that exceed certain specified amounts. In connection with the sale of our common stock by the Initial Stockholder, certain of the specified thresholds were satisfied. In accordance with Accounting Standards Codification Topic 710, Compensation-General, we recorded non-cash incentive compensation expense of \$15 million in the second quarter of 2015 related to the incentive units.

3. Recent Accounting Pronouncements

ACCOUNTING PRONOUNCEMENTS RECENTLY ADOPTED

Troubled Debt Restructurings

In January of 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure, which clarifies when an in substance repossession or foreclosure occurs — that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. The ASU requires a creditor to reclassify a collateralized consumer mortgage loan to real estate property upon obtaining legal title to the real estate collateral, or the borrower voluntarily conveying all interest in the real estate property to the lender to satisfy the loan through a deed in lieu of foreclosure or similar legal agreement. The amendments in this ASU became effective prospectively for the Company for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The adoption of this ASU did not have a material effect on our condensed consolidated financial statements.

Table of Contents

Debt Issuance Costs

In April of 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest, which simplifies the presentation of debt issuance costs. Under this standard, debt issuance costs related to a note shall be reported in the balance sheet as a direct reduction from the face amount of that note. The ASU also clarifies that discount, premium or debt issuance costs shall not be classified as a deferred charge or deferred credit. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued and must be applied retrospectively. We elected to early adopt this ASU as of June 30, 2015 and have applied this ASU retrospectively. On June 30, 2015, we reclassified \$32 million of debt issuance costs previously recorded in other assets to long-term debt. After retrospectively applying this new ASU, we also reclassified \$29 million of debt issuance costs as of December 31, 2014 from other assets to long-term debt in our condensed consolidated balance sheet. We will continue to report fees paid to access our conduit facilities in other assets. The adoption of this ASU did not have a material effect on our condensed consolidated financial statements.

Push Down Accounting

In May of 2015, the FASB issued ASU 2015-08, Business Combinations-Pushdown Accounting, to remove Securities and Exchange Commission (the "SEC") staff guidance on pushdown accounting from the Accounting Standards Codification. The SEC staff had previously rescinded its guidance with the issuance of Staff Accounting Bulletin No. 115 when the FASB issued its own pushdown accounting guidance in November 2014. The ASU is effective immediately. The adoption of this ASU did not have a material effect on our condensed consolidated financial statements.

ACCOUNTING PRONOUNCEMENTS TO BE ADOPTED

Revenue from Contracts

In May of 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which provides a consistent revenue accounting model across industries. In July of 2015, the FASB decided to defer the effective date of the new revenue recognition standard by one year, which would result in the ASU becoming effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Many of our revenue sources are not within the scope of this new standard, and we are evaluating whether the adoption of this ASU for those revenue sources that are in scope will have a material effect on our consolidated financial statements.

Consolidation

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

Cloud Computing Software

In April of 2015, the FASB issued ASU 2015-05, Intangibles-Goodwill and Other Internal-Use Software, to provide guidance on a customer's accounting for fees paid in a cloud computing arrangement ("CCA"). Under the new standard, customers will apply the same criteria as vendors to determine whether a CCA contains a software license or is solely a service contract. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. We are currently evaluating the potential impact of adopting this ASU on our consolidated financial statements.

Table of Contents

Fair Value Measurement Disclosures

In May of 2015, the FASB issued ASU 2015-07, Fair Value Measurement, to remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. We have a few investments for which fair value is measured using the net asset value per share practical expedient. However, application of this ASU will not have a material effect on our consolidated financial statements.

Short-Duration Insurance Contracts Disclosures

In May of 2015, the FASB issued ASU 2015-09, Disclosures about Short-Duration Contracts, to address enhanced disclosure requirements for insurers relating to short-duration insurance contract claims and unpaid claims liability rollforward for long and short-duration contracts. The disclosures are intended to provide users of financial statements with more transparent information about an insurance entity's initial claim estimates and subsequent adjustments to those estimates, the methodologies and judgments used to estimate claims, and the timing, frequency, and severity of claims. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. We are currently evaluating the potential impact of adopting the ASU on our consolidated financial statements.

Technical Corrections and Improvements

In June 2015, the FASB issued ASU 2015-10, Technical Corrections and Improvements, to correct differences between original guidance and the Codification, clarify the guidance, correct references and make minor improvements affecting a variety of topics. While most of the amendments are not expected to have a significant effect on practice, some of them could change practice for some entities. The amendments to transition guidance are effective for fiscal years beginning after December 15, 2015; all other changes are effective upon issuance of this ASU. We are currently evaluating the potential impact of this ASU on our consolidated financial statements.

We do not believe that any other recently issued, but not yet effective, accounting pronouncements, if adopted, would have a material impact on our consolidated financial statements or disclosures.

4. Finance Receivables

Our finance receivable types include personal loans, the SpringCastle Portfolio, real estate loans, and retail sales finance as defined below:

Personal loans — are secured by consumer goods, automobiles, or other personal property or are unsecured, typically non-revolving with a fixed-rate and a fixed, original term of two to five years. At June 30, 2015, \$2.3 billion of personal loans, or 53%, were secured by collateral consisting of titled personal property (such as automobiles) and \$2.0 billion, or 47%, were secured by consumer household goods or other items of personal property or were unsecured.

SpringCastle Portfolio — are loans acquired through a joint venture in which we own a 47% equity interest (the "SpringCastle Portfolio"). These loans include unsecured loans and loans secured by subordinate residential real estate mortgages (which we service as unsecured loans due to the fact that the liens are subordinated to superior ranking security interests). The SpringCastle Portfolio includes both closed-end accounts and open-end lines of credit. These

loans are in a liquidating status and vary in substance and form from our originated loans.

Real estate loans — are secured by first or second mortgages on residential real estate, generall