CASH AMERICA INTERNATIONAL INC
Form 10-Q
July 29, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2014

OR

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

For the transition period from to

Commission File Number 1-9733

(Exact name of registrant as specified in its charter)

Texas	75-2018239
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
1600 West 7th Street Fort Worth, Texas	76102
(Address of principal executive offices)	(Zip Code)

(817) 335-1100
(Registrant’s telephone number, including area code)
NONE
(Former name, former address and former fiscal year, if changed since last report)

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

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 þ No ¨

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

Large accelerated filer þ 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 þ

APPLICABLE ONLY TO CORPORATE ISSUERS:

28,887,385 of the Registrants' common shares, $.10 par value, were issued and outstanding as of July 21, 2014.

Table of Contents

CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You should not place undue reliance on these statements. These forward-looking statements give current expectations or forecasts of future events and reflect the views and assumptions of senior management with respect to the business, financial condition, operations and prospects of Cash America International, Inc. and its subsidiaries (collectively, the “Company”). When used in this report, terms such as “believes,” “estimates,” “should,” “could,” “would,” “plans,” “expects,” “intends,” “anticipates,” “may,” “forecast,” “project” expressions or variations as they relate to the Company or its management are intended to identify forward-looking statements. Forward-looking statements address matters that involve risks and uncertainties that are beyond the ability of the Company to control and, in some cases, predict. Accordingly, there are or will be important factors that could cause the Company’s actual results to differ materially from those indicated in these statements. Key factors that could cause the Company’s actual financial results, performance or condition to differ from the expectations expressed or implied in such forward-looking statements include, but are not limited to, the following:

- the effect of and compliance with domestic and foreign pawn, consumer credit, tax and other laws and government rules and regulations applicable to the Company’s business, including changes in such laws, rules and regulations, or changes in the interpretation or enforcement thereof, and the regulatory and examination authority of the Consumer Financial Protection Bureau with respect to providers of consumer financial products and services in the United States and the Financial Conduct Authority in the United Kingdom;
- the effect of and compliance with enforcement actions, orders and agreements issued by applicable regulators, such as a consent order the Company entered into with the Consumer Financial Protection Bureau in November 2013;
- changes in the Company's U.K. business practices as a result of adapting the Company's business in response to the requirements of the Financial Conduct Authority;
- the deterioration of the political, regulatory or economic environment in foreign countries where the Company operates or in the future may operate;
- the Company’s ability to process or collect consumer loans through the Automated Clearing House system;
- risks related to the potential separation of the Company’s online lending business that comprises its E-Commerce Division, Enova International, Inc.;
- the actions of third parties who provide, acquire or offer products and services to, from or for the Company;
- public perception of the Company’s business, including the Company’s consumer loan business and the Company’s business practices;
- the effect of any current or future litigation proceedings and any judicial decisions or rule-making that affects the Company, its products or the legality or enforceability of its arbitration agreements;
- fluctuations, including a sustained decrease, in the price of gold or a deterioration in economic conditions;
- a prolonged interruption in the Company’s operations of its facilities, systems or business functions, including the Company’s information technology and other business systems;
- changes in demand for the Company’s services and changes in competition;
- the Company’s ability to maintain an allowance or liability for estimated losses on consumer loans that are adequate to absorb credit losses;
- the Company’s ability to attract and retain qualified executive officers;
- the Company’s ability to open new locations in accordance with plans or to successfully integrate newly acquired businesses into its operations;
- interest rate and foreign currency exchange rate fluctuations;
- changes in the capital markets, including the debt and equity markets;
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changes in the Company's ability to satisfy the Company's debt obligations or to refinance existing debt obligations or obtain new capital to finance growth;
- cyber-attacks or security breaches;
- acts of God, war or terrorism, pandemics and other events;
- the effect of any of the above changes on the Company's business or the markets in which the Company operates; and
- other risks and uncertainties described in this report or from time to time in the Company's filings with the Securities and Exchange Commission ("SEC").

Table of Contents

The foregoing list of factors is not exhaustive and new factors may emerge or changes to these factors may occur that would impact the Company's business. Additional information regarding these and other factors may be contained in the Company's filings with the SEC, especially on Forms 10-K, 10-Q and 8-K. If one or more events related to these or other risks or uncertainties materialize, or if management's underlying assumptions prove to be incorrect, actual results may differ materially from what the Company anticipates. The Company disclaims any intention or obligation to update or revise any forward-looking statements to reflect events or circumstances occurring after the date of this report. All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements.

Table of Contents

CASH AMERICA INTERNATIONAL, INC.
INDEX TO FORM 10-Q

PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

Table of Contents

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)
(Unaudited)

	June 30, 2014	2013	December 31, 2013
Assets			
Current assets:			
Cash and cash equivalents	$192,915	$124,459	$67,228
Restricted cash	60	—	8,000
Pawn loans	263,668	229,574	261,148
Consumer loans, net	337,961	287,127	358,841
Merchandise held for disposition, net	198,919	155,112	208,899
Pawn loan fees and service charges receivable	51,986	45,566	53,438
Income taxes receivable	17	25,495	9,535
Prepaid expenses and other assets	42,545	30,985	33,655
Deferred tax assets	34,779	43,628	38,800
Total current assets	1,122,850	941,946	1,039,544
Property and equipment, net	255,407	250,842	261,223
Goodwill	706,037	608,242	705,579
Intangible assets, net	49,135	34,067	52,256
Other assets	35,457	21,571	21,129
Total assets	$2,168,886	$1,856,668	$2,079,731
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued expenses	$120,417	$115,591	$140,068
Customer deposits	18,295	12,962	14,803
Income taxes currently payable	—	—	—
Current portion of long-term debt	—	22,606	22,606
Total current liabilities	138,712	151,159	177,477
Deferred tax liabilities	113,157	103,759	101,417
Noncurrent income tax payable	—	36,834	—
Other liabilities	1,268	1,609	1,031
Long-term debt	793,863	547,218	717,383
Total liabilities	$1,047,000	$840,579	$997,308
Equity:			
Cash America International, Inc. equity:			
Common stock, $0.10 par value per share, 80,000,000 shares authorized, 30,235,164 shares issued and outstanding	3,024	3,024	3,024
Additional paid-in capital	86,184	156,349	150,833
Retained earnings	1,082,725	946,483	1,017,981
Accumulated other comprehensive income (loss)	7,998	(362)	4,649
	(58,045)	(89,405)	(94,064)

Treasury shares, at cost (1,382,602 shares, 2,107,082 shares and 2,224,902 shares as of June 30, 2014 and 2013, and as of December 31, 2013, respectively)			
Total equity	1,121,886	1,016,089	1,082,423
Total liabilities and equity	$2,168,886	$1,856,668	$2,079,731

See notes to consolidated financial statements.

1

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenue				
Pawn loan fees and service charges	$80,990	$72,728	$161,177	$148,642
Proceeds from disposition of merchandise	146,772	131,532	323,227	310,249
Consumer loan fees	225,339	202,431	459,521	412,636
Other	1,989	3,689	4,265	6,981
Total Revenue	455,090	410,380	948,190	878,508
Cost of Revenue				
Disposed merchandise	104,510	88,961	229,074	210,296
Consumer loan loss provision	74,689	77,229	148,189	152,081
Total Cost of Revenue	179,199	166,190	377,263	362,377
Net Revenue	275,891	244,190	570,927	516,131
Expenses				
Operations and administration	194,975	176,942	386,561	353,766
Depreciation and amortization	19,497	18,000	38,758	35,531
Total Expenses	214,472	194,942	425,319	389,297
Income from Operations	61,419	49,248	145,608	126,834
Interest expense	(12,828)	(8,903)	(22,896)	(16,348)
Interest income	8	5	18	68
Foreign currency transaction (loss) gain	(179)	65	(280)	(312)
Loss on extinguishment of debt	(15,016)	—	(16,562)	—
Equity in loss of unconsolidated subsidiary	—	(25)	—	(136)
Income before Income Taxes	33,404	40,390	105,888	110,106
Provision for income taxes	12,433	14,946	39,180	40,740
Net Income	20,971	25,444	66,708	69,366
Net income attributable to the noncontrolling interest	—	(312)	—	(308)
Net Income Attributable to Cash America International, Inc.	$20,971	$25,132	$66,708	$69,058
Earnings Per Share:				
Net Income attributable to Cash America International, Inc. common shareholders:				
Basic	$0.73	$0.88	$2.33	$2.39
Diluted	$0.72	$0.81	$2.27	$2.23
Weighted average common shares outstanding:				
Basic	28,823	28,721	28,616	28,910
Diluted	29,256	30,845	29,365	31,023
Dividends declared per common share	$0.035	$0.035	$0.070	$0.070

See notes to consolidated financial statements.

2

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income	$20,971	$25,444	$66,708	$69,366
Other comprehensive gain (loss), net of tax:				
Foreign currency translation gain (loss)[(a)]	2,816	(3,781)	3,349	(3,347)
Marketable securities[(b)]	—	(895)	—	(254)
Total other comprehensive gain (loss), net of tax	$2,816	$(4,676)	$3,349	$(3,601)
Comprehensive income	$23,787	$20,768	$70,057	$65,765
Net income attributable to the noncontrolling interest	—	(312)	—	(308)
Foreign currency translation loss, net of tax, attributable to the noncontrolling interest	—	112	—	111
Comprehensive income attributable to the noncontrolling interest	—	(200)	—	(197)
Comprehensive income attributable to Cash America International, Inc.	$23,787	$20,568	$70,057	$65,568

(a) Net of tax (provision) benefit of $(1,365) and $319 for the three months ended June 30, 2014 and 2013, respectively, and $(1,710) and $1,739 for the six months ended June 30, 2014 and 2013, respectively.
(b) Net of tax benefit of $481 and $136 for the three and six months ended June 30, 2013, respectively.

See notes to consolidated financial statements.
3

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(dollars in thousands, except per share data)
(Unaudited)

	Common Stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury shares, at cost		Total share-holders' equity	Non-controlling interest	Total Equity
	Shares	Amount				Shares	Amount			
Balance as of January 1, 2013	30,235,164	$3,024	$157,613	$879,434	$3,128	(1,351,712)	$(51,304)	$991,895	$(1,275)	$990,62
Shares issued under stock-based plans			(4,833)			124,108	4,833	—		—
Stock-based compensation expense			2,791					2,791		2,791
Income tax benefit from stock-based compensation			569					569		569
Net income attributable to Cash America International, Inc.				69,058				69,058		69,058
Dividends paid				(2,009)				(2,009)		(2,009
Foreign currency translation loss, net of tax					(3,236)			(3,236)	(111)	(3,347
Marketable securities, net of tax					(254)			(254)		(254
Purchases of treasury shares						(879,478)	(42,934)	(42,934)		(42,934
Income from noncontrolling interest								—	308	308
Purchase of noncontrolling interest			209					209	1,078	1,287
	30,235,164	$3,024	$156,349	$946,483	$(362)	(2,107,082)	$(89,405)	$1,016,089	$—	$1,016,(

Balance as of June 30, 2013										
Balance as of January 1, 2014	30,235,164	$3,024	$150,833	$1,017,981	$4,649	(2,224,902)	$(94,064)	$1,082,423	$—	$1,082,4
Shares issued under stock-based plans			(5,652)			130,694	5,652	—		—
Stock-based compensation expense			3,146					3,146		3,146
Reduction in income tax benefit from stock-based compensation			(149)					(149)		(149
Repurchase and conversion of convertible debt			(61,994)			747,085	31,727	(30,267)		(30,267
Net income attributable to Cash America International, Inc.				66,708				66,708		66,708
Dividends paid				(1,964)				(1,964)		(1,964
Foreign currency translation gain, net of tax					3,349			3,349		3,349
Purchases of treasury shares						(35,479)	(1,360)	(1,360)		(1,360
Balance as of June 30, 2014	30,235,164	$3,024	$86,184	$1,082,725	$7,998	(1,382,602)	$(58,045)	$1,121,886	$—	$1,121,8

See notes to consolidated financial statements.
4

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(Unaudited)

	Six Months Ended June 30, 2014	2013
Cash Flows from Operating Activities		
Net Income	$66,708	$69,366
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expenses	38,758	35,531
Amortization of debt discount and issuance costs	2,467	3,055
Consumer loan loss provision	148,189	152,081
Stock-based compensation	3,146	2,791
Deferred income taxes, net	14,207	9,287
Excess income tax benefit from stock-based compensation	—	(569)
Other	4,603	1,954
Changes in operating assets and liabilities, net of assets acquired:		
Merchandise other than forfeited	4,026	9,252
Pawn loan fees and service charges receivable	1,494	3,454
Finance and service charges on consumer loans	4,279	(344)
Restricted cash	7,940	—
Prepaid expenses and other assets	(8,331)	318
Accounts payable and accrued expenses	(18,789)	(6,241)
Current and noncurrent income taxes	9,057	3,380
Other operating assets and liabilities	3,480	1,536
Net cash provided by operating activities	$281,234	$284,851
Cash Flows from Investing Activities		
Pawn loans made	(404,091)	(350,648)
Pawn loans repaid	239,934	219,807
Principal recovered through dispositions of forfeited pawn loans	164,299	146,618
Consumer loans made or purchased	(988,917)	(958,816)
Consumer loans repaid	856,226	806,397
Acquisitions, net of cash acquired	(1,204)	(923)
Purchases of property and equipment	(29,459)	(22,392)
Proceeds from sale of marketable securities	—	6,616
Other investing activities	86	297
Net cash used in investing activities	$(163,126)	$(153,044)
Cash Flows from Financing Activities		
Net payments under bank lines of credit	(193,717)	(301,011)
Issuance of long-term debt	493,810	300,000
Debt issuance costs paid	(16,626)	(9,862)
Payments on/repurchases of notes payable	(276,920)	(9,167)
Excess income tax benefit from stock-based compensation	—	569
Treasury shares purchased	(1,360)	(42,934)
Dividends paid	(1,964)	(2,009)

Purchase of noncontrolling interest	—	(4)
Net cash provided by (used in) financing activities	$3,223	$(64,418)
Effect of exchange rates on cash	$4,356	$(4,304)
Net increase in cash and cash equivalents	125,687	63,085
Cash and cash equivalents at beginning of year	67,228	61,374
Cash and cash equivalents at end of period	$192,915	$124,459
Supplemental Disclosures		
Non-cash investing and financing activities		
Pawn loans forfeited and transferred to merchandise held for disposition	$161,201	$145,986
Pawn loans renewed	$128,590	$127,314
Consumer loans renewed	$193,996	$333,526
Fair value of common shares issued for conversion of convertible debt	$31,727	$—

See notes to consolidated financial statements.

5

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include all of the accounts of Cash America International, Inc. and its subsidiaries (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

The financial statements presented as of June 30, 2014 and 2013 and December 31, 2013 and for the six-month periods ended June 30, 2014 and 2013 are unaudited but, in management's opinion, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for such interim periods. The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America ("GAAP"). Operating results for the three- and six-month periods are not necessarily indicative of the results that may be expected for the full fiscal year. Certain amounts in the consolidated financial statements for the three and six months ended June 30, 2013 have been reclassified to conform to the current year presentation. These reclassifications have no effect on the net income previously reported. See "Revision of Prior Period Financial Statements" for further discussion.

These financial statements and related notes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Cash and Cash Equivalents

The Company considers cash on hand in operating locations, deposits in banks and short-term investments with original maturities of 90 days or less as cash and cash equivalents. Cash equivalents are principally invested in short-term money market funds.

Goodwill and Other Indefinite-Lived Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. In accordance with Accounting Standards Codification ("ASC") 350-20-35, Goodwill - Subsequent Measurement, the Company tests goodwill and intangible assets with an indefinite life for potential impairment annually as of June 30 and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

The Company uses the income approach to complete its annual goodwill assessment. The income approach uses expected future cash flows and estimated terminal values for each of the Company's reporting units that are discounted using a market participant perspective to determine the estimated fair value of each reporting unit, which is then compared to the carrying value of that reporting unit to determine if there is impairment. The income approach includes assumptions about revenue growth rates, operating margins and terminal growth rates discounted by an estimated weighted-average cost of capital derived from other publicly-traded companies that are similar but not identical from an operational and economic standpoint. The Company completed its annual assessment of goodwill as of June 30, 2014 and determined that the fair value of its goodwill is in excess of carrying value, and, as a result, no impairment existed at that date.

The Company performed its annual indefinite-lived intangible asset impairment test as of June 30, 2014. The Company elected to perform a qualitative assessment in accordance with Accounting Standards Update

6

Table of Contents
CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(“ASU”) No. 2012-02, Intangibles-Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment (“ASU 2012-02”), and determined that it was not more likely than not that the indefinite-lived intangible assets are impaired. Therefore, no further quantitative assessment was required.

Adopted Accounting Standards

In April 2014, the Financial Accounting Standards Board (the “FASB”) issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (“ASU 2014-08”). The amendments in ASU 2014-08 change the criteria for reporting discontinued operations and enhance disclosures in this area. The new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The new guidance also requires disclosure of the pre-tax income or loss attributable to a disposal of an individually significant component of an organization that does not qualify for discontinued operations presentation in the financial statements. The Company is required to adopt ASU 2014-08 prospectively for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014 and interim periods within those years. Early adoption is permitted. The Company adopted ASU 2014-08 on June 30, 2014, and the adoption did not have a material effect on its financial position or results of operations.

In July 2013, the FASB issued ASU No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (“ASU 2013-11”), which provides guidance on the presentation of unrecognized tax benefits when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exist. The amendments in this update are effective for fiscal years (and interim periods within those years) beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The Company prospectively adopted ASU 2013-11 on January 1, 2014, and the adoption did not have a material effect on its financial position or results of operations.

In March 2013, the FASB issued ASU No. 2013-05, Foreign Currency Matters (Topic 830): Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (a consensus of the FASB Emerging Issues Task Force) (“ASU 2013-05”), which applies to the release of the cumulative translation adjustment into net income when a parent either sells all or a part of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. ASU 2013-05 is effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The Company adopted ASU 2013-05 on January 1, 2014, and the adoption did not have a material effect on its financial position or results of operations.

In February 2013, the FASB issued ASU No. 2013-04, Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date (“ASU 2013-04”). ASU 2013-04 requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date as the amount the reporting entity agreed to pay plus additional amounts the reporting entity expects to pay on behalf of its co-obligors. The guidance further provides for disclosure of the nature and amount of the obligation. ASU 2013-04 is effective for interim and annual reporting periods beginning after December 15, 2013. The Company adopted ASU 2013-04 on January 1, 2014, and the adoption did not have a material effect on its financial position or results of operations.

Accounting Standards to be Adopted in Future Periods

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. ASU 2014-09 requires

7

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

entities to recognize revenue in a way that depicts the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is not permitted. The Company is still assessing the impact of ASU 2014-09 on its financial position and results of operations.

Revision of Prior Period Financial Statements

“Cash and cash equivalents” and “Accounts payable and accrued expenses” on the consolidated balance sheets as of June 30, 2013 and December 31, 2013 were revised to reclassify certain liabilities as in-transit cash disbursements due to the timing of payments for certain contracts. Management determined that the impact on all previously issued financial statements was immaterial. The correction resulted in the following increases (decreases) to amounts previously reported in the Company’s financial statements (dollars in thousands):

	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	December 31, 2011
Consolidated Balance Sheet						
Cash and cash equivalents	$(2,010)	$(3,737)	$(7,446)	$(8,008)	$(1,760)	$(3,749)
Accounts payable and accrued expenses	(2,010)	(3,737)	(7,446)	(8,008)	(1,760)	(3,749)
Consolidated Statements of Cash Flows						
Net cash provided by operating activities	$(250)	$(1,977)	$(5,686)	$(6,248)	$1,989	$(2,215)
Cash and cash equivalents at beginning of year	(1,760)	(1,760)	(1,760)	(1,760)	(3,749)	(1,534)
Cash and cash equivalents at end of period	(2,010)	(3,737)	(7,446)	(8,008)	(1,760)	(3,749)

As other prior period financial information is presented, the Company will similarly revise the consolidated balance sheets and statements of cash flows in its future filings.

2. Credit Quality Information on Pawn Loans

The Company manages its pawn loan portfolio by monitoring the type and adequacy of collateral compared to historical gross profit margins. If a pawn loan defaults, the Company relies on the disposition of pawned property to recover the principal amount of an unpaid pawn loan, plus a yield on the investment, because the Company’s pawn loans are non-recourse against the customer. In addition, the customer’s creditworthiness does not affect the Company’s financial position or results of operations. Generally, forfeited merchandise has historically sold for an amount in excess of the cost of goods sold (which is generally the principal amount loaned on an item or the amount paid for purchased merchandise). Goods pledged to secure pawn loans are tangible personal property items such as jewelry, tools, televisions and other electronics, musical instruments and other miscellaneous items. A pawn loan is considered delinquent if the customer does not repay or, where allowed by law, renew or extend the loan on or prior to its contractual maturity date plus any applicable grace period. Pawn loan fees and service charges do not accrue on delinquent pawn loans. When a pawn loan is considered delinquent, any accrued pawn loan fees and service charges are reversed and no additional pawn loan fees and service charges are accrued. As of June 30, 2014 and 2013 and December 31, 2013, the Company had current pawn loans outstanding of $254.2 million, $222.9 million and $251.9 million, respectively, and delinquent pawn loans outstanding of $9.5 million, $6.7 million and $9.2 million, respectively.

Table of Contents

3. Consumer Loans, Credit Quality Information on Consumer Loans, Allowance and Liability for Estimated Losses on Consumer Loans and Guarantees of Consumer Loans

Consumer loan fee revenue generated from consumer loans for the three and six months ended June 30, 2014 and 2013 was as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Interest and fees on short-term loans	$86,148	$126,560	$181,122	$266,775
Interest and fees on line of credit accounts	74,894	28,283	147,930	51,517
Interest and fees on installment loans	64,297	47,588	130,469	94,344
Total consumer loan revenue	$225,339	$202,431	$459,521	$412,636

Current and Delinquent Consumer Loans

The Company classifies its consumer loans as either current or delinquent. Short-term loans are considered delinquent when payment of an amount due is not made as of the due date. If a line of credit account or installment loan customer misses one payment, that payment is considered delinquent. If a line of credit account or installment loan customer does not make two consecutive payments, the entire account or loan is classified as delinquent. The Company allows for normal payment processing time before considering a loan delinquent but does not provide for any additional grace period.

The Company generally does not accrue interest on delinquent consumer loans and does not resume accrual of interest on a delinquent loan unless it is returned to current status. In addition, delinquent consumer loans generally may not be renewed, and if, during its attempt to collect on a delinquent consumer loan, the Company allows additional time for payment through a payment plan or a promise to pay, it is still considered delinquent. Generally, all payments received are first applied against accrued but unpaid interest and fees and then against the principal balance of the loan.

Allowance and Liability for Estimated Losses on Consumer Loans

The Company monitors the performance of its consumer loan portfolio and maintains either an allowance or liability for estimated losses on consumer loans (including fees and interest) at a level estimated to be adequate to absorb credit losses inherent in the portfolio. The allowance for losses on the Company’s owned consumer loans reduces the outstanding loan balance in the consolidated balance sheets. The liability for estimated losses related to loans guaranteed under its credit services organization programs (“CSO programs”) is initially recorded at fair value and is included in “Accounts payable and accrued expenses” in the consolidated balance sheets.

In determining the allowance or liability for estimated losses on consumer loans, the Company applies a documented systematic methodology. In calculating the allowance or liability for loan losses, outstanding loans are divided into discrete groups of short-term loans, line of credit accounts and installment loans and are analyzed as current or delinquent. Increases in either the allowance or the liability, net of charge-offs and recoveries, are recorded as a “Consumer loan loss provision” in the consolidated statements of income.

The allowance or liability for short-term loans classified as current is based on historical loss rates adjusted for recent default trends for current loans. For delinquent short-term loans, the allowance or liability is based on a six-month rolling average of loss rates by stage of collection. For line of credit accounts and installment loan portfolios, the

Company generally uses a migration analysis to estimate losses inherent in the portfolio. The allowance or liability calculation under the migration analysis is based on historical charge-off experience and the loss emergence period, which represents the average amount of time between the first occurrence of a loss event to the charge-off of a loan. The factors the Company considers to assess the adequacy of the allowance or liability include past due performance, historical behavior of monthly vintages, underwriting changes and recent trends in delinquency in the migration analysis.

The Company fully reserves and generally charges off consumer loans once the loan or a portion of the loan has been classified as delinquent for 60 consecutive days. If a loan is deemed uncollectible before it is fully reserved, it is charged off at that point. Consumer loans classified as delinquent generally have an age of one to 59 days from the date any portion of the loan became delinquent, as defined above. Recoveries on loans previously charged to the allowance are credited to the allowance when collected.
The components of Company-owned consumer loan portfolio receivables as of June 30, 2014 and 2013 and December 31, 2013 were as follows (dollars in thousands):

	As of June 30, 2014			
	Short-term Loans	Line of Credit Accounts	Installment Loans	Total
Current loans	$78,691	$112,391	$162,052	$353,134
Delinquent loans	24,194	10,018	22,802	57,014
Total consumer loans, gross	102,885	122,409	184,854	410,148
Less: allowance for losses	(21,679)	(21,578)	(28,930)	(72,187)
Consumer loans, net	$81,206	$100,831	$155,924	$337,961
	As of June 30, 2013			
	Short-term Loans	Line of Credit Accounts	Installment Loans	Total
Current loans	$119,084	$51,508	$124,126	$294,718
Delinquent loans	49,074	6,563	16,635	72,272
Total consumer loans, gross	168,158	58,071	140,761	366,990
Less: allowance for losses	(42,068)	(10,649)	(27,146)	(79,863)
Consumer loans, net	$126,090	$47,422	$113,615	$287,127
	As of December 31, 2013			
	Short-term Loans	Line of Credit Accounts	Installment Loans	Total
Current loans	$101,379	$111,822	$168,221	$381,422
Delinquent loans	29,857	13,980	21,448	65,285
Total consumer loans, gross	131,236	125,802	189,669	446,707
Less: allowance for losses	(24,425)	(29,784)	(33,657)	(87,866)
Consumer loans, net	$106,811	$96,018	$156,012	$358,841

Table of Contents
CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Changes in the allowance for losses for the Company-owned loans and the liability for estimated losses on the Company's guarantees of third-party lender-owned loans through the CSO programs during the three and six months ended June 30, 2014 and 2013 were as follows (dollars in thousands):

	Three Months Ended June 30, 2014			
	Short-term Loans	Line of Credit Accounts	Installment Loans	Total
Allowance for losses for Company-owned consumer loans:				
Balance at beginning of period	$21,119	$26,669	$29,921	$77,709
Consumer loan loss provision	25,067	21,786	27,116	73,969
Charge-offs	(32,051)	(31,154)	(34,801)	(98,006)
Recoveries	7,544	4,277	6,694	18,515
Balance at end of period	$21,679	$21,578	$28,930	$72,187
Liability for third-party lender-owned consumer loans:				
Balance at beginning of period	$1,467	$—	$989	$2,456
Increase in liability	554	—	166	720
Balance at end of period	$2,021	$—	$1,155	$3,176

	Three Months Ended June 30, 2013			
	Short-term Loans	Line of Credit Accounts	Installment Loans	Total
Allowance for losses for Company-owned consumer loans:				
Balance at beginning of period	$42,570	$8,064	$27,033	$77,667
Consumer loan loss provision	42,039	9,919	24,319	76,277
Charge-offs	(52,852)	(8,874)	(27,731)	(89,457)
Recoveries	10,311	1,540	3,525	15,376
Balance at end of period	$42,068	$10,649	$27,146	$79,863
Liability for third-party lender-owned consumer loans:				
Balance at beginning of period	$1,547	$—	$548	$2,095
Increase in liability	892	—	60	952
Balance at end of period	$2,439	$—	$608	$3,047

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

	Six Months Ended June 30, 2014			
	Short-term Loans	Line of Credit Accounts	Installment Loans	Total
Allowance for losses for Company-owned consumer loans:				
Balance at beginning of period	$24,425	$29,784	$33,657	$87,866
Consumer loan loss provision	47,683	45,161	55,249	148,093
Charge-offs	(69,459)	(61,142)	(71,890)	(202,491)
Recoveries	19,030	7,775	11,914	38,719
Balance at end of period	$21,679	$21,578	$28,930	$72,187
Liability for third-party lender-owned consumer loans:				
Balance at beginning of period	$2,322	$—	$758	$3,080
(Decrease) increase in liability	(301)	—	397	96
Balance at end of period	$2,021	$—	$1,155	$3,176
	Six Months Ended June 30, 2013			
	Short-term Loans	Line of Credit Accounts	Installment Loans	Total
Allowance for losses for Company-owned consumer loans:				
Balance at beginning of period	$45,982	$11,107	$28,614	$85,703
Consumer loan loss provision	88,592	16,472	47,468	152,532
Charge-offs	(113,642)	(20,076)	(55,475)	(189,193)
Recoveries	21,136	3,146	6,539	30,821
Balance at end of period	$42,068	$10,649	$27,146	$79,863
Liability for third-party lender-owned consumer loans:				
Balance at beginning of period	$2,934	$—	$564	$3,498
(Decrease) increase in liability	(495)	—	44	(451)
Balance at end of period	$2,439	$—	$608	$3,047

Guarantees of Consumer Loans

In connection with its CSO programs, the Company guarantees consumer loan payment obligations to unrelated third-party lenders for short-term loans and installment loans that are secured by a customer’s vehicle and is required to purchase any defaulted loans it has guaranteed. The guarantee represents an obligation to purchase specific loans that go into default. Short-term loans that are guaranteed generally have terms of less than 90 days. Loans secured by a customer's vehicle, which are included in the Company’s installment loan portfolio, that are guaranteed typically have an average term of less than 24 months, with available terms of up to 42 months. As of June 30, 2014 and 2013 and December 31, 2013, the amount of consumer loans guaranteed by the Company was $47.5 million, $50.9 million and $59.0 million, respectively, representing amounts due under consumer loans originated by third-party lenders under the CSO programs. The liability for estimated losses on consumer loans guaranteed by the Company of $3.2 million, $3.0 million and $3.1 million, as of June 30, 2014 and 2013 and December 31, 2013, respectively, is included in “Accounts payable and accrued expenses” in the accompanying consolidated balance sheets.

4. Merchandise Held for Disposition

Merchandise held for disposition and the related allowance as of June 30, 2014 and 2013 and December 31, 2013 associated with the Company's domestic and foreign retail services operations were as follows (dollars in thousands):

	As of June 30,						As of December 31,		
	2014			2013			2013		
	Total	Allowance	Net	Total	Allowance	Net	Total	Allowance	Net
Domestic	$194,745	$(2,000)	$192,745	$150,084	$(840)	$149,244	$204,663	$(840)	$203,823
Foreign	6,283	(109)	6,174	5,977	(109)	5,868	5,185	(109)	5,076
Total	$201,028	$(2,109)	$198,919	$156,061	$(949)	$155,112	$209,848	$(949)	$208,899

5. Investments in Unconsolidated Subsidiaries

The Company records investments in unconsolidated subsidiaries at cost. The aggregate carrying values of the Company's investments in unconsolidated subsidiaries were $8.4 million and $7.3 million as of June 30, 2014 and 2013, respectively, and $8.3 million as of December 31, 2013 and were held in "Other assets" in the consolidated balance sheets. Carrying values for these investments are adjusted for cash contributions and distributions. The Company evaluates these investments for impairment if an event occurs or circumstances change that would more likely than not reduce the fair value of the investment below carrying value. If an impairment of the investment is determined to be other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary-impairment is identified.

6. Long-term Debt

The long-term debt instruments and balances outstanding as of June 30, 2014 and 2013 and December 31, 2013 for each of the Company and its wholly-owned subsidiary, Enova International, Inc. ("Enova"), were as follows (dollars in thousands):

	Balance as of June 30, 2014	2013	December 31, 2013
Domestic and multi-currency line of credit due 2018	$—	$—	$193,717
6.09% Series A senior unsecured notes due 2016	—	28,000	21,000
7.26% senior unsecured notes due 2017	—	20,000	20,000
Variable rate senior unsecured notes due 2018	—	37,500	33,333
5.75% senior unsecured notes due 2018	300,000	300,000	300,000
6.00% Series A senior unsecured notes due 2019	—	47,000	47,000
6.21% Series B senior unsecured notes due 2021	—	20,455	18,182
6.58% Series B senior unsecured notes due 2022	—	5,000	5,000
5.25% convertible senior notes due 2029	—	111,869	101,757
Subtotal - Company debt	$300,000	$569,824	$739,989
Enova line of credit due 2017	—	—	—
Enova 9.75% senior unsecured notes due 2021	493,863	—	—
Subtotal - Enova debt	$493,863	$—	$—
Total debt	$793,863	$569,824	$739,989
Less current portion	—	(22,606)	(22,606)
Total long-term debt	$793,863	$547,218	$717,383

Domestic and Multi-Currency Line

On March 30, 2011, the Company and its domestic subsidiaries as guarantors entered into a Credit Agreement with a syndicate of financial institutions as lenders (the "Credit Agreement"). The Credit Agreement was amended on each of November 29, 2011, May 10, 2013, May 12, 2014 and June 13, 2014. The Credit Agreement, as amended, provides for a domestic and multi-currency line of credit in an aggregate principal amount of up to $280.0 million permitting revolving credit loans, including a multi-currency subfacility that gives the Company the ability to borrow up to $50.0 million that may be in specified foreign currencies, subject to the terms and conditions of the Credit Agreement (the "Domestic and Multi-currency Line of Credit"). The Credit Agreement contains an accordion feature whereby the revolving line of credit may be increased up to an additional $100.0 million with the consent of any increasing lenders. The Domestic and Multi-currency Line of Credit matures on March 31, 2018.

The May 2014 amendment to the Credit Agreement modified certain of the Credit Agreement's covenants to permit (i) the Enova Debt Issuance (as defined below), and (ii) the incurrence of additional indebtedness by Enova and its subsidiaries under a new credit facility in an aggregate principal amount not to exceed $75.0 million. The permissibility of the Enova Debt Issuance and additional permitted debt incurrence is subject to satisfaction of certain conditions, including repayment of all intercompany indebtedness owed by Enova to the Company, the payment of a cash dividend by Enova to the Company and that such debt issued by Enova be non-recourse to the Company. Additionally, the amendment to the Credit Agreement (i) amended provisions of the Credit Agreement to permit a distribution of Enova's stock to the Company's shareholders and allows the administrative agent to release Enova and its subsidiaries as guarantors of the Credit Agreement, subject to certain conditions, and (ii) amended restrictive covenants to permit the prepayment of certain indebtedness outstanding. The amendment also contains restrictions on the Company and its subsidiaries with regard to making any additional investments, loans or cash

14

distributions to Enova and amends certain financial covenants and restrictions. The June 2014 amendment to the Credit Agreement made certain clarifications with respect to the types of prepayments permissible in connection with the prepayment of certain indebtedness.

Interest on the Domestic and Multi-currency Line of Credit is charged, at the Company’s option, at either the London Interbank Offered Rate (“LIBOR”) for one week or one-, two-, three- or six-month periods, as selected by the Company, plus a margin varying from 2.00% to 3.25% or at the agent’s base rate plus a margin varying from 0.50% to 1.75%. The margin for the Domestic and Multi-currency Line of Credit is dependent on the Company’s cash flow leverage ratios as defined in the Credit Agreement entered into in connection with the Domestic and Multi-currency Line of Credit. The Company also pays a fee on the unused portion of the Domestic and Multi-currency Line of Credit ranging from 0.25% to 0.50% (0.38% as of June 30, 2014) based on the Company’s cash flow leverage ratios. The weighted average interest rate (including margin) on the Domestic and Multi-currency Line of Credit was 3.30% as of December 31, 2013.

On May 30, 2014, Enova completed the issuance and sale of $500.0 million of senior unsecured notes (the “Enova Debt Issuance”) discussed below under “$500.0 million 9.75% Senior Unsecured Notes.” In connection with the proceeds received from Enova’s repayment of intercompany indebtedness to the Company following the Enova Debt Issuance, the Company repaid the entire amount outstanding on the Domestic and Multi-currency Line of Credit. As of June 30, 2014, the Company had no outstanding borrowings under its Domestic and Multi-currency Line of Credit.

The Company routinely refinances borrowings pursuant to the terms of its Domestic and Multi-currency Line of Credit. Therefore, these borrowings are reported as part of the applicable line of credit and as long-term debt.

Variable Rate Senior Unsecured Notes

When the Company entered into the Credit Agreement, it also entered into a $50.0 million term loan facility under which it issued variable rate senior unsecured notes that are guaranteed by all of the Company’s domestic subsidiaries (the “2018 Variable Rate Notes”). The maturity date of the 2018 Variable Rate Notes was March 31, 2018, but in connection with the proceeds received from Enova’s repayment of intercompany indebtedness to the Company following the Enova Debt Issuance, the Company prepaid the entire amount outstanding on the 2018 Variable Rate Notes.

In conjunction with the prepayment of the 2018 Variable Rate Notes during the three months ended June 30, 2014, the Company incurred a $0.1 million expense to write-off unamortized deferred financing costs associated with the 2018 Variable Rate Notes. This expense is included in “Loss on extinguishment of debt” in the consolidated statements of income.

Letter of Credit Facility

When the Company entered into the Credit Agreement, it also entered into a Standby Letter of Credit Agreement (the “LC Agreement”) for the issuance of up to $20.0 million in letters of credit (the “Letter of Credit Facility”) that is guaranteed by the Company’s domestic subsidiaries and matures on March 31, 2018. In the event that an amount is paid by the issuing bank under a stand-by letter of credit, it will be due and payable by the Company on demand, and amounts due by the Company under the LC Agreement will bear interest annually at a rate that is the lesser of (a) 2% above the prime rate for Wells Fargo Bank, National Association or (b) the maximum rate of interest permissible under applicable laws. The LC Agreement also requires the Company to pay quarterly fees equal to the applicable margin set forth in the LC Agreement on the undrawn amount of the credit outstanding. The Company had standby letters of credit of $12.6 million under its Letter of Credit Facility as of June 30, 2014.

Table of Contents

$300.0 million 5.75% Senior Unsecured Notes

On May 15, 2013, the Company issued and sold $300.0 million in aggregate principal amount of 5.75% Senior Notes due 2018 (the “2018 Senior Notes”). The 2018 Senior Notes bear interest at a rate of 5.75% annually on the principal amount, payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2013. The 2018 Senior Notes will mature on May 15, 2018. The 2018 Senior Notes were sold to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and outside the United States pursuant to Regulation S under the Securities Act.

In connection with the issuance and registration of the 2018 Senior Notes, the Company incurred debt issuance and registration costs of approximately $8.7 million, which primarily consisted of underwriting fees, legal and other professional expenses. These costs are being amortized over a period of five years and are included in “Other assets” in the consolidated balance sheets.

The 2018 Senior Notes are senior unsecured debt obligations of the Company and are guaranteed by all of the Company’s domestic subsidiaries and one of its foreign subsidiaries (the “Guarantors”). The Guarantors have guaranteed fully and unconditionally, on a joint and several basis, the obligations to pay principal and interest for the 2018 Senior Notes. Cash America International, Inc. (“Parent Company”), on a stand-alone unconsolidated basis, has no independent assets or operations. The Guarantors are 100% owned by the Company. The assets and operations of the Parent Company’s non-guarantor subsidiaries, individually and in the aggregate, are minor. The domestic Guarantors under the 2018 Senior Notes are also guarantors under the Credit Agreement. The 2018 Senior Notes Indenture provides that if any of the Guarantors is released from its guarantees of the Company’s borrowings and obligations under the Credit Agreement, that Guarantor’s guaranty of the 2018 Senior Notes will also be released. There are certain restrictions on the ability of Enova and its subsidiaries to pay funds to the Parent Company through dividends, loans, advances or otherwise. See “Enova Line of Credit” and “$500.0 Million 9.75% Senior Unsecured Notes” below for a description of these restrictions.

The 2018 Senior Notes are redeemable at the Company’s option, in whole or in part, at any time at 100% of the aggregate principal amount of 2018 Senior Notes redeemed plus the applicable “make whole” redemption price specified in the Indenture that governs the 2018 Senior Notes (the “2018 Senior Notes Indenture”), plus accrued and unpaid interest, if any, to the redemption date. In addition, if a change of control occurs, as that term is defined in the 2018 Senior Notes Indenture, the holders of 2018 Senior Notes will have the right, subject to certain conditions, to require the Company to repurchase their 2018 Senior Notes at a purchase price equal to 101% of the aggregate principal amount of 2018 Senior Notes repurchased plus accrued and unpaid interest, if any, as of the date of repurchase. As required by a registration rights agreement that the Company entered into with the initial purchasers when the 2018 Senior Notes were issued, the Company completed an exchange offer with respect to the 2018 Senior Notes in January 2014. All of the unregistered 2018 Senior Notes have been exchanged for identical new notes registered under the Securities Act.

Table of Contents

2029 Convertible Notes

On May 19, 2009, the Company completed the offering of $115.0 million aggregate principal amount of 5.25% Convertible Senior Notes due May 15, 2029 (the “2029 Convertible Notes”). The Company notified the holders of its outstanding 2029 Convertible Notes that on May 15, 2014, it would redeem all outstanding 2029 Convertible Notes, and as a result of this notification, all holders of outstanding 2029 Convertible Notes elected conversion on May 15, 2014. Pursuant to the terms of the 2029 Convertible Notes, the Company elected to pay cash for the $44.4 million of principal amount of all converted notes outstanding at that date, plus accrued interest, and to re-issue 747,085 shares of common stock held in treasury for the amount in excess of principal owed to noteholders as a result of the net-share settlement provisions in the Indenture that governs the 2029 Convertible Notes. In accordance with ASC 470, Debt, no gain or loss was recorded in the consolidated statements of income for the conversion. Additionally, the Company’s consolidated shareholders' equity was not changed as a result of this activity.

During the three months ended March 31, 2014 and prior to the conversion of the 2029 Convertible Notes, the Company repurchased $58.6 million principal amount of the 2029 Convertible Notes in privately-negotiated transactions for aggregate cash consideration of $89.5 million plus accrued interest. In connection with these purchases, the Company recorded a loss on extinguishment of debt of approximately $1.5 million, which is included in “Loss on extinguishment of debt” in the consolidated statements of income, and a $30.3 million decrease to additional paid-in capital, which is included in “Repurchases and conversion of convertible debt” in the consolidated statements of equity.

Contractual interest expense recognized for the 2029 Convertible Notes was $0.5 million and $1.3 million for the three and six months ended June 30, 2014 and was $1.5 million and $3.0 million for the three and six months ended June 30, 2013. Additionally, interest expense related to non-cash amortization of the discount represented $0.2 million and $0.7 million for the three and six months ended June 30, 2014 and $0.8 million and $1.7 million for the three and six months ended June 30, 2013.

Enova Line of Credit

On May 14, 2014, Enova and certain of its domestic subsidiaries, as guarantors, entered into a credit agreement among Enova, the guarantors, Jefferies Finance LLC as administrative agent and Jefferies Group LLC as lender (the “Enova Credit Agreement”). The Enova Credit Agreement provides for an unsecured revolving credit facility of an aggregate principal amount of up to $75.0 million, including a multi-currency sub-facility that gives Enova the ability to borrow up to $25.0 million that may be in specified foreign currencies, subject to the terms and conditions of the Enova Credit Agreement (the “Enova Credit Facility”). The Enova Credit Facility will mature on June 30, 2017. However, if Enova’s guarantees of the Company’s indebtedness are not released on or before March 31, 2015, the Enova Credit Agreement provides that the Enova Credit Facility will instead mature on March 31, 2015. The Enova Credit Agreement is an unsecured debt obligation of Enova and is unconditionally guaranteed by all of Enova's domestic subsidiaries. Neither the Company nor any of its other subsidiaries that are not subsidiaries of Enova guarantee the Enova Credit Facility.

Interest on the Enova Credit Facility will be charged, at Enova’s option, at either the LIBOR for one week or one-, two-, three- or six-month periods, as selected by Enova, plus a margin varying from 2.50% to 3.75% or at the agent’s base rate plus a margin varying from 1.50% to 2.75%. The margin for the Enova Credit Facility borrowings is dependent on Enova’s cash flow leverage ratios. Enova will also be required to pay a fee on the unused portion of the line of credit ranging from 0.25% to 0.50% based on Enova’s cash flow leverage ratios. Enova had no outstanding borrowings on the Enova Credit Facility as of June 30, 2014. Enova’s ability to pay dividends or make distributions to the Company is subject to certain limitations in the Enova Credit Agreement.

The Enova Credit Agreement also includes a sub-limit of up to $20.0 million for standby or commercial letters of credit. In the event that an amount is paid by the issuing bank under a letter of credit, it will be due and payable by Enova on demand. Pursuant to the terms of the Enova Credit Agreement, Enova agrees to pay fees equal to the LIBOR margin per annum on the undrawn amount of each outstanding standby Letter of Credit plus a one-time commercial letter of credit fee of 0.20% of the face amount of each commercial Letter of Credit plus 0.25% per annum on the average daily amount of the total Letter of Credit exposure. Enova had no outstanding letters of credit under the Enova Credit Agreement as of June 30, 2014.

In connection with the Enova Credit Facility, Enova incurred debt issuance costs of approximately $1.6 million for the six months ended June 30, 2014, which primarily consisted of underwriting fees and legal expenses. The unamortized balance of these costs as of June 30, 2014 is included in “Other assets” in the consolidated balance sheets. These costs are being amortized to interest expense over a period of 37 months, the term of the Enova Credit Facility.

$500.0 million 9.75% Senior Unsecured Notes

On May 30, 2014, Enova issued and sold $500.0 million in aggregate principal amount of 9.75% Senior Notes due 2021 (the “Enova 2021 Senior Notes”). The Enova 2021 Senior Notes bear interest at a rate of 9.75% annually on the principal amount payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2014. The Enova 2021 Senior Notes were sold at a discount of the principal amount to yield 10.0% to maturity. The Enova 2021 Senior Notes will mature on June 1, 2021. The Enova 2021 Senior Notes are unsecured debt obligations of Enova, and are unconditionally guaranteed by all of Enova’s domestic subsidiaries. Neither the Company nor any of its other subsidiaries that are not subsidiaries of Enova guarantee the Enova 2021 Senior Notes. The Enova 2021 Senior Notes were sold to qualified institutional buyers in accordance with Rule 144A under the Securities Act and outside the United States pursuant to Regulation S under the Securities Act.

As of June 30, 2014, the carrying amount of the Enova 2021 Senior Notes was $493.9 million, which includes an unamortized discount of $6.1 million. The discount is being amortized to interest expense over a period of seven years, through the maturity date of June 1, 2021. The total interest expense recognized was $4.3 million for the six months ended June 30, 2014, of which $0.1 million represented the non-cash amortization of the discount. In connection with the issuance of the Enova 2021 Senior Notes, the Company incurred approximately $14.7 million for issuance costs, which primarily consisted of underwriting fees, legal and other professional expenses. These costs are being amortized to interest expense over seven years and are included in “Other assets” in the consolidated balance sheets.

During the three months ended June 30, 2014, Enova used the $479.0 million it received as net proceeds from the issuance of the Enova 2021 Senior Notes to repay all intercompany indebtedness it owed to the Company and to pay a significant portion of a cash dividend to the Company.

The Enova 2021 Senior Notes are redeemable at Enova’s option, in whole or in part, (i) at any time prior to June 1, 2017 at 100% of the aggregate principal amount of 2021 Senior Notes redeemed plus the applicable “make whole” redemption price specified in the indenture that governs the Enova 2021 Notes (the “Enova 2021 Senior Notes Indenture”), plus accrued and unpaid interest, if any, to the redemption date and (ii) at any time on or after June 1, 2017 at a premium specified in the Enova 2021 Senior Notes Indenture that will decrease over time, plus accrued and unpaid interest, if any, to the redemption date. In addition, prior to June 1, 2017, at its option, Enova may redeem up to 35% of the aggregate principal amount of the Enova 2021 Senior Notes at a redemption price equal to 109.75% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, with the proceeds of certain equity offerings as described in the Enova 2021 Senior Notes Indenture. Additionally, if Enova and its subsidiaries’ guarantee of certain indebtedness of the Company as described in the Enova 2021 Senior Notes Indenture is not released on or before March 31, 2015, then Enova may redeem all of the Enova 2021 Senior Notes outstanding at a redemption price equal to 103% of the aggregate principal amount, plus accrued and unpaid interest, if any, to the redemption date (the "Special Redemption"), and if the Special Redemption does not occur, then the interest rate on the Enova 2021 Senior Notes will increase 2.0% per annum until Enova and its subsidiaries no longer guarantee certain indebtedness of the Company as described in the Enova 2021 Senior Notes Indenture. If a change of control occurs, as that term is defined in the Enova 2021 Senior Notes Indenture, the holders of the

Enova 2021 Senior Notes will have the right, subject to certain conditions, to require Enova to repurchase the Enova 2021 Senior Notes at a purchase price equal to 101% of the aggregate principal amount, plus accrued and unpaid interest, if any, as of the date of repurchase. Enova's ability to pay dividends or make distributions to the Company is subject to certain limitations in the Enova 2021 Senior Notes Indenture.

Additionally, on May 30, 2014, Enova entered into a registration rights agreement with Jefferies LLC as the initial purchaser (the "Enova Registration Rights Agreement") of the Enova 2021 Senior Notes, pursuant to which Enova agreed to use commercially reasonable efforts to cause a registration statement to be declared effective on or prior to the 360th day following the closing date relating to an exchange offer of the Enova 2021 Senior Notes for identical new notes registered under the Securities Act. In certain circumstances, Enova may be required to file a shelf registration to cover resales of the Enova 2021 Senior Notes. If Enova does not comply with certain covenants set forth in the Enova Registration Rights Agreement, it must pay liquidated damages to holders of the Enova 2021 Senior Notes. If Enova fails to satisfy any of its registration obligations, it will be required to pay the holders of the Enova 2021 Senior Notes additional interest of 0.25% to 0.50% per annum until it satisfies its registration obligations.

Private Placement Notes

On May 9, 2014, the Company and its domestic subsidiaries, as guarantors, entered into an Omnibus Waiver, Consent, and Amendment Agreement (the "Waiver and Amendment") with respect to its 6.09% Series A senior unsecured notes due 2016, 7.26% senior unsecured notes due 2017, 6.00% Series A senior unsecured notes due 2019, 6.21% Series B senior unsecured notes due 2021 and its 6.58% Series B senior unsecured notes due 2022 (collectively, the "Private Placement Notes"), which provided for Enova's release as a guarantor for the Private Placement Notes upon completion of the Enova Debt Issuance. The Waiver and Amendment also required the Company to prepay the entire outstanding balance of Private Placement Notes, including any applicable make-whole premium, with proceeds received from Enova for repayment of intercompany indebtedness and payment of a dividend following the Enova Debt Issuance. The Company completed the prepayment of the Private Placement Notes during the three months ended June 30, 2014, which included an aggregate principal repayment of $106.2 million and a make-whole premium of $14.3 million. Additionally, in conjunction with this prepayment, the Company incurred a $0.6 million expense to write-off the remaining deferred financing costs associated with the Private Placement Notes. The expenses for the make-whole premium and the write-off of deferred financing costs are included in "Loss on extinguishment of debt" in the consolidated statements of income.

Debt Agreement Compliance

The debt agreements for the Domestic and Multi-currency Line of Credit, the Enova Credit Facility, the 2018 Senior Notes and the Enova 2021 Senior Notes require the Company and Enova to maintain certain financial ratios. As of June 30, 2014, the Company and Enova, as applicable, were in compliance with all covenants or other requirements set forth in the debt agreements.

7. Reclassification out of Accumulated Other Comprehensive Income

The reclassification adjustments from accumulated other comprehensive income ("AOCI") to net income for the three and six months ended June 30, 2014 and 2013 were as follows (dollars in thousands):

	Three Months Ended June 30, 2014			Six Months Ended June 30, 2014		
	Foreign currency translation gain, net of tax	Marketable securities, net of tax	Total	Foreign currency translation gain, net of tax	Marketable securities, net of tax	Total
Balance at the beginning of period	$5,182	$—	$5,182	$4,649	$—	$4,649
Other comprehensive income before reclassifications	2,816	—	2,816	3,349	—	3,349
Net change in AOCI	2,816	—	2,816	3,349	—	3,349
Balance at the end of period	$7,998	$—	$7,998	$7,998	$—	$7,998

	Three Months Ended June 30, 2013			Six Months Ended June 30, 2013		
	Foreign currency translation gain (loss), net of tax	Marketable securities, net of tax	Total	Foreign currency translation gain (loss), net of tax	Marketable securities, net of tax	Total
Balance at the beginning of period	$3,307	$895	$4,202	$2,874	$254	$3,128
Other comprehensive income before reclassifications	(3,669)	(268)	(3,937)	(3,236)	373	(2,863)
Amounts reclassified from AOCI[(a)]	—	(627)	(627)	—	(627)	(627)
Net change in AOCI	(3,669)	(895)	(4,564)	(3,236)	(254)	(3,490)
Balance at the end of period	$(362)	$—	$(362)	$(362)	$—	$(362)

(a) The gain on marketable securities reclassified out of AOCI for the three and six months ended June 30, 2013 is composed of a $964 gain and income tax expense of $337. The gain and income tax expense are included in "Other revenue" and "Provision for income taxes," respectively, in the consolidated statements of income.

8. Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share is calculated by giving effect to the potential dilution that could occur if securities or other contracts to issue common shares were exercised and converted into common shares during the period. Restricted stock units issued under the Company's stock-based employee compensation plans are included in diluted shares upon the granting of the awards even though the vesting of shares will occur over time. Performance-based awards are included in diluted shares based on the level of performance that management estimates is the most probable outcome at the grant date. Throughout the requisite service period, management monitors the probability of achievement of the performance condition and, if material, adjusts the number of shares included in diluted shares accordingly.

20

The following table sets forth the reconciliation of numerators and denominators of basic and diluted net income per share computations for the three and six months ended June 30, 2014 and 2013 (dollars and shares in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Numerator:				
Net income attributable to Cash America International, Inc.	$20,971	$25,132	$66,708	$69,058
Denominator:				
Total weighted average basic shares[(a)]	28,823	28,721	28,616	28,910
Shares applicable to stock-based compensation[(b)]	87	75	61	89
Convertible debt[(c)]	346	2,049	688	2,024
Total weighted average diluted shares[(d)]	29,256	30,845	29,365	31,023
Net income – basic	$0.73	$0.88	$2.33	$2.39
Net income – diluted	$0.72	$0.81	$2.27	$2.23

(a) Includes (i) vested and deferred restricted stock units of 309 and 313, as well as 32 and 31 shares held in the Company's nonqualified savings plan for the three months ended June 30, 2014 and 2013, respectively, and (ii) vested and deferred restricted stock units of 309 and 312, as well as 32 and 31 shares held in the Company's nonqualified savings plan for the six months ended June 30, 2014 and 2013, respectively.

(b) Includes shares related to unvested restricted stock unit awards.

(c) On May 15, 2014, the Company called the notes and the noteholders elected to convert such notes. The Company settled the principal portion of the outstanding 2029 Convertible Notes in cash and issued 747,085 of the Company's common shares related to the conversion spread. Prior to the repayment of the 2029 Convertible Notes, only the shares related to the conversion spread were included in weighted average diluted shares, because the Company intended to pay the principal portion of the notes in cash. See Note 6 for further discussion of the 2029 Convertible Notes.

(d) There were 7 and 13 anti-dilutive shares for the three and six months ended June 30, 2014, respectively, and 5 and 46 anti-dilutive shares for the three and six months ended June 30, 2013, respectively.

9. Operating Segment Information

The Company has two reportable operating segments: retail services and e-commerce. The retail services segment includes all of the operations of the Company's Retail Services Division, which is composed of both domestic and foreign storefront locations that offer some or all of the following services: pawn loans, consumer loans, the purchase and sale of merchandise, check cashing and other ancillary products and services such as money orders, wire transfers, prepaid debit cards, tax filing services and auto insurance. Most of these ancillary products and services offered in the retail services segment are provided through third-party vendors. The e-commerce segment includes the operations of the Company's E-Commerce Division, which is composed of the Company's domestic and foreign online lending channels through which the Company offers consumer loans. The Company reports corporate operations separately from its retail services and e-commerce segment information.

Corporate operations primarily include corporate expenses such as legal, occupancy, executive oversight, insurance and risk management, public and government relations, internal audit, treasury, payroll, compliance and licensing, finance, accounting, tax and information systems (except for online lending systems, which are included in the e-commerce segment). Corporate income includes miscellaneous income not directly attributable to the Company's segments. Corporate assets primarily include corporate property and equipment, nonqualified savings plan assets, marketable securities, foreign exchange forward contracts and prepaid insurance.

During the first quarter of 2014, the Company changed the presentation of financial information within its e-commerce segment to report certain administrative and depreciation and amortization expenses within that segment separately from its domestic and foreign operating components. Administrative expenses in the e-commerce segment, which were previously allocated between the domestic and foreign components based on the amount of loans written

Table of Contents
CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

and renewed, are included under the "Admin" heading within the e-commerce segment information in the following tables. Depreciation and amortization related to the e-commerce administrative function is also included in this category. For comparison purposes, amounts for prior years have been conformed to the current presentation.

The following tables contain operating segment data for the three and six months ended June 30, 2014 and 2013 by segment, for the Company's corporate operations and on a consolidated basis (dollars in thousands):

	Retail Services			E-Commerce					
	Domestic	Foreign	Total	Domestic	Foreign	Admin	Total	Corporate	Consolidated
Three Months Ended June 30, 2014									
Revenue									
Pawn loan fees and service charges	$78,911	$2,079	$80,990	$—	$—	$—	$—	$—	$80,990
Proceeds from disposition of merchandise	142,447	4,325	146,772	—	—	—	—	—	146,772
Consumer loan fees	23,900	—	23,900	108,751	92,688	—	201,439	—	225,339
Other	1,718	45	1,763	35	8	—	43	183	1,989
Total revenue	246,976	6,449	253,425	108,786	92,696	—	201,482	183	455,090
Cost of revenue									
Disposed merchandise	101,177	3,333	104,510	—	—	—	—	—	104,510
Consumer loan loss provision	7,849	—	7,849	38,729	28,111	—	66,840	—	74,689
Total cost of revenue	109,026	3,333	112,359	38,729	28,111	—	66,840	—	179,199
Net revenue	137,950	3,116	141,066	70,057	64,585	—	134,642	183	275,891
Expenses									
Operations and administration	100,189	3,386	103,575	25,816	24,061	22,387	72,264	19,136	194,975
Depreciation and amortization	10,122	421	10,543	2,054	559	1,703	4,316	4,638	19,497
Total expenses	110,311	3,807	114,118	27,870	24,620	24,090	76,580	23,774	214,472
Income (loss) from operations	$27,639	$(691)	$26,948	$42,187	$39,965	$(24,090)	$58,062	$(23,591)	$61,419
As of June 30, 2014									
Total assets	$952,990	$121,193	$1,074,183	$462,039	$205,249	$14,779	$682,067	$412,636	$2,168,886
Goodwill			$495,672				$210,365		$706,037

	Retail Services			E-Commerce					
	Domestic	Foreign	Total	Domestic	Foreign	Admin	Total	Corporate	Consolidated

Three Months Ended June 30, 2013									
Revenue									
Pawn loan fees and service charges	$70,802	$1,926	$72,728	$—	$—	$—	$—	$—	$72,728
Proceeds from disposition of merchandise	127,214	4,318	131,532	—	—	—	—	—	131,532
Consumer loan fees	26,647	—	26,647	87,502	88,282	—	175,784	—	202,431
Other	1,918	258	2,176	361	16	—	377	1,136	3,689
Total revenue	226,581	6,502	233,083	87,863	88,298	—	176,161	1,136	410,380
Cost of revenue									
Disposed merchandise	85,352	3,609	88,961	—	—	—	—	—	88,961
Consumer loan loss provision	7,112	—	7,112	33,343	36,774	—	70,117	—	77,229
Total cost of revenue	92,464	3,609	96,073	33,343	36,774	—	70,117	—	166,190
Net revenue	134,117	2,893	137,010	54,520	51,524	—	106,044	1,136	244,190
Expenses									
Operations and administration	89,487	2,998	92,485	21,838	26,284	16,985	65,107	19,350	176,942
Depreciation and amortization	8,900	430	9,330	2,532	835	1,218	4,585	4,085	18,000
Total expenses	98,387	3,428	101,815	24,370	27,119	18,203	69,692	23,435	194,942
Income (loss) from operations	$35,730	$(535)	$35,195	$30,150	$24,405	$(18,203)	$36,352	$(22,299)	$49,248
As of June 30, 2013									
Total assets	$1,023,015	$123,601	$1,146,616	$374,720	$190,612	$11,909	$577,241	$132,811	$1,856,668
Goodwill			$397,876				$210,366		$608,242

22

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

	Retail Services			E-Commerce					
	Domestic	Foreign	Total	Domestic	Foreign	Admin	Total	Corporate	Consolidated
Six Months Ended June 30, 2014									
Revenue									
Pawn loan fees and service charges	$157,378	$3,799	$161,177	$—	$—	$—	$—	$—	$161,177
Proceeds from disposition of merchandise	314,617	8,610	323,227	—	—	—	—	—	323,227
Consumer loan fees	49,659	—	49,659	217,799	192,063	—	409,862	—	459,521
Other	3,720	130	3,850	74	11	—	85	330	4,265
Total revenue	525,374	12,539	537,913	217,873	192,074	—	409,947	330	948,190
Cost of revenue									
Disposed merchandise	222,435	6,639	229,074	—	—	—	—	—	229,074
Consumer loan loss provision	15,447	—	15,447	67,364	65,378	—	132,742	—	148,189
Total cost of revenue	237,882	6,639	244,521	67,364	65,378	—	132,742	—	377,263
Net revenue	287,492	5,900	293,392	150,509	126,696	—	277,205	330	570,927
Expenses									
Operations and administration	201,342	6,635	207,977	49,224	49,181	42,026	140,431	38,153	386,561
Depreciation and amortization	20,426	824	21,250	3,959	1,082	3,393	8,434	9,074	38,758
Total expenses	221,768	7,459	229,227	53,183	50,263	45,419	148,865	47,227	425,319
Income (loss) from operations	$65,724	$(1,559)	$64,165	$97,326	$76,433	$(45,419)	$128,340	$(46,897)	$145,608

	Retail Services			E-Commerce					
	Domestic	Foreign	Total	Domestic	Foreign	Admin	Total	Corporate	Consolidated
Six Months Ended June 30, 2013									
Revenue									
Pawn loan fees and service charges	$144,976	$3,666	$148,642	$—	$—	$—	$—	$—	$148,642
Proceeds from disposition of merchandise	301,364	8,885	310,249	—	—	—	—	—	310,249
Consumer loan fees	54,969	—	54,969	178,143	179,524	—	357,667	—	412,636
Other	4,418	351	4,769	802	23	—	825	1,387	6,981
Total revenue	505,727	12,902	518,629	178,945	179,547	—	358,492	1,387	878,508
Cost of revenue									

Disposed merchandise	203,039	7,257	210,296	—	—	—	—	—	210,296
Consumer loan loss provision	13,890	—	13,890	63,166	75,025	—	138,191	—	152,081
Total cost of revenue	216,929	7,257	224,186	63,166	75,025	—	138,191	—	362,377
Net revenue	288,798	5,645	294,443	115,779	104,522	—	220,301	1,387	516,131
Expenses									
Operations and administration	180,189	6,601	186,790	43,243	50,931	36,515	130,689	36,287	353,766
Depreciation and amortization	17,701	829	18,530	4,960	1,395	2,673	9,028	7,973	35,531
Total expenses	197,890	7,430	205,320	48,203	52,326	39,188	139,717	44,260	389,297
Income (loss) from operations	$90,908	$(1,785)	$89,123	$67,576	$52,196	$(39,188)	$80,584	$(42,873)	$ 126,834

23

Table of Contents

10. Commitments and Contingencies

Litigation

2013 Litigation Settlement

On August 6, 2004, James E. Strong filed a purported class action lawsuit in the State Court of Cobb County, Georgia against Georgia Cash America, Inc., Cash America International, Inc. (together with Georgia Cash America, Inc., “Cash America”), Daniel R. Feehan (the Company’s chief executive officer), and several unnamed officers, directors, owners and “stakeholders” of Cash America. In August 2006, James H. Greene and Mennie Johnson were permitted to join the lawsuit as named plaintiffs, and in June 2009, the court agreed to the removal of James E. Strong as a named plaintiff. The lawsuit alleged many different causes of action, among the most significant of which is that Cash America made illegal short-term loans in Georgia in violation of Georgia’s usury law, the Georgia Industrial Loan Act and Georgia’s Racketeer Influenced and Corrupt Organizations Act. First National Bank of Brookings, South Dakota (“FNB”), and Community State Bank of Milbank, South Dakota (“CSB”), for some time made loans to Georgia residents through Cash America’s Georgia operating locations. The complaint in this lawsuit claimed that Cash America was the true lender with respect to the loans made to Georgia borrowers and that FNB and CSB’s involvement in the process is “a mere subterfuge.” Based on this claim, the suit alleged that Cash America was the “de facto” lender and was illegally operating in Georgia. The complaint sought unspecified compensatory damages, attorney’s fees, punitive damages and the trebling of any compensatory damages. In November 2009, the case was certified as a class action lawsuit.

This case was scheduled to go to trial in November 2013, but on October 9, 2013, the parties agreed to a memorandum of understanding (the “Settlement Memorandum”). Pursuant to the Settlement Memorandum, the parties filed a joint motion containing the full terms of the settlement (the “Settlement Agreement”) with the trial court for approval on October 24, 2013, and the trial court preliminarily approved the Settlement Agreement on November 4, 2013. On January 16, 2014, the trial court issued its final approval of the settlement and entered the Final Order and Judgment. The Settlement Agreement required a minimum payment by the Company of $18.0 million and a maximum payment of $36.0 million to cover class claims (including honorarium payments to the named plaintiffs) and the plaintiffs’ attorneys’ fees and costs (including the costs of claims administration) (the “Class Claims and Costs”), all of which will count towards the aggregate payment for purposes of determining whether the minimum payment has been made or the maximum payment has been reached. The Company denies all of the material allegations of the lawsuit and denies any and all liability or wrongdoing in connection with the conduct described in the lawsuit, but the Company agreed to the settlement to eliminate the uncertainty, distraction, burden and expense of further litigation.

In accordance with ASC 450, Contingencies, the Company recognized a liability in 2013 in the amount of $18.0 million. The liability was recorded in “Accounts payable and accrued liabilities” in the consolidated balance sheets and “Operations and administration expense” in the consolidated statements of income for the year ended December 31, 2013. The Class Claims and Costs have been finalized, and the Company paid $18.6 million in connection with the Class Claims and Costs and recognized an additional $0.6 million of expenses, during the six months ended June 30, 2014.

Ohio Litigation

On May 28, 2009, one of the Company’s subsidiaries, Ohio Neighborhood Finance, Inc., doing business as Cashland (“Cashland”), filed a standard collections suit in an Elyria Municipal Court in Ohio against Rodney Scott seeking judgment against Mr. Scott in the amount of $570.16, which was the amount due under his loan agreement. Cashland’s loan was offered under the Ohio Mortgage Loan Act (“OMLA”), which allows for interest at a rate of 25% per annum plus certain loan fees allowed by the statute. The Municipal Court, in Ohio Neighborhood Finance, Inc. v. Rodney Scott, held that short-term, single-payment consumer loans made by Cashland are not authorized under the OMLA, and instead should have been offered under the Ohio Short-Term Lender Law, which was passed by the Ohio legislature in 2008 for consumer loans with similar terms. Due to a cap on interest and loan fees at an amount that is less than permitted under the OMLA, the Company does not offer loans under the Ohio Short-Term Lender Law. On December 3, 2012, the Ohio Ninth District Court of Appeals affirmed the Municipal Court's ruling in a 2-1 decision. The Supreme Court of Ohio heard the Company's appeal of the Ninth District Court's decision in December 2013. On June 11, 2014, the Ohio Supreme Court unanimously held that Cashland is properly offering short-term, single-payment loans in the State of Ohio under the OMLA reversing the decision entered by the Ohio Ninth District Court of Appeals.

The Company is also a defendant in certain routine litigation matters encountered in the ordinary course of its business. Certain of these matters are covered to an extent by insurance. In the opinion of management, the resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or liquidity.

Consumer Financial Protection Bureau

On November 20, 2013, the Company consented to the issuance of a Consent Order by the Consumer Financial Protection Bureau (the "CFPB") pursuant to which it agreed, without admitting or denying any of the facts or conclusions made by the CFPB from its 2012 review of the Company, among other things, to set aside $8.0 million of cash for a period of 180 days to fund any further payments to eligible Ohio customers who make valid claims in connection with the Company's voluntary program that was announced in December 2012 to fully reimburse approximately 14,000 Ohio customers for all funds collected, plus interest accrued from the date collected, in connection with legal collections proceedings initiated by the Company in Ohio from January 1, 2008 through December 4, 2012 (the "Ohio Reimbursement Program"). The decision to make voluntary reimbursements in connection with the Ohio Reimbursement Program was made by the Company in 2012 because the Company determined that a small number of employees did not prepare certain court documents in many of its Ohio legal collections proceedings in accordance with court rules. The extended claims period required by the CFPB has expired. The Company has refunded approximately $6.4 million in connection with this program.

The $8.0 million of cash set aside was classified as restricted cash on the Company's consolidated balance sheets. In June 2014, following the expiration of the 180-day period extended claims period, the Company released $7.9 million of restricted cash. As of June 30, 2014, the remaining balance in restricted cash is approximately $60 thousand, reflecting the amount of refunds that were still outstanding as of that date.

11. Fair Value Measurements

Recurring Fair Value Measurements

In accordance with ASC 820, Fair Value Measurements and Disclosures ("ASC 820"), certain of the Company's assets and liabilities, which are carried at fair value, are classified in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.

The Company's financial assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2014 and 2013 and December 31, 2013 are as follows (dollars in thousands):

	June 30,	Fair Value Measurements Using		
	2014	Level 1	Level 2	Level 3
Financial assets (liabilities):				
Cash equivalents	$64,948	$64,948	$—	$—
Forward currency exchange contracts	(93)	$—	(93)	—
Nonqualified savings plans' assets[(a)]	15,560	15,560	—	—
Total	$80,415	$80,508	$(93)	$—
	June 30,	Fair Value Measurements Using		
	2013	Level 1	Level 2	Level 3
Financial assets :				
Cash equivalents	$34,007	$34,007	$—	$—
Forward currency exchange contracts	454	—	454	—
Nonqualified savings plans' assets[(a)]	13,336	13,336	—	—
Total	$47,797	$47,343	$454	$—
	December 31,	Fair Value Measurements Using		
	2013	Level 1	Level 2	Level 3
Financial assets:				
Forward currency exchange contracts	$6	$—	$6	$—
Nonqualified savings plans' assets[(a)]	14,576	14,576	—	—
Total	$14,582	$14,576	$6	$—

(a) The nonqualified savings plan assets have an offsetting liability of equal amount, which is included in "Accounts payable and accrued
expenses" in the Company's consolidated balance sheets.

The Company's cash equivalents are investments in money market funds, which are highly liquid investments with maturities of three months or less. These assets are classified within Level 1 of the fair value hierarchy, as the money market funds are valued using quoted market prices in active markets.

The Company measures the fair value of its forward currency exchange contracts under Level 2 inputs as defined by ASC 820. For these forward currency exchange contracts, current market rates are used to determine fair value. The significant inputs used in these models are derived from observable market rates. During the six months ended June 30, 2014 and 2013, there were no transfers of assets in or out of Level 1 or Level 2 fair value measurements.

Table of Contents
CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Financial Assets and Liabilities Not Measured at Fair Value
The Company’s financial assets and liabilities as of June 30, 2014 and 2013 and December 31, 2013 that are not measured at fair value in the consolidated balance sheets are as follows (dollars in thousands):

	Carrying Value	Estimated Fair Value			
	June 30,	June 30,	Fair Value Measurement Using		
	2014	2014	Level 1	Level 2	Level 3
Financial assets:					