

CASH AMERICA INTERNATIONAL INC  
Form 10-Q  
October 30, 2012  
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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 September 30, 2012

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**  
(State or other jurisdiction of  
Incorporation or organization)

**75-2018239**  
(I.R.S. Employer  
Identification No.)

**1600 West 7<sup>th</sup> Street**  
**Fort Worth, Texas**  
(Address of principal executive offices)

**76102**  
(Zip Code)

**(817) 335-1100**

(Registrant's telephone number, including area code)

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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  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

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  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

APPLICABLE ONLY TO CORPORATE ISSUERS:

29,051,910 of the Registrant's common shares, \$.10 par value, were issued and outstanding as of October 22, 2012.

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**CASH AMERICA INTERNATIONAL, INC.**

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**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 of Cash America International, Inc. (the Company) with respect to the business, financial condition and prospects of the Company. When used in this report, terms such as believes, estimates, should, could, would, plans, expects, anticipates, may, forecast, project and similar expressions or variations as 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:

changes in domestic and foreign pawn, consumer credit, tax and other laws and government rules and regulations applicable to the Company's business, or changes in the interpretation or enforcement thereof, and the anticipated regulation of consumer financial products and services by the Consumer Financial Protection Bureau;

acceptance by consumers, legislators and regulators of the negative characterization by the media and consumer activists with respect to certain of the Company's loan products;

the reorganization of the Company's Mexico-based pawn operations;

the deterioration of the political, regulatory or economic environment in foreign countries where the Company operates or in the future may operate;

the actions of third parties who provide, acquire or offer products and services to, from or for the Company;

changes in demand for the Company's services and the continued acceptance of the online channel by the Company's online loan customers;

fluctuations in the price of gold or a deterioration in economic conditions;

changes in competition;

the ability of the Company to open new locations in accordance with plans or to successfully integrate newly acquired businesses into the Company's operations;

interest rate and foreign currency exchange rate fluctuations;

the effect of any current or future litigation proceedings and any judicial decisions or rule-making that could render the Company's arbitration agreements illegal or unenforceable;

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changes in the capital markets, including the debt and equity markets;

changes in the Company's ability to satisfy its debt obligations or to refinance existing debt obligations or obtain new capital to finance growth;

a prolonged interruption in the Company's operations of its facilities, systems and business functions, including its information technology and other business systems;

security breaches, cyber attacks or fraudulent activity;

the implementation of new, or changes in the interpretation of existing, accounting principles or financial reporting requirements;

acts of God, war or terrorism, pandemics and other events;

the effect of any of such 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 (the "SEC").

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****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)

|   | September 30,<br>2012 | September 30,<br>2011 | December 31,<br>2011 |
|---|-----------------------|-----------------------|----------------------|
| <b>Assets</b>   |                       |                       |                      |
| Current assets:   |                       |                       |                      |
| Cash and cash equivalents   | \$ 78,663             | \$ 54,364             | \$ 62,542            |
| Pawn loans  | 254,077               | 244,441               | 253,519              |
| Consumer loans, net   | 256,825               | 191,642               | 222,778              |
| Merchandise held for disposition, net   | 171,285               | 166,365               | 161,884              |
| Pawn loan fees and service charges receivable   | 48,771                | 45,066                | 48,003               |
| Income taxes receivable   | 684                   |                       |                      |
| Prepaid expenses and other assets   | 36,912                | 32,095                | 31,301               |
| Deferred tax assets   | 39,826                | 29,070                | 35,065               |
| Total current assets  | 887,043               | 763,043               | 815,092              |
| Property and equipment, net   | 258,214               | 236,325               | 246,429              |
| Goodwill  | 599,337               | 538,169               | 562,721              |
| Intangible assets, net  | 34,877                | 26,668                | 34,771               |
| Other assets  | 12,936                | 13,948                | 15,236               |
| Total assets  | \$ 1,792,407          | \$ 1,578,153          | \$ 1,674,249         |
| <b>Liabilities and Equity</b>   |                       |                       |                      |
| Current liabilities:  |                       |                       |                      |
| Accounts payable and accrued expenses   | \$ 109,986            | \$ 95,574             | \$ 113,113           |
| Customer deposits   | 12,944                | 10,588                | 9,935                |
| Income taxes currently payable  |                       | 10,520                | 12,880               |
| Current portion of long-term debt   | 44,205                | 21,856                | 34,273               |
| Total current liabilities   | 167,135               | 138,538               | 170,201              |
| Deferred tax liabilities  | 102,048               | 88,980                | 89,712               |
| Noncurrent income tax payable   | 2,697                 | 2,343                 | 2,315                |
| Other liabilities   | 1,007                 | 1,522                 | 1,413                |
| Long-term debt  | 545,258               | 470,124               | 503,018              |
| Total liabilities   | \$ 818,145            | \$ 701,507            | \$ 766,659           |
| 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  | 157,874               | 167,193               | 167,683              |
| Retained earnings   | 855,972               | 739,256               | 776,060              |
| Accumulated other comprehensive income (loss)   | 4,366                 | (2,352)               | (6,896)              |
| Treasury shares, at cost (1,214,646 shares, 982,735 shares and 1,011,356 shares at September 30, 2012 and 2011, and at December 31, 2011, respectively) | (46,175)              | (35,752)              | (37,419)             |
| Total Cash America International, Inc. shareholders' equity   | 975,061               | 871,369               | 902,452              |
| Noncontrolling interest   | (799)                 | 5,277                 | 5,138                |

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|                              |              |              |              |
|------------------------------|--------------|--------------|--------------|
| Total equity                 | 974,262      | 876,646      | 907,590      |
| Total liabilities and equity | \$ 1,792,407 | \$ 1,578,153 | \$ 1,674,249 |

*See notes to consolidated financial statements.*

**Table of Contents****CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME***(in thousands, except per share data)*

(Unaudited)

|  | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                  |
|--|-------------------------------------|------------------|------------------------------------|------------------|
|  | 2012                                | 2011             | 2012                               | 2011             |
| <b>Revenue</b>   |                                     |                  |                                    |                  |
| Pawn loan fees and service charges   | \$ 76,500                           | \$ 74,399        | \$ 221,450                         | \$ 206,134       |
| Proceeds from disposition of merchandise   | 153,493                             | 157,886          | 517,832                            | 473,688          |
| Consumer loan fees   | 205,094                             | 162,981          | 558,656                            | 418,522          |
| Other  | 4,607                               | 3,038            | 10,888                             | 10,763           |
| <b>Total Revenue</b>   | <b>439,694</b>                      | <b>398,304</b>   | <b>1,308,826</b>                   | <b>1,109,107</b> |
| <b>Cost of Revenue</b>   |                                     |                  |                                    |                  |
| Disposed merchandise   | 106,918                             | 102,274          | 350,878                            | 302,472          |
| Consumer loan loss provision   | 84,299                              | 60,576           | 219,079                            | 145,205          |
| <b>Total Cost of Revenue</b>   | <b>191,217</b>                      | <b>162,850</b>   | <b>569,957</b>                     | <b>447,677</b>   |
| <b>Net Revenue</b>   | <b>248,477</b>                      | <b>235,454</b>   | <b>738,869</b>                     | <b>661,430</b>   |
| <b>Expenses</b>  |                                     |                  |                                    |                  |
| Operations and administration  | 181,215                             | 157,439          | 515,560                            | 445,613          |
| Depreciation and amortization  | 27,074                              | 14,850           | 56,882                             | 39,600           |
| <b>Total Expenses</b>  | <b>208,289</b>                      | <b>172,289</b>   | <b>572,442</b>                     | <b>485,213</b>   |
| <b>Income from Operations</b>  | <b>40,188</b>                       | <b>63,165</b>    | <b>166,427</b>                     | <b>176,217</b>   |
| Interest expense   | (7,196)                             | (6,865)          | (21,065)                           | (18,307)         |
| Interest income  | 22                                  | 14               | 79                                 | 56               |
| Foreign currency transaction gain (loss)   | 93                                  | (777)            | (72)                               | (1,058)          |
| Equity in loss of unconsolidated subsidiary                                      | (61)                                | (34)             | (209)                              | (70)             |
| <b>Income before Income Taxes</b>  | <b>33,046</b>                       | <b>55,503</b>    | <b>145,160</b>                     | <b>156,838</b>   |
| Provision for income taxes   | 25,116                              | 20,974           | 67,487                             | 59,277           |
| <b>Net Income</b>  | <b>7,930</b>                        | <b>34,529</b>    | <b>77,673</b>                      | <b>97,561</b>    |
| Net loss attributable to the noncontrolling interest                             | 3,773                               | 248              | 5,317                              | 575              |
| <b>Net Income Attributable to Cash America International, Inc.</b>               | <b>\$ 11,703</b>                    | <b>\$ 34,777</b> | <b>\$ 82,990</b>                   | <b>\$ 98,136</b> |
| <b>Earnings Per Share:</b>   |                                     |                  |                                    |                  |
| Net Income attributable to Cash America International, Inc. common shareholders: |                                     |                  |                                    |                  |
| Basic  | \$ 0.40                             | \$ 1.18          | \$ 2.80                            | \$ 3.31          |
| Diluted  | \$ 0.37                             | \$ 1.08          | \$ 2.62                            | \$ 3.07          |
| Weighted average common shares outstanding:                                      |                                     |                  |                                    |                  |
| Basic  | 29,536                              | 29,535           | 29,599                             | 29,626           |
| Diluted  | 31,375                              | 32,248           | 31,643                             | 31,969           |
| Dividends declared per common share  | \$ 0.035                            | \$ 0.035         | \$ 0.105                           | \$ 0.105         |

*See notes to consolidated financial statements.*



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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

*(dollars in thousands)*

(Unaudited)

|   | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|---|-------------------------------------|-----------|------------------------------------|-----------|
|   | 2012                                | 2011      | 2012                               | 2011      |
| <b>Net income</b>   | \$ 7,930                            | \$ 34,529 | \$ 77,673                          | \$ 97,561 |
| <b>Other comprehensive gain (loss), net of tax:</b>   |                                     |           |                                    |           |
| Unrealized derivatives gain <sup>(a)</sup>  |                                     | 31        | 12                                 | 70        |
| Foreign currency translation gain (loss) <sup>(b)</sup>   | 7,664                               | (14,352)  | 10,038                             | (8,573)   |
| Marketable securities unrealized gain (loss) <sup>(c)</sup>                                       | 767                                 | (29)      | 1,311                              | 879       |
| Total other comprehensive gain (loss), net of tax   | 8,431                               | (14,350)  | 11,361                             | (7,624)   |
| <b>Comprehensive income</b>   | \$ 16,361                           | \$ 20,179 | \$ 89,034                          | \$ 89,937 |
| Net loss attributable to the noncontrolling interest  | 3,773                               | 248       | 5,317                              | 575       |
| Foreign currency translation (loss) gain, net of tax, attributable to the noncontrolling interest | (77)                                | 803       | (99)                               | 475       |
| Comprehensive loss attributable to the noncontrolling interest                                    | 3,696                               | 1,051     | 5,218                              | 1,050     |
| <b>Comprehensive Income Attributable to Cash America International, Inc.</b>                      | \$ 20,057                           | \$ 21,230 | \$ 94,252                          | \$ 90,987 |

<sup>(a)</sup> Net of tax benefit (provision) of \$0 and \$(16) for the three months ended September 30, 2012 and 2011, respectively, and \$(6) and \$(37) for the nine months ended September 30, 2012 and 2011, respectively.

<sup>(b)</sup> Net of tax benefit (provision) of \$(1,529) and \$167 for the three months ended September 30, 2012 and 2011, respectively, and \$(1,581) and \$17 for the nine months ended September 30, 2012 and 2011, respectively.

<sup>(c)</sup> Net of tax benefit (provision) of \$(413) and \$16 for the three months ended September 30, 2012 and 2011, respectively, and \$(705) and \$(473) for the nine months ended September 30, 2012 and 2011, respectively.

*See notes to consolidated financial statements.*

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## CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EQUITY

*(dollars in thousands, except per share data)*

(Unaudited)

|   | Common Stock      |                 | Additional<br>paid-in<br>capital | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>income<br>(loss) | Treasury shares, at cost |                    | Total<br>share-<br>holders<br>equity | Non-controlling<br>interest | Total<br>Equity   |
|---|-------------------|-----------------|----------------------------------|----------------------|---|--------------------------|--------------------|--------------------------------------|-----------------------------|-------------------|
|   | Shares            | Amount          |                                  |                      |   | Shares                   | Amount             |                                      |                             |                   |
| <b>Balance at January 1, 2011</b>                           | <b>30,235,164</b> | <b>\$ 3,024</b> | <b>\$ 165,658</b>                | <b>\$ 644,208</b>    | <b>\$ 4,797</b>   | <b>(685,315)</b>         | <b>\$ (21,283)</b> | <b>\$ 796,404</b>                    | <b>\$ 6,327</b>             | <b>\$ 802,731</b> |
| Shares issued under stock-based plans                       |                   |                 | (2,904)                          |                      |   | 94,982                   | 3,009              | 105                                  |                             | 105               |
| Stock-based compensation expense                            |                   |                 | 3,936                            |                      |   |                          |                    | 3,936                                |                             | 3,936             |
| Income tax benefit from stock-based compensation            |                   |                 | 503                              |                      |   |                          |                    | 503                                  |                             | 503               |
| Net income attributable to Cash America International, Inc. |                   |                 |                                  | 98,136               |   |                          |                    | 98,136                               |                             | 98,136            |
| Dividends paid  |                   |                 |                                  | (3,088)              |   |                          |                    | (3,088)                              |                             | (3,088)           |
| Unrealized derivatives gain, net of tax                     |                   |                 |                                  |                      | 70  |                          |                    | 70                                   |                             | 70                |
| Foreign currency translation loss, net of tax               |                   |                 |                                  |                      | (8,098)   |                          |                    | (8,098)                              | (475)                       | (8,573)           |
| Marketable securities unrealized gain, net of tax           |                   |                 |                                  |                      | 879   |                          |                    | 879                                  |                             | 879               |
| Purchases of treasury shares                                |                   |                 |                                  |                      |   | (392,402)                | (17,478)           | (17,478)                             |                             | (17,478)          |
| Loss attributable to the noncontrolling interest            |                   |                 |                                  |                      |   |                          |                    |                                      | (575)                       | (575)             |
| <b>Balance at September 30, 2011</b>                        | <b>30,235,164</b> | <b>\$ 3,024</b> | <b>\$ 167,193</b>                | <b>\$ 739,256</b>    | <b>\$ (2,352)</b>   | <b>(982,735)</b>         | <b>\$ (35,752)</b> | <b>\$ 871,369</b>                    | <b>\$ 5,277</b>             | <b>\$ 876,646</b> |
| <b>Balance at January 1, 2012</b>                           | <b>30,235,164</b> | <b>\$ 3,024</b> | <b>\$ 167,683</b>                | <b>\$ 776,060</b>    | <b>\$ (6,896)</b>   | <b>(1,011,356)</b>       | <b>\$ (37,419)</b> | <b>\$ 902,452</b>                    | <b>\$ 5,138</b>             | <b>\$ 907,590</b> |
| Shares issued under stock-based plans                       |                   |                 | (8,208)                          |                      |   | 250,470                  | 9,459              | 1,251                                |                             | 1,251             |
| Stock-based compensation expense                            |                   |                 | 3,982                            |                      |   |                          |                    | 3,982                                |                             | 3,982             |
| Income tax benefit from stock-based compensation            |                   |                 | 2,082                            |                      |   |                          |                    | 2,082                                |                             | 2,082             |
| Net income attributable to Cash America International, Inc. |                   |                 |                                  | 82,990               |   |                          |                    | 82,990                               |                             | 82,990            |
| Dividends paid  |                   |                 |                                  | (3,078)              |   |                          |                    | (3,078)                              |                             | (3,078)           |
| Unrealized derivatives gain, net of tax                     |                   |                 |                                  |                      | 12  |                          |                    | 12                                   |                             | 12                |
| Foreign currency translation gain, net of tax               |                   |                 |                                  |                      | 9,939   |                          |                    | 9,939                                | 99                          | 10,038            |
| Marketable securities unrealized gain, net of tax           |                   |                 |                                  |                      | 1,311   |                          |                    | 1,311                                |                             | 1,311             |
| Purchases of treasury shares                                |                   |                 |                                  |                      |   | (453,760)                | (18,215)           | (18,215)                             |                             | (18,215)          |
| Loss attributable to the noncontrolling interest            |                   |                 |                                  |                      |   |                          |                    |                                      | (5,317)                     | (5,317)           |
| Purchase of noncontrolling interest                         |                   |                 | (7,665)                          |                      |   |                          |                    | (7,665)                              | (719)                       | (8,384)           |
| <b>Balance at September 30, 2012</b>                        | <b>30,235,164</b> | <b>\$ 3,024</b> | <b>\$ 157,874</b>                | <b>\$ 855,972</b>    | <b>\$ 4,366</b>   | <b>(1,214,646)</b>       | <b>\$ (46,175)</b> | <b>\$ 975,061</b>                    | <b>\$ (799)</b>             | <b>\$ 974,262</b> |

*See notes to consolidated financial statements.*



**Table of Contents****CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS***(dollars in thousands)*

(Unaudited)

|   | Nine Months Ended<br>September 30, |                  |
|---|------------------------------------|------------------|
|   | 2012                               | 2011             |
| <b>Cash Flows from Operating Activities</b>                                       |                                    |                  |
| Net Income  | \$ 77,673                          | \$ 97,561        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                    |                  |
| Depreciation and amortization   | 56,882                             | 39,600           |
| Amortization of debt discount and issuance costs                                  | 2,835                              | 2,652            |
| Consumer loan loss provision  | 219,079                            | 145,205          |
| Stock-based compensation  | 3,982                              | 3,936            |
| Deferred income taxes, net  | 5,614                              | 30,186           |
| Excess income tax benefit from stock-based compensation                           | (2,082)                            | (503)            |
| Other   | 3,985                              | 2,790            |
| Changes in operating assets and liabilities, net of assets acquired:              |                                    |                  |
| Merchandise other than forfeited  | 8,216                              | (15,174)         |
| Pawn loan fees and service charges receivable                                     | 979                                | (4,156)          |
| Finance and service charges on consumer loans                                     | (2,989)                            | (4,797)          |
| Prepaid expenses and other assets   | (681)                              | (6,023)          |
| Accounts payable and accrued expenses   | (6,680)                            | (1,923)          |
| Current income taxes  | (10,964)                           | 9,642            |
| Other operating assets and liabilities  | 1,997                              | 1,609            |
| <b>Net cash provided by operating activities</b>                                  | <b>357,846</b>                     | <b>300,605</b>   |
| <b>Cash Flows from Investing Activities</b>                                       |                                    |                  |
| Pawn loans made   | (573,465)                          | (582,938)        |
| Pawn loans repaid   | 323,891                            | 317,599          |
| Principal recovered through dispositions of forfeited pawn loans                  | 244,686                            | 217,399          |
| Consumer loans made or purchased  | (1,375,293)                        | (1,149,153)      |
| Consumer loans repaid   | 1,124,728                          | 957,696          |
| Acquisitions, net of cash acquired  | (56,919)                           |                  |
| Purchases of property and equipment   | (58,566)                           | (51,795)         |
| Investment in equity securities   |                                    | (5,000)          |
| Other investing activities  | (784)                              | (450)            |
| <b>Net cash used in investing activities</b>                                      | <b>(371,722)</b>                   | <b>(296,642)</b> |
| <b>Cash Flows from Financing Activities</b>                                       |                                    |                  |
| Net borrowings under bank lines of credit   | 7,427                              | 8,975            |
| Issuance of long-term debt  | 52,000                             | 50,000           |
| Net proceeds from re-issuance of treasury shares                                  | 1,251                              | 105              |
| Loan costs paid   | (425)                              | (2,584)          |
| Payments on notes payable   | (9,585)                            | (25,840)         |
| Excess income tax benefit from stock-based compensation                           | 2,082                              | 503              |
| Treasury shares purchased   | (17,832)                           | (17,478)         |
| Dividends paid  | (3,078)                            | (3,088)          |
| Purchase of noncontrolling interest   | (5,625)                            |                  |
| <b>Net cash used in financing activities</b>                                      | <b>26,215</b>                      | <b>10,593</b>    |
| Effect of exchange rates on cash  | 3,782                              | 1,484            |
| <b>Net increase in cash and cash equivalents</b>                                  | <b>16,121</b>                      | <b>16,040</b>    |
| <b>Cash and cash equivalents at beginning of year</b>                             | <b>62,542</b>                      | <b>38,324</b>    |

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|  |            |            |
|--|------------|------------|
| <b>Cash and cash equivalents at end of period</b>                        | \$ 78,663  | \$ 54,364  |
| <b>Supplemental Disclosures</b>  |            |            |
| <b>Non-cash investing and financing activities</b>                       |            |            |
| Pawn loans forfeited and transferred to merchandise held for disposition | \$ 257,278 | \$ 237,782 |
| Pawn loans renewed   | \$ 206,412 | \$ 138,805 |
| Consumer loans renewed   | \$ 471,415 | \$ 405,010 |

*See notes to consolidated financial statements.*

**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 (the Company). All significant intercompany accounts and transactions have been eliminated in consolidation.

The financial statements as of September 30, 2012 and 2011 and for the three- and nine-month periods then ended 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 nine-month periods are not necessarily indicative of the results that may be expected for the full fiscal year.

In the first quarter of 2012, the Company changed its accounting policy with respect to its foreign pawn operations to reflect pledged collateral underlying nonperforming pawn loans as Merchandise held for disposition, net, the proceeds received from the disposition of this collateral as Proceeds from disposition of merchandise and the cost basis for this collateral as Cost of disposed merchandise in its consolidated financial statements. The Company believes this change, from one generally accepted accounting principle to another generally accepted accounting principle, is preferable because it enhances comparability of its financial statements by reporting financial results associated with its foreign pawn operations in the same manner as the financial results associated with its domestic pawn operations. The Company did not change its accounting policy with respect to its domestic pawn operations, and the change in the Company's accounting policy with respect to its foreign pawn operations had no impact on the Company's consolidated Net Revenue or Net Income previously reported. The change has been applied retrospectively. The following tables summarize the impact of the accounting change in the Company's consolidated financial statements as of and for the three and nine months ended September 30, 2011 and as of December 31, 2011 (dollars in thousands):

| <b>For the Three Months Ended September 30, 2011</b> | <b>As previously<br/>reported</b> | <b>As adjusted</b> |
|--|-----------------------------------|--------------------|
| <b>Consolidated Statements of Income</b>             |                                   |                    |
| Pawn loan fees and service charges                   | \$ 77,053                         | \$ 74,399          |
| Proceeds from disposition of merchandise             | 144,821                           | 157,886            |
| Total revenue  | 387,893                           | 398,304            |
| Disposed merchandise                                 | 91,863                            | 102,274            |
| Total cost of revenue                                | 152,439                           | 162,850            |
| Net revenue  | 235,454                           | 235,454            |

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

| <b>As of and for the Nine Months Ended September 30, 2011</b>            | <b>As previously reported</b> | <b>As adjusted</b> |
|--|-------------------------------|--------------------|
| <b>Consolidated Balance Sheet</b>  |                               |                    |
| Merchandise held for disposition, net                                    | \$ 156,806                    | \$ 166,365         |
| Prepaid expenses and other assets  | 41,654                        | 32,095             |
| <b>Consolidated Statements of Income</b>                                 |                               |                    |
| Pawn loan fees and service charges                                       | \$ 212,290                    | \$ 206,134         |
| Proceeds from disposition of merchandise                                 | 435,775                       | 473,688            |
| Total revenue  | 1,077,350                     | 1,109,107          |
| Disposed merchandise   | 270,715                       | 302,472            |
| Total cost of revenue  | 415,920                       | 447,677            |
| Net revenue  | 661,430                       | 661,430            |
| <b>Consolidated Statement of Cash Flows</b>                              |                               |                    |
| Merchandise other than forfeited   | \$ (14,514)                   | \$ (15,174)        |
| Prepaid expenses and other assets  | (10,032)                      | (6,023)            |
| Net cash provided by operating activities                                | 297,256                       | 300,605            |
| Pawn loans repaid  | 350,683                       | 317,599            |
| Principal recovered through dispositions of forfeited pawn loans         | 186,657                       | 217,399            |
| Net cash used in investing activities                                    | (294,300)                     | (296,642)          |
| <b>Consolidated Statement of Cash Flows Supplemental Disclosures</b>     |                               |                    |
| Pawn loans forfeited and transferred to merchandise held for disposition | \$ 207,887                    | \$ 237,782         |

| <b>As of December 31, 2011</b>        | <b>As previously reported</b> | <b>As adjusted</b> |
|---------------------------------------|-------------------------------|--------------------|
| <b>Consolidated Balance Sheet</b>     |                               |                    |
| Merchandise held for disposition, net | \$ 151,274                    | \$ 161,884         |
| Prepaid expenses and other assets     | 41,911                        | 31,301             |

The Company's Mexico-based pawn operations operate under the name *Prenda Fácil* (referred to as *Prenda Fácil*) and are owned by Creazione Estilo, S.A. de C.V., a Mexican *sociedad anónima de capital variable* (Creazione).

Prior to 2012, the Company had a contractual relationship with a third party entity, Huminal, S.A. de C.V., a Mexican *sociedad anónima de capital variable* (Huminal), to compensate and maintain the labor force of its Mexico pawn operations. On January 1, 2012, the labor force of the Mexico pawn operations was transferred from Huminal to a wholly-owned subsidiary of Creazione. However, *Prenda Fácil* qualifies as the primary beneficiary of Huminal in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, *Consolidation* (ASC 810). Therefore, the results and balances of Huminal are consolidated and allocated to net income attributable to noncontrolling interests.

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, 2011.

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**Revenue Recognition**

***Pawn loan fees and service charges.*** Pawn loans are short-term loans made on the pledge of tangible personal property. Pawn loan fees and service charges revenue are accrued ratably over the term of the loan for the portion of those pawn loans deemed collectible. The typical loan term is generally 30 to 90 days plus, in many cases, an additional grace period (typically 10 to 60 days). A pawn loan is considered nonperforming 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 nonperforming loans. When a pawn loan is considered nonperforming, any accrued pawn loan fees and service charges are reversed and no additional pawn loan fees and service charges are accrued. Pawn loans written during each calendar month are aggregated and tracked for performance. This empirical data allows the Company to analyze the characteristics of its outstanding pawn loan portfolio and assess the collectability of the principal balance in addition to pawn loan fees and service charges.

***Proceeds from and cost of disposed merchandise.*** Upon the sale of merchandise, the Company realizes gross profit, which is the difference between the Company's cost basis in the loan or the amount paid for purchased merchandise, both of which are recorded as cost of sales, and the amount of proceeds from the sale. The cost of disposed merchandise is computed on the specific identification basis. Interim customer payments for layaway sales are recorded as customer deposits and subsequently recognized as revenue during the period in which the final payment is received.

**Merchandise Held for Disposition**

Merchandise held for disposition consists primarily of forfeited collateral from pawn loans not repaid and merchandise that is purchased directly from customers or from third parties. The carrying value of the forfeited collateral and other merchandise held for disposition is stated at the lower of cost (which is the cost basis in the loan or the amount paid for purchased merchandise) or fair value. With respect to the Company's foreign pawn operations, collateral underlying unredeemed pawn loans is not owned by the Company; however, the Company assumes the risk of loss on such collateral and is solely responsible for its care and disposition. Accordingly, the Company classifies these domestic and foreign assets as Merchandise held for disposition, net in the consolidated balance sheets. The Company provides an allowance for returns and an allowance for valuation based on management's evaluation of the current trends in performance, characteristics of the merchandise and historical shrinkage rates. Because pawn loans are made without recourse to the borrower, the Company does not investigate or rely upon the borrower's creditworthiness, but instead bases its lending decision on an evaluation of the pledged personal property. The amount the Company is willing to finance is typically based on a percentage of the pledged personal property's estimated disposition value. The Company uses numerous sources in determining an item's estimated disposition value, including the Company's automated product valuation system as well as catalogs, blue books, newspapers, internet research and previous disposition experience. The Company performs a physical count of its merchandise in each location on multiple occasions on a cyclical basis and reviews the composition of inventory by category and age in order to assess the adequacy of the allowance.

**Recently Adopted Accounting Pronouncements**

In July 2012, the FASB issued Accounting Standards Update (ASU) 2012-02, *Intangibles - Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment* (ASU 2012-02). ASU 2012-02 provides companies with the option to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not (a likelihood of more than 50 percent) that the indefinite-lived intangible asset is impaired. If the company concludes that it is more likely than not that the asset is impaired, it is required to determine the fair value of the intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying value in accordance with Topic 350. If the company concludes otherwise, no further quantitative assessment is required. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, although early adoption is permitted. The Company intends to adopt





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

ASU 2012-02 beginning with its annual indefinite-lived intangible asset impairment test during the second quarter of 2013. The Company does not expect the adoption to have a material effect on its financial position or results of operations.

In September 2011, the FASB issued ASU No. 2011-08, *Testing Goodwill for Impairment* ( ASU 2011-08 ). This update is intended to simplify goodwill impairment testing by adding an optional qualitative review step to assess whether the required quantitative impairment analysis that exists under GAAP is necessary. Under ASU 2011-08, a company will not be required to calculate the fair value of a reporting unit that contains recorded goodwill unless it concludes, based on the qualitative assessment, that it is more likely than not (a likelihood of more than 50 percent) that the fair value of that reporting unit is less than its book value. If such a decline in fair value is deemed more likely than not to have occurred, then the quantitative goodwill impairment test that exists under current GAAP must be completed. If not, goodwill is deemed not impaired and no further testing is required until the next annual test date, unless conditions or events before that date raise concerns of potential impairment. The amended goodwill impairment guidance does not affect the manner in which a company estimates fair value. The Company adopted ASU 2011-08 on January 1, 2012 and exercised its option to bypass the qualitative assessment and utilized only a quantitative assessment in its annual goodwill assessment, which was completed in June 2012, and the additional goodwill assessment completed in September 2012. See Note 13 for a discussion of the additional goodwill impairment assessment. The adoption of ASU 2011-08 did not have a material effect on the Company's financial position or results of operations.

In June 2011, the FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income* ( ASU 2011-05 ), which enhances comparability between entities that report under GAAP and those that report under International Financial Reporting Standards ( IFRS ). ASU 2011-05 requires companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of equity. ASU 2011-05 is effective for the Company's interim and annual periods beginning after December 15, 2011 and must be applied retrospectively. In December 2011, the FASB issued ASU No. 2011-12, *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* ( ASU 2011-12 ). ASU 2011-12 effectively defers only those changes in ASU 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. The Company adopted ASU 2011-05 and ASU 2011-12 on January 1, 2012 and the adoption did not have a material effect on its financial position or results of operations.

In May 2011, the FASB issued ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards* ( ASU 2011-04 ), which amends ASC 820, *Fair Value Measurement* ( ASC 820 ). ASU 2011-04 provides a consistent definition and measurement of fair value, as well as similar disclosure requirements between GAAP and IFRS. ASU 2011-04 changes certain fair value measurement principles, clarifies the application of existing fair value measurement and expands the ASC 820 disclosure requirements, particularly for Level 3 fair value measurements. ASU 2011-04 is effective for the Company prospectively for interim and annual periods beginning after December 15, 2011. The Company adopted ASU 2011-04 on January 1, 2012 and the adoption did not have a material effect on its financial position or results of operations.

**2. Acquisitions****Acquisition of 25 Pawn Lending Locations**

Pursuant to the Company's business strategy of expanding storefront operations in the United States, the Company and three of its wholly-owned subsidiaries, Cash America, Inc. of Tennessee, Cash America, Inc. of North Carolina and Cash America, Inc. of Kentucky, entered into an agreement to acquire substantially all of the assets of a chain of 25 pawn lending locations located in Kentucky, North Carolina, and Tennessee on September 27, 2012. The Company has assumed the economic benefits of all of these pawnshops by operating them under

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

a management arrangement that commenced on September 27, 2012. The aggregate cash consideration for this transaction, which was funded with borrowings under the Company's line of credit, was approximately \$55.1 million, of which \$52.0 million was paid during the three months ended September 30, 2012. The Company incurred an immaterial amount of acquisition costs related to the acquisition. The final closing for each location will occur following receipt of all applicable licensing and regulatory approvals. The goodwill of \$31.5 million arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Company and these pawn lending locations. The activities and goodwill related to this acquisition are included in the results of the Company's retail services segment, which is further described in Note 11.

The allocation of the purchase price for this acquisition is as follows (dollars in thousands):

|  |           |
|--|-----------|
| Pawn loans   | \$ 7,057  |
| Merchandise acquired   | 7,534     |
| Pawn loan fees and service charges receivable                  | 1,506     |
| Property and equipment   | 631       |
| Goodwill   | 31,521    |
| Intangible assets  | 8,000     |
| Other liabilities  | (1,158)   |
| <br>   |           |
| Total consideration paid for acquisition, net of cash acquired | \$ 55,091 |
| Cash consideration payable                                     | (3,091)   |
| <br>   |           |
| Total cash paid for acquisition, net of cash acquired          | \$ 52,000 |

**Pawn Partners Acquisition**

Pursuant to the Company's business strategy of expanding storefront operations in the United States, the Company's wholly-owned subsidiary, Cash America, Inc. of Nevada, entered into an agreement to acquire substantially all of the assets of a chain of seven pawn lending locations located in Tucson, Flagstaff and Yuma, Arizona on November 22, 2011 (the Pawn Partners acquisition), the final closing for which was to occur following receipt of all applicable licensing and regulatory approvals. The Company assumed the economic benefits of these pawnshops by operating them under a management arrangement that commenced on November 30, 2011. The Company obtained all regulatory licenses in the first quarter of 2012 and terminated the management arrangement. Prior to the acquisition, these locations were operated as franchised Cash America locations under the name SuperPawn. As of September 30, 2012, the Company has paid aggregate consideration of \$53.6 million, of which \$49.3 million was paid during 2011, with the remaining \$4.3 million paid during the nine-month period ended September 30, 2012, which was related to the receipt of the regulatory licenses described above. The Company incurred acquisition costs of \$0.1 million related to the acquisition. The goodwill of \$26.7 million arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Company and these pawn lending locations. The activities and goodwill related to the Pawn Partners acquisition are included in the results of the Company's retail services segment, which is further described in Note 11.

**3. Reorganization of Mexico-based Pawn Operations and Purchase of Noncontrolling Interest**

During the third quarter of 2012, the Company's Board of Directors approved a plan to significantly modify the business plan and strategy of the Company's Mexico-based pawn operations, which comprise the foreign component of its retail services segment. The Company will reorganize these operations to include only full-service pawn locations that offer pawn loans based on the pledge of general merchandise and jewelry collateral and will discontinue the operations of 147 of its Mexico-based pawn locations that primarily just offer pawn loans based on the pledge

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of jewelry-based collateral ( the Mexico Reorganization ). The Mexico Reorganization is expected to be substantially completed before the end of 2012. Following the reorganization, the Company expects to be operating 47 full-service pawn locations in Mexico, located primarily in Mexico City and surrounding areas. The Mexico Reorganization reflects management s decision to modify its strategy in Mexico in order to meet its overall return expectations and improve profitability in its Mexico-based pawn operations.

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

In connection with the Mexico Reorganization, the Company incurred charges for employee termination costs, lease termination costs, asset impairments, the recognition of a deferred tax asset valuation allowance and uncollectible receivables. The Company recognized \$21.9 million of charges related to the Mexico Reorganization during the third quarter of 2012. The Company expects to incur an additional \$6.0 million to \$10.0 million in charges in the fourth quarter of 2012, consisting of employee termination costs, lease termination costs and other costs related to the remaining reorganization activities.

The following table summarizes the charges recognized for the three and nine months ended September 30, 2012 related to the Mexico Reorganization (dollars in thousands):

| <b>Type of expense</b>                                    | <b>Description</b>                     | <b>Amount</b>    |
|---|--|------------------|
| Operations and administrative expense                     | Employee termination costs             | \$ 835           |
| Operations and administrative expense                     | Lease termination costs                | 975              |
| Operations and administrative expense                     | Impairment of other assets             | 1,211            |
| Depreciation and amortization                             | Impairment of property and equipment   | 5,995            |
| Depreciation and amortization                             | Impairment of intangible assets        | 5,086            |
| Provision for income taxes                                | Deferred tax asset valuation allowance | 7,161            |
| Revenue   | Uncollectible receivables              | 645              |
| <b>Total charges related to the Mexico Reorganization</b> |  | <b>\$ 21,908</b> |

The following table summarizes the balance of accrued exit costs related to the Mexico Reorganization and the changes in the accrued expenses as of and for the three months ended September 30, 2012 (dollars in thousands):

|                            | <b>For the three months ended September 30, 2012</b> |                      |                                 | <b>Accrued balance as of</b> |
|----------------------------|--|----------------------|---------------------------------|------------------------------|
|                            | <b>Charges</b>                                       | <b>Cash Payments</b> | <b>Foreign currency changes</b> | <b>September 30, 2012</b>    |
| Employee termination costs | \$ 835   | \$ (123)             | \$ (6)                          | \$ 706                       |
| Lease termination costs    | 975  | (12)                 | (9)                             | 954                          |
| <b>Total</b>               | <b>\$ 1,810</b>                                      | <b>\$ (135)</b>      | <b>\$ (15)</b>                  | <b>\$ 1,660</b>              |

The following table summarizes the balance of accrued exit costs related to the Mexico Reorganization and the changes in the accrued expenses as of and for the nine months ended September 30, 2012 (dollars in thousands):

|  | <b>For the nine months ended September 30, 2012</b> |                      |                                 | <b>Accrued balance as</b> |
|--|---|----------------------|---------------------------------|---------------------------|
|  | <b>Charges</b>                                      | <b>Cash Payments</b> | <b>Foreign currency changes</b> | <b>September 30, 2012</b> |

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|                            |          |          |         | <b>of<br/>September 30,<br/>2012</b> |
|----------------------------|----------|----------|---------|--------------------------------------|
| Employee termination costs | \$ 835   | \$ (123) | \$ (6)  | \$ 706                               |
| Lease termination costs    | 975      | (12)     | (9)     | 954                                  |
| Total                      | \$ 1,810 | \$ (135) | \$ (15) | \$ 1,660                             |

The accrued reorganization charges are included in Accounts payable and accrued liabilities in the Company's consolidated balance sheets and in Operations and administration in the consolidated statements of income.

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

Prior to September 26, 2012, the Company owned 80% of the outstanding stock of Creazione. On September 26, 2012, the Company acquired all outstanding shares of Creazione that were held by minority shareholders (approximately 20% of the outstanding shares), and, as a result, Creazione became a wholly-owned subsidiary of the Company as of that date. The Company paid approximately \$5.6 million in cash and released the minority shareholders from certain contingent obligations estimated at approximately \$2.8 million. The Company accounted for this transaction as an acquisition of the remaining interest of a majority-owned subsidiary. The purchase resulted in a reduction to additional paid in capital of \$7.7 million, representing the excess of the cash amount paid and the released contingent obligations (totaling \$8.4 million) less the carrying amount of the noncontrolling interest of \$0.7 million. Following this transaction, the Company's noncontrolling interest consists of Huminal. See Note 1.

**4. 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 must rely on the disposition of pawned property to recover the principal amount of an unpaid pawn loan, plus a yield on the investment, because pawn loans are non-recourse against the customer. As a result, the customer's creditworthiness is not a significant factor in the loan decision, and a decision to redeem pawned property does not affect the customer's personal credit status with other third-party creditors. 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 the lower of cost, or the cost basis in the loan or amount paid for purchased merchandise, or fair value). 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 nonperforming 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 nonperforming loans. When a pawn loan is considered nonperforming, any accrued pawn loan fees and service charges are reversed and no additional pawn loan fees and service charges are accrued. As of September 30, 2012 and 2011 and December 31, 2011, the Company had performing pawn loans outstanding of \$246.0 million, \$238.4 million and \$248.4 million, respectively, and nonperforming pawn loans outstanding of \$8.1 million, \$6.0 million and \$5.1 million, respectively.

**5. Consumer Loans, Credit Quality Information and Allowances and Liabilities for Estimated Losses on Consumer Loans**

The Company's consumer loan portfolio consists of consumer loans the Company originates, guarantees or purchases and includes: short-term loans, which include single payment loans and certain two-payment loans in the United Kingdom (commonly referred to as payday loans) as well as line of credit accounts, and longer-term multi-payment installment loans. Consumer loans provide customers with cash, typically in exchange for a promissory note or other repayment agreement supported, in most cases, by the customer's personal check or authorization to debit the customer's bank account via an electronic transaction for the aggregate amount of the payment due. These transactions result in a receivable or a loan, owed to the Company or a third-party lender that the Company guarantees.

Through the Company's credit services organization programs (the CSO programs), the Company provides services related to a third-party lender's consumer loan products in some markets by acting as a credit services organization or credit access business on behalf of consumers in accordance with applicable state laws. Services offered under the CSO programs include credit related services such as arranging loans with independent third-party lenders and assisting in the preparation of loan applications and loan documents. Under the CSO programs, the Company also guarantees consumer loan payment obligations to the third-party lender in the event that the consumer defaults on the loan. A customer who obtains a loan through the CSO programs pays the Company a fee for these credit services, which are recorded as Consumer loan fees in the consolidated statement of income.

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## CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Although consumer loan transactions may take the form of loans or a line of credit, deferred check deposit transactions or transactions through the Company's CSO programs, the transactions are referred to throughout this discussion as consumer loans. Consumer loan fee revenue generated from the Company's consumer loans, CSO programs and related activities for the three and nine months ended September 30, 2012 and 2011 was as follows (dollars in thousands):

|  | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            |
|--|-------------------------------------|------------|------------------------------------|------------|
|  | 2012                                | 2011       | 2012                               | 2011       |
| Interest and fees on short-term loans  | \$ 165,934                          | \$ 146,825 | \$ 466,437                         | \$ 383,656 |
| Interest and fees on installment loans | 39,160                              | 16,156     | 92,219                             | 34,866     |
| Total consumer loan fees               | \$ 205,094                          | \$ 162,981 | \$ 558,656                         | \$ 418,522 |

The Company monitors the performance of its portfolio of consumer loans 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. In addition, the Company maintains a liability for estimated losses related to loans guaranteed under the CSO programs, which approximates the fair value of the liability and is included in Accounts payable and accrued expenses on the consolidated balance sheets.

In determining the allowance or liability for estimated losses on consumer loans, the Company applies a documented systematic methodology. Outstanding loans are divided into discrete groups of short-term loans and installment loans and are analyzed as performing or nonperforming. Single payment and certain two payment loans in the United Kingdom are considered nonperforming as of the payment due date when payment of an amount due has not been made as of that date. Installment loans and line of credit accounts are considered nonperforming if the customer does not make two consecutive payments. The Company allows for normal payment processing time for each of these loans before considering them nonperforming.

Where permitted by law, a customer may choose to renew a loan contract or extend the due date on a short-term loan (excluding a line of credit account) before it is considered nonperforming by agreeing to pay the current finance charge for the right to make a later payment of the outstanding principal balance plus an additional finance charge. The Company began offering extensions on certain of its short-term loans in August 2012, and all references to renewals include both renewals and extensions made by customers to their existing short-term loans. In some instances in the United Kingdom, customers agree to repay a new short-term loan in two payments, and in these cases the Company considers the obligation to make the first payment a new single-payment loan and the obligation to make the second payment a renewal of that loan because the customer pays the finance charge due at the time of each payment, similar to a loan that has been renewed. If a short-term loan is renewed but the customer fails to pay that loan's current finance charge as of its due date (after allowing for normal payment processing time), the unpaid finance charge is reclassified as nonperforming.

The Company does not provide for any grace period when determining the performance status of a consumer loan (other than allowing for normal payment processing time). Nonperforming loans may not be renewed, and if, during its attempt to collect on a nonperforming loan, the Company allows additional time for payment through a payment plan or a promise to pay, it is still considered nonperforming. Nonperforming loans are analyzed by stage of collection. Actual loss experience based on historical loss rates for each discrete group is calculated and adjusted for recent default trends. The required allowance is calculated by applying the resulting adjusted loss rates to each discrete loan group and aggregating the results. 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 Company fully reserves and generally charges off all consumer loans once they have been classified as nonperforming for 60 consecutive days. If a loan is deemed uncollectible before it is fully reserved, it is charged off at that point. All loans included in nonperforming loans have an age of one to 59 days from the date they became nonperforming loans, as defined above. Recoveries on loans previously charged to the allowance are credited to the allowance when collected.





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

The allowance for losses on consumer loans was \$79.2 million, \$47.3 million and \$63.1 million at September 30, 2012 and 2011 and December 31, 2011, respectively. In connection with its CSO programs, the Company guarantees consumer loan payment obligations to unrelated third-party lenders and is required to purchase the loan should a consumer not make payments as required by the contract. The guarantee represents an obligation to purchase specific loans that go into default, which generally have terms of less than 90 days. At September 30, 2012 and 2011 and December 31, 2011, the amount of consumer loans guaranteed by the Company was \$55.3 million, \$51.2 million and \$59.4 million, respectively, representing amounts due under consumer loans originated by third-party lenders under the CSO programs. The estimated fair value of the liability for estimated losses on consumer loans guaranteed by the Company of \$3.4 million, \$2.5 million and \$3.1 million at September 30, 2012 and 2011 and December 31, 2011, respectively, is included in Accounts payable and accrued expenses in the accompanying consolidated balance sheets.

The components of Company-owned consumer loan portfolio receivables at September 30, 2012 and 2011 and December 31, 2011 were as follows (dollars in thousands):

|                             | As of September 30, 2012 |                      |            |
|-----------------------------|--------------------------|----------------------|------------|
|                             | Short-term<br>Loans      | Installment<br>Loans | Total      |
| Performing loans            | \$ 163,758               | \$ 98,262            | \$ 262,020 |
| Nonperforming loans         | 57,317                   | 16,734               | 74,051     |
| Total consumer loans, gross | 221,075                  | 114,996              | 336,071    |
| Less: Allowance for losses  | (52,015)                 | (27,231)             | (79,246)   |
| Consumer loans, net         | \$ 169,060               | \$ 87,765            | \$ 256,825 |

|                             | As of September 30, 2011 |                      |            |
|-----------------------------|--------------------------|----------------------|------------|
|                             | Short-term<br>Loans      | Installment<br>Loans | Total      |
| Performing loans            | \$ 137,439               | \$ 44,534            | \$ 181,973 |
| Nonperforming loans         | 50,268                   | 6,736                | 57,004     |
| Total consumer loans, gross | 187,707                  | 51,270               | 238,977    |
| Less: Allowance for losses  | (38,969)                 | (8,366)              | (47,335)   |
| Consumer loans, net         | \$ 148,738               | \$ 42,904            | \$ 191,642 |

|                             | As of December 31, 2011 |                      |            |
|-----------------------------|-------------------------|----------------------|------------|
|                             | Short-term<br>Loans     | Installment<br>Loans | Total      |
| Performing loans            | \$ 157,056              | \$ 59,146            | \$ 216,202 |
| Nonperforming loans         | 59,148                  | 10,500               | 69,648     |
| Total consumer loans, gross | 216,204                 | 69,646               | 285,850    |
| Less: Allowance for losses  | (50,129)                | (12,943)             | (63,072)   |
| Consumer loans, net         | \$ 166,075              | \$ 56,703            | \$ 222,778 |

**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 during the three and nine months ended September 30, 2012 and 2011 were as follows (dollars in thousands):

|   | <b>Three Months Ended September 30, 2012</b> |                              |                           |              |
|---|--|------------------------------|---------------------------|--------------|
|   | <b>Short-term<br/>Loans</b>                  | <b>Installment<br/>Loans</b> | <b>MLOC<sup>(a)</sup></b> | <b>Total</b> |
| <b>Allowance for losses for Company-owned consumer loans:</b> |  |                              |                           |              |
| Balance at beginning of period                                | \$ 50,652                                    | \$ 19,919                    | \$ -                      | \$ 70,571    |
| Consumer loan loss provision                                  | 60,502                                       | 23,155                       | -                         | 83,657       |
| Charge-offs   | (72,098)                                     | (17,635)                     | -                         | (89,733)     |
| Recoveries  | 12,959                                       | 1,792                        | -                         | 14,751       |
| Balance at end of period                                      | \$ 52,015                                    | \$ 27,231                    | \$ -                      | \$ 79,246    |
| <b>Liability for third-party lender-owned consumer loans:</b> |  |                              |                           |              |
| Balance at beginning of period                                | \$ 2,417                                     | \$ 378                       | \$ -                      | \$ 2,795     |
| Increase in liability   | 618  | 24                           | -                         | 642          |
| Balance at end of period                                      | \$ 3,035                                     | \$ 402                       | \$ -                      | \$ 3,437     |
| <b>Three Months Ended September 30, 2011</b>                  |  |                              |                           |              |
|   | <b>Short-term<br/>Loans</b>                  | <b>Installment<br/>Loans</b> | <b>MLOC<sup>(a)</sup></b> | <b>Total</b> |
| <b>Allowance for losses for Company-owned consumer loans:</b> |  |                              |                           |              |
| Balance at beginning of period                                | \$ 31,196                                    | \$ 6,015                     | \$ -                      | \$ 37,211    |
| Consumer loan loss provision                                  | 50,330                                       | 9,896                        | -                         | 60,226       |
| Charge-offs   | (50,254)                                     | (7,944)                      | -                         | (58,198)     |
| Recoveries  | 7,697  | 399                          | -                         | 8,096        |
| Balance at end of period                                      | \$ 38,969                                    | \$ 8,366                     | \$ -                      | \$ 47,335    |
| <b>Liability for third-party lender-owned consumer loans:</b> |  |                              |                           |              |
| Balance at beginning of period                                | \$ 1,852                                     | \$ 285                       | \$ -                      | \$ 2,137     |
| Increase in liability   | 262  | 88                           | -                         | 350          |
| Balance at end of period                                      | \$ 2,114                                     | \$ 373                       | \$ -                      | \$ 2,487     |

**Nine Months Ended September 30, 2012**

|  | <b>Short-term<br/>Loans</b> | <b>Installment<br/>Loans</b> | <b>MLOC<sup>(a)</sup></b> | <b>Total</b> |
|--|-----------------------------|------------------------------|---------------------------|--------------|
|--|-----------------------------|------------------------------|---------------------------|--------------|

**Allowance for losses for Company-owned consumer loans:**

|                                |           |           |      |           |
|--------------------------------|-----------|-----------|------|-----------|
| Balance at beginning of period | \$ 50,129 | \$ 12,943 | \$ - | \$ 63,072 |
| Consumer loan loss provision   | 164,415   | 54,289    | -    | 218,704   |
| Charge-offs                    | (194,667) | (44,178)  | -    | (238,845) |
| Recoveries                     | 32,138    | 4,177     | -    | 36,315    |
| Balance at end of period       | \$ 52,015 | \$ 27,231 | \$ - | \$ 79,246 |

**Liability for third-party lender-owned consumer loans:**

|                                  |          |        |      |          |
|----------------------------------|----------|--------|------|----------|
| Balance at beginning of period   | \$ 2,617 | \$ 445 | \$ - | \$ 3,062 |
| Increase (decrease) in liability | 418      | (43)   | -    | 375      |
| Balance at end of period         | \$ 3,035 | \$ 402 | \$ - | \$ 3,437 |

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

|   | Nine Months Ended September 30, 2011 |                      |                     |           |
|---|--------------------------------------|----------------------|---------------------|-----------|
|   | Short-term<br>Loans                  | Installment<br>Loans | MLOC <sup>(a)</sup> | Total     |
| <b>Allowance for losses for Company-owned consumer loans:</b> |                                      |                      |                     |           |
| Balance at beginning of period                                | \$ 34,455                            | \$ 2,988             | \$ 1,510            | \$ 38,953 |
| Consumer loan loss provision                                  | 124,490                              | 21,757               | (691)               | 145,556   |
| Charge-offs   | (142,055)                            | (17,200)             | (1,571)             | (160,826) |
| Recoveries  | 22,079                               | 821                  | 752                 | 23,652    |
| Balance at end of period                                      | \$ 38,969                            | \$ 8,366             | \$                  | \$ 47,335 |
| <b>Liability for third-party lender-owned consumer loans:</b> |                                      |                      |                     |           |
| Balance at beginning of period                                | \$ 2,610                             | \$ 228               | \$                  | \$ 2,838  |
| (Decrease) increase in liability                              | (496)                                | 145                  |                     | (351)     |
| Balance at end of period                                      | \$ 2,114                             | \$ 373               | \$                  | \$ 2,487  |

<sup>(a)</sup> Represents micro line of credit ( MLOC ) receivables, which are participation interests in receivables acquired from a third-party lender. The Company stopped providing MLOC services on behalf of a third-party lender in October 2010 when the lender discontinued offering MLOC advances.

**6. Merchandise Held for Disposition**

Merchandise held for disposition consists primarily of forfeited collateral from pawn loans not repaid and merchandise that is purchased directly from customers or from third parties. The carrying value of the forfeited collateral and other merchandise held for disposition is stated at the lower of cost (which is the cost basis in the loan or the amount paid for purchased merchandise) or fair value. With respect to the Company's foreign pawn operations, collateral underlying unredeemed pawn loans is not owned by the Company; however, the Company assumes the risk of loss on such collateral and is solely responsible for its care and disposition. Accordingly, the Company classifies these domestic and foreign assets as Merchandise held for disposition, net in the consolidated balance sheets.

As of September 30, 2012 and 2011 and December 31, 2011, the Company had merchandise held for disposition, net, of \$160.1 million, \$156.8 million and \$151.3 million, respectively, associated with its domestic retail services operations and \$11.2 million, \$9.6 million and \$10.6 million, respectively, associated with its foreign retail services operations.

**7. Goodwill and Other Intangible Assets****Goodwill**

Changes in the carrying value of goodwill for the nine months ended September 30, 2012 and 2011 were as follows (dollars in thousands):

|   | Retail<br>Services | E-Commerce | Consolidated |
|---|--------------------|------------|--------------|
| Balance as of January 1, 2012               | \$ 352,439         | \$ 210,282 | \$ 562,721   |
| Acquisitions and purchase price adjustments | 31,719             | 90         | 31,809       |

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|  |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| Effect of foreign currency translation | <b>4,807</b>      |                   | <b>4,807</b>      |
| Balance as of September 30, 2012       | <b>\$ 388,965</b> | <b>\$ 210,372</b> | <b>\$ 599,337</b> |
| Balance as of January 1, 2011          | \$ 333,042        | \$ 210,282        | \$ 543,324        |
| Effect of foreign currency translation | (5,155)           |                   | (5,155)           |
| Balance as of September 30, 2011       | <b>\$ 327,887</b> | <b>\$ 210,282</b> | <b>\$ 538,169</b> |

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## CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Acquired Intangible Assets

Acquired intangible assets that are subject to amortization as of September 30, 2012 and 2011 and as of December 31, 2011, were as follows (dollars in thousands):

|                             | As of September 30, |                          |           | 2011      |                          |          | As of December 31, |                          |           |
|-----------------------------|---------------------|--------------------------|-----------|-----------|--------------------------|----------|--------------------|--------------------------|-----------|
|                             | 2012                |                          | Net       | 2011      |                          | Net      | 2011               |                          | Net       |
|                             | Cost                | Accumulated Amortization |           | Cost      | Accumulated Amortization |          | Cost               | Accumulated Amortization |           |
| Non-competition agreements  | \$ 22,434           | \$ (17,609)              | \$ 4,825  | \$ 18,828 | \$ (13,006)              | \$ 5,822 | \$ 21,364          | \$ (13,537)              | \$ 7,827  |
| Customer relationships      | 34,133              | (19,445)                 | 14,688    | 19,804    | (16,616)                 | 3,188    | 26,607             | (17,297)                 | 9,310     |
| Lead provider relationships | 2,489               | (2,489)                  | -         | 2,489     | (2,489)                  | -        | 2,489              | (2,489)                  | -         |
| Trademarks                  | 354                 | (237)                    | 117       | 211       | (198)                    | 13       | 211                | (199)                    | 12        |
| Other                       | 586                 | (340)                    | 246       | 496       | (288)                    | 208      | 576                | (300)                    | 276       |
| Total                       | \$ 59,996           | \$ (40,120)              | \$ 19,876 | \$ 41,828 | \$ (32,597)              | \$ 9,231 | \$ 51,247          | \$ (33,822)              | \$ 17,425 |

Non-competition agreements are amortized over the applicable terms of the contract. Customer and lead provider relationships are generally amortized on a straight-line basis over three to ten years, based on the period over which economic benefits are provided. Trademarks are amortized generally over three years on a straight-line basis.

Indefinite Lived Intangible Assets

As of September 30, 2012 and 2011 and as of December 31, 2011, licenses of \$9.7 million obtained in conjunction with acquisitions were not amortized. As of September 30, 2012 and 2011 and as of December 31, 2011, trademarks of \$5.3 million, \$7.8 million and \$7.7 million, respectively, obtained in conjunction with acquisitions were not amortized. Costs to renew licenses with indefinite lives are recorded in Operations and administration expenses in the consolidated statements of income.

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## CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

**8. Earnings Per Share Computation**

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings 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.

The following table sets forth the reconciliation of numerators and denominators for the basic and diluted earnings per share computation for the three and nine months ended September 30, 2012 and 2011 (dollars and shares in thousands, except per share amounts):

|  | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|--|-------------------------------------|-----------|------------------------------------|-----------|
|  | 2012                                | 2011      | 2012                               | 2011      |
| Numerator:   |                                     |           |                                    |           |
| Net income attributable to Cash America International, Inc.  | \$ 11,703                           | \$ 34,777 | \$ 82,990                          | \$ 98,136 |
| Denominator:   |                                     |           |                                    |           |
| Total weighted average basic shares <sup>(a)</sup>           | 29,536                              | 29,535    | 29,599                             | 29,626    |
| Shares applicable to stock-based compensation <sup>(b)</sup> | 164                                 | 278       | 188                                | 240       |
| Convertible debt <sup>(c)</sup>                              | 1,675                               | 2,435     | 1,856                              | 2,103     |
| Total weighted average diluted shares <sup>(d)</sup>         | 31,375                              | 32,248    | 31,643                             | 31,969    |
| Net income basic   | \$ 0.40                             | \$ 1.18   | \$ 2.80                            | \$ 3.31   |
| Net income diluted   | \$ 0.37                             | \$ 1.08   | \$ 2.62                            | \$ 3.07   |

<sup>(a)</sup> Includes vested restricted stock units of 291 and 237, as well as 31 and 32 shares held in the Company's nonqualified deferred compensation plan for the three months ended September 30, 2012 and 2011, respectively, and vested restricted stock units of 285 and 229, as well as 31 and 32 shares held in the Company's nonqualified deferred compensation plan for the nine months ended September 30, 2012 and 2011, respectively.

<sup>(b)</sup> Includes shares related to outstanding option awards that are exercisable and shares related to unvested or deferred restricted stock unit awards. For the nine months ended September 30, 2011, there is an immaterial amount of unvested or deferred restricted stock units that are excluded from shares applicable to stock-based compensation because its impact would be anti-dilutive.

<sup>(c)</sup> The shares issuable with respect to the Company's 2009 Convertible Notes due 2029 (the 2009 Convertible Notes) have been calculated using the treasury stock method. The Company intends to settle the principal portion of the convertible debt in cash; therefore, only the shares related to the conversion spread have been included in weighted average diluted shares.

<sup>(d)</sup> Except as described in footnote (b), there are no anti-dilutive shares for the three and nine months ended September 30, 2012 and 2011.





**Table of Contents****CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)****9. Long-Term Debt**

The Company's long-term debt instruments and balances outstanding at September 30, 2012 and 2011 and December 31, 2011 were as follows (dollars in thousands):

|   | Balance at            |            |                      |
|---|-----------------------|------------|----------------------|
|   | September 30,<br>2012 | 2011       | December 31,<br>2011 |
| Domestic and multi-currency line of credit up to \$380,000 (\$100,000 due 2013, \$280,000 due 2015) | \$ 288,266            | \$ 224,000 | \$ 280,839           |
| 6.00% Series A senior unsecured notes due 2019  | 47,000                | -          | -                    |
| 6.58% Series B senior unsecured notes due 2022  | 5,000                 | -          | -                    |
| 6.21% senior unsecured notes due 2021   | 22,727                | 25,000     | 22,727               |
| 6.09% senior unsecured notes due 2016   | 35,000                | 35,000     | 35,000               |
| 6.12% senior unsecured notes due 2012   | 13,333                | 26,667     | 16,667               |
| 7.26% senior unsecured notes due 2017   | 25,000                | 25,000     | 25,000               |
| Variable rate senior unsecured note due 2015  | 43,750                | 50,000     | 50,000               |
| 5.25% convertible senior unsecured notes due 2029   | 109,387               | 106,313    | 107,058              |
| Total debt  | \$ 589,463            | \$ 491,980 | \$ 537,291           |
| Less current portion  | 44,205                | 21,856     | 34,273               |
| Total long-term debt  | \$ 545,258            | \$ 470,124 | \$ 503,018           |

**Domestic and Multi-Currency Line**

On March 30, 2011, the Company entered into a new credit agreement for up to \$330.0 million of credit with a group of commercial banks (the "Original Credit Agreement"). On November 29, 2011, the Company amended the Original Credit Agreement to increase the amount available by \$100.0 million to \$430.0 million (the "Credit Agreement"). The Credit Agreement consists of a \$380.0 million line of credit, which includes the ability to borrow up to \$50.0 million in specified foreign currencies or U.S. dollars (the "Domestic and Multi-currency Line") and a \$50.0 million term loan facility (the "2015 Variable Rate Notes"). The Domestic and Multi-currency Line will decrease by \$100.0 million to \$280.0 million on the earlier of May 29, 2013 or the second business day following the closing of an initial public offering of common stock of Enova International, Inc., a wholly-owned subsidiary of the Company ("Enova"), that results in Enova no longer being considered a majority-owned subsidiary of the Company. Interest on the Domestic and Multi-currency Line is charged, at the Company's option, at either the London Interbank Offered Rate ("LIBOR") 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%. Interest on the 2015 Variable Rate Notes is charged, at the Company's option, at either LIBOR plus a margin of 3.50% or at the agent's base rate plus a margin of 2.00%. The margin for the Domestic and Multi-currency Line is dependent on the Company's cash flow leverage ratios as defined in the Credit Agreement. The Company also pays a fee on the unused portion of the Domestic and Multi-currency Line ranging from 0.25% to 0.50% (0.38% at September 30, 2012) based on the Company's cash flow leverage ratios. The weighted average interest rate (including margin) on the Domestic and Multi-currency Line was 2.75%, 2.75% and 3.08% at September 30, 2012 and 2011 and December 31, 2011, respectively. The weighted average interest rate (including margin) on the 2015 Variable Rate Notes was 3.75%, 3.75% and 3.81% at September 30, 2012 and 2011 and December 31, 2011, respectively. The Domestic and Multi-currency Line matures on March 31, 2015. Beginning March 31, 2012, the 2015 Variable Rate Notes became payable in equal quarterly principal installments of \$2.1 million with any outstanding principal remaining due at maturity on March 31, 2015.

At September 30, 2012, borrowings under the Company's Domestic and Multi-currency Line consisted of three pricing tranches with maturity dates ranging from two to 31 days, and at September 30, 2011, borrowings under the Company's Domestic and Multi-currency Line consisted of multiple pricing tranches with maturity dates ranging



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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

from four to 31 days. However, the Company routinely refinances borrowings pursuant to the terms of its Domestic and Multi-currency Line. Therefore, these borrowings are reported as part of the applicable line of credit and as long-term debt.

**Series A and Series B Notes**

On August 28, 2012, the Company issued and sold a total of \$52.0 million in long-term notes in two series, including \$47.0 million aggregate principal amount of its 6.00% Series A Senior Notes due August 28, 2019 (the Series A Notes ) and \$5.0 million aggregate principal amount of its 6.58% Series B Senior Notes due August 28, 2022 (the Series B Notes, and together with the Series A Notes, the Notes ). The Notes were sold in a private placement pursuant to a Note Purchase Agreement dated August 28, 2012 by and among the Company and certain purchasers listed therein. The Notes are senior unsecured obligations of the Company. The Series A Notes are payable in five annual installments of \$9.4 million beginning August 28, 2015, and the Series B Notes are payable in seven annual installments of approximately \$0.7 million beginning August 28, 2016. In addition, the Company may, at its option, prepay all or a minimum portion of \$1.0 million of the Notes at a price equal to the principal amount thereof plus a make-whole premium and accrued interest. The Notes are guaranteed by all of the Company's U.S. subsidiaries. The Company used a portion of the net proceeds of the offering to repay existing indebtedness, including outstanding balances under the Domestic and Multi-Currency Line, and used the remaining portion for general corporate purposes.

**Other**

On March 30, 2011, in conjunction with the establishment of the Original Credit Agreement, the Company entered into a separate credit agreement for the issuance of \$20.0 million in letters of credit (the Letter of Credit Facility ). The Company had standby letters of credit of \$17.7 million issued under the Letter of Credit Facility at September 30, 2012.

Each of the Company's credit agreements and senior unsecured notes require the Company to maintain certain financial ratios. As of September 30, 2012, the Company was in compliance with all covenants or other requirements set forth in its debt agreements.

**10. Income Taxes**

The Company performs an evaluation of the recoverability of its deferred tax assets on a quarterly basis. The Company establishes a valuation allowance if it is more-likely-than-not (greater than 50 percent) that all or some portion of the deferred tax asset will not be realized. The Company analyzes several factors, including the nature and frequency of operating losses, the Company's carry-forward period for any losses, the reversal of future taxable temporary differences, the expected occurrence of future income or loss and the feasibility of available tax planning strategies to protect against the loss of deferred tax assets.

During the third quarter of 2012, the Company announced the reorganization of its Mexico-based pawn operations, which are owned by the Company's wholly-owned subsidiary, Creazione. See Note 3 for further information. Based on the Company's analysis of its deferred tax assets as of September 30, 2012, and in conjunction with the Mexico Reorganization, the Company does not believe the deferred tax assets of Creazione of approximately \$7.2 million as of June 30, 2012 will be realizable; therefore, the Company recognized a valuation allowance with respect to these deferred tax assets during the three months ended September 30, 2012. In addition, for the three months ended September 30, 2012, the Company recognized a deferred tax asset and an offsetting valuation allowance of approximately \$5.4 million, due to continued losses incurred during that period at its Mexico-based pawn operations. The deferred tax asset valuation allowance as of September 30, 2012 was \$12.6 million.

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**CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

The Company recognized income tax expense of \$25.1 million and \$67.5 million for the three and nine months ended September 30, 2012, respectively, compared to income tax expense of \$21.0 million and \$59.3 million for the three and nine months ended September 30, 2011, respectively. The increase in income tax expense and the effective tax rate for the three and nine months ended September 30, 2012 is primarily due to the recognition of the valuation allowance of \$12.6 million noted above, offset by the tax effect of lower earnings for the three and nine months ended September 30, 2012.

**11. 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 lending, consumer loans, the purchase and sale of merchandise, check cashing and other ancillary services such as money orders, wire transfers and prepaid debit cards. Most of these ancillary services offered in the retail services segment are provided through third-party vendors. See Note 3 for information related to the reorganization of the Company's Mexico-based pawn operations, which are included in the retail services segment. 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 (and includes the Company's internet lending activities and other ancillary services). In the e-commerce segment, certain administrative expenses are allocated between the domestic and foreign components based on the amount of loans written and renewed.

During the first quarter of 2012, the Company changed the presentation of its operating segment information to report corporate operations separately from its retail services and e-commerce segment information. Corporate administrative expense, which was previously allocated to each segment based on personnel expense, is included under the Corporate heading in the following tables. For comparison purposes, operations and administration expenses for prior years have been conformed to the current presentation. Corporate operations primarily include corporate expenses, such as personnel, legal, occupancy, and other costs related to corporate service functions, such as 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.

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

|  | Retail Services  |                    |                  | E-Commerce       |                  |                  | Corporate          | Consolidated     |
|--|------------------|--------------------|------------------|------------------|------------------|------------------|--------------------|------------------|
|  | Domestic         | Foreign            | Total            | Domestic         | Foreign          | Total            |                    |                  |
| <b>Three Months Ended September 30, 2012</b> |                  |                    |                  |                  |                  |                  |                    |                  |
| Revenue                                      |                  |                    |                  |                  |                  |                  |                    |                  |
| Pawn loan fees and service charges           | \$ 73,209        | \$ 3,291           | \$ 76,500        | \$ -             | \$ -             | \$ -             | \$ -               | \$ 76,500        |
| Proceeds from disposition of merchandise     | 141,088          | 12,405             | 153,493          | -                | -                | -                | -                  | 153,493          |
| Consumer loan fees                           | 31,445           | -                  | 31,445           | 89,342           | 84,307           | 173,649          | -                  | 205,094          |
| Other  | 1,938            | 252                | 2,190            | 374              | 14               | 388              | 2,029              | 4,607            |
| Total revenue                                | 247,680          | 15,948             | 263,628          | 89,716           | 84,321           | 174,037          | 2,029              | 439,694          |
| Cost of revenue                              |                  |                    |                  |                  |                  |                  |                    |                  |
| Disposed merchandise                         | 96,315           | 10,603             | 106,918          | -                | -                | -                | -                  | 106,918          |
| Consumer loan loss provision                 | 8,061            | -                  | 8,061            | 42,877           | 33,361           | 76,238           | -                  | 84,299           |
| Total cost of revenue                        | 104,376          | 10,603             | 114,979          | 42,877           | 33,361           | 76,238           | -                  | 191,217          |
| Net revenue                                  | 143,304          | 5,345              | 148,649          | 46,839           | 50,960           | 97,799           | 2,029              | 248,477          |
| Expenses                                     |                  |                    |                  |                  |                  |                  |                    |                  |
| Operations and administration                | 84,874           | 14,205             | 99,079           | 33,397           | 31,051           | 64,448           | 17,688             | 181,215          |
| Depreciation and amortization                | 7,808            | 12,264             | 20,072           | 3,037            | 342              | 3,379            | 3,623              | 27,074           |
| Total expenses                               | 92,682           | 26,469             | 119,151          | 36,434           | 31,393           | 67,827           | 21,311             | 208,289          |
| <b>Income (loss) from operations</b>         | <b>\$ 50,622</b> | <b>\$ (21,124)</b> | <b>\$ 29,498</b> | <b>\$ 10,405</b> | <b>\$ 19,567</b> | <b>\$ 29,972</b> | <b>\$ (19,282)</b> | <b>\$ 40,188</b> |
| <b>As of September 30, 2012</b>              |                  |                    |                  |                  |                  |                  |                    |                  |
| Total assets                                 | \$ 993,598       | \$ 111,610         | \$ 1,105,208     | \$ 382,459       | \$ 174,665       | \$ 557,124       | \$ 130,075         | \$ 1,792,407     |
| Goodwill                                     |                  |                    | \$ 388,965       |                  |                  | \$ 210,372       |                    | \$ 599,337       |
| <br>   |                  |                    |                  |                  |                  |                  |                    |                  |
|  | Retail Services  |                    |                  | E-Commerce       |                  |                  | Corporate          | Consolidated     |
|  | Domestic         | Foreign            | Total            | Domestic         | Foreign          | Total            |                    |                  |
| <b>Three Months Ended September 30, 2011</b> |                  |                    |                  |                  |                  |                  |                    |                  |
| Revenue                                      |                  |                    |                  |                  |                  |                  |                    |                  |
| Pawn loan fees and service charges           | \$ 69,025        | \$ 5,374           | \$ 74,399        | \$ -             | \$ -             | \$ -             | \$ -               | \$ 74,399        |
| Proceeds from disposition of merchandise     | 144,820          | 13,065             | 157,885          | 1                | -                | 1                | -                  | 157,886          |
| Consumer loan fees                           | 32,677           | -                  | 32,677           | 67,320           | 62,984           | 130,304          | -                  | 162,981          |
| Other  | 2,521            | 16                 | 2,537            | 49               | 294              | 343              | 158                | 3,038            |
| Total revenue                                | 249,043          | 18,455             | 267,498          | 67,370           | 63,278           | 130,648          | 158                | 398,304          |
| Cost of revenue                              |                  |                    |                  |                  |                  |                  |                    |                  |
| Disposed merchandise                         | 91,863           | 10,411             | 102,274          | -                | -                | -                | -                  | 102,274          |
| Consumer loan loss provision                 | 7,513            | -                  | 7,513            | 25,472           | 27,591           | 53,063           | -                  | 60,576           |
| Total cost of revenue                        | 99,376           | 10,411             | 109,787          | 25,472           | 27,591           | 53,063           | -                  | 162,850          |
| Net revenue                                  | 149,667          | 8,044              | 157,711          | 41,898           | 35,687           | 77,585           | 158                | 235,454          |
| Expenses                                     |                  |                    |                  |                  |                  |                  |                    |                  |
| Operations and administration                | 85,419           | 8,138              | 93,557           | 24,115           | 23,508           | 47,623           | 16,259             | 157,439          |
| Depreciation and amortization                | 7,090            | 1,488              | 8,578            | 2,634            | 218              | 2,852            | 3,420              | 14,850           |
| Total expenses                               | 92,509           | 9,626              | 102,135          | 26,749           | 23,726           | 50,475           | 19,679             | 172,289          |
| <b>Income (loss) from operations</b>         | <b>\$ 57,158</b> | <b>\$ (1,582)</b>  | <b>\$ 55,576</b> | <b>\$ 15,149</b> | <b>\$ 11,961</b> | <b>\$ 27,110</b> | <b>\$ (19,521)</b> | <b>\$ 63,165</b> |
| <b>As of September 30, 2011</b>              |                  |                    |                  |                  |                  |                  |                    |                  |
| Total assets                                 | \$ 885,572       | \$ 121,326         | \$ 1,006,898     | \$ 323,699       | \$ 115,905       | \$ 439,604       | \$ 131,651         | \$ 1,578,153     |
| Goodwill                                     |                  |                    | \$ 327,887       |                  |                  | \$ 210,282       |                    | \$ 538,169       |

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

|  | Retail Services   |                    |                   | E-Commerce       |                  |                  | Corporate          | Consolidated      |
|--|-------------------|--------------------|-------------------|------------------|------------------|------------------|--------------------|-------------------|
|  | Domestic          | Foreign            | Total             | Domestic         | Foreign          | Total            |                    |                   |
| <b><u>Nine Months Ended September 30, 2012</u></b> |                   |                    |                   |                  |                  |                  |                    |                   |
| Revenue  |                   |                    |                   |                  |                  |                  |                    |                   |
| Pawn loan fees and service charges                 | \$ 210,807        | \$ 10,643          | \$ 221,450        | \$ -             | \$ -             | \$ -             | \$ -               | \$ 221,450        |
| Proceeds from disposition of merchandise           | 481,558           | 36,274             | 517,832           | -                | -                | -                | -                  | 517,832           |
| Consumer loan fees                                 | 89,396            | -                  | 89,396            | 232,268          | 236,992          | 469,260          | -                  | 558,656           |
| Other  | 7,085             | 512                | 7,597             | 827              | 19               | 846              | 2,445              | 10,888            |
| Total revenue                                      | 788,846           | 47,429             | 836,275           | 233,095          | 237,011          | 470,106          | 2,445              | 1,308,826         |
| Cost of revenue                                    |                   |                    |                   |                  |                  |                  |                    |                   |
| Disposed merchandise                               | 318,788           | 32,090             | 350,878           | -                | -                | -                | -                  | 350,878           |
| Consumer loan loss provision                       | 19,130            | -                  | 19,130            | 95,474           | 104,475          | 199,949          | -                  | 219,079           |
| Total cost of revenue                              | 337,918           | 32,090             | 370,008           | 95,474           | 104,475          | 199,949          | -                  | 569,957           |
| Net revenue  | 450,928           | 15,339             | 466,267           | 137,621          | 132,536          | 270,157          | 2,445              | 738,869           |
| Expenses   |                   |                    |                   |                  |                  |                  |                    |                   |
| Operations and administration                      | 264,337           | 30,221             | 294,558           | 82,986           | 85,552           | 168,538          | 52,464             | 515,560           |
| Depreciation and amortization                      | 22,454            | 14,513             | 36,967            | 8,376            | 905              | 9,281            | 10,634             | 56,882            |
| Total expenses                                     | 286,791           | 44,734             | 331,525           | 91,362           | 86,457           | 177,819          | 63,098             | 572,442           |
| <b>Income (loss) from operations</b>               | <b>\$ 164,137</b> | <b>\$ (29,395)</b> | <b>\$ 134,742</b> | <b>\$ 46,259</b> | <b>\$ 46,079</b> | <b>\$ 92,338</b> | <b>\$ (60,653)</b> | <b>\$ 166,427</b> |

|  | Retail Services   |                   |                   | E-Commerce       |                  |                  | Corporate          | Consolidated      |
|--|-------------------|-------------------|-------------------|------------------|------------------|------------------|--------------------|-------------------|
|  | Domestic          | Foreign           | Total             | Domestic         | Foreign          | Total            |                    |                   |
| <b><u>Nine Months Ended September 30, 2011</u></b> |                   |                   |                   |                  |                  |                  |                    |                   |
| Revenue  |                   |                   |                   |                  |                  |                  |                    |                   |
| Pawn loan fees and service charges                 | \$ 190,409        | \$ 15,725         | \$ 206,134        | \$ -             | \$ -             | \$ -             | \$ -               | \$ 206,134        |
| Proceeds from disposition of merchandise           | 435,745           | 37,913            | 473,658           | 30               | -                | 30               | -                  | 473,688           |
| Consumer loan fees                                 | 85,832            | -                 | 85,832            | 181,243          | 151,447          | 332,690          | -                  | 418,522           |
| Other  | 8,768             | 292               | 9,060             | 392              | 831              | 1,223            | 480                | 10,763            |
| Total revenue                                      | 720,754           | 53,930            | 774,684           | 181,665          | 152,278          | 333,943          | 480                | 1,109,107         |
| Cost of revenue                                    |                   |                   |                   |                  |                  |                  |                    |                   |
| Disposed merchandise                               | 270,692           | 31,757            | 302,449           | 23               | -                | 23               | -                  | 302,472           |
| Consumer loan loss provision                       | 15,452            | -                 | 15,452            | 59,134           | 70,619           | 129,753          | -                  | 145,205           |
| Total cost of revenue                              | 286,144           | 31,757            | 317,901           | 59,157           | 70,619           | 129,776          | -                  | 447,677           |
| Net revenue  | 434,610           | 22,173            | 456,783           | 122,508          | 81,659           | 204,167          | 480                | 661,430           |
| Expenses   |                   |                   |                   |                  |                  |                  |                    |                   |
| Operations and administration                      | 249,752           | 25,335            | 275,087           | 62,482           | 58,999           | 121,481          | 49,045             | 445,613           |
| Depreciation and amortization                      | 19,359            | 4,459             | 23,818            | 7,956            | 618              | 8,574            | 7,208              | 39,600            |
| Total expenses                                     | 269,111           | 29,794            | 298,905           | 70,438           | 59,617           | 130,055          | 56,253             | 485,213           |
| <b>Income (loss) from operations</b>               | <b>\$ 165,499</b> | <b>\$ (7,621)</b> | <b>\$ 157,878</b> | <b>\$ 52,070</b> | <b>\$ 22,042</b> | <b>\$ 74,112</b> | <b>\$ (55,773)</b> | <b>\$ 176,217</b> |

**12. Litigation**

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, and several unnamed officers, directors, owners and stakeholders of Cash America. The lawsuit alleges 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 (RICO). 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

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operating locations. The complaint in this lawsuit claims 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 alleges that Cash America was the de facto lender and was illegally operating in Georgia. The complaint seeks unspecified compensatory



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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. In August 2011, Cash America filed a motion for summary judgment, and in October 2011, the plaintiffs filed a cross-motion for partial summary judgment. Hearings on the motions were held in October and November 2011, and the trial court entered an order granting summary judgment in favor of Cash America on one of plaintiff's claims, denying the remainder of Cash America's motion and granting plaintiff's cross-motion for partial summary judgment. Cash America filed a notice of appeal in December 2011 on the grant of plaintiff's partial summary judgment, which is pending before the Georgia Court of Appeals. The Company is currently unable to estimate a range of reasonably possible losses, as defined by ASC 450-20-20, *Contingencies - Loss Contingencies - Glossary*, for this litigation. Cash America believes that the Plaintiffs' claims in this suit are without merit and is vigorously defending this lawsuit.

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.

**13. Fair Value Measurements****Recurring Fair Value Measurements**

In accordance with ASC 820-10, *Fair Value Measurements and Disclosures* (ASC 820-10), 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 September 30, 2012 and 2011 and December 31, 2011 are as follows (dollars in thousands):

|   | September 30,<br>2012 | Fair Value Measurements Using |                 |             |
|---|-----------------------|-------------------------------|-----------------|-------------|
|   |                       | Level 1                       | Level 2         | Level 3     |
| <b>Financial assets (liabilities):</b>          |                       |                               |                 |             |
| Forward currency exchange contracts             | \$ (307)              | \$ -                          | \$ (307)        | \$ -        |
| Nonqualified savings plan assets <sup>(a)</sup> | 10,990                | 10,990                        | -               | -           |
| Marketable securities <sup>(b)</sup>            | 6,426                 | 6,426                         | -               | -           |
| <b>Total</b>                                    | <b>\$ 17,109</b>      | <b>\$ 17,416</b>              | <b>\$ (307)</b> | <b>\$ -</b> |

|  | September 30,<br>2011 | Fair Value Measurements Using |         |         |
|--|-----------------------|-------------------------------|---------|---------|
|  |                       | Level 1                       | Level 2 | Level 3 |
| <b>Financial assets (liabilities):</b> |                       |                               |         |         |
| Interest rate contracts                | \$ 1                  | \$ -                          | \$ 1    | \$ -    |
| Forward currency exchange contracts    | 311                   | -                             | 311     | -       |

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|   |                  |                  |               |             |
|---|------------------|------------------|---------------|-------------|
| Nonqualified savings plan assets <sup>(a)</sup> | <b>7,705</b>     | <b>7,705</b>     | -             | -           |
| Marketable securities <sup>(b)</sup>            | <b>5,003</b>     | <b>5,003</b>     | -             | -           |
| Total   | <b>\$ 13,020</b> | <b>\$ 12,708</b> | <b>\$ 312</b> | <b>\$ -</b> |

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|   | December 31,<br>2011 | Fair Value Measurements Using |         |         |
|---|----------------------|-------------------------------|---------|---------|
|   |                      | Level 1                       | Level 2 | Level 3 |
| Financial assets (liabilities):                 |                      |                               |         |         |
| Forward currency exchange contracts             | \$ 260               | \$ -                          | \$ 260  | \$ -    |
| Nonqualified savings plan assets <sup>(a)</sup> | 8,264                | 8,264                         | -       | -       |
| Marketable securities <sup>(b)</sup>            | 4,412                | 4,412                         | -       | -       |
| Total   | \$ 12,936            | \$ 12,676                     | \$ 260  | \$ -    |

(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.

(b) Unrealized total gains/(losses), net of tax, on these equity securities of \$0.5 million, (\$0.4) million and (\$0.8) million as of September 30, 2012 and 2011, and December 31, 2011, respectively, are recorded in Accumulated other comprehensive income (loss) in the Company's consolidated statements of equity.

The Company measures the fair value of its forward currency exchange contracts under Level 2 inputs as defined by ASC 820-10. For these forward currency exchange contracts, standard valuation models are used to determine fair value. The significant inputs used in these models are derived from observable market transactions. During the nine months ended September 30, 2012 and 2011, there were no transfers of assets in or out of Level 1 or Level 2 fair value measurements.

**Fair Value Measurements on a Non-Recurring Basis**

The Company measures non-financial assets and liabilities such as property and equipment and intangible assets at fair value on a nonrecurring basis or when events or circumstances indicate that the carrying amount of the assets may be impaired. During the third quarter of 2012, the Company announced the Mexico Reorganization. See Note 3 for further information related to this reorganization.

The Mexico Reorganization is considered a triggering event for purposes of impairment testing. The Company tested property and equipment and intangible assets for impairment following the approval of the reorganization plan by the Company's Board of Directors. The results of the Company's testing indicated that the carrying value of certain property and equipment exceeded the future cash flows associated with these assets. The results of the Company's testing of certain intangible assets indicated that the carrying value of these intangible assets exceeded their fair value. As a result, during the three months ended September 30, 2012, the Company recognized impairment charges on property and equipment, indefinite-lived intangible assets and other intangible assets related to its Mexico operations of \$6.0 million, \$2.5 million and \$2.6 million, respectively, all of which are included in Depreciation and amortization expense in the consolidated statements of income. The fair value measurements of property and equipment and intangible assets are considered Level 3 in the fair value hierarchy, as they are based on management's judgments about future cash flows.

Following the announcement of the Mexico Reorganization, the Company also evaluated goodwill in the retail services segment and noted no impairment.

**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 September 30, 2012 and 2011 and December 31, 2011 that are not measured at fair value in the consolidated balance sheets are as follows (dollars in thousands):

|   | Carrying Value        |                       | Estimated Fair Value  |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | September 30,<br>2012 | September 30,<br>2012 | Fair Value<br>Level 1 | Fair Value<br>Level 2 | Fair Value<br>Level 3 |
| <b>Financial assets:</b>                      |                       |                       |                       |                       |                       |
| Cash and cash equivalents                     | \$ 78,663             | \$ 78,663             | \$ 78,663             | \$ -                  | \$ -                  |
| Pawn loans                                    | 254,077               | 254,077               | -                     | -                     | 254,077               |
| Consumer loans, net                           | 256,825               | 256,825               | -                     | -                     | 256,825               |
| Pawn loan fees and service charges receivable | 48,771                | 48,771                | -                     | -                     | 48,771                |
| <b>Total</b>                                  | <b>\$ 638,336</b>     | <b>\$ 638,336</b>     | <b>\$ 78,663</b>      | <b>\$ -</b>           | <b>\$ 559,673</b>     |
| <b>Financial liabilities:</b>                 |                       |                       |                       |                       |                       |
| Domestic and Multi-currency Line of credit    | \$ 288,266            | \$ 295,747            | \$ -                  | \$ 295,747            | \$ -                  |
| Senior unsecured notes                        | 191,810               | 190,574               | -                     | 190,574               | -                     |
| 2009 Convertible Notes                        | 109,387               | 184,431               | -                     | 184,431               | -                     |
| <b>Total</b>                                  | <b>\$ 589,463</b>     | <b>\$ 670,752</b>     | <b>\$ -</b>           | <b>\$ 670,752</b>     | <b>\$ -</b>           |

|   | Carrying Value        |                       | Estimated Fair Value  |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | September 30,<br>2011 | September 30,<br>2011 | Fair Value<br>Level 1 | Fair Value<br>Level 2 | Fair Value<br>Level 3 |
| <b>Financial assets:</b>                      |                       |                       |                       |                       |                       |
| Cash and cash equivalents                     | \$ 54,364             | \$ 54,364             | \$ 54,364             | \$ -                  | \$ -                  |
| Pawn loans                                    | 244,441               | 244,441               | -                     | -                     | 244,441               |
| Consumer loans, net                           | 191,642               | 191,642               | -                     | -                     | 191,642               |
| Pawn loan fees and service charges receivable | 45,066                | 45,066                | -                     | -                     | 45,066                |
| <b>Total</b>                                  | <b>\$ 535,513</b>     | <b>\$ 535,513</b>     | <b>\$ 54,364</b>      | <b>\$ -</b>           | <b>\$ 481,149</b>     |
| <b>Financial liabilities:</b>                 |                       |                       |                       |                       |                       |
| Domestic and Multi-currency Line of credit    | \$ 224,000            | \$ 231,112            | \$ -                  | \$ 231,112            | \$ -                  |
| Senior unsecured notes                        | 161,667               | 161,313               | -                     | 161,313               | -                     |
| 2009 Convertible Notes                        | 106,313               | 241,069               | -                     | 241,069               | -                     |
| <b>Total</b>                                  | <b>\$ 491,980</b>     | <b>\$ 633,494</b>     | <b>\$ -</b>           | <b>\$ 633,494</b>     | <b>\$ -</b>           |

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

|   | Carrying Value       |                      | Estimated Fair Value                    |            |            |
|---|----------------------|----------------------|---|------------|------------|
|   | December 31,<br>2011 | December 31,<br>2011 | Fair Value Measurement Using<br>Level 1 | Level 2    | Level 3    |
| Financial assets:                             |                      |                      |   |            |            |
| Cash and cash equivalents                     | \$ 62,542            | \$ 62,542            | \$ 62,542                               | \$ -       | \$ -       |
| Pawn loans                                    | 253,519              | 253,519              | -                                       | -          | 253,519    |
| Consumer loans, net                           | 222,778              | 222,778              | -                                       | -          | 222,778    |
| Pawn loan fees and service charges receivable | 48,003               | 48,003               | -                                       | -          | 48,003     |
| Total   | \$ 586,842           | \$ 586,842           | \$ 62,542                               | \$ -       | \$ 524,300 |
| Financial liabilities:                        |                      |                      |   |            |            |
| Domestic and Multi-currency Line of credit    | \$ 280,839           | \$ 291,983           | \$ -                                    | \$ 291,983 | \$ -       |
| Senior unsecured notes                        | 149,394              | 147,721              | -                                       | 147,721    | -          |
| 2009 Convertible Notes                        | 107,058              | 220,642              | -                                       | 220,642    | -          |
| Total   | \$ 537,291           | \$ 660,346           | \$ -                                    | \$ 660,346 | \$ -       |

Cash and cash equivalents bear interest at market rates and have maturities of less than 90 days.

Pawn loans generally have maturity periods of less than 90 days. If a pawn loan defaults, the Company disposes of the collateral. Historically, collateral has sold for an amount in excess of the principal amount of the loan.

Consumer loans are carried on the consolidated balance sheet net of the allowance for estimated loan losses, which is calculated by applying historical loss rates combined with recent default trends to the gross consumer loan balance. The unobservable inputs used to calculate the carrying value of consumer loans include historical loss rates and recent default trends. Consumer loans have relatively short maturity periods that are generally 12 months or less.

Pawn loan fees and service charges receivable are accrued ratably over the term of the loan based on the portion of these pawn loans deemed collectible. The Company uses historical performance data to determine collectability of pawn loan fees and service charges receivable. Additionally, pawn loan fee and service charge rates are determined by regulations and bear no valuation relationship to the capital markets interest rate movements.

The Company measures the fair value of long-term debt instruments using Level 2 inputs. The fair values of the Company's long-term debt instruments are estimated based on market values for debt issues with similar characteristics or rates currently available for debt with similar terms. As of September 30, 2012, the Company's Domestic and Multi-currency Line of credit has a higher fair market value than the carrying value due to the difference in yield when compared to recent issuances of similar types of credit. As of September 30, 2012, the Company's senior unsecured notes have a lower fair market value than the carrying value due to the difference in yield when compared to recent issuances of similar senior unsecured notes. As of September 30, 2012, the 2009 Convertible Notes have a higher fair value than carrying value due to the Company's stock price as of each period presented above exceeding the applicable conversion price for the 2009 Convertible Notes, thereby increasing the value of the instrument for bondholders.

**14. Derivative Instruments**

The Company periodically uses derivative instruments to manage risk from changes in market conditions that may affect the Company's financial performance. The Company primarily uses derivative instruments to manage its primary market risks, which are interest rate risk and foreign currency exchange rate risk.



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## CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

During 2011, the Company used interest rate cap agreements for the purpose of managing interest rate exposure on its floating rate debt, but did not enter into any interest rate cap agreements during the nine-month period ended September 30, 2012. For derivatives designated as cash flow hedges, the effective portions of changes in the estimated fair value of the derivative are reported in Accumulated other comprehensive income (loss) (OCI) and are subsequently reclassified into earnings when the hedged item affects earnings. The change in the estimated fair value of the ineffective portion of the hedge, if any, was recorded as income or expense. As of September 30, 2012, the Company had no interest rate cap agreements outstanding.

The Company uses forward currency exchange contracts to minimize the effects of foreign currency risk. For the nine months ended September 30, 2012 and 2011, the Company had forward currency exchange contracts outstanding related to its operations in the United Kingdom and Australia. The Company's forward currency exchange contracts are non-designated derivatives. Any gain or loss resulting from these contracts is recorded as income or loss and is included in Foreign currency transaction gain (loss) in the Company's consolidated statements of income.

The fair values of the Company's derivative instruments at September 30, 2012 and 2011 and December 31, 2011 were as follows (dollars in thousands):

| Assets                              | Balance Sheet Location            | September 30, 2012 |            | Balance at September 30, 2011 |            | December 31, 2011 |            |
|-------------------------------------|-----------------------------------|--------------------|------------|-------------------------------|------------|-------------------|------------|
|                                     |                                   | Notional Amount    | Fair Value | Notional Amount               | Fair Value | Notional Amount   | Fair Value |
| Derivatives designated as hedges:   |                                   |                    |            |                               |            |                   |            |
|                                     | Prepaid expenses and              |                    |            |                               |            |                   |            |
| Interest rate contracts             | other assets                      | \$                 | \$         | \$ 30,000                     | \$ 1       | \$ 15,000         | \$         |
| Non-designated derivatives:         |                                   |                    |            |                               |            |                   |            |
| Forward currency exchange contracts | Prepaid expenses and other assets | \$ 93,642          | \$ (307)   | \$ 64,767                     | \$ 311     | \$ 80,375         | \$ 260     |

The following table presents information on the effect of derivative instruments on the consolidated results of operations and OCI for the three and nine months ended September 30, 2012 and 2011 (dollars in thousands):

|  | Gains (Losses) Recognized in Income |          | Gains Recognized in OCI          |       | Gains (Losses) Reclassified From OCI into Income |      |
|--|-------------------------------------|----------|----------------------------------|-------|--|------|
|  | Three Months Ended September 30,    |          | Three Months Ended September 30, |       | Three Months Ended September 30,                 |      |
|  | 2012                                | 2011     | 2012                             | 2011  | 2012   | 2011 |
| Derivatives designated as hedges:                  |                                     |          |                                  |       |  |      |
| Interest rate contracts                            | \$                                  | \$       | \$                               | \$ 31 | \$   | \$   |
| Total  | \$                                  | \$       | \$                               | \$ 31 | \$   | \$   |
| Non-designated derivatives:                        |                                     |          |                                  |       |  |      |
| Forward currency exchange contracts <sup>(a)</sup> | \$ (4,097)                          | \$ 4,090 | \$                               | \$    | \$   | \$   |

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|       |            |          |    |    |    |    |
|-------|------------|----------|----|----|----|----|
| Total | \$ (4,097) | \$ 4,090 | \$ | \$ | \$ | \$ |
|-------|------------|----------|----|----|----|----|



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

|  | Gains (Losses) Recognized in<br>Income |          | Gains Recognized in<br>OCI            |       | Gains (Losses) Reclassified<br>From OCI into<br>Income |      |
|--|--|----------|---------------------------------------|-------|--|------|
|  | Nine Months Ended<br>September 30,     |          | Nine Months<br>Ended<br>September 30, |       | Nine Months Ended<br>September 30,                     |      |
|  | 2012                                   | 2011     | 2012                                  | 2011  | 2012   | 2011 |
| Derivatives designated as hedges:                  |  |          |                                       |       |  |      |
| Interest rate contracts                            | \$                                     | \$       | \$ 12                                 | \$ 70 | \$   | \$   |
| Total  | \$                                     | \$       | \$ 12                                 | \$ 70 | \$   | \$   |
| Non-designated derivatives:                        |  |          |                                       |       |  |      |
| Forward currency exchange contracts <sup>(a)</sup> | \$ (5,118)                             | \$ 2,382 | \$                                    | \$    | \$   | \$   |
| Total  | \$ (5,118)                             | \$ 2,382 | \$                                    | \$    | \$   | \$   |

<sup>(a)</sup> The gains/(losses) on these derivatives substantially offset the (losses)/gains on the hedged portion of foreign intercompany balances.

**15. Withdrawal of Proposed Initial Public Offering of Enova International, Inc.**

On September 15, 2011, Enova, a wholly-owned subsidiary of the Company that comprises its e-commerce segment, filed a registration statement on Form S-1 ( Registration Statement ) with the Securities and Exchange Commission (the SEC ) in connection with a proposed initial public offering ( IPO ) of its common stock. On July 25, 2012, the Company filed an Application for Withdrawal of Registration Statement with the SEC to withdraw Enova s Registration Statement, together with all exhibits and the amendments. The Registration Statement had not been declared effective by the SEC, and no securities have been sold in connection with the offering pursuant to the Registration Statement.

During the three months ended September 30, 2012, expenses totaling \$3.1 million were recognized in earnings due to the withdrawal of the Registration Statement and are included in Operations and administration expense in the consolidated statements of income. During the nine-month period ended September 30, 2012, expenses totaling \$3.9 million were recognized in earnings.

**16. Subsequent Events**

On October 8, 2012, the Company s wholly-owned subsidiary, Cash America, Inc. of Nevada, entered into an agreement to acquire substantially all of the assets of a chain of nine pawn lending locations located in Arizona, and the final closing occurred on October 25, 2012. The Company paid aggregate consideration of approximately \$15.5 million, which was funded with borrowings under the Company s line of credit.

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion of financial condition, results of operations, liquidity and capital resources and certain factors that may affect future results, including economic and industry-wide factors, of Cash America International, Inc. (the Company) should be read in conjunction with the Company's consolidated financial statements and accompanying notes included under Part I, Item I of this Quarterly Report on Form 10-Q, as well as with Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the calendar year ended December 31, 2011.

**General**

The Company provides specialty financial services to individuals through retail services locations and through electronic distribution platforms known as e-commerce activities.

The Company offers secured non-recourse loans, commonly referred to as pawn loans. Pawn loans are short-term loans (generally 30 to 90 days) made on the pledge of tangible personal property. Pawn loan fees and service charges revenue is generated from the Company's pawn loan portfolio. A related activity of the pawn lending operations is the disposition of collateral from unredeemed pawn loans and the liquidation of a smaller volume of merchandise purchased directly from customers or from third parties.

The Company's consumer loan portfolio consists of consumer loans the Company originates, guarantees or purchases and includes: short-term loans, which include single payment loans and certain two-payment loans in the United Kingdom (commonly referred to as payday loans) as well as line of credit accounts, and longer-term multi-payment installment loans. Consumer loans provide customers with cash, typically in exchange for a promissory note or other repayment agreement supported, in most cases, by the customer's personal check or authorization to debit the customer's bank account via an electronic transaction for the aggregate amount of the payment due. These transactions result in a receivable owed to the Company or a loan that is owed to a third-party lender that the Company guarantees. Through the Company's credit services organization programs (the CSO programs) the Company provides services related to a third-party lender's consumer loan products in some markets by acting as a credit services organization or credit access business on behalf of consumers in accordance with applicable state laws. Services offered under the CSO programs include credit-related services such as arranging loans with independent third-party lenders and assisting in the preparation of loan applications and loan documents. Under the CSO programs, the Company also guarantees consumer loan payment obligations to the third-party lender in the event that the consumer defaults on the loan. A customer who obtains a loan through the CSO programs pays the Company a fee for these credit services, which are recorded as Consumer loan fees in the consolidated statement of income. Although consumer loan transactions may take the form of loans or a line of credit, deferred check deposit transactions or transactions through the Company's CSO programs, the transactions are referred to throughout this discussion as consumer loans.

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 lending, consumer loans, the purchase and sale of merchandise, check cashing and other ancillary services such as money orders, wire transfers and prepaid debit cards. Most of these ancillary services offered in the retail services segment are provided through third-party vendors. See Recent Developments Reorganization of Mexico-based Pawn Operations and Purchase of Noncontrolling Interest section below for information related to the reorganization of the Company's Mexico-based pawn operations, which are included in the retail services segment. 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 (and includes the Company's internet lending activities and other ancillary services).

During the first quarter of 2012, the Company changed the presentation of its operating segment information to report corporate operations separately from its retail services and e-commerce segment information. Corporate administrative expense, which was previously allocated to each segment based on personnel expense, is included under

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the Corporate heading in the tables throughout the Management's Discussion and Analysis of Financial Condition and Results of Operations. For comparison purposes, operations and administration expenses for prior years have been conformed to the current presentation. Corporate operations primarily include corporate expenses, such as personnel, legal, occupancy, and other costs related to corporate service functions, such as 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.

**Retail Services Segment**

The following table sets forth the number of domestic and foreign Company-owned and franchised locations in the Company's retail services segment offering pawn lending, consumer lending, and other services as of September 30, 2012 and 2011. The Company's domestic retail services locations operate under the names Cash America Pawn, SuperPawn, Cash America Payday Advance, Cashland and Mr. Payroll. The Company's foreign retail services locations operate under the name Prenda Fácil.

|                                     | 2012                       |                        | As of September 30, |                            | 2011                   |       |
|-------------------------------------|----------------------------|------------------------|---------------------|----------------------------|------------------------|-------|
|                                     | Domestic <sup>(a)(b)</sup> | Foreign <sup>(a)</sup> | Total               | Domestic <sup>(a)(b)</sup> | Foreign <sup>(a)</sup> | Total |
| Retail services locations offering: |                            |                        |                     |                            |                        |       |
| Both pawn and consumer lending      | 577                        | -                      | 577                 | 571                        | -                      | 571   |
| Pawn lending only                   | 155                        | 160                    | 315                 | 125                        | 186                    | 311   |
| Consumer lending only               | 83                         | -                      | 83                  | 86                         | -                      | 86    |
| Other <sup>(c)</sup>                | 99                         | -                      | 99                  | 115                        | -                      | 115   |
| Total retail services               | 914                        | 160                    | 1,074               | 897                        | 186                    | 1,083 |

(a) Except as described in (c) below, includes locations that operate in 23 states in the United States as of both September 30, 2012 and 2011, respectively.

(b) Includes unconsolidated franchised locations as follows: one location operating under the name Cash America Pawn as of September 30, 2012 and eight locations operating under the names Cash America Pawn and SuperPawn as of September 30, 2011.

(c) As of September 30, 2012 and 2011, includes six and six consolidated Company-owned check cashing locations, respectively, and 93 and 109 unconsolidated franchised check cashing locations, respectively. As of September 30, 2012 and 2011, includes locations that operate in 15 and 18 states in the United States, respectively.

**E-Commerce Segment**

As of September 30, 2012 and 2011, the Company's e-commerce segment operated in 32 states in the United States and in three other foreign countries:

in the United States at <http://www.cashnetusa.com> and <http://www.netcredit.com>,  
in the United Kingdom at <http://www.quickquid.co.uk> and <http://www.poundstopocket.co.uk>,  
in Australia at <http://www.dollarsdirect.com.au>, and  
in Canada at <http://www.dollarsdirect.ca>.

**Recent Developments*****Reorganization of Mexico-based Pawn Operations and Purchase of Noncontrolling Interest***

During the third quarter of 2012, the Company's Board of Directors approved a plan to significantly modify the business plan and strategy of the Company's Mexico-based pawn operations, which comprise the foreign component of its retail services segment. The Company will reorganize these operations to include only full-service pawn locations that offer pawn loans based on the pledge of general merchandise and jewelry collateral and will discontinue the operations of 147 of its Mexico-based pawn locations that primarily just offer pawn loans based on the pledge

of jewelry-based collateral ( the Mexico Reorganization ). The Mexico Reorganization is expected to be substantially

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completed before the end of 2012. Following the reorganization, the Company expects to be operating 47 full-service pawn locations in Mexico, located primarily in Mexico City and surrounding areas. The Mexico Reorganization reflects management's decision to modify its strategy in Mexico in order to meet its overall return expectations and improve profitability in its Mexico-based pawn operations.

In connection with the Mexico Reorganization, the Company incurred charges for employee termination costs, lease termination costs, asset impairments, the recognition of a deferred tax asset valuation allowance and uncollectible receivables. The Company recognized \$21.9 million of charges related to the Mexico Reorganization during the third quarter of 2012. The Company expects to incur an additional \$6.0 million to \$10.0 million in charges in the fourth quarter of 2012, consisting of employee termination costs, lease termination costs and other costs related to the remaining reorganization activities.

The following table summarizes the charges recognized for the three and nine months ended September 30, 2012 related to the Mexico Reorganization (dollars in thousands):

| <b>Type of expense</b>                                    | <b>Description</b>                     | <b>Amount</b>    |
|---|--|------------------|
| Operations and administrative expense                     | Employee termination costs             | \$ 835           |
| Operations and administrative expense                     | Lease termination costs                | 975              |
| Operations and administrative expense                     | Impairment of other assets             | 1,211            |
| Depreciation and amortization                             | Impairment of property and equipment   | 5,995            |
| Depreciation and amortization                             | Impairment of intangible assets        | 5,086            |
| Provision for income taxes                                | Deferred tax asset valuation allowance | 7,161            |
| Revenue   | Uncollectible receivables              | 645              |
| <b>Total charges related to the Mexico Reorganization</b> |  | <b>\$ 21,908</b> |

The Company's Mexico-based pawn operations operate under the name *Prenda Fácil* (referred to as *Prenda Fácil*) and are owned by Creazione Estilo, S.A. de C.V., a Mexican *sociedad anónima de capital variable* (Creazione). Prior to September 26, 2012, the Company owned 80% of the outstanding stock of Creazione. On September 26, 2012, the Company acquired all outstanding shares of Creazione that were held by minority shareholders (approximately 20% of the outstanding shares), and, as a result, Creazione became a wholly-owned subsidiary of the Company as of that date. The Company paid approximately \$5.6 million in cash and released the minority shareholders from certain contingent obligations estimated at approximately \$2.8 million. The Company accounted for this transaction as an acquisition of the remaining interest of a majority-owned subsidiary. The purchase resulted in a reduction to additional paid in capital of \$7.7 million, representing the excess of the cash amount paid and the released contingent obligations (totaling \$8.4 million) less the carrying amount of the noncontrolling interest of \$0.7 million.

**Acquisition of 25 Pawn Lending Locations**

Pursuant to the Company's business strategy of expanding storefront operations in the United States, the Company and three of its wholly-owned subsidiaries, Cash America, Inc. of Tennessee, Cash America, Inc. of North Carolina and Cash America, Inc. of Kentucky, entered into an agreement to acquire substantially all of the assets of a chain of 25 pawn lending locations located in Kentucky, North Carolina, and Tennessee on September 27, 2012. The Company has assumed the economic benefits of all of these pawnshops by operating them under a management arrangement that commenced on September 27, 2012. The aggregate cash consideration for this transaction, which was funded with borrowings under the Company's line of credit, was approximately \$55.1 million, of which \$52.0 million was paid during the three months ended September 30, 2012. The Company incurred an immaterial amount of acquisition costs related to the acquisition. The final closing for each location will occur following receipt of all applicable licensing and regulatory approvals. The goodwill of \$31.5 million arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Company and these pawn lending locations. The activities and goodwill related to this acquisition are included in the results of the Company's retail services segment.

**Table of Contents*****Withdrawal of Proposed Initial Public Offering of Enova International, Inc.***

On September 15, 2011, Enova International, Inc. ( Enova ), a wholly-owned subsidiary of the Company that comprises its e-commerce segment, filed a registration statement on Form S-1 ( Registration Statement ) with the Securities and Exchange Commission (the SEC ) in connection with a proposed initial public offering ( IPO ) of its common stock. On July 25, 2012, the Company filed an Application for Withdrawal of Registration Statement with the SEC to withdraw Enova 's Registration Statement, together with all exhibits and the amendments. The Registration Statement had not been declared effective by the SEC, and no securities have been sold in connection with the offering pursuant to the Registration Statement.

During the three months ended September 30, 2012, expenses totaling \$3.1 million were recognized in earnings due to the withdrawal of the Registration Statement and are included in Operations and administration expense in the consolidated statements of income. During the nine-month period ended September 30, 2012, expenses totaling \$3.9 million were recognized in earnings.

***Fourth Quarter Acquisition of 9 Pawn Lending Locations***

On October 8, 2012, the Company 's wholly-owned subsidiary, Cash America, Inc. of Nevada, entered into an agreement to acquire substantially all of the assets of a chain of nine pawn lending locations located in Arizona, and the final closing occurred on October 25, 2012. The Company paid aggregate consideration of approximately \$15.5 million, which was funded with borrowings under the Company 's line of credit.

**CRITICAL ACCOUNTING POLICIES**

Except as described below, since December 31, 2011, there have been no changes in critical accounting policies as described in the Company 's Annual Report on Form 10-K for the year ended December 31, 2011.

**Change in accounting policy.** In the first quarter of 2012, the Company changed its accounting policy with respect to its foreign pawn operations to reflect pledged collateral underlying nonperforming pawn loans as Merchandise held for disposition, net, the proceeds received from the disposition of this collateral as Proceeds from disposition of merchandise and the cost basis for this collateral as Cost of disposed merchandise in its consolidated financial statements. The Company believes this change, from one generally accepted accounting principle to another generally accepted accounting principle, is preferable because it enhances comparability of its financial statements by reporting financial results associated with its foreign pawn operations in the same manner as the financial results associated with its domestic pawn operations. The Company did not change its accounting policy with respect to its domestic pawn operations, and the change in the Company 's accounting policy with respect to its foreign pawn operations had no impact on the Company 's consolidated Net Revenue or Net Income previously reported. The change has been applied retrospectively. The following tables summarize the impact of the accounting change in the Company 's consolidated financial statements as of and for the three and nine months ended September 30, 2011 and as of December 31, 2011 (dollars in thousands):

| <b>For the Three Months Ended September 30, 2011</b> | <b>As previously reported</b> | <b>As adjusted</b> |
|--|-------------------------------|--------------------|
| <b>Consolidated Statements of Income</b>             |                               |                    |
| Pawn loan fees and service charges                   | \$ 77,053                     | \$ 74,399          |
| Proceeds from disposition of merchandise             | 144,821                       | 157,886            |
| Total revenue  | 387,893                       | 398,304            |
| Disposed merchandise                                 | 91,863                        | 102,274            |
| Total cost of revenue                                | 152,439                       | 162,850            |
| Net revenue  | 235,454                       | 235,454            |

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| <b>As of and for the Nine Months Ended September 30, 2011</b>            | <b>As previously reported</b> | <b>As adjusted</b> |
|--|-------------------------------|--------------------|
| <b>Consolidated Balance Sheet</b>  |                               |                    |
| Merchandise held for disposition, net                                    | \$ 156,806                    | \$ 166,365         |
| Prepaid expenses and other assets  | 41,654                        | 32,095             |
| <b>Consolidated Statements of Income</b>                                 |                               |                    |
| Pawn loan fees and service charges                                       | \$ 212,290                    | \$ 206,134         |
| Proceeds from disposition of merchandise                                 | 435,775                       | 473,688            |
| Total revenue  | 1,077,350                     | 1,109,107          |
| Disposed merchandise   | 270,715                       | 302,472            |
| Total cost of revenue  | 415,920                       | 447,677            |
| Net revenue  | 661,430                       | 661,430            |
| <b>Consolidated Statement of Cash Flows</b>                              |                               |                    |
| Merchandise other than forfeited   | \$ (14,514)                   | \$ (15,174)        |
| Prepaid expenses and other assets  | (10,032)                      | (6,023)            |
| Net cash provided by operating activities                                | 297,256                       | 300,605            |
| Pawn loans repaid  | 350,683                       | 317,599            |
| Principal recovered through dispositions of forfeited pawn loans         | 186,657                       | 217,399            |
| Net cash used in investing activities                                    | (294,300)                     | (296,642)          |
| <b>Consolidated Statement of Cash Flows Supplemental Disclosures</b>     |                               |                    |
| Pawn loans forfeited and transferred to merchandise held for disposition | \$ 207,887                    | \$ 237,782         |

| <b>As of December 31, 2011</b>        | <b>As previously reported</b> | <b>As adjusted</b> |
|---------------------------------------|-------------------------------|--------------------|
| <b>Consolidated Balance Sheet</b>     |                               |                    |
| Merchandise held for disposition, net | \$ 151,274                    | \$ 161,884         |
| Prepaid expenses and other assets     | 41,911                        | 31,301             |

**Pawn loan fees and service charges revenue recognition.** Pawn loans are short-term loans made on the pledge of tangible personal property. Pawn loan fees and service charges revenue are accrued ratably over the term of the loan for the portion of those pawn loans deemed collectible. The typical loan term is generally 30 to 90 days plus, in many cases, an additional grace period (typically 10 to 60 days). A pawn loan is considered nonperforming 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 nonperforming loans. When a pawn loan is considered nonperforming, any accrued pawn loan fees and service charges are reversed and no additional pawn loan fees and service charges are accrued. Pawn loans written during each calendar month are aggregated and tracked for performance. This empirical data allows the Company to analyze the characteristics of its outstanding pawn loan portfolio and assess the collectability of the principal balance in addition to pawn loan fees and service charges.

**Proceeds from and cost of disposed merchandise.** Upon the sale of merchandise, the Company realizes gross profit, which is the difference between the Company's cost basis in the loan or the amount paid for purchased merchandise, both of which are recorded as cost of sales, and the amount of proceeds from the sale. The cost of disposed merchandise is computed on the specific identification basis. Interim customer payments for layaway sales are recorded as customer deposits and subsequently recognized as revenue during the period in which the final payment is received.

**Merchandise held for disposition.** Merchandise held for disposition consists primarily of forfeited collateral from pawn loans not repaid and merchandise that is purchased directly from customers or from third parties. The carrying value of the forfeited collateral and other merchandise held for disposition is stated at the lower of cost

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(which is the cost basis in the loan or the amount paid for purchased merchandise) or fair value. With respect to the Company's foreign pawn operations, collateral underlying unredeemed pawn loans is not owned by the Company; however, the Company assumes the risk of loss on such collateral and is solely responsible for its care and disposition. Accordingly, the Company classifies these domestic and foreign assets as

Merchandise held for disposition, net in the consolidated balance sheets. The Company provides an allowance for returns and an allowance for valuation based on management's evaluation of the current trends in performance, characteristics of the merchandise and historical shrinkage rates. Because pawn loans are made without recourse to the borrower, the Company does not investigate or rely upon the borrower's creditworthiness, but instead bases its lending decision on an evaluation of the pledged personal property. The amount the Company is willing to finance is typically based on a percentage of the pledged personal property's estimated disposition value. The Company uses numerous sources in determining an item's estimated disposition value, including the Company's automated product valuation system as well as catalogs, blue books, newspapers, internet research and previous disposition experience. The Company performs a physical count of its merchandise in each location on multiple occasions on a cyclical basis and reviews the composition of inventory by category and age in order to assess the adequacy of the allowance.

***Allowance or liability for estimated losses on consumer loans.*** The Company monitors the performance of its portfolio of consumer loans 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. In addition, the Company maintains a liability for estimated losses related to loans guaranteed under the CSO programs, which approximates the fair value of the liability and is included in Accounts payable and accrued expenses on the consolidated balance sheets.

In determining the allowance or liability for estimated losses on consumer loans, the Company applies a documented systematic methodology. Outstanding loans are divided into discrete groups of short-term loans and installment loans and are analyzed as performing or nonperforming. Single payment and certain two payment loans in the United Kingdom are considered nonperforming as of the payment due date when payment of an amount due has not been made as of that date. Installment loans and line of credit accounts are considered nonperforming if the customer does not make two consecutive payments. The Company allows for normal payment processing time for each of these loans before considering them nonperforming.

Where permitted by law, a customer may choose to renew a loan contract or extend the due date on a short-term loan (excluding a line of credit account) before it is considered nonperforming by agreeing to pay the current finance charge for the right to make a later payment of the outstanding principal balance plus an additional finance charge. The Company began offering extensions on certain of its short-term loans in August 2012, and all references to renewals include both renewals and extensions made by customers to their existing short-term loans. In some instances in the United Kingdom, customers agree to repay a new short-term loan in two payments, and in these cases the Company considers the obligation to make the first payment a new single-payment loan and the obligation to make the second payment a renewal of that loan because the customer pays the finance charge due at the time of each payment, similar to a loan that has been renewed. If a short-term loan is renewed but the customer fails to pay that loan's current finance charge as of its due date (after allowing for normal payment processing time), the unpaid finance charge is reclassified as nonperforming.

The Company does not provide for any grace period when determining the performance status of a consumer loan (other than allowing for normal payment processing time). Nonperforming loans may not be renewed, and if, during its attempt to collect on a nonperforming loan, the Company allows additional time for payment through a payment plan or a promise to pay, it is still considered nonperforming. Nonperforming loans are analyzed by stage of collection. Actual loss experience based on historical loss rates for each discrete group is calculated and adjusted for recent default trends. The required allowance is calculated by applying the resulting adjusted loss rates to each discrete loan group and aggregating the results. 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 Company fully reserves and generally charges off all consumer loans once they have been classified as nonperforming for 60 consecutive days. If a loan is deemed uncollectible before it is fully reserved, it is charged off at that point. All loans included in nonperforming loans have an age of one to 59 days from the date they became nonperforming loans, as defined above. Recoveries on loans previously charged to the allowance are credited to the allowance when collected.



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At September 30, 2012, the allowance for losses on consumer loans was \$79.2 million and liabilities for estimated losses on third-party lender-owned consumer loans guaranteed by the Company were \$3.4 million, in aggregate representing 21.1% of the combined consumer loan portfolio.

For the nine months ended September 30, 2012, the consumer loan loss provision for the combined consumer loan portfolio was \$219.1 million and reflects 8.8% of gross combined consumer loans written and renewed by the Company and third-party lenders. If the loss provision increased or decreased by 10%, or \$21.9 million (a 0.9% change in the percentage of gross combined consumer loans written and renewed), net income attributable to the Company would decrease, or increase, by \$13.1 million, net of taxes, for the nine-month period ended September 30, 2012 assuming the same volume of consumer loans written and renewed for the same period.

**Income taxes.** As part of the process of preparing its consolidated financial statements, the Company is required to estimate income taxes in each of the jurisdictions in which it operates. This process involves estimating the actual current tax expense together with assessing temporary differences in recognition of income for tax and accounting purposes. These differences result in deferred tax assets and liabilities and are included within the Company's consolidated balance sheets. Management must then assess the likelihood that the deferred tax assets will be recovered from future taxable income and, to the extent it believes that recovery is not likely, it must establish a valuation allowance. An expense, or benefit, is included within the tax provision in the statement of operations for any increase, or decrease, in the valuation allowance for a given period.

The Company performs an evaluation of the recoverability of its deferred tax assets on a quarterly basis. The Company establishes a valuation allowance if it is more-likely-than-not (greater than 50 percent) that all or some portion of the deferred tax asset will not be realized. The Company analyzes several factors, including the nature and frequency of operating losses, the Company's carry-forward period for any losses, the reversal of future taxable temporary differences, the expected occurrence of future income or loss and the feasibility of available tax planning strategies to protect against the loss of deferred tax assets.

During the third quarter of 2012, the Company announced the reorganization of its Mexico-based pawn operations, which are owned by the Company's wholly-owned subsidiary, Creazione. See [General Recent Developments Reorganization of Mexico-based Pawn Operations and Purchase of Noncontrolling Interest](#) above for further information related to the Mexico Reorganization. Based on the Company's analysis of its deferred tax assets as of September 30, 2012, and in conjunction with the Mexico Reorganization, the Company does not believe the deferred tax assets of Creazione of approximately \$7.2 million as of June 30, 2012 will be realizable; therefore, the Company recognized a valuation allowance with respect to these deferred tax assets during the three months ended September 30, 2012. In addition, for the three months ended September 30, 2012, the Company recognized a deferred tax asset and an offsetting valuation allowance of approximately \$5.4 million, due to continued losses incurred during that period at its Mexico-based pawn operations. The deferred tax asset valuation allowance as of September 30, 2012 was \$12.6 million.

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The Company accounts for uncertainty in income taxes recognized in the consolidated financial statements in accordance with Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) 740-10-25, *Accounting for Uncertainty in Income Taxes* ( ASC 740-10-25 ). ASC 740-10-25 requires that a more-likely-than-not threshold be met before the benefit of a tax position may be recognized in the consolidated financial statements and prescribes how such benefit should be measured. Management must evaluate tax positions taken on the Company's tax returns for all periods that are open to examination by taxing authorities and make a judgment as to whether and to what extent such positions are more likely than not to be sustained based on merit.

Management's judgment is required in determining the provision for income taxes, the deferred tax assets and liabilities and any valuation allowance recorded against deferred tax assets. Management's judgment is also required in evaluating whether tax benefits meet the more-likely-than-not threshold for recognition under ASC 740-10-25.

**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 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. In September 2011, the FASB issued Accounting Standards Update ( ASU ) 2011-08, *Testing Goodwill for Impairment* ( ASU 2011-08 ). This update is intended to simplify goodwill impairment testing by adding an optional qualitative review step to assess whether the required quantitative impairment analysis that exists under generally accepted accounting principles in the United States ( GAAP ) is necessary. The Company adopted ASU 2011-08 on January 1, 2012 and exercised its option to bypass the qualitative assessment and utilized only a quantitative assessment in its annual goodwill assessment, which was completed in June 2012, and the additional goodwill assessment completed in September 2012, as described below.

The Company uses the income method to complete its annual goodwill assessment. The income approach uses 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 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 assessment of goodwill as of June 30, 2012 and determined that no impairment existed at that date. See below for the results of impairment testing that was completed related to the Mexico Reorganization.

**Impairment Testing Related to the Reorganization of Mexico-based Pawn Operations**

The Mexico Reorganization, as discussed in *General - Recent Developments - Reorganization of Mexico-based Pawn Operations and Purchase of Noncontrolling Interest* above was considered a triggering event for purposes of impairment testing. The results of impairment testing for goodwill, indefinite-lived intangible assets, long-lived assets and other intangible assets are described below.

**Goodwill and other indefinite-lived intangible assets.** The Company tested goodwill for the retail services segment following the approval of the Company's reorganization plan and noted no impairment. Although no goodwill impairment was noted, there can be no assurances that future goodwill impairments will not occur. However, a 10% decrease in the estimated fair values of any of the Company's reporting units for the assessment completed for September 2012 would not have resulted in a goodwill impairment charge. The Company also tested indefinite-lived intangible assets as of the date of the reorganization announcement. As a result, during the nine months ended of September 30, 2012, the Company recognized impairment charges of \$2.5 million related to indefinite-lived intangible assets, which is included in *Depreciation and amortization expense* in the consolidated statements of income.

**Long-lived assets and other intangible assets.** The Company tested property and equipment and other intangible assets following the approval of the Company's reorganization plan. As a result, during the nine months ended September 30, 2012, the Company recognized impairment charges on property and equipment and other intangible assets related to its Mexico operations of \$6.0

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million and \$2.6 million, respectively, both of which are included in Depreciation and amortization expense in the consolidated statements of income. The fair value measurements of property and equipment and intangible assets are based on management's judgments about future cash flows.

**Table of Contents****RESULTS OF CONTINUING OPERATIONS****Highlights**

The Company's financial results for the three months ended September 30, 2012 (the current quarter) are summarized below.

Consolidated total revenue increased \$41.4 million, or 10.4%, to \$439.7 million for the current quarter compared to the three months ended September 30, 2011 (the prior year quarter), primarily due to increased consumer loan fees from the e-commerce segment.

Consolidated net revenue increased \$13.0 million, or 5.5%, to \$248.5 million for the current quarter from \$235.5 million for the prior year quarter. Net revenue from consumer loan fees, net of consumer loan loss provision, increased 18.0%, or \$18.4 million, in the current quarter compared to the prior year quarter, primarily due to higher average consumer loan balances in the e-commerce segment from growth in both domestic and foreign markets. Net revenue from pawn-related activities, which is the sum of pawn loan fees and service charges and the net proceeds from the disposition of merchandise, decreased 5.3%, or \$6.9 million, in the current quarter compared to the prior year quarter, primarily due to a decrease in merchandise purchased from customers and third parties, which contributed to a decrease in gross profit from commercial sales.

Net income decreased 66.3%, to \$11.7 million, in the current quarter compared to the prior year quarter primarily due to certain expenses incurred with the Mexico Reorganization and the write-off of deferred costs related to the withdrawal of the Enova IPO, which combined to total \$20.4 million, after taxes. See [General Recent Developments Reorganization of Mexico-based Pawn Operations and Purchase of Noncontrolling Interest](#) above.

Diluted net income per share decreased \$0.71 per share, or 65.7%, to \$0.37 in the current quarter compared to \$1.08 in the prior year quarter. The decrease was almost entirely due to certain items expensed during the period, as noted above, which reduced earnings per share by \$0.65. See [Overview Adjusted Earnings per Share](#) for additional details of the financial impact of these items on earnings for the period.

**OVERVIEW**

**Consolidated Net Revenue.** Consolidated net revenue is composed of total revenue less cost of disposed merchandise and consumer loan loss provision. Net revenue is the income available to satisfy all remaining expenses and is the measure management uses to evaluate top-line performance.

The following tables show the components of net revenue for the three and nine months ended September 30, 2012 and 2011 by segment, for the Company's corporate operations and on a consolidated basis (dollars in thousands):

|   | Three Months Ended September 30, 2012 |            |            |            |           |            |              |            |
|---|---------------------------------------|------------|------------|------------|-----------|------------|--------------|------------|
|   | Retail Services                       |            | E-Commerce |            | Corporate |            | Consolidated |            |
|   | Amount                                | % of Total | Amount     | % of Total | Amount    | % of Total | Amount       | % of Total |
| Pawn loan fees and service charges  | \$ 76,500                             | 51.5 %     | \$ -       | - %        | \$ -      | - %        | \$ 76,500    | 30.8 %     |
| Proceeds from disposition of merchandise, net of cost of disposed merchandise | 46,575                                | 31.3 %     | -          | - %        | -         | - %        | 46,575       | 18.7 %     |
| Pawn related  | \$ 123,075                            | 82.8 %     | \$ -       | - %        | \$ -      | - %        | \$ 123,075   | 49.5 %     |
| Consumer loan fees, net of loss provision                                     | \$ 23,384                             | 15.7 %     | \$ 97,411  | 99.6 %     | \$ -      | - %        | \$ 120,795   | 48.6 %     |

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|               |            |         |           |         |          |         |            |         |
|---------------|------------|---------|-----------|---------|----------|---------|------------|---------|
| Other revenue | 2,190      | 1.5 %   | 388       | 0.4 %   | 2,029    | 100.0 % | 4,607      | 1.9 %   |
| Net revenue   | \$ 148,649 | 100.0 % | \$ 97,799 | 100.0 % | \$ 2,029 | 100.0 % | \$ 248,477 | 100.0 % |

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|   | Three Months Ended September 30, 2011 |            |            |            |           |            |              |            |
|---|---------------------------------------|------------|------------|------------|-----------|------------|--------------|------------|
|   | Retail Services                       |            | E-Commerce |            | Corporate |            | Consolidated |            |
|   | Amount                                | % of Total | Amount     | % of Total | Amount    | % of Total | Amount       | % of Total |
| Pawn loan fees and service charges  | \$ 74,399                             | 47.2 %     | \$ -       | -%         | \$ -      | -%         | \$ 74,399    | 31.6 %     |
| Proceeds from disposition of merchandise, net of cost of disposed merchandise | 55,611                                | 35.2 %     | 1          | -%         | -         | -%         | 55,612       | 23.6 %     |
| Pawn related  | \$ 130,010                            | 82.4 %     | \$ 1       | -%         | \$ -      | -%         | \$ 130,011   | 55.2 %     |
| Consumer loan fees, net of loss provision                                     | \$ 25,164                             | 16.0 %     | \$ 77,241  | 99.6 %     | \$ -      | -%         | \$ 102,405   | 43.5 %     |
| Other revenue   | 2,537                                 | 1.6 %      | 343        | 0.4 %      | 158       | 100.0 %    | 3,038        | 1.3 %      |
| Net revenue   | \$ 157,711                            | 100.0 %    | \$ 77,585  | 100.0 %    | \$ 158    | 100.0 %    | \$ 235,454   | 100.0 %    |

|   | Nine Months Ended September 30, 2012 |            |            |            |           |            |              |            |
|---|--------------------------------------|------------|------------|------------|-----------|------------|--------------|------------|
|   | Retail Services                      |            | E-Commerce |            | Corporate |            | Consolidated |            |
|   | Amount                               | % of Total | Amount     | % of Total | Amount    | % of Total | Amount       | % of Total |
| Pawn loan fees and service charges  | \$ 221,450                           | 47.5 %     | \$ -       | -%         | \$ -      | -%         | \$ 221,450   | 30.0 %     |
| Proceeds from disposition of merchandise, net of cost of disposed merchandise | 166,954                              | 35.8 %     | -          | -%         | -         | -%         | 166,954      | 22.6 %     |
| Pawn related  | \$ 388,404                           | 83.3 %     | \$ -       | -%         | \$ -      | -%         | \$ 388,404   | 52.6 %     |
| Consumer loan fees, net of loss provision                                     | \$ 70,266                            | 15.1 %     | \$ 269,311 | 99.7 %     | \$ -      | -%         | \$ 339,577   | 45.9 %     |
| Other revenue   | 7,597                                | 1.6 %      | 846        | 0.3 %      | 2,445     | 100.0 %    | 10,888       | 1.5 %      |
| Net revenue   | \$ 466,267                           | 100.0 %    | \$ 270,157 | 100.0 %    | \$ 2,445  | 100.0 %    | \$ 738,869   | 100.0 %    |

|  | Nine Months Ended September 30, 2011 |            |            |            |           |            |              |            |
|--|--------------------------------------|------------|------------|------------|-----------|------------|--------------|------------|
|  | Retail Services                      |            | E-Commerce |            | Corporate |            | Consolidated |            |
|  | Amount                               | % of Total | Amount     | % of Total | Amount    | % of Total | Amount       | % of Total |
| Pawn loan fees and service charges   | \$ 206,134                           | 45.1 %     | \$ -       | -%         | \$ -      | -%         | \$ 206,134   | 31.2 %     |
| Proceeds from disposition of merchandise net of cost of disposed merchandise | 171,209                              | 37.5 %     | 7          | -%         | -         | -%         | 171,216      | 25.9 %     |
| Pawn related   | \$ 377,343                           | 82.6 %     | \$ 7       | -%         | \$ -      | -%         | \$ 377,350   | 57.1 %     |
| Consumer loan fees, net of loss provision                                    | \$ 70,380                            | 15.4 %     | \$ 202,937 | 99.4 %     | \$ -      | -%         | \$ 273,317   | 41.3 %     |
| Other revenue  | 9,060                                | 2.0 %      | 1,223      | 0.6 %      | 480       | 100.0 %    | 10,763       | 1.6 %      |
| Net revenue  | \$ 456,783                           | 100.0 %    | \$ 204,167 | 100.0 %    | \$ 480    | 100.0 %    | \$ 661,430   | 100.0 %    |

For the current quarter, consolidated net revenue increased \$13.0 million, or 5.5%, to \$248.5 million from \$235.5 million for the prior year quarter. Consumer loan activities accounted for 48.6% and 43.5% of total consolidated net revenue for the current quarter and prior year quarter, respectively. Net revenue from consumer loan activities increased \$18.4 million, to \$120.8 million during the current quarter, mainly due to an increase in consumer loan fees that resulted from higher average consumer loan balances in the e-commerce segment, primarily from growth in domestic and foreign markets.

Pawn lending activities accounted for 49.5% and 55.2% of total consolidated net revenue for the current quarter and prior year quarter, respectively. Net revenue from pawn lending activities decreased \$6.9 million, to \$123.1 million during the current quarter, from \$130.0 million in the prior year quarter. The decrease in pawn-related net revenue was primarily due to lower gross profit on the disposition of merchandise from commercial sales, which decreased the pawn-related net revenue by \$9.0 million during the current quarter compared to the prior year quarter, mainly due to a decrease in goods available for sale as a result of lower purchases. This decrease was partially offset by an increase of \$2.1 million in pawn loan fees and service charges that resulted from higher average domestic pawn loan yield and higher balances as a result of new domestic retail services locations through organic growth and the acquisition during the fourth quarter of 2011 of substantially all of the assets of a seven-store chain of pawn lending locations in



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Arizona which, prior to the acquisition, operated as franchised Company locations under the name SuperPawn (the Pawn Partners acquisition ). This increase was partially offset by decreases in pawn loan fees and services charges from foreign markets.

For the nine-month period ended September 30, 2012 (the current nine-month period ), net revenue increased \$77.5 million, or 11.7%, to \$738.9 million from \$661.4 million for the same period in 2011 (the prior year nine-month period ). Consumer loan activities accounted for 45.9% and 41.3% of total consolidated net revenue for the current nine-month period and the prior year nine-month period, respectively. Net revenue from consumer loan activities increased \$66.3 million, to \$339.6 million during the current quarter, which accounted for 85.6% of the overall increase in consolidated net revenue, mainly due to an increase in consumer loan fees that resulted from higher average consumer loan balances in the e-commerce segment.

Net revenue from pawn lending activities accounted for 52.6% and 57.1% of total net revenue for the current nine-month period and the prior year nine-month period, respectively. Net revenue from pawn lending activities increased \$11.0 million, to \$388.4 million during the current nine-month period from \$377.4 million in the prior year nine-month period, which accounted for 14.3% of the increase in consolidated net revenue. The increase in the pawn-related net revenue was primarily due to an increase in pawn loan fees and service charges that resulted from higher average domestic pawn loan balances as a result of organic growth in domestic retail operations and the Pawn Partners acquisition. This increase was partially offset by a decrease in pawn loan fees and service charges from foreign markets, a decrease in gross profit on the disposition of merchandise on commercial sales due to a decrease in goods available for sale as a result of lower purchases, which decreased by \$4.3 million during the current nine-month period compared to the prior year nine-month period.

## **Non-GAAP Disclosure**

In addition to the financial information prepared in conformity with GAAP, the Company provides historical non-GAAP financial information. Management believes that presentation of non-GAAP financial information is meaningful and useful in understanding the activities and business metrics of the Company s operations. Management believes that these non-GAAP financial measures reflect an additional way of viewing aspects of the Company s business that, when viewed with its GAAP results, provide a more complete understanding of factors and trends affecting its business.

Management provides non-GAAP financial information for informational purposes and to enhance understanding of the Company s GAAP consolidated financial statements. Readers should consider the information in addition to, but not instead of or superior to, its financial statements prepared in accordance with GAAP. This non-GAAP financial information may be determined or calculated differently by other companies, limiting the usefulness of those measures for comparative purposes.



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**Adjusted Earnings Per Share.** In addition to reporting financial results in accordance with GAAP, the Company has provided adjusted earnings and adjusted earnings per share, which are non-GAAP measures. Management believes that the presentation of these measures provides investors with greater transparency and facilitates comparison of operating results across a broad spectrum of companies with varying capital structures, compensation strategies, derivative instruments and amortization methods, which provides a more complete understanding of the Company's financial performance, competitive position and prospects for the future. Management also believes that investors regularly rely on non-GAAP financial measures, such as adjusted earnings and adjusted earnings per share, to assess operating performance and that such measures may highlight trends in the Company's business that may not otherwise be apparent when relying on financial measures calculated in accordance with GAAP. In addition, management believes that the adjustments shown below, especially the adjustments for charges related to events that occurred during the current quarter, such as the Mexico Reorganization and the withdrawal of the proposed Enova IPO, are useful to investors in order to allow them to compare the Company's financial results for the current quarter with the previous periods shown.

The following table provides a reconciliation between net income attributable to the Company and diluted earnings per share calculated in accordance with GAAP to adjusted earnings and adjusted earnings per share, respectively, which are shown net of tax (dollars in thousands, except per share data):

|   | Three Months Ended September 30, |                   |           |                   | Nine Months Ended September 30, |                   |            |                   |
|---|----------------------------------|-------------------|-----------|-------------------|---------------------------------|-------------------|------------|-------------------|
|   | 2012                             |                   | 2011      |                   | 2012                            |                   | 2011       |                   |
|   | \$                               | Per Diluted Share | \$        | Per Diluted Share | \$                              | Per Diluted Share | \$         | Per Diluted Share |
| Net income attributable to Cash America International, Inc.                             | \$ 11,703                        | \$ 0.37           | \$ 34,777 | \$ 1.08           | \$ 82,990                       | \$ 2.62           | \$ 98,136  | \$ 3.07           |
| Adjustments:  |                                  |                   |           |                   |                                 |                   |            |                   |
| Charges related to withdrawn Enova IPO <sup>(a)</sup>                                   | 1,941                            | 0.06              | -         | -                 | 2,461                           | 0.08              | -          | -                 |
| Charges related to Mexico Reorganization, net of noncontrolling interest <sup>(b)</sup> | 18,456                           | 0.59              | -         | -                 | 18,456                          | 0.58              | -          | -                 |
| Subtotal  | 32,100                           | 1.02              | 34,777    | 1.08              | 103,907                         | 3.28              | 98,136     | 3.07              |
| Other adjustments:  |                                  |                   |           |                   |                                 |                   |            |                   |
| Intangible asset amortization   | 639                              | 0.02              | 939       | 0.03              | 2,042                           | 0.06              | 3,024      | 0.09              |
| Non-cash equity-based compensation  | 564                              | 0.02              | 842       | 0.03              | 2,481                           | 0.08              | 2,448      | 0.08              |
| Convertible debt non-cash interest and issuance cost amortization                       | 601                              | 0.02              | 559       | 0.02              | 1,766                           | 0.06              | 1,650      | 0.05              |
| Foreign currency transaction (gain) loss  | (58)                             | -                 | 483       | 0.01              | 45                              | -                 | 658        | 0.02              |
| Adjusted earnings   | \$ 33,846                        | \$ 1.08           | \$ 37,600 | \$ 1.17           | \$ 110,241                      | \$ 3.48           | \$ 105,916 | \$ 3.31           |

<sup>(a)</sup> Represents charges directly related to the proposed Enova IPO that was withdrawn in July 2012. For the three months ended September 30, 2012, represents \$3.1 million of charges, net tax benefit of \$1.2 million. For the nine months ended September 30, 2012, represents \$3.9 million of charges, net tax benefit of \$1.4 million.

<sup>(b)</sup> Represents charges related to the reorganization of the Company's Mexico-based pawn operations. For the three and nine months ended September 30, 2012, represents \$21.9 million of charges, net tax benefit of \$1.2 million and noncontrolling interest of \$2.2 million.

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**Adjusted EBITDA.** The table below shows adjusted EBITDA, a non-GAAP measure that the Company defines as earnings excluding depreciation, amortization, interest, foreign currency transaction gains or losses, equity in earnings or loss of unconsolidated subsidiary, taxes and including the net income or loss attributable to noncontrolling interests. Management believes adjusted EBITDA is used by investors to analyze operating performance and evaluate the Company's ability to incur and service debt and its capacity for making capital expenditures. Adjusted EBITDA is also useful to investors to help assess the Company's liquidity and estimated enterprise value. The computation of adjusted EBITDA as presented below may differ from the computation of similarly-titled measures provided by other companies (dollars in thousands):

|   | Trailing 12 Months Ended |              |
|---|--------------------------|--------------|
|   | September 30,            |              |
|   | 2012                     | 2011         |
| Net income attributable to Cash America International, Inc. | \$ 120,817               | \$ 132,841   |
| Adjustments:  |                          |              |
| Depreciation and amortization expenses                      | 71,431                   | 52,172       |
| Interest expense, net                                       | 28,182                   | 24,078       |
| Foreign currency transaction loss                           | 279                      | 1,421        |
| Equity in loss of unconsolidated subsidiary                 | 243                      | 145          |
| Provision for income taxes                                  | 90,570                   | 79,401       |
| Net loss attributable to the noncontrolling interest        | (5,539)                  | (479)        |
| Adjusted EBITDA   | \$ 305,983               | \$ 289,579   |
| Adjusted EBITDA margin calculated as follows:               |                          |              |
| Total revenue   | \$ 1,782,783             | \$ 1,489,105 |
| Adjusted EBITDA   | 305,983                  | 289,579      |
| Adjusted EBITDA as a percentage of total revenue            | 17.2%                    | 19.4%        |

**Table of Contents****Quarter Ended September 30, 2012 Compared To Quarter Ended September 30, 2011****Pawn Lending Activities:**

Pawn lending activities consist of pawn loan fees and service charges from the retail services segment during the period and the profit on disposition of collateral from unredeemed pawn loans, as well as the sale of merchandise acquired from customers directly or from third parties.

The following table sets forth selected data related to the Company's pawn lending activities as of and for the three months ended September 30, 2012 and 2011 (dollars in thousands except where otherwise noted):

| Three Months Ended September 30,                  | 2012       |           |            | 2011       |           |            |
|---|------------|-----------|------------|------------|-----------|------------|
|   | Domestic   | Foreign   | Total      | Domestic   | Foreign   | Total      |
| Pawn loan fees and service charges                | \$ 73,209  | \$ 3,291  | \$ 76,500  | \$ 69,025  | \$ 5,374  | \$ 74,399  |
| Average pawn loan balance outstanding             | \$ 232,027 | \$ 11,870 | \$ 243,897 | \$ 218,607 | \$ 20,619 | \$ 239,226 |
| Amount of pawn loans written and renewed          | \$ 238,191 | \$ 17,655 | \$ 255,846 | \$ 240,062 | \$ 34,084 | \$ 274,146 |
| Annualized yield on pawn loans                    | 125.5%     | 110.3%    | 124.8%     | 125.3%     | 103.4%    | 123.4%     |
| Average amount per pawn loan (in ones)            | \$ 131     | \$ 84     | \$ 122     | \$ 130     | \$ 100    | \$ 125     |
| Gross profit margin on disposition of merchandise | 31.7%      | 14.5%     | 30.3%      | 36.6%      | 20.3%     | 35.2%      |
| Merchandise turnover                              | 2.6        | 3.7       | 2.7        | 2.6        | 4.6       | 2.7        |

**As of September 30,**

|                                 |            |           |            |            |           |            |
|---------------------------------|------------|-----------|------------|------------|-----------|------------|
| Ending pawn loan balances       | \$ 241,261 | \$ 12,816 | \$ 254,077 | \$ 225,921 | \$ 18,520 | \$ 244,441 |
| Ending merchandise balance, net | \$ 160,075 | \$ 11,210 | \$ 171,285 | \$ 156,806 | \$ 9,559  | \$ 166,365 |

**Pawn loan fees and service charges.** Consolidated pawn loan balances at September 30, 2012 were \$254.1 million, which was \$9.6 million, or 4.0%, higher than at September 30, 2011. The average consolidated balance of pawn loans outstanding during the current quarter increased by \$4.7 million, or 2.0%, compared to the prior year quarter.

**Domestic pawn loan balances.** Pawn loan balances in domestic locations at September 30, 2012 were \$241.3 million, which was \$15.3 million, or 6.8%, higher than at September 30, 2011. The average balance of domestic pawn loans outstanding during the current quarter increased by \$13.4 million, or 6.1%, compared to the prior year quarter, primarily due to additional pawn loan balances resulting from the net addition of new retail services locations through organic growth and the Pawn Partners acquisition. The year-over-year increase in pawn loan balances was negatively affected by a decrease in the length of the loan period in certain markets, as described below. Domestic pawn loan fees and service charges increased \$4.2 million, or 6.1%, to \$73.2 million in the current quarter from \$69.0 million in the prior year quarter. The increase is mainly due to higher average pawn loan balances during the current quarter. The annualized yield on domestic pawn loan balances increased slightly to 125.5% in the current quarter compared to 125.3% in the prior year quarter, partly due to an increase in the statutorily permitted rate and a decrease in the maximum loan term from 90 days to 60 days in certain locations beginning in late 2011. This change contributed to higher annualized loan yields as the average balance of pawn loans outstanding declined and customer payments of pawn loan fees and service charges occurred earlier than in prior periods. This increase was partially offset by a decrease in annualized loan yield due to a higher concentration of pawn loans in states with lower yields.

**Foreign pawn loan balances.** Pawn loan balances in foreign locations at September 30, 2012 were \$12.8 million, which was \$5.7 million, or 30.8%, lower than at September 30, 2011. The average balance of foreign pawn loans outstanding during the current quarter decreased by \$8.7 million, or 42.4%, compared to the prior year quarter, primarily due to weak demand for jewelry-based pawn loans, which was partially offset by an increase in demand for loans on general merchandise at the Company's full-service pawn lending locations in Mexico. In addition, during the second quarter of 2012, the Company reduced the loan period for foreign pawn loans from 60 days to 45 days, causing a decrease in loans outstanding. Foreign pawn loan fees and service charges decreased \$2.1 million, or 38.8%, to \$3.3 million in the current quarter from \$5.4 million in the prior year quarter, primarily due to lower average loan balances. The annualized yield on foreign pawn loan balances increased to 110.3% in the current quarter.

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compared to 103.4% in the prior year quarter, primarily due to a change in the rates charged on these loans during the second quarter of 2012 and the decrease in the maximum loan term from 60 days to 45 days that was implemented during the second quarter of 2012. The average amount per loan decreased to \$84 in the current quarter, compared to \$100 in the prior year quarter, primarily due to the effect of the change in foreign exchange rates and the modification of lending rates.

Management expects the foreign pawn loan balance to continue to decrease through the remainder of 2012 due to the reorganization activities as discussed in **General Recent Developments Reorganization of Mexico-based Pawn Operations and Purchase of Noncontrolling Interest** above.

**Proceeds from disposition of merchandise.** Profit from the disposition of merchandise represents the proceeds received from the disposition of merchandise in excess of the cost of disposed merchandise, which is the Company's cost basis in the loan or the amount paid for purchased merchandise. Retail sales include the sale of jewelry and general merchandise direct to consumers through the Company's domestic and foreign retail services locations or over the Internet. Commercial sales include the sale of refined gold, platinum, silver and diamonds to brokers or manufacturers. The following table summarizes the proceeds from the disposition of merchandise and the related profit for the current quarter and the prior year quarter (dollars in thousands):

|                                  | <b>Three Months Ended September 30,</b> |                   |              |               |                   |              |
|----------------------------------|---|-------------------|--------------|---------------|-------------------|--------------|
|                                  | <b>2012</b>                             |                   |              | <b>2011</b>   |                   |              |
|                                  | <b>Retail</b>                           | <b>Commercial</b> | <b>Total</b> | <b>Retail</b> | <b>Commercial</b> | <b>Total</b> |
| Proceeds from disposition        | \$ 81,947                               | \$ 71,546         | \$ 153,493   | \$ 79,040     | \$ 78,846         | \$ 157,886   |
| Gross profit on disposition      | \$ 30,023                               | \$ 16,552         | \$ 46,575    | \$ 30,782     | \$ 24,830         | \$ 55,612    |
| Gross profit margin              | 36.6 %                                  | 23.1 %            | 30.3 %       | 38.9 %        | 31.5 %            | 35.2 %       |
| Percentage of total gross profit | 64.5 %                                  | 35.5 %            | 100.0 %      | 55.4 %        | 44.6 %            | 100.0 %      |

The total proceeds from disposition of merchandise decreased \$4.4 million, or 2.8%, in the current quarter compared to the prior year quarter, primarily due to lower commercial sales in the Company's domestic and foreign operations. Total profit from the disposition of merchandise decreased \$9.0 million, or 16.3%, during the current quarter compared to the prior year quarter, primarily due to lower gross profit on commercial sales. In the prior year quarter, gross profit on commercial sales was unusually high due to the higher average price per ounce of gold sold relative to the cost per ounce of gold sold. The overall profit margin percentage decreased to 30.3% in the current quarter from 35.2% in the prior year quarter, primarily due to a higher cost of goods sold on commercial sales. The consolidated merchandise turnover rate remained flat at 2.7 times during the current quarter compared to the prior year quarter.

Proceeds from retail dispositions of merchandise increased \$2.9 million, or 3.7%, during the current quarter compared to the prior year quarter. Proceeds from retail dispositions in foreign retail operations increased \$3.8 million due to increased sales of general merchandise. Offsetting this increase was a \$0.9 million decrease in retail sales proceeds from domestic retail operations. Consolidated gross profit from retail dispositions decreased \$0.8 million. Gross profit from domestic operations decreased \$1.5 million, and gross profit from foreign operations increased \$0.7 million. The decrease was primarily due to the continued discounting of merchandise prices to encourage retail sales activity. Despite the increase in gross profit on disposition in foreign operations, the Company's domestic and foreign operations both experienced a decrease in gross profit margin, as the consolidated gross profit margin on the retail disposition of merchandise decreased to 36.6% in the current quarter from 38.9% in the prior year quarter.

Proceeds from commercial dispositions decreased \$7.3 million, or 9.3%, during the current quarter compared to the prior year quarter. Foreign operations contributed \$4.5 million of the decrease, primarily due to a lower volume of gold sold in the current quarter compared to the prior year quarter. Proceeds from commercial dispositions at domestic operations decreased by \$2.8 million, primarily due to a decrease in the volume of gold sold, mainly due to a decrease in goods available for sale as a result of lower purchases. This decrease was partially offset by a higher average sales price per ounce of gold sold during the current quarter. Consolidated gross profit from

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commercial dispositions decreased \$8.3 million, of which domestic operations contributed \$6.7 million, and foreign operations contributed \$1.6 million. The decrease was primarily due to a higher cost of gold sold relative to the increase in the market price per ounce of gold sold in both domestic and foreign operations. Consequently, the consolidated gross profit margin on commercial sales decreased to 23.1% in the current quarter from 31.5% in the prior year quarter.

Management expects that total gross profit margin on commercial dispositions to be slightly higher than current levels, but it will continue to be heavily influenced by the market price of gold. Management expects the profit margin on retail dispositions, excluding commercial activities, to be similar to current levels.

Total merchandise held for disposition increased during the current quarter compared to the prior year quarter, primarily due to the acquisition of 25 pawn lending locations in the states of Kentucky, North Carolina and Tennessee, as discussed in *General Recent Developments Acquisition of 25 Pawn Lending Locations* above. The table below summarizes the age of merchandise held for disposition related to the Company's pawn operations before valuation allowance of \$0.7 million as of both September 30, 2012 and 2011 (dollars in thousands):

|   | As of September 30, |       |            |       |
|---|---------------------|-------|------------|-------|
|   | 2012                |       | 2011       |       |
|   | Amount              | %     | Amount     | %     |
| Jewelry - held for one year or less             | \$ 101,464          | 59.0  | \$ 104,004 | 62.2  |
| Other merchandise - held for one year or less   | 62,268              | 36.2  | 57,625     | 34.5  |
| Total merchandise held for one year or less     | 163,732             | 95.2  | 161,629    | 96.7  |
| Jewelry - held for more than one year           | 2,827               | 1.6   | 2,091      | 1.3   |
| Other merchandise - held for more than one year | 5,437               | 3.2   | 3,345      | 2.0   |
| Total merchandise held for more than one year   | 8,264               | 4.8   | 5,436      | 3.3   |
| Total merchandise held for disposition          | \$ 171,996          | 100.0 | \$ 167,065 | 100.0 |

**Consumer Loan Activities:**

**Consumer loan fees.** Consumer loan fees increased \$42.1 million, or 25.8%, to \$205.1 million in the current quarter compared to \$163.0 million in the prior year quarter. The increase in consumer loan fees is primarily due to growth in the e-commerce segment.

**Consumer loan loss provision.** The consumer loan loss provision increased by \$23.7 million, or 39.1%, to \$84.3 million in the current quarter from \$60.6 million in the prior year quarter. The loss provision as a percentage of consumer loan fees increased to 41.1% in the current quarter from 37.2% in the prior year quarter. The loss provision as a percentage of consumer loan fees increased in both the Company's retail services and e-commerce segments, primarily due to a greater mix of installment loans as a percentage of the total consumer loan portfolio. Installment loans initially have a higher loss provision as a percentage of consumer loan fees than short-term loans because the loss provision is recognized on the full loan amount at the time the loan is funded and the consumer loan fees are recognized over the term of the loan. Also contributing to the increase was the expansion of the Company's line of credit and installment loan products in the United States, which has resulted in an increase in new customers. New customers tend to have a higher risk of default than customers with a history of successfully repaying loans. The loss provision as a percentage of consumer loan fees decreased in the Company's foreign e-commerce operations, mainly because the portfolio is beginning to have a higher percentage of customers with established payment histories. Future loss rates will continue to be influenced by the mix of new customers to existing customers and the mix of short-term to long-term products in the Company's domestic and foreign operations.

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The following table sets forth consumer loan fees by segment, adjusted for the deduction of the consumer loan loss provision for the current quarter and the prior year quarter (dollars in thousands):

|   | 2012            |            |            | Three Months Ended September 30, 2011 |            |            |
|---|-----------------|------------|------------|---------------------------------------|------------|------------|
|   | Retail Services | E-Commerce | Total      | Retail Services                       | E-Commerce | Total      |
| Interest and fees on short-term loans                     | \$ 28,364       | \$ 137,570 | \$ 165,934 | \$ 29,741                             | \$ 117,084 | \$ 146,825 |
| Interest and fees on installment loans                    | 3,081           | 36,079     | 39,160     | 2,936                                 | 13,220     | 16,156     |
| Consumer loan fees  | \$ 31,445       | \$ 173,649 | \$ 205,094 | \$ 32,677                             | \$ 130,304 | \$ 162,981 |
| Consumer loan loss provision                              | 8,061           | 76,238     | 84,299     | 7,513                                 | 53,063     | 60,576     |
| Consumer loan fees, net of loss provision                 | \$ 23,384       | \$ 97,411  | \$ 120,795 | \$ 25,164                             | \$ 77,241  | \$ 102,405 |
| Year-over-year change - \$                                | \$ (1,780)      | \$ 20,170  | \$ 18,390  | \$ 880                                | \$ 17,792  | \$ 18,672  |
| Year-over-year change - %                                 | (7.1)%          | 26.1%      | 18.0%      | 3.6%                                  | 29.9%      | 22.3%      |
| Consumer loan loss provision as a % of consumer loan fees | 25.6%           | 43.9%      | 41.1%      | 23.0%                                 | 40.7%      | 37.2%      |

**Combined consumer loans.** In addition to reporting consumer loans owned by the Company and consumer loans guaranteed by the Company, which are either GAAP items or disclosures required by GAAP, the Company has provided combined consumer loans, which is a non-GAAP measure. In addition, the Company has reported consumer loans written and renewed, which is statistical data that is not included in the Company's financial statements. The Company also reports allowances and liabilities for estimated losses on consumer loans and on a combined basis, which are GAAP measures that are included in the Company's financial statements.

Management believes these measures provide investors with important information needed to evaluate the magnitude of potential loan losses and the opportunity for revenue performance of the consumer loan portfolio on an aggregate basis. Management believes that the comparison of the aggregate amounts from period to period is more meaningful than comparing only the residual amount on the Company's balance sheet since both revenue and the loss provision for loans are impacted by the aggregate amount of loans owned by the Company and those guaranteed by the Company as reflected in its financial statements.

**Consumer loan balances.** The outstanding combined portfolio balance of consumer loans, net of allowances and liability for estimated losses, increased \$68.3 million, or 28.4%, to \$308.7 million at September 30, 2012 from \$240.4 million at September 30, 2011, primarily due to increased demand for short-term and installment loan products from the e-commerce segment in both domestic and foreign markets.

The combined consumer loan balance includes \$336.1 million and \$239.0 million at September 30, 2012 and 2011, respectively, of Company-owned consumer loan balances before the allowance for losses of \$79.2 million and \$47.3 million provided in the consolidated financial statements for September 30, 2012 and 2011, respectively. The combined loan balance also includes \$55.3 million and \$51.2 million at September 30, 2012 and 2011, respectively, of consumer loan balances that are guaranteed by the Company, which are not included in the Company's financial statements, before the liability for estimated losses of \$3.4 million and \$2.5 million provided in the consolidated financial statements for September 30, 2012 and 2011, respectively.

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The following table summarizes consumer loan balances outstanding as of September 30, 2012 and 2011 (dollars in thousands):

|  | As of September 30,             |  |                         |                                 |  |                         |
|--|---------------------------------|--|-------------------------|---------------------------------|--|-------------------------|
|  | Company<br>Owned <sup>(a)</sup> | 2012<br>Guaranteed<br>by the<br>Company <sup>(a)</sup> | Combined <sup>(b)</sup> | Company<br>Owned <sup>(a)</sup> | 2011<br>Guaranteed<br>by the<br>Company <sup>(a)</sup> | Combined <sup>(b)</sup> |
| <b>Ending consumer loan balances:</b>  |                                 |  |                         |                                 |  |                         |
| <b><u>Retail Services</u></b>  |                                 |  |                         |                                 |  |                         |
| Short-term loans   | \$ 49,079                       | \$ 6,904   | \$ 55,983               | \$ 48,891                       | \$ 8,644   | \$ 57,535               |
| Installment loans  | 9,899                           | 6,707  | 16,606                  | 8,484                           | 6,218  | 14,702                  |
| Total Retail Services, gross   | 58,978                          | 13,611   | 72,589                  | 57,375                          | 14,862   | 72,237                  |
| <b><u>E-Commerce</u></b>   |                                 |  |                         |                                 |  |                         |
| <i>Domestic</i>  |                                 |  |                         |                                 |  |                         |
| Short-term loans   | 75,435                          | 37,952   | 113,387                 | 51,829                          | 33,514   | 85,343                  |
| Installment loans  | 38,986                          | -  | 38,986                  | 19,856                          | -  | 19,856                  |
| Total Domestic, gross  | 114,421                         | 37,952   | 152,373                 | 71,685                          | 33,514   | 105,199                 |
| <i>Foreign</i>   |                                 |  |                         |                                 |  |                         |
| Short-term loans   | 96,561                          | 3,708  | 100,269                 | 86,987                          | 2,842  | 89,829                  |
| Installment loans  | 66,111                          | -  | 66,111                  | 22,930                          | -  | 22,930                  |
| Total Foreign, gross   | 162,672                         | 3,708  | 166,380                 | 109,917                         | 2,842  | 112,759                 |
| Total E-Commerce, gross  | 277,093                         | 41,660   | 318,753                 | 181,602                         | 36,356   | 217,958                 |
| Total ending loan balance, gross   | 336,071                         | 55,271   | 391,342                 | 238,977                         | 51,218   | 290,195                 |
| Less: Allowance and liabilities for losses <sup>(a)</sup>  | (79,246)                        | (3,437)  | (82,683)                | (47,335)                        | (2,487)  | (49,822)                |
| Total ending loan balance, net   | \$ 256,825                      | \$ 51,834  | \$ 308,659              | \$ 191,642                      | \$ 48,731  | \$ 240,373              |
| Allowance and liability for losses as a % of combined consumer loan balances, gross <sup>(b)</sup> | 23.6%                           | 6.2%   | 21.1%                   | 19.8%                           | 4.9%   | 17.2%                   |

<sup>(a)</sup> GAAP measure. The consumer loan balances guaranteed by the Company represent loans originated by third-party lenders through the CSO programs, so these balances are not recorded in the Company's financial statements. However, the Company has established a liability for estimated losses in support of its guarantee of these loans, which is reflected in the table above and included in its financial statements.

<sup>(b)</sup> Except for allowance and liability for estimated losses, amounts represent non-GAAP measures.

*Consumer loans written and renewed.* The amount of combined consumer loans written and renewed was \$883.7 million in the current quarter, which is an increase of \$65.7 million, or 8.0%, from \$818.0 million in the prior year quarter, mainly due to an increase in demand for short-term and installment loan products in domestic and foreign markets.

The average amount per consumer loan increased slightly to \$532 from \$514 during the current quarter compared to the prior year quarter, due largely to an increase in longer-term multi-payment installment loans, which typically have a larger average loan amount than short-term loans, and an increase in the average amount of short-term loans. Management expects the average amount per consumer loan to increase for the remainder of 2012 due to the increase in installment lending.

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The following tables summarize the amount and number of the consumer loans written and renewed for the current year quarter and the prior year quarter (dollars in thousands):

|  | Three Months Ended September 30, |   |                         |                                 |   |                         |
|--|----------------------------------|---|-------------------------|---------------------------------|---|-------------------------|
|  | Company<br>Owned <sup>(a)</sup>  | 2012<br>Guaranteed<br>by the<br>Company <sup>(a)(b)</sup> | Combined <sup>(a)</sup> | Company<br>Owned <sup>(a)</sup> | 2011<br>Guaranteed<br>by the<br>Company <sup>(a)(b)</sup> | Combined <sup>(a)</sup> |
| <b>Amount of consumer loans written and renewed:</b> |                                  |   |                         |                                 |   |                         |
| <b><u>Retail Services</u></b>                        |                                  |   |                         |                                 |   |                         |
| Short-term loans                                     | \$ 191,332                       | \$ 36,343   | \$ 227,675              | \$ 196,771                      | \$ 45,915   | \$ 242,686              |
| Installment loans                                    | 2,026                            | 4,457   | 6,483                   | 1,601                           | 5,126   | 6,727                   |
| Total Retail Services                                | 193,358                          | 40,800  | 234,158                 | 198,372                         | 51,041  | 249,413                 |
| <b><u>E-Commerce</u></b>                             |                                  |   |                         |                                 |   |                         |
| <i>Domestic</i>                                      |                                  |   |                         |                                 |   |                         |
| Short-term loans                                     | 116,785                          | 197,962   | 314,747                 | 109,909                         | 180,890   | 290,799                 |
| Installment loans                                    | 29,987                           | -   | 29,987                  | 15,223                          | -   | 15,223                  |
| Total Domestic                                       | 146,772                          | 197,962   | 344,734                 | 125,132                         | 180,890   | 306,022                 |
| <i>Foreign</i>                                       |                                  |   |                         |                                 |   |                         |
| Short-term loans                                     | 251,787                          | 17,676  | 269,463                 | 231,310                         | 15,410  | 246,720                 |
| Installment loans                                    | 35,380                           | -   | 35,380                  | 15,844                          | -   | 15,844                  |
| Total Foreign  | 287,167                          | 17,676  | 304,843                 | 247,154                         | 15,410  | 262,564                 |
| Total E-Commerce                                     | 433,939                          | 215,638   | 649,577                 | 372,286                         | 196,300   | 568,586                 |
| Total amount of consumer loans written and renewed:  | \$ 627,297                       | \$ 256,438  | \$ 883,735              | \$ 570,658                      | \$ 247,341  | \$ 817,999              |
| <b>Number of consumer loans written and renewed:</b> |                                  |   |                         |                                 |   |                         |
| <b><u>Retail Services</u></b>                        |                                  |   |                         |                                 |   |                         |
| Short-term loans                                     | 408,886                          | 68,960  | 477,846                 | 423,380                         | 81,771  | 505,151                 |
| Installment loans                                    | 1,772                            | 662   | 2,434                   | 1,554                           | 977   | 2,531                   |
| Total Retail Services                                | 410,658                          | 69,622  | 480,280                 | 424,934                         | 82,748  | 507,682                 |
| <b><u>E-Commerce</u></b>                             |                                  |   |                         |                                 |   |                         |
| <i>Domestic</i>                                      |                                  |   |                         |                                 |   |                         |
| Short-term loans                                     | 388,650                          | 271,250   | 659,900                 | 342,634                         | 258,705   | 601,339                 |
| Installment loans                                    | 31,444                           | -   | 31,444                  | 11,799                          | -   | 11,799                  |
| Total Domestic                                       | 420,094                          | 271,250   | 691,344                 | 354,433                         | 258,705   | 613,138                 |
| <i>Foreign</i>                                       |                                  |   |                         |                                 |   |                         |



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|  |                  |                |                  |           |         |           |
|--|------------------|----------------|------------------|-----------|---------|-----------|
| Short-term loans                                   | <b>434,578</b>   | <b>23,146</b>  | <b>457,724</b>   | 433,216   | 22,251  | 455,467   |
| Installment loans                                  | <b>30,336</b>    | -              | <b>30,336</b>    | 13,967    | -       | 13,967    |
| Total Foreign                                      | <b>464,914</b>   | <b>23,146</b>  | <b>488,060</b>   | 447,183   | 22,251  | 469,434   |
| Total E-Commerce                                   | <b>885,008</b>   | <b>294,396</b> | <b>1,179,404</b> | 801,616   | 280,956 | 1,082,572 |
| Total number of consumer loans written and renewed | <b>1,295,666</b> | <b>364,018</b> | <b>1,659,684</b> | 1,226,550 | 363,704 | 1,590,254 |

(a) The disclosure regarding the amount and number of consumer loans written and renewed is statistical data that is not included in the Company's financial statements.

(b) Loans guaranteed by the Company represent loans originated by third-party lenders through the CSO programs.

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*Consumer loan loss experience.* The Company monitors the performance of its portfolio of consumer loans 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. In addition, the Company maintains a liability for estimated losses related to loans guaranteed under the CSO programs, which approximates the fair value of the liability and is included in Accounts payable and accrued expenses on the consolidated balance sheets.

The combined allowance and liability for estimated losses as a percentage of combined consumer loans and fees receivable balance increased for the current quarter to 21.1% from 17.2% in the prior year quarter, primarily due to the change in the mix of loans in the e-commerce segment, as discussed in the Consumer loan loss provision section above.

The following table summarizes the consumer loan loss provision for the current quarter and the prior year quarter (dollars in thousands):

|   | Three Months Ended<br>September 30, |           |
|---|-------------------------------------|-----------|
|   | 2012                                | 2011      |
| <b>Consumer loan loss provision:</b>                                      |                                     |           |
| Loss provision on Company owned consumer loans                            | \$ 83,657                           | \$ 60,226 |
| Loss provision on consumer loans guaranteed by the Company <sup>(a)</sup> | 642                                 | 350       |
| Combined consumer loan loss provision                                     | \$ 84,299                           | \$ 60,576 |
| Charge-offs, net of recoveries  | \$ 74,982                           | \$ 50,102 |

(a) Represents loss provision on loans originated by third-party lenders through the CSO programs.

Due to the nature of the Company's consumer loan products and the high velocity of loans written and renewed, seasonal trends are evidenced in quarter-to-quarter performance. In the typical business cycle, the combined consumer loan loss provision as a percent of combined consumer loans written and renewed is lowest in the first quarter and increases throughout the year, with the final two quarters generally combining for the peak levels of loss provision expense. The loss provision as a percentage of combined loans written and renewed increased to 9.5% in the current quarter compared to 7.4% in the prior year quarter, primarily due to growth of installment loans and line of credit accounts in the United States, both of which have a higher percentage of new customers.

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The following table shows consumer loan balances and fees and the relationship of the allowance for losses to the combined balances of consumer loans for each of the last five quarters (dollars in thousands):

|  | 2011             |                   |                  | 2012              |                  |
|--|------------------|-------------------|------------------|-------------------|------------------|
|  | Third<br>Quarter | Fourth<br>Quarter | First<br>Quarter | Second<br>Quarter | Third<br>Quarter |
| <b>Consumer loan balances and fees receivable:</b>   |                  |                   |                  |                   |                  |
| Gross Company owned  | \$ 238,977       | \$ 285,850        | \$ 259,078       | \$ 296,938        | \$ 336,071       |
| Gross Guaranteed by the Company <sup>(a)</sup>   | 51,218           | 59,423            | 44,503           | 53,985            | 55,271           |
| Combined consumer loans and fees receivable, gross <sup>(b)</sup>  | \$ 290,195       | \$ 345,273        | \$ 303,581       | \$ 350,923        | \$ 391,342       |
| Allowance and liability for losses on consumer loans   | 49,822           | 66,134            | 60,706           | 73,366            | 82,683           |
| Combined consumer loans and fees receivable, net <sup>(b)</sup>  | \$ 240,373       | \$ 279,139        | \$ 242,875       | \$ 277,557        | \$ 308,659       |
| Allowance and liability for losses as a % of combined consumer loans and fees receivable, gross <sup>(b)</sup> | 17.2%            | 19.2%             | 20.0%            | 20.9%             | 21.1%            |

(a) Represents loans originated by third-party lenders through the CSO programs, which are not included in the Company's financial statements.

(b) Non-GAAP measure.

The following table shows the Company's loss experience relative to the volume of consumer loans for each of the last five quarters (dollars in thousands):

|  | 2011             |                   |                  | 2012              |                  |
|--|------------------|-------------------|------------------|-------------------|------------------|
|  | Third<br>Quarter | Fourth<br>Quarter | First<br>Quarter | Second<br>Quarter | Third<br>Quarter |
| <b>Consumer loans written and renewed:<sup>(a)</sup></b>   |                  |                   |                  |                   |                  |
| Company owned  | \$ 570,658       | \$ 613,153        | \$ 553,713       | \$ 588,422        | \$ 627,297       |
| Guaranteed by the Company <sup>(b)</sup>                   | 247,341          | 257,693           | 219,306          | 237,962           | 256,438          |
| Combined consumer loans written and renewed                | \$ 817,999       | \$ 870,846        | \$ 773,019       | \$ 826,384        | \$ 883,735       |
| Combined consumer loan loss provision as a % of            |                  |                   |                  |                   |                  |
| combined consumer loans written and renewed <sup>(a)</sup> | 7.4%             | 9.2%              | 8.1%             | 8.8%              | 9.5%             |
| Charge-offs (net of recoveries) as a % of combined         |                  |                   |                  |                   |                  |
| consumer loans written and renewed <sup>(a)</sup>          | 6.1%             | 7.4%              | 8.8%             | 7.2%              | 8.5%             |
| Combined consumer loan loss provision as a % of            |                  |                   |                  |                   |                  |
| consumer loan fees   | 37.2%            | 44.7%             | 36.1%            | 40.1%             | 41.1%            |

(a) The disclosure regarding the amount of consumer loans written and renewed is statistical data that is not included in the Company's financial statements.

(b) Represents loans originated by third-party lenders through the CSO programs, which are not included in the Company's financial statements.



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**Total Expenses.** The table below shows total expenses by segment, for corporate operations and by significant category for the current quarter and the prior year quarter (dollars in thousands):

|                                       | 2012              |                  |                  |                   | 2011              |                  |                  |                   |
|---------------------------------------|-------------------|------------------|------------------|-------------------|-------------------|------------------|------------------|-------------------|
|                                       | Retail Services   | E-Commerce       | Corporate        | Total             | Retail Services   | E-Commerce       | Corporate        | Total             |
| <b>Operations and administration:</b> |                   |                  |                  |                   |                   |                  |                  |                   |
| Personnel                             | \$ 52,737         | \$ 20,671        | \$ 12,310        | \$ 85,718         | \$ 54,271         | \$ 17,269        | \$ 11,436        | \$ 82,976         |
| Occupancy                             | 28,715            | 2,208            | 1,100            | 32,023            | 23,845            | 1,897            | 956              | 26,698            |
| Marketing                             | 2,918             | 30,079           | 45               | 33,042            | 2,520             | 21,046           | 46               | 23,612            |
| Other                                 | 14,709            | 11,490           | 4,233            | 30,432            | 12,921            | 7,411            | 3,821            | 24,153            |
| Total operations and administration   | 99,079            | 64,448           | 17,688           | 181,215           | 93,557            | 47,623           | 16,259           | 157,439           |
| <b>Depreciation and amortization</b>  | <b>20,072</b>     | <b>3,379</b>     | <b>3,623</b>     | <b>27,074</b>     | <b>8,578</b>      | <b>2,852</b>     | <b>3,420</b>     | <b>14,850</b>     |
| <b>Total expenses</b>                 | <b>\$ 119,151</b> | <b>\$ 67,827</b> | <b>\$ 21,311</b> | <b>\$ 208,289</b> | <b>\$ 102,135</b> | <b>\$ 50,475</b> | <b>\$ 19,679</b> | <b>\$ 172,289</b> |
| <b>Year-over-year change - \$</b>     |                   |                  |                  |                   |                   |                  |                  |                   |
| Operations and administration         | \$5,522           | \$ 16,825        | \$ 1,429         | \$ 23,776         | \$ 13,102         | \$ 9,252         | \$ 1,438         | \$ 23,792         |
| Depreciation and amortization         | 11,494            | 527              | 203              | 12,224            | 2,384             | 778              | 1,266            | 4,428             |
| Total                                 | \$ 17,016         | \$ 17,352        | \$ 1,632         | \$ 36,000         | \$ 15,486         | \$ 10,030        | \$ 2,704         | \$ 28,220         |
| <b>Year-over-year change - %</b>      | <b>16.7%</b>      | <b>34.4%</b>     | <b>8.3%</b>      | <b>20.9%</b>      | <b>17.9%</b>      | <b>24.8%</b>     | <b>15.9%</b>     | <b>19.6%</b>      |

Total expenses increased \$36.0 million, or 20.9%, to \$208.3 million in the current quarter compared to \$172.3 million in the prior year quarter. Total expenses for the retail services segment increased \$17.0 million, or 16.7%, to \$119.2 million during the current quarter compared to \$102.1 million in the prior year quarter. Expenses of \$14.1 million related to the Mexico Reorganization are included in the retail services segment total expenses in the current quarter. See *General Recent Developments Reorganization of Mexico-based Pawn Operations and Purchase of Noncontrolling Interest* above for information regarding the Mexico Reorganization. Total expenses for the e-commerce segment increased \$17.4 million, or 34.4%, to \$67.8 million in the current quarter. Charges of \$3.1 million related to activities associated with the potential public offering of Enova, which was withdrawn in July 2012, are included in the e-commerce segment in the current quarter. See *General Recent Developments Withdrawal of Proposed Initial Public Offering of Enova International, Inc.* section above for information regarding the withdrawal of this proposed IPO.

*Operations and administration expense.* Operations and administration expense for the retail services segment increased \$5.5 million, or 5.9%, to \$99.1 million during the current quarter. Personnel expense for the retail services segment decreased \$1.5 million, or 2.8%, during the current quarter, primarily due to a decrease in short term incentives, partially offset by an increase of \$0.8 million of initial employee termination costs related to the Mexico Reorganization. Occupancy expense increased \$4.9 million, or 20.4%, during the current quarter, primarily due to normal rent increases, organic growth, the locations acquired during 2011 due to the Pawn Partners acquisition and lease termination costs related to the Mexico Reorganization of approximately \$1.0 million. Other expenses increased \$1.8 million during the current quarter, primarily due to impairment charges on other assets related to the Mexico Reorganization.

Operations and administration expense for the e-commerce segment increased \$16.8 million, or 35.3%, to \$64.4 million during the current quarter compared to the prior year quarter. Personnel expense increased \$3.4 million, or 19.7%, primarily due to the addition of new personnel to support the e-commerce segment's growth in foreign markets. Marketing expense increased \$9.0 million, or 42.9%, mainly due to the online lending channel's efforts to expand the Company's customer base in both domestic and foreign markets. The increase in other expenses was primarily due to costs related to the proposed IPO of Enova and associated activities, including \$3.1 million of deferred expenses directly related to the proposed IPO, which were expensed during the current quarter due to the withdrawal of the Registration Statement on July 25, 2012.

Corporate administration expense increased \$1.4 million, or 8.8%, to \$17.7 million in the current quarter compared to \$16.3 million in the prior year quarter, primarily due to an increase in legal and consulting fees and an increase in health insurance costs compared to the prior year quarter.



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**Depreciation and Amortization.** Depreciation and amortization expense at the retail services segment increased \$11.5 million, or 134.0%, to \$20.1 million, primarily due to impairment charges in the Company's Mexico operations on property and equipment, indefinite-lived intangible assets and other intangible assets of \$6.0 million, \$2.5 million and \$2.6 million, respectively. Depreciation and amortization expenses at the e-commerce segment increased \$0.5 million, or 18.5%, to \$3.4 million. Depreciation and amortization expenses for corporate operations increased \$0.2 million, or 5.9%, to \$3.6 million.

**Expenses related to the Reorganization of Mexico-based Pawn Operations.** As discussed in Operations and administration expense and Depreciation and amortization above, in connection with the Mexico Reorganization, the Company recognized \$21.9 million in reorganization charges during the current quarter. The Company expects to incur an additional \$6.0 million to \$10.0 million in charges in the fourth quarter of 2012, consisting of employee termination costs, lease termination costs and other costs related to the remaining reorganization activities.

The following table summarizes the charges recognized for the three and nine months ended September 30, 2012 related to the Mexico Reorganization (dollars in thousands):

| Type of expense   | Description                            | Amount           |
|---|--|------------------|
| Operations and administrative expense                     | Employee termination costs             | \$ 835           |
| Operations and administrative expense                     | Lease termination costs                | 975              |
| Operations and administrative expense                     | Impairment of other assets             | 1,211            |
| Depreciation and amortization                             | Impairment of property and equipment   | 5,995            |
| Depreciation and amortization                             | Impairment of intangible assets        | 5,086            |
| Provision for income taxes                                | Deferred tax asset valuation allowance | 7,161            |
| Revenue   | Uncollectible receivables              | 645              |
| <b>Total charges related to the Mexico Reorganization</b> |  | <b>\$ 21,908</b> |

**Interest Expense.** Interest expense increased \$0.3 million, or 4.8%, to \$7.2 million in the current quarter as compared to \$6.9 million in the prior year quarter. The Company's effective blended borrowing cost remained flat at 4.8% in the current quarter compared to the prior year quarter. During the current quarter, the average amount of debt outstanding increased \$33.7 million, to \$523.3 million from \$489.6 million during the prior year quarter, primarily due to an increase in debt outstanding during the current quarter as a result of the Pawn Partners acquisition during the fourth quarter of 2011. The Company incurred non-cash interest expense of \$1.0 million in the current quarter from its Convertible Notes due 2029 (the 2009 Convertible Notes).

**Income Taxes.** The Company's effective tax rate increased to 76.0% for the current quarter from 37.8% for the prior year quarter. Based on the Company's analysis of its deferred tax assets as of September 30, 2012, and in conjunction with the Mexico Reorganization, the Company does not believe the deferred tax assets of Creazione of approximately \$7.2 million as of June 30, 2012 will be realizable; therefore, the Company recognized a valuation allowance with respect to these deferred tax assets during the current quarter. In addition, for the current quarter, the Company recognized a deferred tax asset and an offsetting valuation allowance of approximately \$5.4 million, due to continued losses incurred during that period at its Mexico-based pawn operations. The deferred tax asset valuation allowance as of September 30, 2012 was \$12.6 million, which increased the effective tax rate in the current quarter compared to the prior year quarter. See Critical Accounting Policies Income Taxes above.

**Net loss attributable to the noncontrolling interest.** Net loss attributable to the noncontrolling interest increased by \$3.5 million in the current quarter compared to the prior year quarter, primarily due to increased losses in foreign retail services operations and expenses related to the Mexico Reorganization.

Prior to 2012, the Company had a contractual relationship with a third party entity, Huminal, S.A. de C.V., a Mexican *sociedad anónima de capital variable* (Huminal), to compensate and maintain the labor force of its Mexico pawn operations. On January 1, 2012, the labor force of the Mexico pawn operations was transferred from Huminal to a wholly-owned subsidiary of Creazione. However, Prenda Fácil qualifies as the primary beneficiary of Huminal in accordance with FASB ASC 810. Therefore, the results and balances of Huminal are consolidated and allocated to net income attributable to noncontrolling interests. Upon completing the purchase of the noncontrolling interest in

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Creazione in September 2012, Huminal became the only remaining noncontrolling interest reported by the Company.



**Table of Contents****Nine Months Ended September 30, 2012 Compared To Nine Months Ended September 30, 2011****Pawn Lending Activities:**

The following table sets forth selected data related to the Company's pawn lending activities as of and for the nine-month periods ended September 30, 2012 and 2011 (dollars in thousands except where otherwise noted):

| <u>Nine Months Ended September 30,</u>            | 2012       |           |            | 2011       |           |            |
|---|------------|-----------|------------|------------|-----------|------------|
|   | Domestic   | Foreign   | Total      | Domestic   | Foreign   | Total      |
| Pawn loan fees and service charges                | \$ 210,807 | \$ 10,643 | \$ 221,450 | \$ 190,409 | \$ 15,725 | \$ 206,134 |
| Average pawn loan balance outstanding             | \$ 220,494 | \$ 13,843 | \$ 234,337 | \$ 197,316 | \$ 20,875 | \$ 218,191 |
| Amount of pawn loans written and renewed          | \$ 675,000 | \$ 51,478 | \$ 726,478 | \$ 641,260 | \$ 80,483 | \$ 721,743 |
| Annualized yield on pawn loans                    | 127.7%     | 102.7%    | 126.2%     | 129.0%     | 100.7%    | 126.3%     |
| Average amount per pawn loan (in ones)            | \$ 130     | \$ 89     | \$ 122     | \$ 125     | \$ 104    | \$ 122     |
| Gross profit margin on disposition of merchandise | 33.8%      | 11.5%     | 32.2%      | 37.9%      | 16.2%     | 36.1%      |
| Merchandise turnover                              | 3.0        | 3.8       | 3.0        | 2.8        | 5.3       | 3.0        |
| <b><u>As of September 30,</u></b>                 |            |           |            |            |           |            |
| Ending pawn loan balances                         | \$ 241,261 | \$ 12,816 | \$ 254,077 | \$ 225,921 | \$ 18,520 | \$ 244,441 |
| Ending merchandise balance, net                   | \$ 160,075 | \$ 11,210 | \$ 171,285 | \$ 156,806 | \$ 9,559  | \$ 166,365 |

**Pawn loan fees and service charges.** Consolidated pawn loan balances at September 30, 2012 were \$254.1 million, which was \$9.6 million, or 4.0%, higher than at September 30, 2011. The average consolidated balance of pawn loans outstanding for the current nine-month period increased by \$16.1 million, or 7.4%, compared to the prior year nine-month period.

**Domestic pawn loan balances.** The average balance of domestic pawn loans outstanding during the current nine-month period increased by \$23.2 million, or 11.7%, compared to the prior year nine-month period, primarily due to additional pawn loan balances resulting from the net addition of new retail services locations through organic growth and the Pawn Partners acquisition. Higher average gold prices have contributed to the growth in pawn loan balances in domestic markets, as increased collateral values have supported customer demand, resulting in an increase in the average amount per loan, to \$130 for the current nine-month period, compared to \$125 in the prior year nine-month period. The year-over-year increase in pawn loan balances was negatively affected by a decrease in the length of the loan period in certain markets, as described below. Domestic pawn loan fees and service charges increased \$20.4 million, or 10.7%, to \$210.8 million in the current nine-month period from \$190.4 million in the prior year nine-month period. The increase is mainly due to higher average pawn loan balances during the current nine-month period, which contributed \$22.4 million of the increase, partially offset by lower annualized yield on pawn loans, which decreased pawn loan fees and service charges by \$2.0 million during the current nine-month period. The lower pawn loan yield in the domestic portfolio is mainly due to a higher concentration of pawn loans in states with lower statutory loan yields, which was partially offset by a higher pawn loan yield on some of the Company's pawn loans resulting from an increase in the statutorily permitted rate and a decrease in the maximum loan term from 90 days to 60 days in certain locations beginning in late 2011. This change contributed to higher annualized loan yields as the average balance of pawn loans outstanding declined and customer payments of pawn loan fees and service charges occurred earlier than in prior periods.

**Foreign pawn loan balances.** The average balance of foreign pawn loans outstanding during the current nine-month period decreased by \$7.0 million, or 33.7%, compared to the prior year nine-month period, primarily due to weak demand for jewelry-based pawn loans, which was partially offset by an increase in demand for loans on general merchandise. In addition, during the current nine-month period, the Company reduced the loan period from 60 to 45 days, causing a decrease in loans outstanding. Foreign pawn loan fees and service charges decreased \$5.1 million, or 32.3%, to \$10.6 million in the current nine-month period from \$15.7 million in the prior year nine-month period. The decrease is mainly due to lower average pawn loan balances during the current nine-month period. The annualized yield on foreign pawn loan balances increased to 102.7% in the current nine-month period compared to 100.7% in the

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prior year nine-month period, due to a change in the rates charged on these loans during the current nine-month period and the decrease in the maximum loan term from 60 days to 45 days during the current nine-month period. The average amount per loan decreased to \$89 in the current nine-month period, compared to \$104 in the prior year nine-month period, primarily due to the effect of the change in foreign exchange rates and the modification of lending rates.

**Proceeds from disposition of merchandise.** The following table summarizes the proceeds from the disposition of merchandise and the related profit for the current nine-month period and the prior year nine-month period (dollars in thousands):

|                                  | Nine Months Ended September 30, |            |            |            |            |            |
|----------------------------------|---------------------------------|------------|------------|------------|------------|------------|
|                                  | 2012                            |            |            | 2011       |            |            |
|                                  | Retail                          | Commercial | Total      | Retail     | Commercial | Total      |
| Proceeds from disposition        | \$ 277,602                      | \$ 240,230 | \$ 517,832 | \$ 253,272 | \$ 220,416 | \$ 473,688 |
| Gross profit on disposition      | \$ 103,470                      | \$ 63,484  | \$ 166,954 | \$ 99,908  | \$ 71,308  | \$ 171,216 |
| Gross profit margin              | 37.3 %                          | 26.4 %     | 32.2 %     | 39.4 %     | 32.4 %     | 36.1 %     |
| Percentage of total gross profit | 62.0 %                          | 38.0 %     | 100.0 %    | 58.4 %     | 41.6 %     | 100.0 %    |

The total proceeds from disposition of merchandise increased \$44.1 million, or 9.3%, during the current nine-month period from the prior year nine-month period. The total gross profit from the disposition of merchandise decreased \$4.3 million, or 2.5%, during the current nine-month period from the prior year nine-month period, primarily due to lower gross profit on commercial sales. The overall profit margin percentage decreased to 32.2% in the current nine-month period from 36.1% in the prior year nine-month period, primarily due to a higher cost of goods sold on commercial sales compared to the prior year nine-month period. The consolidated merchandise turnover rate remained flat at 3.0 times during the current nine-month period compared to the prior year nine-month period.

Proceeds from retail dispositions of merchandise increased \$24.3 million, or 9.6%, during the current nine-month period from the prior year nine-month period. Domestic retail operations contributed \$14.6 million of the increase, primarily due to the net addition of new retail services locations through organic growth and the Pawn Partners acquisition. Foreign retail operations contributed \$9.7 million of the increase, primarily due to increased sales of general merchandise in the current nine-month period compared to the prior year nine-month period. The Company's domestic and foreign operations both experienced a decrease in gross profit margin, as the consolidated gross profit margin on the retail disposition of merchandise decreased to 37.3% in the current nine-month period from 39.4% in the prior year nine-month period. The decrease was primarily due to the continued discounting of merchandise prices to encourage retail sales activity.

Proceeds from commercial dispositions increased \$19.8 million, or 9.0%, during the current nine-month period over the prior year nine-month period. Domestic operations contributed \$31.2 million of the increase primarily due to a higher average price per ounce of gold sold, partially offset by a decrease in the volume of gold sold during the current nine-month period compared to the prior year nine-month period. Proceeds from dispositions in foreign operations decreased \$11.4 million, primarily due to a lower volume of gold sold in the current nine-month period compared to the prior year nine-month period. The decrease in volume of gold sold was primarily due to a decrease in goods available for sale as a result of lower purchases. Consolidated gross profit from commercial dispositions decreased \$7.8 million to \$63.5 million, of which domestic operations contributed \$4.0 million and foreign operations contributed \$3.8 million. The decrease was mainly due to a higher cost of gold sold relative to the increase in the market price per ounce of gold sold in both domestic and foreign operations. The gross profit margin on commercial sales decreased to 26.4% in the current nine-month period from 32.4% in the prior year nine-month period, primarily due to an increase in the cost per ounce of gold sold in both domestic and foreign operations.

**Table of Contents****Consumer Loan Activities:**

**Consumer loans fees.** Consumer loan fees increased \$140.2 million, or 33.5%, to \$558.7 million in the current nine-month period, compared to \$418.5 million in the prior year nine-month period. The increase in consumer loan fees is primarily due to growth in the e-commerce segment.

**Consumer loan loss provision.** The consumer loan loss provision increased by \$73.9 million, or 50.9%, to \$219.1 million in the current nine-month period from \$145.2 million in the prior year nine-month period. The loss provision as a percentage of consumer loan fees increased to 39.2% in the current nine-month period from 34.7% in the prior year nine-month period. The loss provision as a percentage of consumer loan fees increased in both the Company's retail services and e-commerce segments, primarily due to a greater mix of installment loans as a percentage of the total consumer loan portfolio. Installment loans initially have a higher loss provision as a percentage of consumer loan fees than short-term loans because the loss provision is recognized on the full loan amount at the time the loan is funded and the consumer loan fees are recognized over the term of the loan. Also contributing to the increase was the expansion of the Company's line of credit and installment loan products in the United States, which has resulted in an increase in new customers. New customers tend to have a higher risk of default than customers with a history of successfully repaying loans. The loss provision as a percentage of consumer loan fees decreased in the Company's foreign e-commerce operations, mainly because the portfolio is beginning to have a higher percentage of customers with established payment histories. Future loss rates will continue to be influenced by the mix of new customers to existing customers and the mix of short-term to long-term products in the Company's domestic and foreign operations.

The following table sets forth consumer loan fees by segment adjusted for the deduction of the loan loss provision for the current and the prior year nine-month periods (dollars in thousands):

|   | 2012            |            |            | 2011            |            |            |
|---|-----------------|------------|------------|-----------------|------------|------------|
|   | Retail Services | E-Commerce | Total      | Retail Services | E-Commerce | Total      |
| Interest and fees on short-term loans                     | \$ 81,169       | \$ 385,268 | \$ 466,437 | \$ 79,503       | \$ 304,153 | \$ 383,656 |
| Interest and fees on installment loans                    | 8,227           | 83,992     | 92,219     | 6,329           | 28,537     | 34,866     |
| Consumer loan fees  | \$ 89,396       | \$ 469,260 | \$ 558,656 | \$ 85,832       | \$ 332,690 | \$ 418,522 |
| Consumer loan loss provision                              | 19,130          | 199,949    | 219,079    | 15,452          | 129,753    | 145,205    |
| Consumer loan fees, net of loss provision                 | \$ 70,266       | \$ 269,311 | \$ 339,577 | \$ 70,380       | \$ 202,937 | \$ 273,317 |
| Year-over-year change - \$                                | \$ (114)        | \$ 66,374  | \$ 66,260  | \$ (225)        | \$ 44,329  | \$ 44,104  |
| Year-over-year change - %                                 | (0.2)%          | 32.7%      | 24.2%      | (0.3)%          | 27.9%      | 19.2%      |
| Consumer loan loss provision as a % of consumer loan fees | 21.4%           | 42.6%      | 39.2%      | 18.0%           | 39.0%      | 34.7%      |

**Consumer loans written and renewed.** The amount of combined consumer loans written and renewed was \$2.48 billion in the current nine-month period, which is an increase of \$322.8 million, or 14.9%, from \$2.16 billion in the prior year nine-month period, mainly due to significant growth in short-term and installment loans written and renewed from the e-commerce segment in foreign markets and the expansion of the Company's installment loan and line of credit products in the United States.

The average amount per consumer loan increased to \$523 from \$510 during the current nine-month period compared to the prior year nine-month period, due largely to an increase in longer-term multi-payment installment loans, which typically have a larger average loan amount than short-term single-payment loans and an increase in the average amount per short-term single-payment loan.

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The following tables summarize the amount and number of the consumer loans written and renewed for the current and the prior year nine-month periods (dollars in thousands):

|  | Nine Months Ended September 30, |   |                         |                                 |   |                         |
|--|---------------------------------|---|-------------------------|---------------------------------|---|-------------------------|
|  | Company<br>Owned <sup>(a)</sup> | 2012<br>Guaranteed<br>by the<br>Company <sup>(a)(b)</sup> | Combined <sup>(a)</sup> | Company<br>Owned <sup>(a)</sup> | 2011<br>Guaranteed<br>by the<br>Company <sup>(a)(b)</sup> | Combined <sup>(a)</sup> |
| <b>Amount of consumer loans written and renewed:</b> |                                 |   |                         |                                 |   |                         |
| <b><u>Retail Services</u></b>                        |                                 |   |                         |                                 |   |                         |
| Short-term loans                                     | \$544,930                       | \$109,005   | \$653,935               | \$534,182                       | \$128,431   | \$662,613               |
| Installment loans                                    | 5,690                           | 10,613  | 16,303                  | 6,580                           | 10,193  | 16,773                  |
| Total Retail Services                                | 550,620                         | 119,618   | 670,238                 | 540,762                         | 138,624   | 679,386                 |
| <b><u>E-Commerce</u></b>                             |                                 |   |                         |                                 |   |                         |
| <i>Domestic</i>                                      |                                 |   |                         |                                 |   |                         |
| Short-term loans                                     | 330,986                         | 541,364   | 872,350                 | 315,472                         | 491,424   | 806,896                 |
| Installment loans                                    | 57,354                          | -   | 57,354                  | 28,262                          | -   | 28,262                  |
| Total Domestic                                       | 388,340                         | 541,364   | 929,704                 | 343,734                         | 491,424   | 835,158                 |
| <i>Foreign</i>                                       |                                 |   |                         |                                 |   |                         |
| Short-term loans                                     | 738,682                         | 52,724  | 791,406                 | 568,507                         | 40,476  | 608,983                 |
| Installment loans                                    | 91,790                          | -   | 91,790                  | 36,797                          | -   | 36,797                  |
| Total Foreign  | 830,472                         | 52,724  | 883,196                 | 605,304                         | 40,476  | 645,780                 |
| Total E-Commerce                                     | 1,218,812                       | 594,088   | 1,812,900               | 949,038                         | 531,900   | 1,480,938               |
| Total amount of consumer loans written and renewed:  | \$1,769,432                     | \$713,706   | \$2,483,138             | \$1,489,800                     | \$670,524   | \$2,160,324             |
| <b>Number of consumer loans written and renewed:</b> |                                 |   |                         |                                 |   |                         |
| <b><u>Retail Services</u></b>                        |                                 |   |                         |                                 |   |                         |
| Short-term loans                                     | 1,159,449                       | 200,636   | 1,360,085               | 1,155,859                       | 226,068   | 1,381,927               |
| Installment loans                                    | 5,252                           | 1,506   | 6,758                   | 5,101                           | 2,039   | 7,140                   |
| Total Retail Services                                | 1,164,701                       | 202,142   | 1,366,843               | 1,160,960                       | 228,107   | 1,389,067               |
| <b><u>E-Commerce</u></b>                             |                                 |   |                         |                                 |   |                         |
| <i>Domestic</i>                                      |                                 |   |                         |                                 |   |                         |
| Short-term loans                                     | 1,075,228                       | 741,152   | 1,816,380               | 957,228                         | 693,814   | 1,651,042               |
| Installment loans                                    | 57,255                          | -   | 57,255                  | 24,630                          | -   | 24,630                  |
| Total Domestic                                       | 1,132,483                       | 741,152   | 1,873,635               | 981,858                         | 693,814   | 1,675,672               |
| <i>Foreign</i>                                       |                                 |   |                         |                                 |   |                         |

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|  |                  |                  |                  |           |         |           |
|--|------------------|------------------|------------------|-----------|---------|-----------|
| Short-term loans                                   | <b>1,359,841</b> | <b>69,645</b>    | <b>1,429,486</b> | 1,077,980 | 61,340  | 1,139,320 |
| Installment loans                                  | <b>80,539</b>    | -                | <b>80,539</b>    | 32,185    | -       | 32,185    |
| Total Foreign                                      | <b>1,440,380</b> | <b>69,645</b>    | <b>1,510,025</b> | 1,110,165 | 61,340  | 1,171,505 |
| Total E-Commerce                                   | <b>2,572,863</b> | <b>810,797</b>   | <b>3,383,660</b> | 2,092,023 | 755,154 | 2,847,177 |
| Total number of consumer loans written and renewed | <b>3,737,564</b> | <b>1,012,939</b> | <b>4,750,503</b> | 3,252,983 | 983,261 | 4,236,244 |

- (a) The disclosure regarding the amount and number of consumer loans written and renewed is statistical data that is not included in the Company's financial statements.
- (b) Loans guaranteed by the Company represent loans originated by third-party lenders through the CSO programs.

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The following table summarizes the consumer loan loss provision for the current and the prior year nine-month periods (dollars in thousands):

|  | Nine Months Ended<br>September 30, |            |
|--|------------------------------------|------------|
|  | 2012                               | 2011       |
| <b>Consumer loan loss provision:</b>   |                                    |            |
| Loss provision on Company owned consumer loans                               | \$ 218,704                         | \$ 145,556 |
| Loss provision on consumer loans guaranteed by the Company <sup>(a)(b)</sup> | 375                                | (351)      |
| Combined consumer loan loss provision  | \$ 219,079                         | \$ 145,205 |
| Charge-offs, net of recoveries   | \$ 202,530                         | \$ 137,174 |

<sup>(a)</sup> Represents loss provisions on loans originated by third-party lenders through the CSO programs.

<sup>(b)</sup> The loss provision on consumer loans guaranteed by the Company for the nine months ended September 30, 2011 is a credit balance due to improved collection rates.

**Total Expenses.** The table below shows total expense by segment, for corporate operations and by significant category for the current nine-month period and the prior year nine-month period (dollars in thousands):

|                                       | 2012               |            |           |            | Nine Months Ended September 30, |            |           |            | 2011               |            |           |       |
|---------------------------------------|--------------------|------------|-----------|------------|---------------------------------|------------|-----------|------------|--------------------|------------|-----------|-------|
|                                       | Retail<br>Services | E-Commerce | Corporate | Total      | Retail<br>Services              | E-Commerce | Corporate | Total      | Retail<br>Services | E-Commerce | Corporate | Total |
| <b>Operations and administration:</b> |                    |            |           |            |                                 |            |           |            |                    |            |           |       |
| Personnel                             | \$ 164,359         | \$ 58,144  | \$ 33,767 | \$ 256,270 | \$ 156,587                      | \$ 47,609  | \$ 34,326 | \$ 238,522 |                    |            |           |       |
| Occupancy                             | 81,455             | 6,340      | 3,175     | 90,970     | 71,233                          | 5,054      | 2,549     | 78,836     |                    |            |           |       |
| Marketing                             | 9,612              | 76,904     | 110       | 86,626     | 9,934                           | 50,018     | 90        | 60,042     |                    |            |           |       |
| Other                                 | 39,132             | 27,150     | 15,412    | 81,694     | 37,333                          | 18,800     | 12,080    | 68,213     |                    |            |           |       |
| Total operations and administration   | 294,558            | 168,538    | 52,464    | 515,560    | 275,087                         | 121,481    | 49,045    | 445,613    |                    |            |           |       |
| <b>Depreciation and amortization</b>  | 36,967             | 9,281      | 10,634    | 56,882     | 23,818                          | 8,574      | 7,208     | 39,600     |                    |            |           |       |
| <b>Total expenses</b>                 | \$ 331,525         | \$ 177,819 | \$ 63,098 | \$ 572,442 | \$ 298,905                      | \$ 130,055 | \$ 56,253 | \$ 485,213 |                    |            |           |       |
| <b>Year-over-year change - \$</b>     |                    |            |           |            |                                 |            |           |            |                    |            |           |       |
| Operations and administration         | \$ 19,471          | \$ 47,057  | \$ 3,419  | \$ 69,947  | \$ 34,598                       | \$ 22,216  | \$ 5,708  | \$ 62,522  |                    |            |           |       |
| Depreciation and amortization         | 13,149             | 707        | 3,426     | 17,282     | 4,573                           | 2,439      | 1,233     | 8,245      |                    |            |           |       |
| Total                                 | \$ 32,620          | \$ 47,764  | \$ 6,845  | \$ 87,229  | \$ 39,171                       | \$ 24,655  | \$ 6,941  | \$ 70,767  |                    |            |           |       |
| <b>Year-over-year change - %</b>      | 10.9%              | 36.7%      | 12.2%     | 18.0%      | 15.1%                           | 23.4%      | 14.1%     | 17.1%      |                    |            |           |       |

Total expenses increased \$87.2 million, or 18.0%, to \$572.4 million in the current nine-month period compared to the prior year nine-month period. Total expenses at the retail services segment increased \$32.6 million, or 10.9%, to \$331.5 million during the current nine-month period compared to \$298.9 million in the prior year nine-month period. Expenses of \$14.1 million related to the Mexico Reorganization are included in the retail services segment total expenses in the current nine-month period. See [General Recent Developments Reorganization of Mexico-based Pawn Operations and Purchase of Noncontrolling Interest](#) above. Total expenses for the e-commerce segment increased \$47.7 million, or 36.7%, to \$177.8 million in the current nine-month period compared to \$130.1 million in the prior year nine-month period. Charges of \$3.1 million related to activities associated with the potential public offering of Enova, which was withdrawn in July 2012, are included in the e-commerce segment in the current nine-month period. See [General Recent Developments Withdrawal of Proposed Initial Public Offering of Enova International, Inc.](#) section above for information regarding the withdrawal of this proposed IPO.

*Operations and administration expense.* Operations and administration expense for the retail services segment increased \$19.5 million, or 7.1%, to \$294.6 million during the current nine-month period compared to the prior year nine-month period. Personnel expense for the retail services segment increased \$7.8 million, or 5.0%, during the current nine-month period, primarily due to normal personnel additions, merit increases and incentive



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program accruals due to additional personnel resulting from organic growth and the Pawn Partners acquisition and \$0.8 million of employee termination costs related to the Mexico Reorganization. Occupancy expense increased \$10.2 million, or 14.4%, during the current nine-month period, primarily due to normal rent increases, organic growth, the locations acquired during 2011 due to the Pawn Partners acquisition and lease termination costs related to the Mexico Reorganization of approximately \$1.0 million. Other expenses increased \$1.8 million during the current nine-month period, primarily due to impairment charges on other assets related to the Mexico Reorganization.

Operations and administration expense for the e-commerce segment increased \$47.1 million, or 38.7%, to \$168.5 million during the current nine-month period. Personnel expense increased \$10.5 million, or 22.1%, primarily due to the addition of new personnel to support the e-commerce segment's growth in foreign markets. Marketing expense increased \$26.9 million, or 53.8%, mainly due to the online lending channel's efforts to expand the Company's customer base in both domestic and foreign markets. The increase in other expenses was primarily due to costs related to the proposed IPO of Enova and associated activities, including \$3.1 million of deferred expenses directly related to the proposed IPO, which were expensed during the current nine-month period due to the withdrawal of the Registration Statement on July 25, 2012.

Corporate administration expense increased \$3.4 million, or 7.0%, to \$52.5 million in the current nine-month period, primarily due to increased personnel expense and expenses for due diligence conducted on an abandoned acquisition opportunity in a foreign market, which were \$2.3 million in the current nine-month period.

*Depreciation and Amortization.* Depreciation and amortization expense at the retail services segment increased \$13.1 million, or 55.2%, to \$37.0 million, primarily due to impairment charges in the Company's Mexico operations on property and equipment, indefinite-lived intangible assets and other intangible assets of \$6.0 million, \$2.5 million and \$2.6 million, respectively. The remaining increase is mainly due to additional depreciation expense associated with the Company's new proprietary domestic point-of-sale system, locations acquired in the Pawn Partners acquisition during the fourth quarter of 2011, and normal facility upgrades and remodels. Depreciation and amortization expenses at the e-commerce segment increased \$0.7 million, or 8.2%, to \$9.3 million. Depreciation and amortization expenses for corporate operations increased \$3.4 million or 47.5%, to \$10.6 million, primarily related to additional depreciation expense associated with the Company's new proprietary domestic point-of-sale system.

*Interest Expense.* Interest expense increased \$2.8 million, or 15.1%, to \$21.1 million in the current nine-month period as compared to \$18.3 million in the prior year nine-month period. The average amount of debt outstanding increased \$46.5 million, to \$494.4 million during the current nine-month period from \$447.9 million during the prior year nine-month period, primarily due to borrowings associated with the Pawn Partners acquisition during the fourth quarter of 2011. The Company's effective blended borrowing cost remained flat at 4.9% in the current nine-month period and in the prior year nine-month period. The Company incurred non-cash interest expense of \$2.8 million in the current nine-month period from the 2009 Convertible Notes.

*Income Taxes.* The Company's effective tax rate was 46.5% in the current nine-month period compared to 37.8% in the prior year nine-month period. Based on the Company's analysis of its deferred tax assets as of September 30, 2012, and in conjunction with the Mexico Reorganization, the Company does not believe the deferred tax assets of Creazione of approximately \$7.2 million as of June 30, 2012 will be realizable; therefore, the Company recognized a valuation allowance with respect to these deferred tax assets during the current quarter. In addition, for the current quarter, the Company recognized a deferred tax asset and an offsetting valuation allowance of approximately \$5.4 million, due to continued losses incurred during that period at its Mexico-based pawn operations. The deferred tax asset valuation allowance as of September 30, 2012 was \$12.6 million, which increased the effective tax rate in the current nine-month period compared to the prior year nine-month period.

*Net loss attributable to the noncontrolling interest.* Net loss attributable to the noncontrolling interest increased by \$4.7 million from the prior year nine-month period to the current nine-month period, primarily due to increased losses in foreign retail services operations and expenses related to the Mexico Reorganization.



**Table of Contents****LIQUIDITY AND CAPITAL RESOURCES****Cash Flows Highlights**

The Company's cash flows and other key indicators of liquidity are summarized as follows (dollars in thousands):

|   | Nine Months Ended September 30, |              |
|---|---------------------------------|--------------|
|   | 2012                            | 2011         |
| Cash flows provided by operating activities   | \$ 357,846                      | \$ 300,605   |
| Cash flows used in investing activities       |                                 |              |
| Pawn loans                                    | \$ (4,888)                      | \$ (47,940)  |
| Consumer loans                                | (250,565)                       | (191,457)    |
| Acquisitions                                  | (56,919)                        | -            |
| Property and equipment additions              | (58,566)                        | (51,795)     |
| Other investing                               | (784)                           | (5,450)      |
| Total cash flows used in investing activities | \$ (371,722)                    | \$ (296,642) |
| Cash flows used in financing activities       | \$ 26,215                       | \$ 10,593    |
| Working capital                               | \$ 719,908                      | \$ 624,505   |
| Current ratio                                 | 5.3 x                           | 5.5 x        |
| Merchandise turnover                          | 3.0 x                           | 3.0 x        |
| Debt to Adjusted EBITDA ratio <sup>(a)</sup>  | 1.9 x                           | 1.7 x        |

<sup>(a)</sup> Non-GAAP measure. See Overview Non-GAAP Disclosure Adjusted EBITDA section above for a reconciliation of Adjusted EBITDA to Net Income attributable to the Company.

**Cash flows from operating activities.** Net cash provided by operating activities increased \$57.2 million, or 19.0%, from \$300.6 million for the prior year nine-month period to \$357.8 million for the current nine-month period. The significant components of the increase in net cash provided by operating activities during the current nine-month period compared to the prior year nine-month period included a \$73.9 million increase in the consumer loan loss provision, a non-cash expense, primarily as a result of growth in the e-commerce segment, and a \$23.4 million decrease in merchandise purchased from customers and third parties. The increase in cash provided by operating activities was partially offset by decreases in cash provided by current income taxes of \$20.6 million and deferred income taxes of \$24.6 million. The decrease in cash provided by these tax-related items was primarily driven by a \$30.2 million source of cash included in the prior year nine-month period with no comparable amount in the current nine-month period, which related to changes in deferred income taxes resulting from a change in the timing of tax deductions for internally-developed software costs partially offset by a \$7.2 million valuation allowance recognized on deferred tax assets as part of the Mexico Reorganization as described below.

During the third quarter of 2012, the Company announced the Mexico Reorganization. See General Recent Developments Reorganization of Mexico-based Pawn Operations and Purchase of Noncontrolling Interest above. While the Company recognized \$21.9 million of charges related to the reorganization, these charges did not have a material impact on the Company's cash flows from operations for the current nine-month period. The primary components of these charges are reflected as an \$11.1 million increase in depreciation and amortization and a \$7.2 million decrease to deferred income taxes (as discussed above), both of which are non-cash items. The remaining charges are reflected in changes to other operating assets and liabilities on the consolidated statement of cash flows. The Company expects to incur an additional \$6.0 million to \$10.0 million in charges in the fourth quarter of 2012, of which approximately \$5.0 million to \$6.0 million are expected to be paid in cash, consisting of employee termination costs, lease termination costs and other costs related to the reorganization.

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Management believes that its expected cash flows from operations and available cash balances and borrowings will be sufficient to fund the Company's operating liquidity needs.

***Cash flows from investing activities.*** Net cash used in investing activities increased \$75.1 million, or 25.3%, from \$296.6 million in the prior year nine-month period to \$371.7 million in the current nine-month period. The

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primary components of this increase were \$56.9 million of cash used for acquisitions and \$59.1 million of cash used in consumer loan lending activities as a result of growth in loans written from the Company's e-commerce business. These uses were offset by a \$43.1 million increase in cash provided by pawn lending activities, primarily due to a lower rate of growth in the Company's domestic pawn loan portfolio and lower balances in the Mexico pawn loan portfolio compared to the prior year nine-month period.

On September 27, 2012, the Company entered into an agreement to acquire substantially all of the assets of a chain of 25 pawn lending locations located in Kentucky, North Carolina, and Tennessee. The Company has assumed the economic benefits of all of these pawnshops by operating them under a management arrangement that commenced on September 27, 2012. The aggregate cash consideration for this transaction, which was funded with borrowings under the Company's line of credit, was approximately \$55.1 million, of which \$52.0 million was paid during the current quarter. The goodwill of \$31.5 million arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Company and these pawn lending locations. See *General Recent Developments Acquisition of 25 Pawn Lending Locations*. The final closing for each location will occur following receipt of all applicable licensing and regulatory approvals.

Management anticipates that expenditures for property and equipment related to its domestic and foreign operations for the remainder of 2012 will be between \$20.0 million and \$30.0 million, primarily for the remodeling of selected operating units, for the rollout of product delivery and information systems and for the establishment or acquisition of up to 10 retail services locations. This amount does not include \$15.5 million related to a previously announced planned acquisition of nine Arizona pawn lending locations that was completed in late October 2012 and funded with borrowings under the Company's line of credit. See *General Recent Developments Fourth Quarter Acquisition of 9 Pawn Lending Locations* for more information about this acquisition.

***Cash flows from financing activities.*** Net cash provided by financing activities increased \$15.6 million, or 147.5%, from \$10.6 million in the prior year nine-month period to \$26.2 million in the current nine-month period. This was primarily due to a \$14.7 million decrease in the amount of net debt repayments in the current nine-month period compared to the prior year nine-month period. Offsetting this increase was \$5.6 million of cash used for the purchase of the outstanding shares of minority interest shareholders associated with the Company's Mexico-based pawn operations. See *General Recent Developments Reorganization of Mexico-based Pawn Operations and Purchase of Noncontrolling Interest* for additional information.

On August 28, 2012, the Company issued and sold a total of \$52.0 million in long-term notes in two series, including \$47.0 million aggregate principal amount of its 6.00% Series A Senior Notes due August 28, 2019 (the *Series A Notes*) and \$5.0 million aggregate principal amount of its 6.58% Series B Senior Notes due August 28, 2022 (the *Series B Notes*, and together with the Series A Notes, the *Notes*). The Notes were sold in a private placement pursuant to a Note Purchase Agreement dated August 28, 2012 by and among the Company and certain purchasers. The Notes are senior unsecured obligations of the Company. The Series A Notes are payable in five annual installments of \$9.4 million beginning August 28, 2015, and the Series B Notes are payable in seven annual installments of approximately \$0.7 million beginning August 28, 2016. In addition, the Company may, at its option, prepay all or a minimum portion of \$1.0 million of the Notes at a price equal to the principal amount thereof plus a make-whole premium and accrued interest. The Notes are guaranteed by all of the Company's U.S. subsidiaries. The Company used a portion of the net proceeds of the offering to repay existing indebtedness, including outstanding balances under the Domestic and Multi-Currency Line, and used the remaining portion for general corporate purposes.

On March 30, 2011, the Company entered into a new credit agreement for up to \$330.0 million of credit with a group of commercial banks (the *Original Credit Agreement*). On November 29, 2011, the Company amended the Original Credit Agreement, to increase the amount available by \$100.0 million, to \$430.0 million (the *Credit Agreement*). The Credit Agreement consists of a \$380.0 million line of credit, which includes the ability to borrow up to \$50.0 million in specified foreign currencies or U.S. dollars (the *Domestic and Multi-currency Line*) and a \$50.0 million term loan facility (the *2015 Variable Rate Notes*). The Domestic and Multi-currency Line amount will decrease by \$100.0 million, to \$280.0 million, on the earlier of May 29, 2013 or the second business day following the closing of an initial public offering of common stock of Enova that results in Enova no longer being

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considered a majority-owned subsidiary of the Company. The Domestic and Multi-currency Line matures on March 31, 2015. Beginning March 31, 2012, the 2015 Variable Rate Notes became payable in equal quarterly principal installments of \$2.1 million with any outstanding principal remaining due at maturity on March 31, 2015.

In conjunction with the entry into the Original Credit Agreement, the Company repaid all outstanding revolving credit loans under its \$300.0 million domestic line of credit due 2012 (the USD Line of Credit ) and its variable rate senior unsecured note due 2012 (the 2012 Variable Rate Notes ) with proceeds of the Original Credit Agreement.

On March 30, 2011, in conjunction with the establishment of the Original Credit Agreement, the Company entered into a separate credit agreement for the issuance of up to \$20.0 million in letters of credit (the Letter of Credit Facility ). The Company had standby letters of credit of \$17.7 million issued under the Letter of Credit Facility at September 30, 2012. Previously, these letters of credit were provided under the USD Line of Credit by reducing the amount available to the Company.

Each of the Company's credit agreements and senior unsecured notes require the Company to maintain certain financial ratios. As of September 30, 2012, the Company was in compliance with all covenants and other requirements set forth in its debt agreements. Management believes that the borrowings available (\$91.7 million at September 30, 2012) under the Credit Agreement, anticipated cash generated from operations and current working capital of \$719.9 million is sufficient to meet the Company's anticipated capital requirements for its businesses. Should the Company experience a significant decline in demand for the Company's products and services or other unexpected changes in financial condition, management would evaluate several alternatives to ensure that it is in a position to meet liquidity requirements. The Company's strategies to generate additional liquidity may include the sale of assets, reductions in capital spending, changes to the issuance of debt or equity securities and/or its management of its current assets. The characteristics of the Company's current assets, specifically the ability to rapidly liquidate gold jewelry inventory and adjust outflows of cash in its lending practices, gives the Company flexibility to quickly modify its business strategy to increase cash flow from its business, if necessary.

### **Share Repurchases**

On January 26, 2011, the Board of Directors of the Company authorized the repurchase of up to 2.5 million shares of its common stock and cancelled the Company's previous share repurchase authorization. During the current nine-month period, the Company purchased 383,746 shares in open market transactions under this authorization for a total investment of \$15.3 million, including commissions. Management anticipates that it will periodically purchase shares under this authorization based on its assessment of market characteristics, the liquidity position of the Company and alternative prospects for the investment of capital to expand the business and pursue strategic objectives.

### **Shelf Registration Statement**

On August 24, 2012, the Company filed an automatic Shelf Registration Statement on Form S-3 ( the Shelf Registration Statement ) with the SEC which permits the Company or its selling securityholders to offer from time to time shares of the Company's common stock, par value \$0.10 per share, debt securities, depositary shares, warrants, stock purchase contracts, units, and subscription rights as described in the accompanying prospectus. Pursuant to Rule 462(e) of the Securities Act of 1933, the Shelf Registration Statement became effective automatically upon filing with the SEC. Management believes the Shelf Registration Statement will provide the Company with additional flexibility with regard to potential financings that it may undertake when market conditions permit or the Company's financial condition may require.

### **Off-Balance Sheet Arrangements**

In certain markets, the Company arranges for consumers to obtain consumer loan products from one of several independent third-party lenders through the CSO programs. For consumer loan products originated by third-party lenders under the CSO programs, each lender is responsible for providing the criteria by which the consumer's application is underwritten and, if approved, determining the amount of the consumer loan. The Company in turn is

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responsible for assessing whether or not the Company will guarantee such loans. When a consumer executes an agreement with the Company under the CSO programs, the Company agrees, for a fee payable to the Company by the consumer, to provide certain services to the consumer, one of which is to guarantee the consumer's obligation to repay the loan received by the consumer from the third-party lender if the consumer fails to do so. The guarantee represents an obligation to purchase specific loans if they go into default, which generally have terms of less than 90 days. As of September 30, 2012 and 2011, the gross amount of active consumer loans originated by third-party lenders under the CSO programs were \$55.3 million and \$51.2 million, respectively, which were guaranteed by the Company.

### **Recent Regulatory Developments**

In September 2012, a ballot initiative that had been previously filed in the State of Missouri, which, if passed, could have required the Company to cease offering its consumer loan products in that State, was terminated due to the failure to obtain the sufficient number of signatures in support of the initiative.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Market risks relating to the Company's operations result primarily from changes in interest rates, foreign exchange rates, and gold prices. The Company does not engage in speculative or leveraged transactions, nor does it hold or issue financial instruments for trading purposes. There have been no material changes to the Company's exposure to market risks since December 31, 2011.

## **Item 4. Controls and Procedures**

Under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, management of the Company has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, or the Exchange Act) as of September 30, 2012 (the Evaluation Date). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective and provide reasonable assurance (i) to ensure that information required to be disclosed in reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms; and (ii) to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

There was no change in the Company's internal control over financial reporting during the quarter ended September 30, 2012 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's management, including its Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure controls and procedures or internal controls will prevent or detect all possible misstatements due to error or fraud. The Company's disclosure controls and procedures and internal controls are, however, designed to provide reasonable assurance of achieving their objectives, and the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective at that reasonable assurance level.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

See Note 12 of Item 1 Financial Statements.

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**Item 1A. Risk Factors**

Except as set forth below, there have been no material changes from the Risk Factors described in Part 1 Item 1A. Risk Factors of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

**Risks Related to the Company's Business and Industry**

*There can be no assurance that the Company will be able to continue operating in Mexico after its Mexico-based pawn operations are reorganized to include only full-service pawn locations or that the Company will not incur unexpected costs related to the reorganization.*

During the third quarter of 2012, the Company's Board of Directors approved a plan to significantly modify the business plan and strategy of the Company's Mexico-based pawn operations, which comprise the foreign component of its retail services segment. The Company will reorganize these operations to include only full-service pawn locations that offer pawn loans based on the pledge of general merchandise and jewelry collateral and will discontinue the operations of 147 of its Mexico-based pawn locations that primarily just offer pawn loans based on the pledge of jewelry-based collateral (the Mexico Reorganization). The Mexico Reorganization is expected to be substantially completed before the end of 2012. In connection with the Mexico Reorganization, the Company has incurred charges for employee termination costs, lease termination costs, asset impairments, the recognition of a deferred tax asset valuation allowance and uncollectible receivables. The Company recognized \$21.9 million of charges related to the Mexico Reorganization during the third quarter of 2012. The Company expects to incur an additional \$6.0 million to \$10.0 million in charges in the fourth quarter of 2012, consisting of employee termination costs, lease termination costs and other costs related to the remaining reorganization activities. There can be no guarantee that the remaining full-service pawn locations in Mexico will be profitable and that the Company will be able to continue operating in Mexico. If these remaining pawn locations have to be closed in the future, similar to the Mexico Reorganization, the Company will incur additional charges, which could adversely affect the Company's results of operations in the period when it takes such charge. In addition, the current initiatives to reorganize the Company's Mexico-based pawn operations, including closing certain store locations, contain uncertainty that could result in unexpected costs in excess of those currently estimated by management, and such costs could be material and could adversely affect the Company's results of operations in the period when such costs are incurred.

**Table of Contents****Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table provides the information with respect to purchases made by the Company of shares of its common stock, par value \$0.10 per share, during each of the months in the first nine months of 2012:

| Period                      | Total Number of Shares Purchased <sup>(a)</sup> | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plan <sup>(b)</sup> | Maximum Number of Shares that May Yet Be Purchased Under the Plan <sup>(b)</sup> |
|-----------------------------|---|------------------------------|--|--|
| January 1 to January 31     | 17,580  | \$41.70                      | -  | 2,065,000  |
| February 1 to February 29   | 27,165  | \$44.30                      | -  | 2,065,000  |
| March 1 to March 31         | -   | \$0.00                       | -  | 2,065,000  |
| April 1 to April 30         | -   | \$0.00                       | -  | 2,065,000  |
| May 1 to May 31             | 40,026  | \$43.57                      | 40,000   | 2,025,000  |
| June 1 to June 30           | -   | \$0.00                       | -  | 2,025,000  |
| July 1 to July 31           | -   | \$0.00                       | -  | 2,025,000  |
| August 1 to August 31       | 180,801   | \$38.51                      | 163,746  | 1,861,254  |
| September 1 to September 30 | 180,000   | \$39.94                      | 180,000  | 1,681,254  |
| Total                       | 445,572   | \$40.02                      | 383,746  |  |

<sup>(a)</sup> Includes the following: a repurchase of 1,211 shares in January by the Company from its Nonqualified Savings Plan, which no longer permits investments in the Company's common stock; shares withheld from employees as partial tax payments for shares issued under the Company's stock-based compensation plans of 16,369, 27,141 and 17,027 shares for the months of January, February and August, respectively; and the reinvestment of dividends in the Company's nonqualified deferred compensation plan for its directors, which resulted in the purchase of 24, 26 and 28 shares for the months of February, May and August, respectively.

<sup>(b)</sup> On January 26, 2011, the Board of Directors authorized the Company's repurchase of up to a total of 2,500,000 shares of the Company's common stock. This repurchase authorization cancelled and replaced the Company's previous authorization for the repurchase of up to a total of 1,500,000 shares of the Company's common stock that was approved by the Board of Directors on October 24, 2007.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Table of Contents****Item 6. Exhibits**

| Exhibit No.            | Exhibit Description   | Incorporated by Reference |           |         | Filing Date | Filed Herewith   |
|------------------------|---|---------------------------|-----------|---------|-------------|------------------|
|                        |   | Form                      | File No.  | Exhibit |             |                  |
| 10.1                   | 2012 Long-Term Incentive Plan Award Agreement for the E-Commerce Division of Cash America International, Inc. (the Company ) under the Cash America International, Inc. First Amended and Restated 2004 Long-Term Incentive Plan, as amended (the LTIP ), for an award to Timothy S. Ho   |                           |           |         |             | X                |
| 10.2                   | Note Purchase Agreement dated as of August 28, 2012 among the Company and the purchasers named therein for the issuance of the Company's 6.00% Series A Senior Notes due August 28, 2019 in the aggregate principal amount of \$47.0 million and 6.58% Series B Senior Notes due August 28, 2022 in the aggregate principal amount of \$5.0 million | 8-K                       | 001-09733 | 10.1    | 9/4/12      |                  |
| 31.1                   | Certification of Chief Executive Officer  |                           |           |         |             | X                |
| 31.2                   | Certification of Chief Financial Officer  |                           |           |         |             | X                |
| 32.1                   | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002   |                           |           |         |             | X                |
| 32.2                   | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002   |                           |           |         |             | X                |
| 101.INS <sup>(2)</sup> | XBRL Instance Document  |                           |           |         |             | X <sup>(3)</sup> |
| 101.SCH <sup>(2)</sup> | XBRL Taxonomy Extension Schema Document   |                           |           |         |             | X <sup>(3)</sup> |
| 101.CAL <sup>(2)</sup> | XBRL Taxonomy Extension Calculation Linkbase Document   |                           |           |         |             | X <sup>(3)</sup> |
| 101.DEF <sup>(2)</sup> | XBRL Taxonomy Extension Definition Linkbase Document  |                           |           |         |             | X <sup>(3)</sup> |
| 101.LAB <sup>(2)</sup> | XBRL Taxonomy Label Linkbase Document   |                           |           |         |             | X <sup>(3)</sup> |
| 101.PRE <sup>(2)</sup> | XBRL Taxonomy Extension Presentation Linkbase Document  |                           |           |         |             | X <sup>(3)</sup> |

- (1) Pursuant to 17 CFR 240.24b-2, portions of this exhibit have been omitted and have been filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.
- (2) Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at September 30, 2012, September 30, 2011 and December 31, 2011; (ii) Consolidated Statements of Income for the three and nine months ended September 30, 2012 and September 30, 2011; (iii) Consolidated Statements of Equity at September 30, 2012 and September 30, 2011; (iv) Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2012 and September 30, 2011; (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and September 30, 2011; and (vi) Notes to Consolidated Financial Statements.
- (3) Submitted electronically herewith.



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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: October 29, 2012

CASH AMERICA INTERNATIONAL, INC.

By: /s/ Thomas A. Bessant, Jr.  
Thomas A. Bessant, Jr.  
Executive Vice President and  
Chief Financial Officer  
(On behalf of the Registrant and as Principal Financial Officer)

**Table of Contents****EXHIBIT INDEX**

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