CASH AMERICA INTERNATIONAL INC
Form 10-Q
July 26, 2013
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to ________________

Commission File Number 1-9733

(Exact name of registrant as specified in its charter)

Texas	**75-2018239**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

1600 West 7th Street	
Fort Worth, Texas	**76102**
(Address of principal executive offices)	(Zip Code)

(817) 335-1100

(Registrant s telephone number, including area code)

NONE

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes þ No ¨

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

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No þ

APPLICABLE ONLY TO CORPORATE ISSUERS:

28,159,548 of the Registrants common shares, $.10 par value, were issued and outstanding as of July 22, 2013.

Table of Contents

CASH AMERICA INTERNATIONAL, INC.

INDEX TO FORM 10-Q

Table of Contents

CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You should not place undue reliance on these statements. These forward-looking statements give current expectations or forecasts of future events and reflect the views and assumptions of senior management of Cash America International, Inc. and its subsidiaries (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 expression relate to the Company or its management are intended to identify forward-looking statements. Forward-looking statements address matters that involve risks and uncertainties that are beyond the ability of the Company to control and, in some cases, predict. Accordingly, there are or will be important factors that could cause the Company s actual results to differ materially from those indicated in these statements. Key factors that could cause the Company s actual financial results, performance or condition to differ from the expectations expressed or implied in such forward-looking statements include, but are not limited to, the following:

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;

public perception of the Company s business, including its consumer loan business and its business practices;

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

fluctuations, including a sustained decrease, in the price of gold or a deterioration in economic conditions;

the effect of any current or future litigation proceedings and any judicial decisions or rule-making that affect the Company, its products or the legality or enforceability of its arbitration agreements;

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

the ability of the Company to maintain an allowance or liability for estimated losses on consumer loans that are adequate to absorb credit losses;

changes in demand for the Company s services and changes in competition in the Company s online channel;

the ability of the Company to attract and retain qualified executive officers;

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

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;
- 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;
- cyber attacks or security breaches;
- acts of God, war or terrorism, pandemics and other events;
- the effect of any of the above changes on the Company s business or the markets in which the Company operates; and
- other risks and uncertainties described in this report or from time to time in the Company s filings with the Securities and Exchange Commission (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)

	June 30,		December 31,
	2013	2012	2012
Assets			
Current assets:			
Cash and cash equivalents	$ 131,905	$ 68,939	$ 63,134
Pawn loans	229,574	232,909	244,640
Consumer loans, net	287,127	226,364	289,418
Merchandise held for disposition, net	155,112	144,814	167,409
Pawn loan fees and service charges receivable	45,566	44,606	48,991
Income taxes receivable	25,495		
Prepaid expenses and other assets	30,985	34,578	35,605
Deferred tax assets	43,628	37,846	48,992
Total current assets	949,392	790,056	898,189
Property and equipment, net	250,842	255,685	261,771
Goodwill	608,242	564,313	608,216
Intangible assets, net	34,067	32,819	36,473
Other assets	21,571	15,503	13,609
Total assets	$ 1,864,114	$ 1,658,376	$ 1,818,258
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued expenses	$ 123,037	$ 93,569	$ 126,664
Customer deposits	12,962	11,537	11,420
Income taxes currently payable		2,135	5,922
Current portion of long-term debt	22,606	35,939	43,617
Total current liabilities	158,605	143,180	187,623
Deferred tax liabilities	103,759	93,930	101,711
Noncurrent income tax payable	36,834	2,449	2,703
Other liabilities	1,609	1,137	888
Long-term debt	547,218	438,462	534,713
Total liabilities	$ 848,025	$ 679,158	$ 827,638
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	156,349	166,135	157,613

Retained earnings	946,483	845,292	879,434
Accumulated other comprehensive (loss) income	(362)	(3,988)	3,128
Treasury shares, at cost (2,107,082 shares, 929,223 shares and 1,351,712 shares as of June 30, 2013 and 2012, and as of December 31, 2012, respectively)	(89,405)	(34,861)	(51,304)
Total Cash America International, Inc. shareholders equity	1,016,089	975,602	991,895
Noncontrolling interest		3,616	(1,275)
Total equity	1,016,089	979,218	990,620
Total liabilities and equity	$ 1,864,114	$ 1,658,376	$ 1,818,258

See notes to consolidated financial statements.

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue				
Pawn loan fees and service charges	$ 72,728	$ 72,051	$ 148,642	$ 144,950
Proceeds from disposition of merchandise	131,532	155,956	310,249	364,339
Consumer loan fees	202,431	180,722	412,636	353,562
Other	4,260	2,915	7,552	6,281
Total Revenue	410,951	411,644	879,079	869,132
Cost of Revenue				
Disposed merchandise	88,961	105,639	210,296	243,960
Consumer loan loss provision	77,229	72,397	152,081	134,780
Total Cost of Revenue	166,190	178,036	362,377	378,740
Net Revenue	244,761	233,608	516,702	490,392
Expenses				
Operations and administration	177,513	164,190	354,337	334,345
Depreciation and amortization	18,000	15,187	35,531	29,808
Total Expenses	195,513	179,377	389,868	364,153
Income from Operations	49,248	54,231	126,834	126,239
Interest expense	(8,903)	(6,693)	(16,348)	(13,869)
Interest income	5	28	68	57
Foreign currency transaction gain (loss)	65	(252)	(312)	(165)
Equity in loss of unconsolidated subsidiary	(25)	(31)	(136)	(148)
Income before Income Taxes	40,390	47,283	110,106	112,114
Provision for income taxes	14,946	18,063	40,740	42,371
Net Income	25,444	29,220	69,366	69,743
Net (income) loss attributable to the noncontrolling interest	(312)	600	(308)	1,544
Net Income Attributable to Cash America International, Inc.	$ 25,132	$ 29,820	$ 69,058	$ 71,287
Earnings Per Share:				
Net Income attributable to Cash America International, Inc. common shareholders:				
Basic	$ 0.88	$ 1.01	$ 2.39	$ 2.41
Diluted	$ 0.81	$ 0.94	$ 2.23	$ 2.24
Weighted average common shares outstanding:				

Basic	28,721	29,645	28,910	29,631
Diluted	30,845	31,822	31,023	31,867
Dividends declared per common share	$ 0.035	$ 0.035	$ 0.070	$ 0.070

See notes to consolidated financial statements.

2

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	$ 25,444	$ 29,220	$ 69,366	$ 69,743
Other comprehensive (loss) gain, net of tax:				
Unrealized derivatives gain [(a)]				12
Foreign currency translation (loss) gain[(b)]	(3,781)	(7,241)	(3,347)	2,374
Marketable securities[(c)]	(895)	(206)	(254)	544
Total other comprehensive (loss) gain, net of tax	(4,676)	(7,447)	(3,601)	2,930
Comprehensive income	$ 20,768	$ 21,773	$ 65,765	$ 72,673
Net (income) loss attributable to the noncontrolling interest	(312)	600	(308)	1,544
Foreign currency translation loss (gain), net of tax, attributable to the noncontrolling interest	112	(1)	111	(22)
Comprehensive (income) loss attributable to the noncontrolling interest	(200)	599	(197)	1,522
Comprehensive income attributable to Cash America International, Inc.	$ 20,568	$ 22,372	$ 65,568	$ 74,195

(a) Net of tax provision of $6 for the six months ended June 30, 2012.

(b) Net of tax benefit (provision) of $319 and $1,052 for the three months ended June 30, 2013 and 2012, respectively, and $1,739 and $(53) for the six months ended June 30, 2013 and 2012, respectively.

(c) Net of tax benefit (provision) of $481 and $111 for the three months ended June 30, 2013 and 2012, respectively, and $136 and $(292) for the six months ended June 30, 2013 and 2012, respectively.

See notes to consolidated financial statements.

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(dollars in thousands, except per share data)

(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury shares, at cost Shares	Treasury shares, at cost Amount	Total share-holders equity	Non-controlling interest	Total Equity
Balance as of January 1, 2012	**30,235,164**	**$ 3,024**	**$ 167,683**	**$ 776,060**	**$ (6,896)**	**(1,011,356)**	**$ (37,419)**	**$ 902,452**	**$ 5,138**	**$ 907,590**
Shares issued under stock-based plans			(5,915)			170,670	6,414	499		499
Stock-based compensation expense			3,079					3,079		3,079
Income tax benefit from stock-based compensation			1,288					1,288		1,288
Net income attributable to Cash America International, Inc.				71,287				71,287		71,287
Dividends paid				(2,055)				(2,055)		(2,055)
Unrealized derivatives gain, net of tax					12			12		12
Foreign currency translation gain, net of tax					2,352			2,352	22	2,374
Marketable securities unrealized gain, net of tax					544			544		544
Purchases of treasury shares						(88,537)	(3,856)	(3,856)		(3,856)
Loss attributable to the noncontrolling interest									(1,544)	(1,544)
Balance as of June 30, 2012	**30,235,164**	**$ 3,024**	**$ 166,135**	**$ 845,292**	**$ (3,988)**	**(929,223)**	**$ (34,861)**	**$ 975,602**	**$ 3,616**	**$ 979,218**
Balance as of January 1, 2013	**30,235,164**	**$ 3,024**	**$ 157,613**	**$ 879,434**	**$ 3,128**	**(1,351,712)**	**$ (51,304)**	**$ 991,895**	**$ (1,275)**	**$ 990,620**
Shares issued under stock-based plans			(4,833)			124,108	4,833			
Stock-based compensation expense			2,791					2,791		2,791
Income tax benefit from stock-based compensation			569					569		569
Net income attributable to Cash America International, Inc.				69,058				69,058		69,058
Dividends paid				(2,009)				(2,009)		(2,009)
Foreign currency translation loss, net of tax					(3,236)			(3,236)	(111)	(3,347)
Marketable securities, net of tax					(254)			(254)		(254)
Purchases of treasury shares						(879,478)	(42,934)	(42,934)		(42,934)

Income from noncontrolling interest									308	308
Purchase of noncontrolling interest			209					209	1,078	1,287
Balance as of June 30, 2013	**30,235,164**	**$ 3,024**	**$ 156,349**	**$ 946,483**	**$ (362)**	**(2,107,082)**	**$ (89,405)**	**$ 1,016,089**	**$**	**$ 1,016,089**

See notes to consolidated financial statements.

4

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

(Unaudited)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Cash Flows from Operating Activities		
Net Income	$ 69,366	$ 69,743
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expenses	35,531	29,808
Amortization of debt discount and issuance costs	3,055	1,874
Consumer loan loss provision	152,081	134,780
Stock-based compensation	2,791	3,079
Deferred income taxes, net	9,287	1,127
Excess income tax benefit from stock-based compensation	(569)	(1,288)
Other	1,954	2,924
Changes in operating assets and liabilities, net of assets acquired:		
Merchandise other than forfeited	9,252	11,392
Pawn loan fees and service charges receivable	3,454	3,519
Finance and service charges on consumer loans	(344)	571
Prepaid expenses and other assets	318	(5,446)
Accounts payable and accrued expenses	(555)	(10,678)
Current and noncurrent income taxes	3,380	(9,143)
Other operating assets and liabilities	1,536	1,600
Net cash provided by operating activities	290,537	233,862
Cash Flows from Investing Activities		
Pawn loans made	(350,648)	(370,825)
Pawn loans repaid	219,807	225,138
Principal recovered through dispositions of forfeited pawn loans	146,618	170,339
Consumer loans made or purchased	(958,816)	(873,535)
Consumer loans repaid	806,397	731,686
Acquisitions, net of cash acquired	(923)	(4,720)
Purchases of property and equipment	(22,392)	(36,713)
Proceeds from sale of marketable securities	6,616	
Other investing activities	297	(397)
Net cash used in investing activities	(153,044)	(159,027)
Cash Flows from Financing Activities		
Net payments under bank lines of credit	(301,011)	(56,925)
Issuance of long-term debt	300,000	
Net proceeds from re-issuance of treasury shares		499
Debt issuance costs paid	(9,862)	
Payments on notes payable	(9,167)	(7,502)
Excess income tax benefit from stock-based compensation	569	1,288
Treasury shares purchased	(42,934)	(3,680)
Dividends paid	(2,009)	(2,055)

Purchase of noncontrolling interest	(4)	
Net cash used in financing activities	(64,418)	(68,375)
Effect of exchange rates on cash	(4,304)	(63)
Net increase in cash and cash equivalents	68,771	6,397
Cash and cash equivalents at beginning of year	63,134	62,542
Cash and cash equivalents at end of period	$ 131,905	$ 68,939
Supplemental Disclosures		
Non-cash investing and financing activities		
Pawn loans forfeited and transferred to merchandise held for disposition	$ 145,986	$ 166,789
Pawn loans renewed	$ 127,314	$ 135,620
Consumer loans renewed	$ 333,526	$ 316,599

See notes to consolidated financial statements.

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 June 30, 2013 and 2012 and for the three- and six-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 six-month periods are not necessarily indicative of the results that may be expected for the full fiscal year.

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, 2012.

Through April 2013, 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). The Company qualified 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 were consolidated and allocated to net income attributable to noncontrolling interests. In May 2013, the Company acquired the remaining outstanding common stock of Huminal to increase its ownership to 100% of Huminal and, as a result, Huminal became a wholly-owned subsidiary of the Company as of that date. The Company accounted for this transaction as a change in ownership interests that does not result in a change in control.

Cash and Cash Equivalents

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

Goodwill and Other Indefinite-Lived Intangible Assets

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

The Company uses the income approach to complete its annual goodwill assessment. The income approach uses 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 annual assessment of goodwill as of June 30, 2013 and determined that the fair value of its goodwill is in excess of carrying value, and, as a result, no impairment existed at that date.

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

The Company performed its annual indefinite-lived intangible asset impairment test as of June 30, 2013. The Company elected to perform a qualitative assessment in accordance with Accounting Standards Update (ASU) No. 2012-02, *Intangibles Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment* (ASU 2012-02) and determined that it was not more likely than not that the indefinite-lived intangible assets are impaired. Therefore, no further quantitative assessment was required.

Adopted Accounting Standards

In February 2013, the FASB issued ASU No. 2013-02, *Comprehensive Income (Topic 220) Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* (ASU 2013-02), which improves the reporting of reclassifications out of accumulated other comprehensive income. ASU 2013-02 requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income by the respective line items on the consolidated statements of income that compose net income if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety from accumulated other comprehensive income to net income in the same reporting period, an entity is required to cross-reference other disclosures required under GAAP that provide additional detail about those amounts. The Company adopted ASU 2013-02 on January 1, 2013, and the adoption did not have a material effect on its financial position, results of operations or other comprehensive income. See Note 6 for further discussion.

In July 2012, the FASB issued 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 a 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 ASC 350, *Intangibles Goodwill and Other*. If a 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 adopted ASU 2012-02 on January 1, 2013, and the adoption did not have a material effect on its financial position or results of operations.

In December 2011, the FASB issued ASU No. 2011-11, *Disclosures about Offsetting Assets and Liabilities (Topic 210)* (ASU 2011-11). ASU 2011-11 requires a company to provide enhanced disclosures about financial instruments and derivative instruments that are either presented on a net basis in the statement of financial position or are subject to an enforceable master netting or similar arrangement. In January 2013, the FASB issued ASU No. 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities* (ASU 2013-01), which limits the scope of ASU 2011-11 by requiring additional disclosure about financial instruments and derivative instruments that are either offset in the statement of financial position or subject to an enforceable master netting arrangement. ASU 2013-01 requires retrospective disclosure for all comparative periods. ASU 2011-11 and ASU 2013-01 are effective for annual and interim reporting periods beginning January 1, 2013. The Company adopted ASU 2011-11 and ASU 2013-01 on January 1, 2013, and the adoption of these standards did not have a material effect on its financial position or results of operations. See Note 12 for further discussion.

Accounting Standards to be Adopted in Future Periods

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

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

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

2. Credit Quality Information on Pawn Loans

The Company manages its pawn loan portfolio by monitoring the type and adequacy of collateral compared to historical gross profit margins. If a pawn loan defaults, the Company relies on the disposition of pawned property to recover the principal amount of an unpaid pawn loan, plus a yield on the investment, because the Company s pawn loans are non-recourse against the customer. In addition, the customer s creditworthiness does not affect the Company s financial position or results of operations. Generally, forfeited merchandise has historically sold for an amount in excess of the cost of goods sold (which is 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 delinquent if the customer does not repay or, where allowed by law, renew or extend the loan on or prior to its contractual maturity date plus any applicable grace period. Pawn loan fees and service charges do not accrue on delinquent pawn loans. When a pawn loan is considered delinquent, any accrued pawn loan fees and service charges are reversed and no additional pawn loan fees and service charges are accrued. As of June 30, 2013 and 2012 and December 31, 2012, the Company had current pawn loans outstanding of $222.9 million, $228.4 million and $235.3 million, respectively, and delinquent pawn loans outstanding of $6.7 million, $4.5 million and $9.3 million, respectively.

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

Consumer loan fee revenue generated from the Company s consumer loans for the three and six months ended June 30, 2013 and 2012 was as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
Interest and fees on short-term loans	**$ 126,560**	$ 137,940	**$ 266,775**	$ 274,582
Interest and fees on line of credit accounts	**28,283**	14,270	**51,517**	25,921
Interest and fees on installment loans	**47,588**	28,512	**94,344**	53,059
Total consumer loan revenue	**$ 202,431**	$ 180,722	**$ 412,636**	$ 353,562

Current and Delinquent Consumer Loans

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

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

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

Allowance and Liability for Estimated Losses on Consumer Loans

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

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

The allowance or liability for short-term loans classified as current is based on historical loss rates adjusted for recent default trends in current loans. For delinquent short-term loans, the allowance or liability for estimated losses is based on a six-month rolling average of loss rates by stage of collection. For line of credit accounts and installment loan portfolios, the Company generally uses a migration analysis to estimate losses inherent in the portfolio. The allowance or liability calculation under the migration analysis is based on historical charge-off experience and the loss emergence period, which represents the average amount of time between the first occurrence of a loss event to the charge-off of a loan. The factors the Company considers to assess the adequacy of the allowance or liability include past due performance, historical behavior of monthly vintages, underwriting changes and recent trends in delinquency in the migration analysis.

The Company fully reserves and generally charges off consumer loans once the loan or a portion of the loan has been classified as delinquent for 60 consecutive days. If a loan is deemed uncollectible before it is fully reserved, it is charged off at that point. Consumer loans classified as delinquent generally have an age of one to 59 days from the date any portion of the loan became delinquent, as defined above. Recoveries on loans previously charged to the allowance are credited to the allowance when collected.

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The components of Company-owned consumer loan portfolio receivables as of June 30, 2013 and 2012 and December 31, 2012 were as follows (dollars in thousands):

	As of June 30, 2013			
	Short-term Loans	**Line of Credit Accounts**	**Installment Loans**	**Total**
Current loans	**$ 119,084**	**$ 51,508**	**$ 124,126**	**$ 294,718**
Delinquent loans	**49,074**	**6,563**	**16,635**	**72,272**
Total consumer loans, gross	**168,158**	**58,071**	**140,761**	**366,990**
Less: allowance for losses	**(42,068)**	**(10,649)**	**(27,146)**	**(79,863)**
Consumer loans, net	**$ 126,090**	**$ 47,422**	**$ 113,615**	**$ 287,127**

	As of June 30, 2012			
	Short-term Loans	Line of Credit Accounts	Installment Loans	Total
Current loans	$ 123,261	$ 27,440	$ 76,644	$ 227,345
Delinquent loans	53,494	3,155	12,941	69,590
Total consumer loans, gross	176,755	30,595	89,585	296,935
Less: allowance for losses	(45,409)	(5,243)	(19,919)	(70,571)
Consumer loans, net	$ 131,346	$ 25,352	$ 69,666	$ 226,364

	As of December 31, 2012			
	Short-term Loans	Line of Credit Accounts	Installment Loans	Total
Current loans	$ 146,732	$ 36,603	$ 117,641	$ 300,976
Delinquent loans	52,565	6,097	15,483	74,145
Total consumer loans, gross	199,297	42,700	133,124	375,121
Less: allowance for losses	(45,982)	(11,107)	(28,614)	(85,703)
Consumer loans, net	$ 153,315	$ 31,593	$ 104,510	$ 289,418

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 six months ended June 30, 2013 and 2012 were as follows (dollars in thousands):

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

	Three Months Ended June 30, 2012			
	Short-term Loans	Line of Credit Accounts	Installment Loans	Total
Allowance for losses for Company-owned consumer loans:				
Balance at beginning of period	$ 39,907	$ 3,518	$ 15,288	$ 58,713
Consumer loan loss provision	49,774	5,185	16,636	71,595
Charge-offs	(53,558)	(3,735)	(13,206)	(70,499)
Recoveries	9,286	275	1,201	10,762
Balance at end of period	$ 45,409	$ 5,243	$ 19,919	$ 70,571
Liability for third-party lender-owned consumer loans:				
Balance at beginning of period	$ 1,630	$	$ 363	$ 1,993
Increase in liability	787		15	802
Balance at end of period	$ 2,417	$	$ 378	$ 2,795

	Six Months Ended June 30, 2013			
	Short-term Loans	**Line of Credit Accounts**	**Installment Loans**	**Total**

Allowance for losses for Company-owned consumer loans:				
Balance at beginning of period	**$ 45,982**	**$ 11,107**	**$ 28,614**	**$ 85,703**
Consumer loan loss provision	**88,592**	**16,472**	**47,468**	**152,532**
Charge-offs	**(113,642)**	**(20,076)**	**(55,475)**	**(189,193)**
Recoveries	**21,136**	**3,146**	**6,539**	**30,821**
Balance at end of period	**$ 42,068**	**$ 10,649**	**$ 27,146**	**$ 79,863**
Liability for third-party lender-owned consumer loans:				
Balance at beginning of period	**$ 2,934**	**$**	**$ 564**	**$ 3,498**
(Decrease) increase in liability	**(495)**		**44**	**(451)**
Balance at end of period	**$ 2,439**	**$**	**$ 608**	**$ 3,047**

11

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

	Six Months Ended June 30, 2012			
	Short-term Loans	Line of Credit Accounts	Installment Loans	Total
Allowance for losses for Company-owned consumer loans:				
Balance at beginning of period	$ 46,406	$ 3,723	$ 12,943	$ 63,072
Consumer loan loss provision	95,307	8,606	31,134	135,047
Charge-offs	(114,814)	(7,755)	(26,543)	(149,112)
Recoveries	18,510	669	2,385	21,564
Balance at end of period	$ 45,409	$ 5,243	$ 19,919	$ 70,571
Liability for third-party lender-owned consumer loans:				
Balance at beginning of period	$ 2,617	$	$ 445	$ 3,062
Decrease in liability	(200)		(67)	(267)
Balance at end of period	$ 2,417	$	$ 378	$ 2,795

Guarantees of Consumer Loans

In connection with its CSO programs, the Company guarantees consumer loan payment obligations to unrelated third-party lenders and is required to purchase any defaulted loans it has guaranteed. The guarantee represents an obligation to purchase specific loans that go into default. Short-term loans that are guaranteed generally have terms of less than 90 days. Secured auto equity loans, which are included in the Company s installment loan portfolio, that are guaranteed typically have an average term of less than 24 months, with available terms of up to 42 months. As of June 30, 2013 and 2012 and December 31, 2012, the amount of consumer loans guaranteed by the Company was $50.9 million, $54.0 million and $64.7 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 $3.0 million, $2.8 million and $3.5 million, as of June 30, 2013 and 2012 and December 31, 2012, respectively, is included in Accounts payable and accrued expenses in the accompanying consolidated balance sheets.

4. Merchandise Held for Disposition

Merchandise held for disposition and the related allowance as of June 30, 2013 and 2012 and December 31, 2012 associated with the Company s domestic and foreign retail services operations were as follows (dollars in thousands):

	As of June 30,						As of December 31,		
	2013			2012			2012		
	Total	**Allowance**	**Net**	Total	Allowance	Net	Total	Allowance	Net
Domestic	**$ 150,084**	**$ (840)**	**$ 149,244**	$ 133,458	$ (700)	$ 132,758	$ 162,495	$ (840)	$ 161,655
Foreign	**5,977**	**(109)**	**5,868**	12,056		12,056	5,765	(11)	5,754
Total	**$ 156,061**	**$ (949)**	**$ 155,112**	$ 145,514	$ (700)	$ 144,814	$ 168,260	$ (851)	$ 167,409

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

5. Long-Term Debt

The Company s long-term debt instruments and balances outstanding as of June 30, 2013 and 2012 and December 31, 2012 were as follows (dollars in thousands):

	Balance as of		
	June 30,		December 31,
	2013	2012	2012
Domestic and multi-currency line of credit due 2018	**$**	$ 223,914	$ 301,011
6.12% senior unsecured notes due 2012		13,333	
6.09% senior unsecured notes due 2016	**28,000**	35,000	28,000
7.26% senior unsecured notes due 2017	**20,000**	25,000	25,000
Variable rate senior unsecured notes due 2018	**37,500**	45,833	41,667
5.75% senior unsecured notes due 2018	**300,000**		
6.00% Series A senior unsecured notes due 2019	**47,000**		47,000
6.21% senior unsecured notes due 2021	**20,455**	22,727	20,455
6.58% Series B senior unsecured notes due 2022	**5,000**		5,000
5.25% convertible senior notes due 2029	**111,869**	108,594	110,197
Total debt	**$ 569,824**	$ 474,401	$ 578,330
Less current portion	**22,606**	35,939	43,617
Total long-term debt	**$ 547,218**	$ 438,462	$ 534,713

Domestic and Multi-Currency Line

The Company s domestic and multi-currency 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), was amended by the Company on May 10, 2013. The primary provisions of the amendment to the Domestic and Multi-currency Line include an extension of the maturity date from March 31, 2015 to March 31, 2018 and a decrease in the total credit available from $380.0 million to $280.0 million, subject to an accordion feature whereby the revolving line of credit may be increased up to an additional $100.0 million with the consent of any increasing lenders. Interest on the Domestic and Multi-currency Line is charged, at the Company s option, at either the London Interbank Offered Rate for one-, two-, three- or six-month periods, as selected by the Company for the first interest rate period, and for subsequent interest rate periods, one week or two weeks or one-, two-, three- or six-month periods, as selected by the Company (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%. 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 entered into in connection with the Domestic and Multi-currency Line. 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% as of June 30, 2013) based on the Company s cash flow leverage ratios. The weighted average interest rate (including margin) on the Domestic and Multi-currency Line was 2.77% and 3.06% as of June 30, 2012 and December 31, 2012, respectively.

As of June 30, 2013, the Company had no outstanding borrowings under its Domestic and Multi-currency Line. As of June 30, 2012, borrowings under the Company s Domestic and Multi-currency Line consisted of three pricing tranches with maturity dates ranging from one to six days. 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.

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Variable Rate Senior Unsecured Notes

When the Company amended its Domestic and Multi-currency Line, it also extended the maturity date of its $50.0 million variable rate term loan facility (the 2018 Variable Rate Notes) from March 31, 2015 to March 31, 2018. The 2018 Variable Rate Notes are payable in equal quarterly principal installments of $2.1 million with any outstanding principal remaining due at maturity on March 31, 2018. Interest on the 2018 Variable Rate Notes is charged, at the Company s option, at either LIBOR (as defined above) plus a margin of 3.50% or at the agent s base rate plus a margin of 2.00%. The weighted average interest rate (including margin) on the 2018 Variable Rate Notes was 3.75% as of each of June 30, 2013 and 2012 and December 31, 2012.

In connection with the amendment of the Domestic and Multi-currency Line and the 2018 Variable Rate Notes, the Company incurred debt issuance costs of approximately $1.8 million during the six months ended June 30, 2013, which primarily consisted of commitment fees, legal and other professional expenses. These costs are being amortized over a period of five years and are included in Other assets in the Company s consolidated balance sheet.

$300.0 Million 5.75% Senior Unsecured Notes

On May 15, 2013, the Company issued and sold $300.0 million in aggregate principal amount of 5.75% Senior Notes due 2018 (the 2018 Senior Notes). The Company offered and sold the 2018 Senior Notes to initial purchasers in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended (the Securities Act). The initial purchasers then resold the 2018 Senior Notes pursuant to the exemptions from registration under the Securities Act in reliance on Rule 144A and Regulation S. The 2018 Senior Notes bear interest at a rate of 5.75% annually on the principal amount of the 2018 Senior Notes, payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2013. The 2018 Senior Notes will mature on May 15, 2018. The 2018 Senior Notes are senior unsecured debt obligations of the Company and are guaranteed by all of the Company s domestic subsidiaries.

The 2018 Senior Notes are redeemable at the Company s option, in whole or in part, at any time at 100% of the aggregate principal amount of 2018 Senior Notes redeemed plus the applicable make whole redemption price specified in the Indenture that governs the 2018 Senior Notes (the 2018 Senior Notes Indenture), plus accrued and unpaid interest, if any, to the redemption date. In addition, if a change of control occurs, as that term is defined in the 2018 Senior Notes Indenture, the holders of 2018 Senior Notes will have the right, subject to certain conditions, to require the Company to repurchase their 2018 Senior Notes at a purchase price equal to 101% of the aggregate principal amount of 2018 Senior Notes repurchased plus accrued and unpaid interest, if any, as of the date of repurchase.

In addition, on May 15, 2013 the Company entered into a registration rights agreement with the initial purchasers (the Registration Rights Agreement) of the 2018 Senior Notes, pursuant to which the Company agreed to use commercially reasonable efforts to issue in exchange for the 2018 Senior Notes, on or prior to the 270th day following the closing date of the issuance and sale of the 2018 Senior Notes, identical new notes registered under the Securities Act. In certain circumstances, the Company may be required to file a shelf registration statement to cover resales of the 2018 Senior Notes. If the Company does not comply with certain covenants set forth in the Registration Rights Agreement, it must pay liquidated damages to holders of the 2018 Senior Notes.

In the second quarter of 2013, the Company used a portion of the net proceeds from the 2018 Senior Notes issuance to repay all outstanding balances under its Domestic and Multi-currency Line, which were $202.0 million on May 15, 2013. The Company intends to use the remaining net proceeds from the issuance to repay other outstanding indebtedness and for general corporate purposes.

In connection with the issuance of the 2018 Senior Notes, the Company incurred debt issuance costs of approximately $8.1 million during the six months ended June 30, 2013, which primarily consisted of underwriting fees, legal and other professional expenses. These costs are being amortized over a period of five years and are included in Other assets in the Company s consolidated balance sheet.

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Other

When the Company entered into its Domestic and Multi-currency Line, it also entered into a separate credit agreement for the issuance of up to $20.0 million in letters of credit (the Letter of Credit Facility). When the Company amended its Domestic and Multi-currency Line, it also extended the maturity date of its Letter of Credit Facility from March 31, 2015 to March 31, 2018. The Company had standby letters of credit of $16.3 million under its Letter of Credit Facility as of June 30, 2013.

The Company s debt agreements for its Domestic and Multi-currency Line and its senior unsecured notes require the Company to maintain certain financial ratios. As of June 30, 2013, the Company was in compliance with all covenants or other requirements set forth in its debt agreements.

6. Reclassification out of Accumulated Other Comprehensive Income

In accordance with ASU 2013-02, the reclassification adjustments from Accumulated other comprehensive income (AOCI) to Net income for the three and six months ended June 30, 2013 were as follows (dollars in thousands):

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

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

7. Net Income Per Share

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

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The following table sets forth the reconciliation of numerators and denominators of basic and diluted net income per share computations for the three and six months ended June 30, 2013 and 2012 (dollars and shares in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
Numerator:				
Net income attributable to Cash America International, Inc.	**$ 25,132**	$ 29,820	**$ 69,058**	$ 71,287
Denominator:				
Total weighted average basic shares [(a)]	**28,721**	29,645	**28,910**	29,631
Shares applicable to stock-based compensation[(b)]	**75**	285	**89**	290
Convertible debt[(c)]	**2,049**	1,892	**2,024**	1,946
Total weighted average diluted shares [(d)]	**30,845**	31,822	**31,023**	31,867
Net income basic	**$ 0.88**	$ 1.01	**$ 2.39**	$ 2.41
Net income diluted	**$ 0.81**	$ 0.94	**$ 2.23**	$ 2.24

(a) Includes vested and deferred restricted stock units of 313 and 284, as well as 31 and 31 shares held in the Company s nonqualified deferred compensation plan for the three months ended June 30, 2013 and 2012, respectively, and vested and deferred restricted stock units of 312 and 282, as well as 31 and 32 shares held in the Company s nonqualified deferred compensation plan for the six months ended June 30, 2013 and 2012, respectively.

(b) For the three and six months ended June 30, 2013, includes shares related to unvested restricted stock unit awards. For the three and six months ended June 30, 2012, includes shares related to outstanding option awards that are exercisable and shares related to unvested restricted stock unit awards.

(c) The shares issuable with respect to the Company s senior unsecured convertible notes due 2029 (the 2029 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.

(d) There were 5 and 46 anti-dilutive shares for the three and six months ended June 30, 2013, respectively, and no anti-dilutive shares for the three and six months ended June 30, 2012.

8. Income Taxes

During 2012, the Company s Mexico-based pawn operations that operated under the name Prenda Fácil were owned by Creazione Estilo, S.A. de C.V., a Mexican *sociedad anónima de capital variable* (Creazione). In January 2013, the Company s Mexico-based pawn operations were sold by Creazione to another wholly-owned subsidiary of the Company, CA Empeños Mexico, S. de R.L. de C.V., and began operating exclusively under the name Cash America casa de empeño. The Company intends to liquidate the remaining assets of Creazione, which are insignificant, during 2013. In connection with the final liquidation of Creazione, the Company intends to claim a worthless stock deduction for tax purposes on its 2013 federal income tax return for its tax basis in the stock of Creazione. The Company could realize an income tax benefit of $33.2 million as a result of the worthless stock deduction. The Company intends to treat the deduction as an ordinary loss. However, the Internal Revenue Service could challenge the characterization of the loss. If the deduction is ultimately determined to be a capital loss, the tax benefit may not be realized. As of December 31, 2012, the Company had recorded an income tax benefit of $9.3 million and an offsetting valuation allowance associated with the Company s excess tax basis over its basis for financial purposes in the stock of Creazione. During the six months ended June 30, 2013, the Company recorded an additional income tax benefit of $23.9 million associated with its remaining tax basis in the stock of Creazione. In addition, the Company released the valuation allowance recorded in 2012 of $9.3 million and recorded a $33.2 million liability for uncertain tax benefits. As a result, there was no impact on the income tax provision for the six months ended June 30, 2013 related to the potential benefit for the Creazione worthless stock deduction.

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The balance of the Company s liability for unrecognized tax benefits as of June 30, 2013 was $35.0 million. The Company believes that it is reasonably possible that the entire amount of its unrecognized tax benefits will be recognized in 2013. The unrecognized tax benefit associated with the Creazione worthless stock deduction could be recognized in 2013 if the Company receives a favorable ruling on this matter. In addition, the Company s unrecognized tax benefits associated with the pre-acquisition tax matters of Prenda Fácil could be recognized as a result of the lapse of the statute of limitations.

9. Operating Segment Information

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

The following tables contain operating segment data for the three and six months ended June 30, 2013 and 2012 by segment, for the Company s corporate operations and on a consolidated basis (dollars in thousands):

	Retail Services			E-Commerce				
	Domestic	Foreign	Total	Domestic	Foreign	Total	Corporate	Consolidated
Three Months Ended June 30, 2013								
Revenue								
Pawn loan fees and service charges	$ 70,802	$ 1,926	$ 72,728	$	$	$	$	$ 72,728
Proceeds from disposition of merchandise	127,214	4,318	131,532					131,532
Consumer loan fees	26,647		26,647	87,502	88,282	175,784		202,431
Other	1,918	829	2,747	361	16	377	1,136	4,260
Total revenue	226,581	7,073	233,654	87,863	88,298	176,161	1,136	410,951
Cost of revenue								
Disposed merchandise	85,352	3,609	88,961					88,961
Consumer loan loss provision	7,112		7,112	33,343	36,774	70,117		77,229
Total cost of revenue	92,464	3,609	96,073	33,343	36,774	70,117		166,190
Net revenue	134,117	3,464	137,581	54,520	51,524	106,044	1,136	244,761
Expenses								
Operations and administration	89,487	3,569	93,056	30,489	34,618	65,107	19,350	177,513
Depreciation and amortization	8,900	430	9,330	3,750	835	4,585	4,085	18,000

Total expenses	**98,387**	**3,999**	**102,386**	**34,239**	**35,453**	**69,692**	**23,435**	**195,513**
Income (loss) from operations	**$ 35,730**	**$ (535)**	**$ 35,195**	**$ 20,281**	**$ 16,071**	**$ 36,352**	**$ (22,299)**	**$ 49,248**
<u>As of June 30, 2013</u>								
Total assets	**$ 1,023,015**	**$ 123,601**	**$ 1,146,616**	**$ 389,155**	**$ 195,532**	**$ 584,687**	**$ 132,811**	**$ 1,864,114**
Goodwill			**$ 397,876**			**$ 210,366**		**$ 608,242**

17

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

	Retail Services			E-Commerce				
	Domestic	Foreign	Total	Domestic	Foreign	Total	Corporate	**Consolidated**
Three Months Ended June 30, 2012								
Revenue								
Pawn loan fees and service charges	$ 68,185	$ 3,866	$ 72,051	$	$	$	$	**$ 72,051**
Proceeds from disposition of merchandise	144,484	11,472	155,956					**155,956**
Consumer loan fees	28,579		28,579	73,802	78,341	152,143		**180,722**
Other	2,185	211	2,396	288	11	299	220	**2,915**
Total revenue	243,433	15,549	258,982	74,090	78,352	152,442	220	**411,644**
Cost of revenue								
Disposed merchandise	95,345	10,294	105,639					**105,639**
Consumer loan loss provision	6,603		6,603	30,643	35,151	65,794		**72,397**
Total cost of revenue	101,948	10,294	112,242	30,643	35,151	65,794		**178,036**
Net revenue	141,485	5,255	146,740	43,447	43,201	86,648	220	**233,608**
Expenses								
Operations and administration	88,204	7,822	96,026	25,773	27,778	53,551	14,613	**164,190**
Depreciation and amortization	7,514	1,121	8,635	2,727	300	3,027	3,525	**15,187**
Total expenses	95,718	8,943	104,661	28,500	28,078	56,578	18,138	**179,377**
Income (loss) from operations	**$ 45,767**	**$ (3,688)**	**$ 42,079**	**$ 14,947**	**$ 15,123**	**$ 30,070**	**$ (17,918)**	**$ 54,231**
As of June 30, 2012								
Total assets	$ 900,302	$ 113,498	$ 1,013,800	$ 360,912	$ 152,888	$ 513,800	$ 130,776	**$ 1,658,376**
Goodwill			$ 353,945			$ 210,368		**$ 564,313**

	Retail Services			**E-Commerce**				
	Domestic	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**	**Corporate**	**Consolidated**
Six Months Ended June 30, 2013								
Revenue								
Pawn loan fees and service charges	**$ 144,976**	**$ 3,666**	**$ 148,642**	**$**	**$**	**$**	**$**	**$ 148,642**
Proceeds from disposition of merchandise	**301,364**	**8,885**	**310,249**					**310,249**
Consumer loan fees	**54,969**		**54,969**	**178,143**	**179,524**	**357,667**		**412,636**
Other	**4,418**	**922**	**5,340**	**802**	**23**	**825**	**1,387**	**7,552**
Total revenue	**505,727**	**13,473**	**519,200**	**178,945**	**179,547**	**358,492**	**1,387**	**879,079**
Cost of revenue								
Disposed merchandise	**203,039**	**7,257**	**210,296**					**210,296**
Consumer loan loss provision	**13,890**		**13,890**	**63,166**	**75,025**	**138,191**		**152,081**
Total cost of revenue	**216,929**	**7,257**	**224,186**	**63,166**	**75,025**	**138,191**		**362,377**
Net revenue	**288,798**	**6,216**	**295,014**	**115,779**	**104,522**	**220,301**	**1,387**	**516,702**
Expenses								

Operations and administration	180,189	7,172	187,361	61,244	69,445	130,689	36,287	354,337
Depreciation and amortization	17,701	829	18,530	7,633	1,395	9,028	7,973	35,531
Total expenses	197,890	8,001	205,891	68,877	70,840	139,717	44,260	389,868
Income (loss) from operations	**$ 90,908**	**$ (1,785)**	**$ 89,123**	**$ 46,902**	**$ 33,682**	**$ 80,584**	**$ (42,873)**	**$ 126,834**

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

	Retail Services			E-Commerce				
	Domestic	Foreign	Total	Domestic	Foreign	Total	Corporate	**Consolidated**
Six Months Ended June 30, 2012								
Revenue								
Pawn loan fees and service charges	$ 137,598	$ 7,352	$ 144,950	$	$	$	$	**$ 144,950**
Proceeds from disposition of merchandise	340,470	23,869	364,339					**364,339**
Consumer loan fees	57,951		57,951	142,926	152,685	295,611		**353,562**
Other	5,147	260	5,407	453	5	458	416	**6,281**
Total revenue	541,166	31,481	572,647	143,379	152,690	296,069	416	**869,132**
Cost of revenue								
Disposed merchandise	222,473	21,487	243,960					**243,960**
Consumer loan loss provision	11,069		11,069	52,597	71,114	123,711		**134,780**
Total cost of revenue	233,542	21,487	255,029	52,597	71,114	123,711		**378,740**
Net revenue	307,624	9,994	317,618	90,782	81,576	172,358	416	**490,392**
Expenses								
Operations and administration	179,463	16,016	195,479	49,589	54,501	104,090	34,776	**334,345**
Depreciation and amortization	14,646	2,249	16,895	5,339	563	5,902	7,011	**29,808**
Total expenses	194,109	18,265	212,374	54,928	55,064	109,992	41,787	**364,153**
Income (loss) from operations	**$ 113,515**	**$ (8,271)**	**$ 105,244**	**$ 35,854**	**$ 26,512**	**$ 62,366**	**$ (41,371)**	**$ 126,239**

10. 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. In August 2006, James H. Greene and Mennie Johnson were permitted to join the lawsuit as named plaintiffs, and in June 2009, the court agreed to the removal of James E. Strong as a named plaintiff. The lawsuit 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 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 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 the plaintiff s claims, denying the remainder of Cash America s motion and granting the plaintiff s cross-motion for partial summary judgment. Cash America filed a notice of appeal with the Georgia Court of Appeals in December 2011 on the grant of plaintiff s partial summary judgment, and on November 6, 2012, the Georgia Court of Appeals reversed the trial court s grant of partial summary judgment to plaintiffs and affirmed the trial court s denial of Cash America s motion for summary judgment. Cash America filed a Petition for Certiorari with the Supreme Court of Georgia to appeal the decision of the Georgia Court of Appeals regarding Cash America s motion for summary judgment on November 26, 2012, which was denied on February 18, 2013. This lawsuit is scheduled to go to trial in November 2013. 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.

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

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.

11. 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 June 30, 2013 and 2012 and December 31, 2012 are as follows (dollars in thousands):

	June 30, 2013	**Fair Value Measurements Using**		
		Level 1	**Level 2**	**Level 3**
Financial assets (liabilities):				
Forward currency exchange contracts	**$ 454**	**$**	**$ 454**	**$**
Nonqualified savings plan assets [(a)]	**13,336**	**13,336**		
Total	**$ 13,790**	**$ 13,336**	**$ 454**	**$**

	June 30, 2012	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Financial assets (liabilities):				
Forward currency exchange contracts	$ (20)	$	$ (20)	$
Nonqualified savings plan assets [(a)]	10,339	10,339		
Marketable securities[(b)]	5,247	5,247		
Total	$ 15,566	$ 15,586	$ (20)	$

	December 31, 2012	Fair Value Measurements Using	
		Level 1	Level 2

				Level 3
Financial assets (liabilities):				
Forward currency exchange contracts	$ (406)	$	$ (406)	$
Nonqualified savings plan assets [(a)]	11,347	11,347		
Marketable securities[(b)]	6,042	6,042		
Total	$ 16,983	$ 17,389	$ (406)	$

[(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)] Cumulative unrealized total gains/(losses), net of tax, on these equity securities of ($0.3) million and $0.3 million as of June 30, 2012 and December 31, 2012, respectively, are recorded in Accumulated other comprehensive income (loss) in the Company s consolidated statements of equity. These marketable securities were sold during the three months ended June 30, 2013. See Note 6 for further discussion.

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

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 rates. During the six months ended June 30, 2013 and 2012, there were no transfers of assets in or out of Level 1 or Level 2 fair value measurements.

Financial Assets and Liabilities Not Measured at Fair Value

The Company s financial assets and liabilities as of June 30, 2013 and 2012 and December 31, 2012 that are not measured at fair value in the consolidated balance sheets are as follows (dollars in thousands):

	Carrying Value June 30, 2013	Estimated Fair Value June 30, 2013	Fair Value Measurement Using Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	**$ 131,905**	**$ 131,905**	**$ 131,905**	**$**	**$**
Pawn loans	**229,574**	**229,574**			**229,574**
Consumer loans, net	**287,127**	**287,127**			**287,127**
Pawn loan fees and service charges receivable	**45,566**	**45,566**			**45,566**
Total	**$ 694,172**	**$ 694,172**	**$ 131,905**	**$**	**$ 562,267**
Financial liabilities:					
Senior unsecured notes	**457,955**	**443,480**		**443,480**	
2029 Convertible Notes	**111,869**	**207,863**		**207,863**	
Total	**$ 569,824**	**$ 651,343**	**$**	**$ 651,343**	**$**

	Carrying Value June 30, 2012	Estimated Fair Value June 30, 2012	Fair Value Measurement Using Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 68,939	$ 68,939	$ 68,939	$	$
Pawn loans	232,909	232,909			232,909
Consumer loans, net	226,364	226,364			226,364
Pawn loan fees and service charges receivable	44,606	44,606			44,606
Total	$ 572,818	$ 572,818	$ 68,939	$	$ 503,879
Financial liabilities:					
Domestic and Multi-currency line of credit	$ 223,914	$ 230,451	$	$ 230,451	$
Senior unsecured notes	141,893	142,593		142,593	
2029 Convertible Notes	108,594	208,294		208,294	
Total	$ 474,401	$ 581,338	$	$ 581,338	$

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

	Carrying Value December 31, 2012	Estimated Fair Value December 31, 2012	Fair Value Measurement Using Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 63,134	$ 63,134	$ 63,134	$	$
Pawn loans	244,640	244,640			244,640
Consumer loans, net	289,418	289,418			289,418
Pawn loan fees and service charges receivable	48,991	48,991			48,991
Total	$ 646,183	$ 646,183	$ 63,134	$	$ 583,049
Financial liabilities:					
Domestic and Multi-currency line of credit	$ 301,011	$ 309,969	$	$ 309,969	$
Senior unsecured notes	167,122	165,961		165,961	
2029 Convertible Notes	110,197	186,300		186,300	
Total	$ 578,330	$ 662,230	$	$ 662,230	$

Cash and cash equivalents bear interest at market rates and have maturities of less than 90 days. Included in the Company s cash equivalents balances as of June 30, 2013 were $34.0 million in money market funds, which are highly liquid investments with maturities of three months or less. These assets are classified within Level 1 of the fair value hierarchy, as the money market funds are valued using quoted market prices in active markets.

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 in 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 June 30, 2013, the Company s senior unsecured notes had 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 June 30, 2013, the 2029 Convertible Notes had a higher fair value than carrying value due to the Company s stock price as of June 30, 2013 exceeding the applicable conversion price for the 2029 Convertible Notes, thereby increasing the value of the instrument for noteholders.

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

12. 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.

The Company uses forward currency exchange contracts to hedge foreign currency risk 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 Company s derivative instruments are presented in its financial statements on a net basis. The following table presents information related to the Company s derivative instruments as of June 30, 2013 and 2012 and December 31, 2012 (dollars in thousands):

Assets	**As of June 30, 2013**			
Non-designated derivatives:	**Notional Amount**	**Gross Amounts of Recognized Assets**	**Gross Amounts Offset in the Consolidated Balance Sheet[a]**	**Net Amounts of Assets Presented in the Consolidated Balance Sheet[b]**
Forward currency exchange contracts	**$ 87,553**	**$ 454**	**$**	**$ 454**

Assets	As of June 30, 2012			
Non-designated derivatives:	Notional Amount	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet[a]	Net Amounts of Assets Presented in the Consolidated Balance Sheet[b]
Forward currency exchange contracts	$ 88,351	$	$ (20)	$ (20)

Assets	As of December 31, 2012			
Non-designated derivatives:	Notional Amount	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet[a]	Net Amounts of Assets Presented in the Consolidated Balance Sheet[b]
Forward currency exchange contracts	$ 93,813	$	$ (406)	$ (406)

[a] As of June 30, 2013, the Company had no gross amounts of recognized derivative instruments that the Company makes an accounting policy election not to offset. In addition, there is no financial collateral related to the Company s derivatives. The Company has no

liabilities that are subject to an enforceable master netting agreement or similar arrangement.

(b) Represents the fair value of forward currency exchange contracts, which is recorded in "Prepaid expenses and other assets" in the consolidated balance sheets.

Table of Contents

CASH AMERICA INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The following table presents information on the effect of derivative instruments on the consolidated results of operations and AOCI for the three and six months ended June 30, 2013 and 2012 (dollars in thousands):

	Gains (Losses) Recognized in Income Three Months Ended June 30,		Gains Recognized in AOCI Three Months Ended June 30,		Gains (Losses) Reclassified From AOCI into Income Three Months Ended June 30,	
	2013	2012	**2013**	2012	**2013**	2012
Non-designated derivatives:						
Forward currency exchange contracts[a]	**$ (66)**	$ 1,889	**$**	$	**$**	$
Total	**$ (66)**	$ 1,889	**$**	$	**$**	$

	Gains (Losses) Recognized in Income Six Months Ended June 30,		Gains Recognized in AOCI Six Months Ended June 30,		Gains (Losses) Reclassified From AOCI into Income Six Months Ended June 30,	
	2013	2012	**2013**	2012	**2013**	2012
Derivatives designated as hedges:						
Interest rate contracts	**$**	$	**$**	$ 12	**$**	$
Total	**$**	$	**$**	$ 12	**$**	$
Non-designated derivatives:						
Forward currency exchange contracts[a]	**$ 5,251**	$ (1,021)	**$**	$	**$**	$
Total	**$ 5,251**	$ (1,021)	**$**	$	**$**	$

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

13. Acquisition of 41 Pawn Lending Locations in Texas

In June 2013, the Company s wholly-owned subsidiary, Cash America Pawn L.P., signed an asset purchase agreement for the acquisition of a 41-store chain of pawn lending locations in Texas owned by TDP Superstores Corp. The Company estimates the aggregate purchase price of the acquisition to be approximately $102.5 million, which may be increased or decreased depending on the pawn loan balance and aggregate value of the merchandise held for disposition at closing. The acquisition is expected to be completed during the third quarter of 2013.

24

Table of Contents

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. and its subsidiaries (the Company) should be read in conjunction with the Company s consolidated financial statements and accompanying notes included under Part I, Item 1 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 year ended December 31, 2012.

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 originates, guarantees or purchases consumer loans (collectively referred to as consumer loans throughout this discussion). Consumer loans provide customers with cash, typically in exchange for an obligation to repay the amount advanced plus fees and any applicable interest. Consumer loans include short-term loans (commonly referred to as payday loans), line of credit accounts and installment loans.

Short-term loans include unsecured short-term loans written by the Company or by a third-party lender through the Company s credit services organization programs (CSO programs as further described below) that the Company guarantees. Line of credit accounts include draws made through the Company s line of credit product. Installment loans are longer-term multi-payment loans that generally require the pay-down of portions of the outstanding principal balance in multiple installments and include unsecured loans and auto equity loans, which are secured by a customer s vehicle, that are written by the Company or by a third-party lender through the Company s CSO programs that the Company guarantees.

Through the Company s 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 (CSO loans). Under the CSO programs, the Company guarantees consumer loan payment obligations to the third-party lender in the event that the customer defaults on the loan. CSO loans are not included in the Company s financial statements, but the Company has established a liability for the estimated losses in support of the guarantee on these loans in its consolidated balance sheets.

In addition, the Company provides check cashing and other ancillary services through many of its retail services locations and through its franchised check cashing centers. The ancillary services provided mainly include money orders, wire transfers, prepaid debit cards, tax filing services and auto insurance. Most of these ancillary services are provided through third-party vendors.

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

Table of Contents

channels through which the Company offers consumer loans. The Company reports corporate operations separately from its retail services and e-commerce segment information. Corporate operations primarily include corporate expenses, such as legal, occupancy, 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.

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 ancillary services as of June 30, 2013 and 2012. The Company s domestic retail services locations operate under the names Cash America Pawn, SuperPawn, Cash America Payday Advance, Cashland and Mr. Payroll. In addition, certain domestic retail services locations acquired in late 2012 operate under various names that are expected to be changed to Cash America Pawn during 2013. The Company s foreign retail services locations operate under the name Cash America casa de empeño.

	As of June 30,					
	2013			2012		
	Domestic[a]	**Foreign**	**Total**	Domestic[a][b]	Foreign	Total
Retail services locations offering:						
Both pawn and consumer lending	**581**		**581**	577		577
Pawn lending only	**169**	**47**	**216**	130	195	325
Consumer lending only	**77**		**77**	83		83
Other [c]	**90**		**90**			