

IEG HOLDINGS CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013



Rose, Snyder & Jacobs LLP
ACCOUNTANTS & ADVISORS

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders
IEG Holdings Corporation

We have reviewed the consolidated balance sheet of IEG Holdings Corporation as of June 30, 2013, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the six-month periods ended June 30, 2013 and 2012. This financial information is the responsibility of the company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants and in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States and the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the financial information referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America and in accordance with auditing standards of the Public Company Accounting Oversight Board (United States), the balance sheet of Investment Evolution Global Corporation as of December 31, 2012, and the related statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated April 9, 2013, we expressed an unqualified opinion on those financial statements. Our report included an emphasis of a matter regarding going concern. In our opinion, the information set forth in the accompanying balance sheet as of December 31, 2012, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

Rose, Snyder & Jacobs LLP

Rose, Snyder & Jacobs LLP

Encino, California
October 28, 2013

IEG HOLDINGS CORPORATION
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2013 AND DECEMBER 31, 2012

ASSETS		
	June 30, 2013 <u>(UNAUDITED)</u>	December 31, 2012 <u></u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 155,731	\$ 178,601
Loans receivable - current, net, note 2	24,588	18,482
Advances to officer, note 8	<u>152,634</u>	<u>203,119</u>
TOTAL CURRENT ASSETS	<u>332,953</u>	<u>400,202</u>
PROPERTY AND EQUIPMENT, net, note 3	51,210	80,235
LOANS RECEIVABLE - LONG TERM, net, note 2	113,884	112,004
OTHER ASSETS		
Security deposits	39,329	34,454
Loan costs, net	<u>140,547</u>	<u>164,301</u>
TOTAL OTHER ASSETS	<u>179,876</u>	<u>198,755</u>
TOTAL ASSETS	<u>\$ 677,923</u>	<u>\$ 791,196</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 7,832
Accrued expenses	137,444	149,672
Deferred salary, note 8	750,835	1,401,763
Deferred rent	48,844	48,844
Due to IEG Holdings Limited ACN 131 987 838, note 8	453,658	-
Current portion of long term debt	<u>44,569</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>1,435,350</u>	<u>1,608,111</u>
LONG-TERM LIABILITIES		
Senior debt, note 4	205,431	250,000
Deposit on stock to be issued	<u>34,863</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,675,644</u>	<u>1,858,111</u>
COMMITMENTS AND CONTINGENCIES, note 10		
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, \$0.001 par value; 50,000,000 shares authorized, no shares issued and outstanding, note 6	-	-
Common stock, \$0.001 par value; 1,000,000,000 shares authorized, 804,937,297 and 272,447,137 shares issued and outstanding, note 6	804,938	272,447
Additional paid-in capital	5,755,363	3,464,161
Accumulated deficit	<u>(7,558,022)</u>	<u>(4,803,523)</u>
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	<u>(997,721)</u>	<u>(1,066,915)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	<u>\$ 677,923</u>	<u>\$ 791,196</u>

See independent accountants' report
and notes to consolidated financial statements.

IEG HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(UNAUDITED)

	June 30, 2013	June 30, 2012
REVENUES		
Interest revenue	\$ 21,711	\$ 9,730
Other revenue	<u>3,075</u>	<u>4,474</u>
TOTAL REVENUES	<u>24,786</u>	<u>14,204</u>
OPERATING EXPENSES		
Salaries and wages	690,705	854,507
Rent	140,882	103,416
Consulting	76,270	27,500
General and administrative	67,318	67,904
Professional fees	60,431	15,175
Telephone and utilities	43,573	36,498
Travel and marketing	32,882	122,990
Depreciation and amortization	29,025	73,142
Provision for credit losses	15,947	7,151
Insurance	14,360	25,335
Licenses and taxes	8,754	6,857
Office and miscellaneous	5,008	10,782
Repairs	3,600	6,463
Start up costs, note 8	<u>1,500,000</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>2,688,755</u>	<u>1,357,721</u>
LOSS FROM OPERATIONS	<u>(2,663,969)</u>	<u>(1,343,516)</u>
OTHER INCOME (EXPENSE)		
Interest expense	<u>(90,530)</u>	<u>(3)</u>
TOTAL OTHER INCOME (EXPENSE)	<u>(90,530)</u>	<u>(3)</u>
NET LOSS	<u>\$ (2,754,499)</u>	<u>\$ (1,343,519)</u>
Net loss per share, basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>
Weighted average number of shares, basic and diluted	<u>464,219,187</u>	<u>272,447,137</u>

See independent accountants' report
and notes to consolidated financial statements.

IEG HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD FROM JANUARY 1, 2012 THROUGH JUNE 30, 2013

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in Capital</u>	<u>Deficit</u>	<u>Total</u>
Balance, January 1, 2012	272,447,137	\$ 272,447	\$ 1,720,746	\$ (2,296,001)	\$ (302,808)
Capital contributions from parent	-	-	873,690	-	873,690
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,343,519)</u>	<u>(1,343,519)</u>
Balance, June 30, 2012	272,447,137	\$ 272,447	\$ 2,594,436	\$ (3,639,520)	\$ (772,637)
Capital contributions from parent	-	-	869,725	-	869,725
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,164,003)</u>	<u>(1,164,003)</u>
Balance, December 31, 2012	272,447,137	\$ 272,447	\$ 3,464,161	\$ (4,803,523)	\$ (1,066,915)
Issuance of shares	525,005,510	525,006	2,298,687	-	2,823,693
Shares issued for pre-merger shares of shell	7,484,650	7,485	(7,485)	-	-
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,754,499)</u>	<u>(2,754,499)</u>
Balance, June 30, 2013	<u>804,937,297</u>	<u>\$ 804,938</u>	<u>\$ 5,755,363</u>	<u>\$ (7,558,022)</u>	<u>\$ (997,721)</u>

See report of independent registered public accounting firm and
notes to consolidated financial statements.

IEG HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(UNAUDITED)

	June 30, 2013	June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (2,754,499)	\$ (1,343,519)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for credit losses	15,947	7,151
Depreciation and amortization	29,025	73,142
Amortization of loan costs	23,754	-
Changes in assets - (increase) decrease:		
Deposits	(4,875)	1,473
Changes in liabilities - increase (decrease):		
Accounts payable	22,167	-
Accrued expenses	2,180	(28,032)
Deferred salary	466,543	281,347
Deferred rent	-	16,983
Payable for Rights Sales Agreement	1,500,000	-
NET CASH USED IN OPERATING ACTIVITIES	<u>(699,758)</u>	<u>(991,455)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loans receivable originated	(43,000)	(34,000)
Loans receivable repaid	19,068	6,284
Purchases of property and equipment	-	(12,461)
Advances to IEG Holdings Limited ACN 131 987 838	(621,279)	-
Advances to officer repaid	50,485	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(594,726)</u>	<u>(40,177)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	-	199,965
Proceeds from short-term loan	220,000	-
Payments on short-term loan	(220,000)	-
Advances from officer	-	63,000
Deposits on stock to be issued	34,863	-
Proceeds from issuance of common stock	1,236,751	-
Capital contributions	-	873,690
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,271,614</u>	<u>1,136,655</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(22,870)	105,023
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>178,601</u>	<u>143,251</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 155,731</u>	<u>\$ 248,274</u>
Supplemental disclosures:		
Interest paid in cash	<u>\$ 22,750</u>	<u>\$ -</u>
Income taxes paid in cash	<u>\$ -</u>	<u>\$ -</u>
Issurance of common stock in lieu of payment of accrued compensation	<u>\$ 1,586,942</u>	<u>\$ -</u>
Advance to IEG Holdings limited ACN 131 987 838 offset against payable for Rights Sales Agreement	<u>\$ 621,279</u>	<u>\$ -</u>

See independent accountants' report
and notes to consolidated financial statements.

IEG HOLDINGS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The principal business activity of the Company is providing unsecured consumer loans ranging from \$2,000 - \$10,000 over a three to five year term. The loans are offered under the consumer brand "Mr. Amazing Loans". The Company is headquartered in Las Vegas, Nevada and originates direct consumer loans in the states of Nevada, Florida, Illinois and Arizona via its online platform and distribution network. The Company is a fully licensed consumer installment loan provider in the four states in which it operates and offers all loans within the prevailing statutory rates.

Organization and Basis of Accounting

Investment Evolution Global Corporation ("IEGC") was incorporated in the state of Delaware on February 20, 2008. On March 14, 2013, IEGC consummated a reverse merger transaction with IEG Holdings Corporation ("IEG Holdings") (f/k/a Ideal Accents, Inc.). As a result of the reverse merger, the shareholders of IEGC received 90,815.71 shares of common stock in IEG Holdings for each share of IEGC, so that they own approximately 99.1% of the issued and outstanding common shares of IEG Holdings immediately after the transaction. For accounting purposes, the reverse merger has been treated as an acquisition of IEG Holdings by IEGC (the accounting acquirer) and a recapitalization of IEGC. Immediately prior to the reverse merger, IEG Holdings effected a 1-for-6 reverse stock split. The stockholders' equity has been restated to retroactively reflect the number of shares of IEGC, using the capital structure of IEG Holdings and to present the accumulated deficit of IEGC as of the date of the merger.

These consolidated financial statements include the operations of IEG Holdings Corporation and its wholly-owned subsidiaries Investment Evolution Global Corporation, Investment Evolution Corporation, and IEC SPV, LLC (collectively the "Company"). All inter-company transactions and balances have been eliminated in consolidation.

We have prepared the Company's accompanying consolidated unaudited financial statements in accordance with accounting principles generally accepted in the United States of America, or GAAP, for interim financial statements and with instructions to annual statements pursuant to the rules and regulations of Securities and Exchange Act of 1934, as amended, or the Exchange Act and Article 8-03 of Regulation S-X promulgated under the Exchange Act. Accordingly, these financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of our management, we have included all adjustments considered necessary (consisting of normal recurring adjustments) for a fair presentation. Operating results for the six months ended June 30, 2013 and 2012 are not indicative of the results that may be expected for the fiscal year ending December 31, 2013. You should read these unaudited consolidated financial statements in conjunction with the audited financial statements for the year ended December 31, 2012 and the notes thereto. The Company's accounting and reporting policies are in accordance with U.S. generally accepted accounting principles and conform to general practices within the consumer finance industry.

Going Concern

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has reported recurring losses and has not generated positive net cash flows from operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management intends to raise capital funding sufficient to continue operations through January 2014 via a public offering of equity and unsecured notes. This additional working capital will enable the Company to increase loan volume utilizing its existing \$3 million credit facility. If the Company is not successful in raising sufficient capital, it may have to delay or reduce expenses, or curtail operations. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that could result should the Company not continue as a going concern.

See independent accountants' report.

IEG HOLDINGS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Management uses its historical records and knowledge of its business in making these estimates. Accordingly, actual results may differ from these estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company considers cash equivalents to include short-term, highly liquid investments with an original maturity of three months or less.

Loans Receivable and Interest Income

The Company is licensed to originate consumer loans in the states of Nevada, Florida, Illinois and Arizona. During the six months ended June 30, 2013 and 2012, the Company originated \$2,000, \$3,000 and \$5,000 loans with terms ranging from three to five years. The Company offers its loans at or below the prevailing statutory rates. Loans are carried at the unpaid principal amount outstanding, net of an allowance for credit losses.

The Company calculates interest revenue using the interest yield method. Charges for late payments are credited to income when collected. Application fees are insignificant.

Accrual of interest income on loans receivable is suspended when no payment has been received on account for 60 days or more on a contractual basis, at which time a loan is considered delinquent. Loans are returned to active status and accrual of interest income is resumed when all of the principal and interest amounts contractually due are brought current; at which time management believes future payments are reasonably assured. At June 30, 2013, one loan with a balance of \$1,485 was delinquent.

Allowance for Credit Losses

The Company maintains an allowance for credit losses due to the fact that it is probable that a portion of the loans receivable will not be collected. The allowance is estimated by management based on various factors, including specific circumstances of the individual loans, management's knowledge of the industry, and the experience and trends of other companies in the same industry.

Impaired Loans

The Company defines impaired loans as bankrupt accounts and accounts that are 184 days or more past due. In accordance with the Company's charge-off policy, once a loan is deemed uncollectible, 100% of the remaining balance is charged-off. Loans can also be charged off when deemed uncollectable due to consumer specific circumstances.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are being provided using the straight-line method over the estimated useful lives of the assets as follows:

<u>Classification</u>	<u>Life</u>
Computer equipment	3-5 years
Furniture and fixtures	8 years

See independent accountants' report.

IEG HOLDINGS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

The Company amortizes its leasehold improvements over the shorter of their economic lives, which are generally five years, or the lease term that considers renewal periods that are reasonably assured. Expenses for repairs and maintenance are charged to expense as incurred, while renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the consolidated statement of operations.

Operating Leases

The Company's office leases typically have a lease term of three to five years and contain lessee renewal options and cancellation clauses in the event of regulatory changes.

Loan Costs

Loan costs consist of the cost of acquiring the \$3 million credit facility, including broker success fees and legal fees. These costs are amortized over four years, the period of the credit facility. Accumulated amortization of loan costs amounted to \$49,488 and \$0 at June 30, 2013 and 2012, respectively.

Income Taxes

We account for income taxes using the liability method in accordance with FASB Accounting Standards Codification ("ASC") 740 "Income Taxes". To date, no current income tax liability has been recorded due to our accumulated net losses. Deferred income tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of assets and liabilities and the amounts that are reported in the income tax returns. Our net deferred income tax assets have been fully reserved by a valuation allowance due to the uncertainty of our ability to realize future taxable income and to recover our net deferred income tax assets.

Advertising Costs

Advertising costs are expensed as incurred and are included in general administrative expenses. Advertising costs amounted to \$1,764 and \$38,941 for the six months ended June 30, 2013 and 2012, respectively.

Earnings and loss per Share

The Company computes net earnings (loss) per share in accordance with ASC 260-10 that establishes standards for computing and presenting net earnings (loss) per shares. Basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares, if any, had been issued and if the additional common shares were dilutive.

Fair Value of Financial Instruments

The Company has adopted guidance issued by the FASB that defines fair value, establishes a framework for measuring fair value in accordance with existing generally accepted accounting principles, and expands disclosures about fair value measurements. Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The categories are as follows:

See independent accountants' report.

IEG HOLDINGS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

Level I	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs, other than quoted prices included in Level I, that are observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

At June 30, 2013 and 2012, the only financial instruments that are subject to these classifications are cash and cash equivalents, which are considered Level I assets.

Carrying amounts reported in the consolidated balance sheets for advances to officer, accounts payable, and accrued expenses approximate fair value because of their immediate or short-term nature. The fair value of borrowings is not considered to be significantly different than its carrying amount because the stated rates for such debt reflect current market rates and conditions.

2. LOANS RECEIVABLE

Loans receivable consisted of the following at June 30, 2013, and December 31, 2012:

	<u>June 30, 2013</u>	<u>December 31, 2012</u>
Loans receivable	\$ 157,337	\$ 148,263
Allowance for credit losses	<u>(18,865)</u>	<u>(17,777)</u>
Loans receivable, net	138,472	130,486
Loan receivables, current	<u>24,588</u>	<u>18,482</u>
Loan receivables, non current	<u>\$ 113,884</u>	<u>\$ 112,004</u>

A reconciliation of the allowance for credit losses consist of the following at June 30 2013, and December 31, 2012:

	<u>June 30, 2013</u>	<u>December 31, 2012</u>
Beginning balance	\$ 17,777	\$ 6,840
Provision for credit losses	15,947	20,340
Loans charged off	<u>(14,859)</u>	<u>(9,403)</u>
Ending balance	<u>\$ 18,865</u>	<u>\$ 17,777</u>

See independent accountants' report.

IEG HOLDINGS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013

3. PROPERTY AND EQUIPMENT

At June 30, 2013 and December 31, 2012, property and equipment consists of the following:

	<u>June 30, 2013</u>	<u>December 31, 2012</u>
Computer equipment	\$ 120,513	\$ 120,513
Furniture and fixtures	13,314	13,314
Leasehold improvements	<u>57,980</u>	<u>57,980</u>
	191,807	191,807
Less accumulated depreciation and amortization	<u>140,597</u>	<u>111,572</u>
Total	<u>\$ 51,210</u>	<u>\$ 80,235</u>

Depreciation of property and equipment amounted to \$29,025 and \$73,142 during the six months ended June 30, 2013 and 2012, respectively, are included in the accompanying statements of operations in operating expenses.

4. LONG TERM DEBT

The Company has a credit facility that provides for borrowings of up to \$3 million with \$250,000 outstanding at June 30, 2013 and December 31, 2012, subject to a borrowing base formula. The Company may borrow, at its option, at the rate of 18% with a minimum advance of \$25,000. As of June 30, 2013 the Company's effective interest rate was 18% and the unused amount available under the credit line was \$2.75 million. Proceeds from this credit facility are used to fund loans to consumers. The credit facility features an 18 month revolving period commencing July 1, 2012 during which interest only payments are due. Commencing January 1, 2014, the facility converts to a term loan with monthly interest and principal payments, and a maturity date of June 1, 2016. The payment amounts are equal to 100% of the consumer loan proceeds.

Substantially all of the Company's assets are pledged as collateral for borrowings under the revolving credit agreement.

Future minimum payments on the credit facility at June 30, 2013 are as follows:

<u>Twelve months ending June 30,</u>	
2014	\$ 44,569
2015	93,564
2016	<u>111,867</u>
	<u>\$ 250,000</u>

See independent accountants' report.

IEG HOLDINGS CORPORATION
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5. WORKING CAPITAL LOAN

On March 19, 2013 the company secured a \$220,000 working capital loan from Clem Tacca. The Company repaid \$264,000 to Clam Tacca on June 10, 2013 which comprised full repayment of \$220,000 loan principal and a \$44,000 facility fee recorded as interest expense.

6. STOCKHOLDERS' EQUITY

The aggregate number of shares which the Company has the authority to issue is 1,050,000,000 shares, of which 1,000,000,000 shares are common stock, par value \$0.001 per share, and 50,000,000 shares are preferred stock, par value \$0.001 per shares. The Board of Directors is authorized at any time, and from time to time, to provide for the issuance of Preferred Stock in one or more series, and to determine the designations, preferences, limitations and relative or other rights of the Preferred Stock or any series thereof.

The stockholders' equity has been restated to retroactively reflect the number of shares of Investment Evolution Global Corporation, using the capital structure of IEG Holdings Corporation and to present the accumulated deficit of Investment Evolution Global Corporation as of the date of the merger.

During the six months ended June 30, 2013, the Company issued 12,491,916 shares at a price of \$0.02 and \$0.03 per share, and 512,513,594 shares at \$0.005 per share in accordance with a rights offering to the pre-merger existing stockholders of the company.

7. INCOME TAXES

The difference between income tax expense attributable to continuing operations and the amount of income tax expense that would result from applying domestic federal statutory rates to pre-tax income (loss) is mainly related to an increase in the valuation allowance. Valuation allowances are established, when necessary, to reduce deferred income tax assets to the amount expected to be realized. Deferred income tax assets are mainly related to net operating loss carryforwards. Management has chosen to take a 100% valuation allowance against the deferred income tax asset until such time as management believes that its projections of future profits make the realization of the deferred income tax assets more likely than not. Significant judgment is required in the evaluation of deferred income tax benefits and differences in future results from management's estimates could result in material differences.

As of June 30, 2013, the Company is in the process of determining the amount of loss carryforwards that may potentially be used to offset future Federal taxable income, which will expire through 2032. In the event of statutory ownership changes, the amount of net operating loss carryforwards that may be utilized in future years is subject to significant limitations.

The Company has adopted guidance issued by the FASB that clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold of more likely than not and a measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In making this assessment, a company must determine whether it is more likely than not that a tax position will be sustained upon examination, based solely on the technical merits of the position and must assume that the tax position will be examined by taxing authorities. The Company's policy is to include interest and penalties related to unrecognized tax benefits in income tax expense. Interest and penalties totaled \$0 for the six months ended June 30, 2013 and 2012. The Company files income tax returns with the Internal Revenue Service ("IRS") and the states of Nevada, Florida, Illinois and Arizona. All of the Company's tax filings are still subject to examination. The Company's net operating loss carryforwards are subject to IRS examination until they are fully utilized and such tax years are closed.

See independent accountants' report.

IEG HOLDINGS CORPORATION
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8. RELATED PARTY TRANSACTIONS

At June 30, 2013, the Company had advances due from its Chief Executive Officer, which aggregated \$152,634 and \$203,119 at June 30, 2013 and December 31, 2012, respectively. The Company also has deferred salary, including payroll taxes, to the Chief Executive Officer in the amount of \$750,835 and \$1,401,763 at June 30, 2013 and December 31, 2012, respectively. These amounts relate to the unpaid portion of salaries due under the Chief Executive Officer agreement which provides for a salary of \$1 million per year.

Rights Sales Agreement

Effective June 30, 2013, the Company entered into a Rights Sales Agreement, under which the Company acquired the Australian rights to conduct business throughout Australia, from IEG Holdings Limited ACN 131 987 838, its parent (until its shares were distributed to the ultimate shareholders of IEG Holdings Limited ACN 131 987 838).

The purchase price for the Rights Sales Agreement was \$1,500,000 to be paid as follows:

Already paid through advances to IEG Holdings Limited ACN 131 987 838	\$ 621,279
Offset by amounts owed from Company shareholders	
who are also creditors of IEG Holdings Limited ACN 131 987 838	\$ 425,063
Balance due by December 31, 2013	\$ 453,658

The cost of the Rights Sales Agreement was recorded as start-up cost in the statements of operations in accordance with ASC 720-15-25.

9. CONCENTRATION OF CREDIT RISK

The Company's portfolio of finance receivables is with consumers living throughout Nevada, Florida, Arizona and Illinois and consequently such consumers' ability to honor their installment contracts may be affected by economic conditions in these areas.

The Company maintains cash at financial institutions which may, at times, exceed federally insured limits.

See independent accountants' report.

IEG HOLDINGS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013

10. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases its operating facilities under non-cancelable operating leases that expire through August 2016. Total rent expense for the six months ended June 30, 2013 and 2012 was \$140,882 and \$103,416, respectively. The Company is responsible for certain operating expenses in connection with these leases. The following is a schedule, by year, of future minimum rental payments required under non-cancelable operating leases in excess of one year as of June 30, 2013:

Twelve months ending June 30,	
2014	\$ 194,043
2015	180,217
2016	143,120
2017	18,039
Thereafter	-
	<u>\$ 535,419</u>

The Chicago, Phoenix and West Palm Beach offices were vacated in 2013 after obtaining special approval from the Illinois, Arizona and Florida Commissioners to operate the state licenses without having a physical office location in each state. The Company is currently looking to sublease these properties which would reduce future required rental payments. The Company is now able to fully service all four states using its online platform and distribution network and operating solely out of its centralized Las Vegas operational headquarters.

Legal Matters

From time to time, the Company may get involved in legal proceedings in the normal course of its business. The Company is not involved in any legal proceedings at the present time.

Regulatory Requirements

State statutes authorizing the Company's products and services typically provide state agencies that regulate banks and financial institutions with significant regulatory powers to administer and enforce the law. Under statutory authority, state regulators have broad discretionary power and may impose new licensing requirements, interpret or enforce existing regulatory requirements in different ways, or issue new administrative rules. In addition, when the staff of state regulatory bodies change, it is possible that the interpretations of applicable laws and regulations may also change.

See independent accountants' report.

IEG HOLDINGS CORPORATION
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11. REVERSE MERGER

On January 25, 2013 the Investment Evolution Global Corporation ("IEGC") entered into a stock exchange agreement (the "Stock Exchange Agreement") among IEGC, its sole shareholder IEG Holdings Limited, an Australian company ("IEG") and IEG Holdings Corporation (f/k/a Ideal Accents, Inc.), a Florida corporation ("IEG Holdings"). Under the terms of the Stock Exchange Agreement, IEG Holdings agreed to acquire a 100% interest in the Company for 272,447,137 shares of IEG Holdings' common stock after giving effect to a 1 for 6 reverse stock split. On February 14, 2013 IEG Holdings filed the Amended Articles with the Secretary of State of Florida changing its name from Ideal Accents, Inc. to IEG Holdings Corporation, increasing the number of shares of its authorized common stock to 1,000,000,000, \$.001 par value, creation of 50,000,000 shares of "blank-check" preferred stock and effectuating a 1 for 6 reverse stock split of its issued and outstanding common stock (the "Reverse Stock Split") pursuant to the terms of the Stock Exchange Agreement. FINRA approved the IEG Holdings Amended Articles on March 11, 2013.

On March 13, 2013 IEG Holdings completed the acquisition of IEGC under the terms of the Stock Exchange Agreement and issued to IEG 272,447,137 shares of IEG Holdings common stock after giving effect to the Reverse Stock Split whereby IEG Holdings acquired a 100% interest in the Company. As a result of the ownership interests of IEG in IEG Holdings and its former ownership interest in the Company, for financial statement reporting purposes, the acquisition of the Company by IEG Holdings has been treated as a reverse acquisition with the Company being the accounting acquirer.

12. SUBSEQUENT EVENTS

Working Capital Loans

On September 6, 2013 the Company secured a \$180,000 working capital loan from Clem Tacca. As per the Agreement, \$100,000 was drawn down on September 6, 2013 and the remaining \$80,000 drawn on September 16, 2013. The repayment date for the loan is October 31, 2013.

On October 15, 2013 the Company secured a \$100,000 loan from Domenic Tacca Pty Ltd. The repayment date for the loan is January 14, 2013.

Investment Evolution Australia Corporation

On October 21, 2013 Investment Evolution Australia Corporation (IEAC) was incorporated. IEAC, a Delaware corporation, is a 100% owned subsidiary of IEGC and will conduct consumer lending in Australia.

See independent accountants' report.