

OneMain Holdings, Inc.  
Form 10-Q  
November 05, 2018

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

FORM 10-Q  
(Mark One)

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

For the quarterly period ended September 30, 2018

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-36129

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

Delaware 27-3379612  
(State of Incorporation) (I.R.S. Employer Identification No.)

601 N.W. Second Street, Evansville, IN 47708  
(Address of principal executive offices) (Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting Emerging growth  
    company  company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

At October 26, 2018, there were 135,794,189 shares of the registrant's common stock, \$0.01 par value, outstanding.

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GLOSSARY

Terms and abbreviations used in this report are defined below.

| Term or Abbreviation            | Definition  |
|---------------------------------|---|
| 2017 Annual Report on Form 10-K | Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC on February 21, 2018   |
| 30-89 Delinquency ratio         | net finance receivables 30-89 days past due as a percentage of net finance receivables  |
| 5.25% SFC Notes                 | \$700 million of 5.25% Senior Notes due 2019 issued by SFC on December 3, 2014 and guaranteed by OMH  |
| 5.625% SFC Notes                | \$875 million of 5.625% Senior Notes due 2023 issued by SFC on December 8, 2017 and guaranteed by OMH   |
| 6.125% SFC Notes                | \$500 million of 6.125% Senior Notes due 2022 issued by SFC on May 15, 2017 and \$500 million of 6.125% Senior Notes due 2022 issued by SFC on May 30, 2017 and, in each case, guaranteed by OMH                          |
| 6.875% SFC Notes                | \$1.25 billion aggregate principal amount of 6.875% Senior Notes due 2025 issued by SFC on March 12, 2018 and guaranteed by OMH   |
| 7.125% SFC Notes                | \$900 million of 7.125% Senior Notes due 2026 issued by SFC on May 11, 2018 and \$700 million of 7.125% Senior Notes due 2026 issued by SFC on August 10, 2018 and, in each case, guaranteed by OMH                       |
| 8.25% SFC Notes                 | \$1.0 billion of 8.25% Senior Notes due 2020 issued by SFC on April 11, 2016 and guaranteed by OMH  |
| ABS                             | asset-backed securities   |
| Accretable yield                | the excess of the cash flows expected to be collected on the purchased credit impaired finance receivables over the discounted cash flows   |
| Adjusted pretax income (loss)   | a non-GAAP financial measure used by management as a key performance measure of our segments  |
| AHL                             | American Health and Life Insurance Company, an insurance subsidiary of OMFH   |
| AIG                             | AIG Capital Corporation, a subsidiary of American International Group, Inc.   |
| AIG Share Sale                  | sale by SFH of 4,179,678 shares of OMH common stock pursuant to an Underwriting Agreement entered into February 21, 2018 among OMH, SFH and Morgan Stanley & Co. LLC  |
| AOCI                            | Accumulated other comprehensive income (loss)   |
| Apollo                          | Apollo Global Management, LLC and its consolidated subsidiaries   |
| Apollo-Värde Group              | an investor group led by funds managed by Apollo and Värde  |
| Apollo-Värde Transaction        | the purchase by the Apollo-Värde Group of 54,937,500 shares of OMH common stock from SFH pursuant to the Share Purchase Agreement for an aggregate purchase price of approximately \$1.4 billion in cash on June 25, 2018 |
| ASC                             | Accounting Standards Codification   |
| ASU                             | Accounting Standards Update   |
| Average debt                    | average of debt for each day in the period  |
| Average net receivables         | average of monthly average net finance receivables (net finance receivables at the beginning and end of each month divided by two) in the period  |
| BCFP                            | Bureau of Consumer Financial Protection, formerly known as Consumer Financial Protection Bureau (CFPB)  |
| Blackstone                      | collectively, BTO Willow Holdings II, L.P. and Blackstone Family Tactical Opportunities Investment Partnership—NQ—ESC L.P.  |
| CDO                             | collateralized debt obligations   |

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|                    |  |
|--------------------|--|
| CMBS               | commercial mortgage-backed securities  |
| Dodd-Frank Act     | the Dodd-Frank Wall Street Reform and Consumer Protection Act  |
| Exchange Act       | Securities Exchange Act of 1934, as amended  |
| FA Loans           | purchased credit impaired finance receivables related to the Fortress Acquisition  |
| FASB               | Financial Accounting Standards Board   |
| FHLB               | Federal Home Loan Bank   |
| FICO score         | a credit score created by Fair Isaac Corporation   |
| Fixed charge ratio | earnings less income taxes, interest expense, extraordinary items, goodwill impairment, and any amounts related to discontinued operations, divided by the sum of interest expense and any preferred dividends |
| Fortress           | Fortress Investment Group LLC  |

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| Term or Abbreviation           | Definition   |
|--------------------------------|--|
| Fortress Acquisition           | transaction by which FCFI Acquisition LLC, an affiliate of Fortress, acquired an 80% economic interest of the sole stockholder of SFC for a cash purchase price of \$119 million, effective November 30, 2010  |
| GAAP                           | generally accepted accounting principles in the United States of America   |
| Gross charge-off ratio         | annualized gross charge-offs as a percentage of average net receivables  |
| Independence                   | Independence Holdings, LLC   |
| Indiana DOI                    | Indiana Department of Insurance  |
| IRS                            | Internal Revenue Service   |
| Junior Subordinated Debenture  | \$350 million aggregate principal amount of 60-year junior subordinated debt issued by SFC under an indenture dated January 22, 2007, by and between SFC and Deutsche Bank Trust Company, as trustee, and guaranteed by OMH  |
| LIBOR                          | London Interbank Offered Rate  |
| Merit                          | Merit Life Insurance Co., an insurance subsidiary of SFC   |
| Nationstar                     | Nationstar Mortgage LLC, dba "Mr. Cooper"  |
| Net charge-off ratio           | annualized net charge-offs as a percentage of average net receivables  |
| Net interest income            | interest income less interest expense  |
| NRZ                            | New Residential Investment Corp.   |
| ODART                          | OneMain Direct Auto Receivables Trust  |
| OM Loans                       | purchased credit impaired personal loans acquired in the OneMain Acquisition   |
| OMFH                           | OneMain Financial Holdings, LLC  |
| OMFH Indenture                 | Indenture entered into on December 11, 2014, as amended or supplemented from time to time, by OMFH and certain of its subsidiaries in connection with the issuance of the OMFH Notes collectively, \$700 million aggregate principal amount of 6.75% Senior Notes due 2019 and \$800 million in aggregate principal amount of 7.25% Senior Notes due 2021  |
| OMFH Notes                     |  |
| OMFH Supplemental Indenture    | Second Supplemental Indenture dated as of November 8, 2016, to the OMFH Indenture  |
| OMFIT                          | OneMain Financial Issuance Trust   |
| OMH                            | OneMain Holdings, Inc.   |
| OneMain                        | OMFH, collectively with its subsidiaries   |
| OneMain Acquisition            | Acquisition of OneMain from CitiFinancial Credit Company, effective November 1, 2015   |
| Other securities               | securities for which the fair value option was elected and equity securities. Other Securities recognize unrealized gains and losses in investment revenues collectively, SFC's 8.25% Senior Notes due 2023, 7.75% Senior Notes due 2021, and 6.00% Senior Notes due 2020, on a senior unsecured basis, and the Junior Subordinated Debenture, on a junior subordinated basis, issued by SFC and guaranteed by OMH |
| Other SFC Notes                |  |
| Recovery ratio                 | annualized recoveries on net charge-offs as a percentage of average net receivables  |
| Retail sales finance portfolio | collectively, retail sales contracts and revolving retail accounts   |
| RMBS                           | residential mortgage-backed securities   |
| RSAs                           | restricted stock awards  |
| RSUs                           | restricted stock units   |
| SEC                            | U.S. Securities and Exchange Commission  |
| Securities Act                 | Securities Act of 1933, as amended   |
| Segment Accounting Basis       | a basis used to report the operating results of our segments, which reflects our allocation methodologies for certain costs and excludes the impact of applying purchase accounting  |

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|                                   |  |
|-----------------------------------|--|
| Settlement Agreement SFC          | a Settlement Agreement with the U.S. Department of Justice entered into by OMH and certain of its subsidiaries on November 13, 2015, in connection with the OneMain Acquisition Springleaf Finance Corporation |
| SFC Base Indenture                | Indenture dated as of December 3, 2014   |
| SFC First Supplemental Indenture  | First Supplemental Indenture dated as of December 3, 2014, to the SFC Base Indenture   |
| SFC Fourth Supplemental Indenture | Fourth Supplemental Indenture dated as of December 8, 2017, to the SFC Base Indenture  |
| SFC Fifth Supplemental Indenture  | Fifth Supplemental Indenture dated as of March 12, 2018, to the SFC Base Indenture   |

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| Term or Abbreviation              | Definition   |
|-----------------------------------|--|
| SFC Guaranty Agreements           | agreements entered into on December 30, 2013 by OMH whereby it agreed to fully and unconditionally guarantee the payments of principal, premium (if any) and interest on the Other SFC Notes   |
| SFC Second Supplemental Indenture | Second Supplemental Indenture dated as of April 11, 2016, to the SFC Base Indenture  |
| SFC Senior Notes Indentures       | the SFC Base Indenture as supplemented by the SFC First Supplemental Indenture, the SFC Second Supplemental Indenture, the SFC Third Supplemental Indenture, the SFC Fourth Supplemental Indenture, the SFC Fifth Supplemental Indenture and the SFC Sixth Supplemental Indenture  |
| SFC Sixth Supplemental Indenture  | Sixth Supplemental Indenture dated as of May 11, 2018, to the SFC Base Indenture   |
| SFC Third Supplemental Indenture  | Third Supplemental Indenture dated as of May 15, 2017, to the SFC Base Indenture   |
| SFC Trust Guaranty Agreement      | agreement entered into on December 30, 2013 by OMH whereby it agreed to fully and unconditionally guarantee the related payment obligations under the trust preferred securities in connection with the Junior Subordinated Debenture  |
| SFH                               | Springleaf Financial Holdings LLC, an entity owned primarily by a private equity fund managed by an affiliate of Fortress that sold 54,937,500 shares of OMH's common stock to the Apollo-Värde Group in the Apollo-Värde Transaction  |
| SFI                               | Springleaf Finance, Inc.   |
| Share Purchase Agreement          | a share purchase agreement entered into on January 3, 2018, among the Apollo-Värde Group, SFH and the Company to acquire from SFH 54,937,500 shares of our common stock that was issued and outstanding as of such date, representing the entire holdings of our stock beneficially owned by Fortress  |
| SLFT                              | Springleaf Funding Trust   |
| SpringCastle Interests Sale       | the March 31, 2016 sale by SpringCastle Holdings, LLC and Springleaf Acquisition Corporation of the equity interest in the SpringCastle Joint Venture  |
| SpringCastle Joint Venture        | joint venture among SpringCastle America, LLC, SpringCastle Credit, LLC, SpringCastle Finance, LLC, and SpringCastle Acquisition LLC in which SpringCastle Holdings, LLC previously owned a 47% equity interest in each of SpringCastle America, LLC, SpringCastle Credit, LLC and SpringCastle Finance, LLC and Springleaf Acquisition Corporation previously owned a 47% equity interest in SpringCastle Acquisition LLC |
| SpringCastle Portfolio            | loans acquired through the SpringCastle Joint Venture  |
| Tangible equity                   | total equity less accumulated other comprehensive income or loss   |
| Tangible managed assets           | total assets less goodwill and other intangible assets   |
| Tax Act                           | Public Law 115-97 amending the Internal Revenue Code of 1986   |
| TDR finance receivables           | troubled debt restructured finance receivables. Debt restructuring in which a concession is granted to the borrower as a result of economic or legal reasons related to the borrower's financial difficulties.   |
| Texas DOI                         | Texas Department of Insurance  |
| Triton                            | Triton Insurance Company, an insurance subsidiary of OMFH  |



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|                                |   |
|--------------------------------|---|
| Trust preferred securities     | capital securities classified as debt for accounting purposes but due to their terms are afforded, at least in part, equity capital treatment in the calculation of effective leverage by rating agencies |
| Unearned finance charges       | the amount of interest that is capitalized at time of origination on a precompute loan that will be earned over the remaining contractual life of the loan  |
| UPB                            | unpaid principal balance for interest bearing accounts and the gross remaining contractual payments less the unaccreted balance of unearned finance charges for precompute accounts                       |
| Värde                          | Värde Partners, Inc.  |
| VIETs                          | variable interest entities  |
| Weighted average interest rate | annualized interest expense as a percentage of average debt   |
| Yield                          | annualized finance charges as a percentage of average net receivables   |
| Yosemite                       | Yosemite Insurance Company, an insurance subsidiary of SFC  |

## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements.

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

| (dollars in millions, except par value amount)  | September 30,<br>2018 | December 31,<br>2017 |
|---|-----------------------|----------------------|
| Assets  |                       |                      |
| Cash and cash equivalents   | \$ 1,243              | \$ 987               |
| Investment securities   | 1,707                 | 1,697                |
| Net finance receivables:  |                       |                      |
| Personal loans (includes loans of consolidated VIEs of \$9.0 billion in 2018 and \$9.8 billion in 2017)   | 15,750                | 14,823               |
| Other receivables   | —                     | 134                  |
| Net finance receivables   | 15,750                | 14,957               |
| Unearned insurance premium and claim reserves   | (631                  | ) (590               |
| Allowance for finance receivable losses (includes allowance of consolidated VIEs of \$451 million in 2018 and \$465 million in 2017)  | (706                  | ) (697               |
| Net finance receivables, less unearned insurance premium and claim reserves and allowance for finance receivable losses   | 14,413                | 13,670               |
| Finance receivables held for sale   | 207                   | 132                  |
| Restricted cash and restricted cash equivalents (includes restricted cash and restricted cash equivalents of consolidated VIEs of \$478 million in 2018 and \$482 million in 2017)            | 495                   | 498                  |
| Goodwill  | 1,422                 | 1,422                |
| Other intangible assets   | 398                   | 440                  |
| Other assets  | 583                   | 587                  |
| Total assets  | \$ 20,468             | \$ 19,433            |
| Liabilities and Shareholders' Equity  |                       |                      |
| Long-term debt (includes debt of consolidated VIEs of \$8.1 billion in 2018 and \$8.7 billion in 2017)  | \$ 15,731             | \$ 15,050            |
| Insurance claims and policyholder liabilities   | 689                   | 737                  |
| Deferred and accrued taxes  | 24                    | 45                   |
| Other liabilities (includes other liabilities of consolidated VIEs of \$15 million in 2018 and \$14 million in 2017)  | 384                   | 323                  |
| Total liabilities   | 16,828                | 16,155               |
| Commitments and contingent liabilities (Note 14)  |                       |                      |
| Shareholders' equity:   |                       |                      |
| Common stock, par value \$.01 per share; 2,000,000,000 shares authorized, 135,791,943 and 135,349,638 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively | 1                     | 1                    |
| Additional paid-in capital  | 1,678                 | 1,560                |
| Accumulated other comprehensive income (loss)   | (22                   | ) 11                 |
| Retained earnings   | 1,983                 | 1,706                |
| Total shareholders' equity  | 3,640                 | 3,278                |
| Total liabilities and shareholders' equity  | \$ 20,468             | \$ 19,433            |

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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

| (dollars in millions, except per share amounts)                     | Three Months<br>Ended September<br>30, |             | Nine Months Ended<br>September 30, |             |
|---|--|-------------|------------------------------------|-------------|
|   | 2018                                   | 2017        | 2018                               | 2017        |
| <b>Interest income:</b>   |  |             |                                    |             |
| Finance charges   | \$930                                  | \$ 805      | \$2,692                            | \$ 2,329    |
| Finance receivables held for sale originated as held for investment | 3                                      | 3           | 8                                  | 10          |
| Total interest income   | 933                                    | 808         | 2,700                              | 2,339       |
| <b>Interest expense</b>   |  |             |                                    |             |
|   | 227                                    | 207         | 647                                | 612         |
| Net interest income   | 706                                    | 601         | 2,053                              | 1,727       |
| Provision for finance receivable losses                             | 256                                    | 243         | 770                                | 724         |
| Net interest income after provision for finance receivable losses   | 450                                    | 358         | 1,283                              | 1,003       |
| <b>Other revenues:</b>  |  |             |                                    |             |
| Insurance   | 106                                    | 107         | 318                                | 314         |
| Investment  | 18                                     | 19          | 50                                 | 58          |
| Net loss on repurchases and repayments of debt                      | —                                      | (1          | ) (9                               | ) (29       |
| Other   | 20                                     | 27          | 62                                 | 71          |
| Total other revenues  | 144                                    | 152         | 421                                | 414         |
| <b>Other expenses:</b>  |  |             |                                    |             |
| <b>Operating expenses:</b>  |  |             |                                    |             |
| Salaries and benefits   | 197                                    | 185         | 697                                | 562         |
| Acquisition-related transaction and integration expenses            | 9                                      | 22          | 47                                 | 59          |
| Other operating expenses  | 141                                    | 134         | 406                                | 413         |
| Insurance policy benefits and claims                                | 48                                     | 48          | 144                                | 139         |
| Total other expenses  | 395                                    | 389         | 1,294                              | 1,173       |
| Income before income taxes  | 199                                    | 121         | 410                                | 244         |
| Income taxes  | 51                                     | 52          | 131                                | 100         |
| Net income  | \$148                                  | \$ 69       | \$279                              | \$ 144      |
| <b>Share Data:</b>  |  |             |                                    |             |
| <b>Weighted average number of shares outstanding:</b>               |  |             |                                    |             |
| Basic   | 135,756,357                            | 135,253,493 | 135,677,815                        | 135,240,664 |
| Diluted   | 136,107,365                            | 135,111,212 | 135,991,715                        | 135,599,369 |
| <b>Earnings per share:</b>  |  |             |                                    |             |
| Basic   | \$1.09                                 | \$ 0.52     | \$2.05                             | \$ 1.07     |
| Diluted   | \$1.09                                 | \$ 0.51     | \$2.05                             | \$ 1.07     |

See Notes to Condensed Consolidated Financial Statements (Unaudited).



## ONEMAIN HOLDINGS, INC. AND SUBSIDIARIES

## Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

| (dollars in millions)  | Three<br>Months<br>Ended<br>September<br>30,<br>2018 |      | Nine Months<br>Ended<br>September<br>30,<br>2017 |       |
|--|--|------|--|-------|
| Net income   | \$148  | \$69 | \$279  | \$144 |
| Other comprehensive income (loss):   |  |      |  |       |
| Net change in unrealized gains (losses) on non-credit impaired available-for-sale securities | (3 )   | 3    | (40 )  | 23    |
| Foreign currency translation adjustments   | 1  | 3    | (4 )   | 7     |
| Income tax effect:   |  |      |  |       |
| Net unrealized gains (losses) on non-credit impaired available-for-sale securities           | 1  | (1 ) | 7  | (8 )  |
| Retirement plan liability adjustments  | —  | —    | 2  | —     |
| Foreign currency translation adjustments   | —  | (1 ) | (1 )   | (3 )  |
| Other comprehensive income (loss), net of tax, before reclassification adjustments           | (1 )   | 4    | (36 )  | 19    |
| Reclassification adjustments included in net income:   |  |      |  |       |
| Net realized losses (gains) on available-for-sale securities                                 | —  | (4 ) | 1  | (12 ) |
| Income tax effect:   |  |      |  |       |
| Net realized gains on available-for-sale securities  | —  | 2    | —  | 4     |
| Reclassification adjustments included in net income, net of tax                              | —  | (2 ) | 1  | (8 )  |
| Other comprehensive income (loss), net of tax  | (1 )   | 2    | (35 )  | 11    |
| Comprehensive income   | \$147  | \$71 | \$244  | \$155 |

See Notes to Condensed Consolidated Financial Statements (Unaudited).

## ONEMAIN HOLDINGS, INC. AND SUBSIDIARIES

## Condensed Consolidated Statements of Shareholders' Equity (Unaudited)

| (dollars in millions)                                | Common<br>Stock | Additional<br>Paid-in<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Retained<br>Earnings | Total<br>Shareholders'<br>Equity |
|--|-----------------|----------------------------------|--|----------------------|----------------------------------|
| Balance, January 1, 2018                             | \$ 1            | \$ 1,560                         | \$ 11  | \$ 1,706             | \$ 3,278                         |
| Non-cash incentive compensation from SFH             | —               | 110                              | —  | —                    | 110                              |
| Share-based compensation expense, net of forfeitures | —               | 17                               | —  | —                    | 17                               |
| Withholding tax on share-based compensation          | —               | (9)                              | —  | —                    | (9)                              |
| Other comprehensive loss                             | —               | —                                | (35)   | —                    | (35)                             |
| Impact of AOCI reclassification due to the Tax Act   | —               | —                                | 2  | (2)                  | —                                |
| Net income   | —               | —                                | —  | 279                  | 279                              |
| Balance, September 30, 2018                          | \$ 1            | \$ 1,678                         | \$ (22)  | \$ 1,983             | \$ 3,640                         |
| Balance, January 1, 2017                             | \$ 1            | \$ 1,548                         | \$ (6)   | \$ 1,523             | \$ 3,066                         |
| Share-based compensation expense, net of forfeitures | —               | 14                               | —  | —                    | 14                               |
| Withholding tax on share-based compensation          | —               | (5)                              | —  | —                    | (5)                              |
| Other comprehensive income                           | —               | —                                | 11   | —                    | 11                               |
| Net income   | —               | —                                | —  | 144                  | 144                              |
| Balance, September 30, 2017                          | \$ 1            | \$ 1,557                         | \$ 5   | \$ 1,667             | \$ 3,230                         |

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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

| (dollars in millions)   | Nine Months<br>Ended<br>September 30,<br>2018    2017 |          |
|---|---|----------|
| Cash flows from operating activities  |   |          |
| Net income  | \$279   | \$144    |
| Reconciling adjustments:  |   |          |
| Provision for finance receivable losses   | 770   | 724      |
| Depreciation and amortization   | 191   | 265      |
| Deferred income tax charge (benefit)  | 6   | (32 )    |
| Net loss on repurchases and repayments of debt  | 9   | 29       |
| Non-cash incentive compensation from SFH  | 110   | —        |
| Share-based compensation expense, net of forfeitures  | 17  | 14       |
| Other   | 9   | (12 )    |
| Cash flows due to changes in other assets and other liabilities   | 65  | 108      |
| Net cash provided by operating activities   | 1,456   | 1,240    |
| Cash flows from investing activities  |   |          |
| Net principal originations of finance receivables held for investment and held for sale   | (1,703 )  | (1,582 ) |
| Available-for-sale securities purchased   | (548 )  | (508 )   |
| Available-for-sale securities called, sold, and matured   | 438   | 619      |
| Trading and other securities purchased  | (9 )  | —        |
| Trading and other securities called, sold, and matured  | 30  | 9        |
| Other, net  | (24 )   | (1 )     |
| Net cash used for investing activities  | (1,816 )  | (1,463 ) |
| Cash flows from financing activities  |   |          |
| Proceeds from issuance of long-term debt, net of commissions  | 5,474   | 3,743    |
| Repayment of long-term debt   | (4,852 )  | (3,176 ) |
| Withholding tax on share-based compensation   | (9 )  | (5 )     |
| Net cash provided by financing activities   | 613   | 562      |
| Effect of exchange rate changes on cash and cash equivalents  | —   | 1        |
| Net change in cash and cash equivalents and restricted cash and restricted cash equivalents   | 253   | 340      |
| Cash and cash equivalents and restricted cash and restricted cash equivalents at beginning of period  | 1,485   | 1,147    |
| Cash and cash equivalents and restricted cash and restricted cash equivalents at end of period  | 1,738   | 1,487    |
| Supplemental cash flow information  |   |          |
| Cash and cash equivalents   | 1,243   | 916      |
| Restricted cash and restricted cash equivalents   | 495   | 571      |
| Total cash and cash equivalents and restricted cash and restricted cash equivalents   | \$1,738   | \$1,487  |
| Supplemental non-cash activities  |   |          |
| Transfer of finance receivables held for investment to finance receivables held for sale (prior to deducting allowance for finance receivable losses) | \$111   | \$—      |
| Transfer of finance receivables to real estate owned  | 5   | 7        |



Restricted cash and restricted cash equivalents primarily represent funds required to be used for future debt payments relating to our securitization transactions and escrow deposits.

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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ONEMAIN HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Unaudited)

September 30, 2018

1. Business and Basis of Presentation

OneMain Holdings, Inc. is referred to in this report as “OMH” or, collectively with its subsidiaries, whether directly or indirectly owned, the “Company,” “we,” “us,” or “our.” OMH is a Delaware corporation. At December 31, 2017, prior to the Apollo-Värde and AIG Share Sale transactions described below, Springleaf Financial Holdings LLC (“SFH”), owned approximately 44% of OMH’s common stock. SFH was owned primarily by a private equity fund managed by an affiliate of Fortress Investment Group LLC (“Fortress”). At September 30, 2018, an investor group led by funds managed by Apollo and Värde (the “Apollo-Värde Group”) owned approximately 40.5% of OMH’s common stock.

OMH is a financial services holding company whose principal subsidiary is Springleaf Finance, Inc. (“SFI”). SFI’s principal subsidiary is Springleaf Finance Corporation (“SFC”). On June 22, 2018, SFI entered into a contribution agreement with OMH, whereby OMH contributed all of the common interests of Independence Holdings, LLC (“Independence”) to SFI. Immediately thereafter, SFI entered into a separate contribution agreement with SFC, pursuant to which SFI contributed all of the common interests of Independence to SFC. As a result of the contribution from SFI to SFC, Independence became a wholly owned direct subsidiary of SFC on June 22, 2018. Independence, through its wholly owned subsidiary OneMain Financial Holdings, LLC (“OMFH”) and OMFH’s subsidiaries, and SFC engage in the consumer finance and insurance businesses.

Apollo-Värde Transaction

On January 3, 2018, the Apollo-Värde Group entered into a share purchase agreement with SFH and the Company to acquire from SFH 54,937,500 shares of OMH’s common stock, par value \$0.01 per share, at a purchase price per share of \$26.00, representing the entire holdings of our common stock beneficially owned by Fortress (the “Share Purchase Agreement”). This transaction (the “Apollo-Värde Transaction”) closed on June 25, 2018 for an aggregate purchase price of approximately \$1.4 billion in cash. The Share Purchase Agreement was filed as Exhibit 10.1, to our Current Report on Form 8-K filed with the SEC on January 4, 2018. As provided for in the Share Purchase Agreement, in accordance with the Amended and Restated Stockholders’ Agreement, the Apollo-Värde Group has the ability to designate six (6) of the nine (9) directors.

Upon closing of the Apollo-Värde Transaction, we entered into an Amended and Restated Stockholders’ Agreement, the terms of which are described in our Current Report on Form 8-K, filed with the SEC on June 25, 2018. As disclosed in Note 21 of the Notes to Consolidated Financial Statements in Part II - Item 8 included in our 2017 Annual Report on Form 10-K, certain executives of the Company had previously been granted incentive units that only provide benefits (in the form of distributions) if SFH makes distributions to one or more of its common members that exceed specified amounts. In connection with the Apollo-Värde Transaction, certain executive officers who are holders of SFH incentive units received a distribution of approximately \$106 million in the aggregate from SFH as a result of their ownership interests in SFH. Although the distribution was not made by the Company or its subsidiaries, in accordance with ASC Topic 710, Compensation-General, we recorded non-cash incentive compensation expense of approximately \$106 million, with an equal and offsetting increase to additional paid-in-capital. The impact to the Company was non-cash, equity neutral and not tax deductible.

AIG Share Sale Transaction

On February 21, 2018, the Company entered into an underwriting agreement among OMH, SFH and Morgan Stanley & Co. LLC as underwriter in connection with the sale by SFH of 4,179,678 shares of its common stock. These shares were beneficially owned by AIG Capital Corporation (“AIG”), a subsidiary of American International Group, Inc., and

represented the entire holdings of our stock beneficially owned by AIG. In connection with this sale of our common stock by SFH, certain executive officers who are holders of SFH incentive units, as described above, received a distribution of approximately \$4 million in the first quarter of 2018. Consistent with the accounting for distribution from the Apollo-Värde Transaction described above, the Company recognized non-cash incentive compensation expense of approximately \$4 million, with an equal and offsetting increase to additional paid-in-capital. Again, the impact to the Company was non-cash, equity neutral and not tax deductible.

## BASIS OF PRESENTATION

We prepared our condensed consolidated financial statements using GAAP. These statements are unaudited. The year-end condensed balance sheet data was derived from our audited financial statements but does not include all disclosures required by GAAP. The statements include the accounts of OMH, its subsidiaries (all of which are wholly owned), and VIEs in which we hold a controlling financial interest and for which we are considered to be the primary beneficiary as of the financial statement date.

We eliminated all material intercompany accounts and transactions. We made judgments, estimates, and assumptions that affect amounts reported in our condensed consolidated financial statements and disclosures of contingent assets and liabilities. In management's opinion, the condensed consolidated financial statements include the normal, recurring adjustments necessary for a fair statement of results. Ultimate results could differ from our estimates. We evaluated the effects of and the need to disclose events that occurred subsequent to the balance sheet date. To conform to the 2018 presentation, we have reclassified certain items in prior periods of our condensed consolidated financial statements.

The condensed consolidated financial statements in this report should be read in conjunction with the consolidated financial statements and related notes included in our 2017 Annual Report on Form 10-K. We follow the same significant accounting policies for our interim reporting, except for the new accounting pronouncements subsequently adopted and disclosed in Note 2 below.

### 2. Recent Accounting Pronouncements

#### ACCOUNTING PRONOUNCEMENTS RECENTLY ADOPTED

##### Revenue Recognition

In May of 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which provides a consistent revenue accounting model across industries. Management has reviewed this update and other ASUs that were subsequently issued to further clarify the implementation guidance outlined in ASU 2014-09. The Company's implementation efforts included the identification of revenue streams that are within the scope of the new guidance and the review of related contracts with customers to determine their effect on certain non-interest income items presented in our consolidated statements of operations and the additional presentation disclosures required. We concluded that substantially all of the Company's revenues are generated from activities that are outside the scope of this ASU. We adopted the amendments of this ASU as of January 1, 2018 and concluded they do not have a material impact on our consolidated financial statements.

##### Financial Instruments

In January of 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which simplifies the impairment assessment of equity investments. The update requires equity investments to be measured at fair value with changes recognized in net income. This ASU eliminates the requirement to disclose the methods and assumptions to estimate fair value for financial instruments, requires the use of the exit price for disclosure purposes, requires the change in liability due to a change in credit risk to be presented in other comprehensive income for financial liabilities measured under the fair value option, requires separate presentation of financial assets and liabilities by measurement category and form of asset (securities and loans), and clarifies the need for a valuation allowance on a deferred tax asset related to available-for-sale securities. In February of 2018, the FASB issued ASU 2018-03, Technical Corrections and Improvements to Financial Instruments - Overall, which made technical corrections and improvements to the codification, specifically related to ASU 2016-01. The Company has adopted these ASUs as of January 1, 2018 using a cumulative-effect adjustment to the balance sheet. The amendments

related to equity securities without readily determinable fair values (including disclosure requirements) shall be applied prospectively to equity investments that exist as of the date of adoption of this update. We adopted all other amendments of these ASUs as of January 1, 2018 and presented this change on a retrospective basis for all periods presented. We concluded that these ASUs do not have a material impact on our consolidated financial statements.

In March of 2017, the FASB issued ASU 2017-08, Receivables - Nonrefundable Fees and Other Costs, which amends the amortization period for certain purchased callable debt securities held at a premium. This ASU shortens the amortization period for the premium from the adjustment of yield over the contractual life of the instrument to the earliest call date. The amendments in this ASU become effective for the Company for fiscal years beginning January 1, 2019. As the Company's existing accounting policy was in accordance with the amendments of this ASU, we elected to early adopt as of January 1, 2018 and concluded that it does not have a material impact on our consolidated financial statements.

## Statement of Cash Flows

In August of 2016, the FASB issued ASU 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments, which clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. We adopted the amendments of this ASU as of January 1, 2018 and concluded that they do not have a material impact on our consolidated financial statements.

## Income Taxes

In October of 2016, the FASB issued ASU 2016-16, Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory, which requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. We adopted the amendments of this ASU as of January 1, 2018 and concluded that they do not have a material impact on our consolidated financial statements.

In February of 2018, the FASB issued ASU 2018-02, Income Statement-Reporting Comprehensive Income: Reclassifications of Certain Tax Effects from Accumulated Other Comprehensive Income, which permits the reclassification of stranded tax effects within accumulated other comprehensive income to retained earnings from the passage of the Tax Act. This update requires additional disclosures describing the nature of the stranded tax effects. The amendments within this ASU become effective for the Company for fiscal years beginning after January 1, 2019, with early adoption permitted. We elected to early adopt as of April 1, 2018 and reclassified \$2 million of stranded tax effects resulting in a decrease to retained earnings and an increase to accumulated other comprehensive income.

## Compensation and Benefits

In March of 2017, the FASB issued ASU 2017-07, Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, to improve the presentation of the net periodic pension cost and net periodic postretirement benefit costs. It requires that a company present the service cost component separately from other components of net benefit cost on the income statement. We adopted the amendments of this ASU as of January 1, 2018 and concluded that they do not have a material impact on our consolidated financial statements.

In May of 2017, the FASB issued ASU 2017-09, Compensation-Stock Compensation: Scope of Modification Accounting, which provides guidance on which changes to the terms or conditions of a share-based payment award requires an entity to apply modification accounting. We adopted the amendments of this ASU as of January 1, 2018 and concluded that they do not have a material impact on our consolidated financial statements.

## Goodwill Impairment

In January of 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other: Simplifying the Test for Goodwill Impairment, which simplifies the test for goodwill impairment by eliminating Step 2 of the impairment testing process. The amendments in this ASU will become effective for the Company for fiscal years beginning January 1, 2020. We elected to early adopt as of January 1, 2018 and concluded that it does not have a material impact on our consolidated financial statements.

## ACCOUNTING PRONOUNCEMENTS TO BE ADOPTED

### Leases

In February of 2016, the FASB issued ASU 2016-02, Leases, which requires lessees to recognize a right-of-use asset and a liability for the obligation to make payments on leases with terms greater than 12 months and to disclose

information related to the amount, timing and uncertainty of cash flows arising from leases, including various qualitative and quantitative requirements. Management has reviewed this update and other ASUs that were subsequently issued to further clarify the implementation guidance outlined in ASU 2016-02.

The amendments in this ASU become effective for the Company for fiscal years beginning January 1, 2019. The Company's cross-functional implementation team continues to make progress in line with the established project plan to ensure we comply with all updates from this ASU at the time of adoption. We are currently in the process of implementing a new leasing system that will allow us to better account for the leases in accordance with the new guidance. We are in the final phase of assessing new system updates to ensure both qualitative and quantitative data requirements will be met at the time of adoption. The Company's leases primarily consist of leased office space, automobiles and information technology equipment. At December 31, 2017, the Company had approximately \$180 million of minimum lease commitments from these operating leases (refer to

Note 19 of the Notes to the Consolidated Financial Statements in Part II - Item 8 included in our 2017 Annual Report on Form 10-K). The adoption of this ASU will result in an increase in our reported assets and liabilities on the consolidated balance sheets due to the recognition of the right-of-use asset and lease liability, and we are in the process of quantifying the expected impact.

In July of 2018, the FASB issued ASU 2018-11, Leases: Targeted Improvements, which allows for a transition option to adopt the standard on the date of initial application as opposed to the modified retrospective approach. We plan to make the election to adopt the standard using this transition relief.

#### Allowance for Finance Receivable Losses

In June of 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments, which significantly changes the way that entities will be required to measure credit losses. The new standard requires that the estimated credit loss be based upon an “expected credit loss” approach rather than the “incurred loss” approach currently required. The new approach will require entities to measure all expected credit losses for financial assets over their expected lives based on historical experience, current conditions, and reasonable forecasts of collectability. It is anticipated that the expected credit loss model will require earlier recognition of credit losses than the incurred loss approach. Therefore, we would expect ongoing changes in the allowance for finance receivable losses will be driven primarily by the nature and growth of the Company’s loan portfolio and the economic environment at that time.

The ASU requires that credit losses for purchased financial assets with a more-than-insignificant amount of credit deterioration since origination that are measured at amortized cost basis be determined in a similar manner to other financial assets measured at amortized cost basis; however, the initial allowance for credit losses is added to the purchase price of the financial asset rather than being reported as a credit loss expense. Subsequent changes in the allowance for credit losses are recorded in earnings. Interest income should be recognized based on the effective rate, excluding the discount embedded in the purchase price attributable to expected credit losses at acquisition.

The ASU also requires companies to record allowances for held-to-maturity and available-for-sale debt securities rather than write-downs of such assets.

In addition, the ASU requires qualitative and quantitative disclosures that provide information about the allowance and the significant factors that influenced management’s estimate of the allowance.

The ASU will become effective for the Company for fiscal years beginning January 1, 2020. Early adoption is permitted for fiscal years beginning January 1, 2019. The Company’s cross-functional implementation team continues to make progress in line with the established project plan to ensure we comply with all updates from this ASU at the time of adoption. We continue to refine the development of an acceptable model to estimate the expected credit losses in accordance with our model governance policies. After the model has been subject to a parallel testing phase in 2019, the Company will provide further disclosure regarding the estimated impact on our allowance for finance receivable losses. In addition to the development of the model, we are assessing the additional disclosure requirements from this update and the impact the adoption may have on any available-for-sale securities held by the Company. We believe the adoption of this ASU will have a material effect on our consolidated financial statements through an increase to the allowance for finance receivable losses and a corresponding one-time cumulative effect reduction to retained earnings in the consolidated balance sheet as of the beginning of the year of adoption.

#### Insurance

In August of 2018, the FASB issued ASU 2018-12, Financial Services - Insurance: Targeted Improvements to the Accounting for Long-Duration Contracts, which provides targeted improvements to Topic 944 for the assumptions



used to measure the liability for future policy benefits for nonparticipating traditional and limited-payment contracts; measurement of market risk benefits; amortization of deferred acquisition costs; and enhanced disclosures. The amendments in this ASU become effective for fiscal years beginning January 1, 2021. We are currently evaluating the potential impact of the adoption of the ASU on our consolidated financial statements.

We do not believe that any other accounting pronouncements issued during the nine months ended September 30, 2018, but not yet effective, would have a material impact on our consolidated financial statements or disclosures, if adopted.

### 3. Finance Receivables

Our finance receivables consist of personal loans and, prior to September 30, 2018, also included other receivables as defined below:

• **Personal loans** — are secured by consumer goods, automobiles, or other personal property or are unsecured, typically non-revolving with a fixed-rate and a fixed, original term of three to six years.

• **Other receivables** — consist of our loan portfolios in a liquidating status. We ceased originating real estate loans in 2012 and purchasing retail sales contracts and revolving retail accounts (“retail sales finance portfolio”) in 2013. We continue to service or sub-service the liquidating real estate loans and retail sales contracts and will provide revolving retail sales financing services on our revolving retail accounts. Beginning in 2018, we combined real estate loans and retail sales finance portfolio into “Other Receivables.” Previously, we presented real estate loans and retail sales finance portfolio as distinct receivable types. In order to conform to this new alignment, we have revised our prior period finance receivable disclosures.

On September 30, 2018, we transferred our real estate loans previously classified as Other Receivables from held for investment to held for sale due to management’s intent to no longer hold these finance receivables for the foreseeable future. See Notes 4 and 5 included in this report for additional information related to this transfer.

Components of net finance receivables held for investment by type were as follows:

| (dollars in millions)      | Personal<br>Loans | Other<br>Receivables | Total     |
|----------------------------|-------------------|----------------------|-----------|
| September 30, 2018         |                   |                      |           |
| Gross receivables (a)(b)   | \$ 15,579         | \$ —                 | \$ 15,579 |
| Unearned points and fees   | (193 )            | —                    | (193 )    |
| Accrued finance charges    | 233               | —                    | 233       |
| Deferred origination costs | 131               | —                    | 131       |
| Total                      | \$ 15,750         | \$ —                 | \$ 15,750 |
| December 31, 2017          |                   |                      |           |
| Gross receivables (a)(b)   | \$ 14,664         | \$ 133               | \$ 14,797 |
| Unearned points and fees   | (168 )            | —                    | (168 )    |
| Accrued finance charges    | 210               | 1                    | 211       |
| Deferred origination costs | 117               | —                    | 117       |
| Total                      | \$ 14,823         | \$ 134               | \$ 14,957 |

(a) Gross receivables are defined as follows:

• Finance receivables purchased as a performing receivable — gross finance receivables equal the UPB and the remaining unearned discount, net of premium established at the time of purchase to reflect the finance receivable balance at its initial fair value;

• Finance receivables originated subsequent to the OneMain Acquisition and the Fortress Acquisition — gross finance receivables equal the UPB;

• Purchased credit impaired finance receivables — gross finance receivables equal the remaining estimated cash flows less the current balance of accretible yield on the purchased credit impaired accounts; and

• TDR finance receivables — gross finance receivables equal the UPB and, if applicable, the remaining unearned premium, net of discount established at the time of purchase if previously purchased as a performing receivable.

(b) As of January 1, 2018, we have reclassified unearned finance charges to gross receivables. To conform to this presentation, we have reclassified the prior period.

At September 30, 2018 and December 31, 2017, unused lines of credit extended to customers by the Company were immaterial.

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## CREDIT QUALITY INDICATOR

We consider the value and concentration of secured loans and the delinquency status of our finance receivables as our primary credit quality indicators. At September 30, 2018 and December 31, 2017, 46% and 43% of our personal loans were secured by titled collateral, respectively. We monitor delinquency trends to manage our exposure to credit risk. When finance receivables are 60 days contractually past due, we consider these accounts to be at an increased risk for loss and we transfer collection of these accounts to our centralized operations. At 90 days or more contractually past due, we consider our finance receivables to be nonperforming.

The following is a summary of net finance receivables held for investment by type and by number of days delinquent:

| (dollars in millions)     | Personal<br>Loans | Other<br>Receivables | Total     |
|---------------------------|-------------------|----------------------|-----------|
| September 30, 2018        |                   |                      |           |
| Performing                |                   |                      |           |
| Current                   | \$ 15,063         | \$ —                 | \$ 15,063 |
| 30-59 days past due       | 215               | —                    | 215       |
| 60-89 days past due       | 152               | —                    | 152       |
| Total performing          | 15,430            | —                    | 15,430    |
| Nonperforming             |                   |                      |           |
| 90-179 days past due      | 314               | —                    | 314       |
| 180 days or more past due | 6                 | —                    | 6         |
| Total nonperforming       | 320               | —                    | 320       |
| Total                     | \$ 15,750         | \$ —                 | \$ 15,750 |
| December 31, 2017         |                   |                      |           |
| Performing                |                   |                      |           |
| Current                   | \$ 14,124         | \$ 104               | \$ 14,228 |
| 30-59 days past due       | 204               | 8                    | 212       |
| 60-89 days past due       | 157               | 3                    | 160       |
| Total performing          | 14,485            | 115                  | 14,600    |
| Nonperforming             |                   |                      |           |
| 90-179 days past due      | 332               | 4                    | 336       |
| 180 days or more past due | 6                 | 15                   | 21        |
| Total nonperforming       | 338               | 19                   | 357       |
| Total                     | \$ 14,823         | \$ 134               | \$ 14,957 |

## PURCHASED CREDIT IMPAIRED FINANCE RECEIVABLES

Our purchased credit impaired finance receivables consist of receivables purchased in connection with the OneMain Acquisition and the Fortress Acquisition.

We report the carrying amount (which initially was the fair value) of our purchased credit impaired finance receivables in net finance receivables, less allowance for finance receivable losses or in finance receivables held for sale as discussed below.

At September 30, 2018 and December 31, 2017, finance receivables held for sale totaled \$207 million and \$132 million, respectively, which include purchased credit impaired finance receivables, as well as TDR finance receivables. Therefore, we are presenting the financial information for our purchased credit impaired finance receivables and TDR finance receivables combined for finance receivables held for investment and finance

receivables held for sale in the tables below. See Note 5 for further information on our finance receivables held for sale.

Information regarding our purchased credit impaired finance receivables held for investment and held for sale were as follows:

| (dollars in millions)   | September 30,<br>2018 | December<br>31, 2017 |
|---|-----------------------|----------------------|
| <b>OM Loans</b>   |                       |                      |
| Carrying amount, net of allowance                                 | \$ 107                | \$ 176               |
| Outstanding balance (a)   | 156                   | 243                  |
| Allowance for purchased credit impaired finance receivable losses | —                     | 6                    |
| <b>FA Loans (b)</b>   |                       |                      |
| Carrying amount, net of allowance                                 | \$ 51                 | \$ 57                |
| Outstanding balance (a)   | 87                    | 94                   |
| Allowance for purchased credit impaired finance receivable losses | —                     | 9                    |

(a) Outstanding balance is defined as UPB of the loans with a net carrying amount.

(b) Purchased credit impaired FA Loans held for sale included in the table above were as follows:

| (dollars in millions) | September<br>30, 2018 | December<br>31, 2017 |
|-----------------------|-----------------------|----------------------|
| Carrying amount       | \$ 51                 | \$ 44                |
| Outstanding balance   | 87                    | 72                   |

The allowance for purchased credit impaired finance receivable losses reflects the carrying value of the purchased credit impaired loans held for investment being higher than the present value of the expected cash flows.

Changes in accretable yield for purchased credit impaired finance receivables held for investment and held for sale were as follows:

| (dollars in millions)                                    | Three<br>Months<br>Ended<br>September<br>30,<br>2018 |      | Nine<br>Months<br>Ended<br>September<br>30,<br>2017 |       |
|--|--|------|---|-------|
| <b>OM Loans</b>  |  |      |   |       |
| Balance at beginning of period                           | \$52   | \$49 | \$47  | \$59  |
| Accretion  | (7 )   | (7 ) | (21 )   | (27 ) |
| Reclassifications from (to) nonaccretable difference (a) | —  | —    | 19  | 10    |
| Balance at end of period                                 | \$45   | \$42 | \$45  | \$42  |
| <b>FA Loans</b>  |  |      |   |       |
| Balance at beginning of period                           | \$51   | \$55 | \$53  | \$60  |
| Accretion (b)  | (1 )   | (1 ) | (3 )  | (4 )  |
| Reclassifications from (to) nonaccretable difference (a) | —  | —    | —   | (2 )  |
| Balance at end of period                                 | \$50   | \$54 | \$50  | \$54  |

(a) Reclassifications from (to) nonaccretable difference represents the increases (decreases) in accretable yield resulting from higher (lower)

estimated undiscounted cash flows.

- (b) Accretion on our purchased credit impaired FA Loans held for sale included in the table above were immaterial for the three and nine months ended September 30, 2018 and 2017.

TDR FINANCE RECEIVABLES

Information regarding TDR finance receivables held for investment and held for sale were as follows:

| (dollars in millions)                       | Personal<br>Loans | Other<br>Receivables<br>(a) | Total |
|---|-------------------|-----------------------------|-------|
| September 30, 2018                          |                   |                             |       |
| TDR gross finance receivables (b)           | \$ 407            | \$ 132                      | \$539 |
| TDR net finance receivables                 | 410               | 133                         | 543   |
| Allowance for TDR finance receivable losses | 160               | —                           | 160   |
| December 31, 2017                           |                   |                             |       |
| TDR gross finance receivables (b)           | \$ 318            | \$ 139                      | \$457 |
| TDR net finance receivables                 | 318               | 140                         | 458   |
| Allowance for TDR finance receivable losses | 135               | 12                          | 147   |

(a) Other Receivables held for sale included in the table above were as follows:

| (dollars in millions)         | September 30,<br>2018 | December<br>31, 2017 |
|-------------------------------|-----------------------|----------------------|
| TDR gross finance receivables | \$ 132                | \$ 90                |
| TDR net finance receivables   | 133                   | 91                   |

(b) As defined earlier in this Note.

As of September 30, 2018, we had no commitments to lend additional funds on our TDR finance receivables.

TDR average net receivables held for investment and held for sale and finance charges recognized on TDR finance receivables held for investment and held for sale were as follows:

| (dollars in millions)                 | Personal<br>Loans | Other<br>Receivables<br>* | Total |
|---------------------------------------|-------------------|---------------------------|-------|
| Three Months Ended September 30, 2018 |                   |                           |       |
| TDR average net receivables           | \$ 396            | \$ 134                    | \$530 |
| TDR finance charges recognized        | 11                | 2                         | 13    |
| Three Months Ended September 30, 2017 |                   |                           |       |
| TDR average net receivables           | \$ 268            | \$ 142                    | \$410 |
| TDR finance charges recognized        | 9                 | 3                         | 12    |
| Nine Months Ended September 30, 2018  |                   |                           |       |
| TDR average net receivables           | \$ 366            | \$ 136                    | \$502 |
| TDR finance charges recognized        | 34                | 6                         | 40    |
| Nine Months Ended September 30, 2017  |                   |                           |       |
| TDR average net receivables           | \$ 206            | \$ 139                    | \$345 |
| TDR finance charges recognized        | 24                | 7                         | 31    |





\* Other Receivables held for sale included in the table above were as follows:

|                                | Three Months Ended September 30, 2018 |       | Nine Months Ended September 30, 2017 |       |
|--------------------------------|---------------------------------------|-------|--------------------------------------|-------|
| (dollars in millions)          | 2018                                  | 2017  | 2018                                 | 2017  |
| TDR average net receivables    | \$ 102                                | \$ 92 | \$ 93                                | \$ 90 |
| TDR finance charges recognized | 1                                     | 2     | 4                                    | 5     |

Information regarding the new volume of the TDR finance receivables held for investment and held for sale were as follows:

| (dollars in millions)                               | Personal Loans | Other Receivables (a) | Total  |
|---|----------------|-----------------------|--------|
| Three Months Ended September 30, 2018               |                |                       |        |
| Pre-modification TDR net finance receivables        | \$ 91          | \$ 1                  | \$ 92  |
| Post-modification TDR net finance receivables:      |                |                       |        |
| Rate reduction                                      | \$ 73          | \$ 1                  | \$ 74  |
| Other (b)   | 18             | —                     | 18     |
| Total post-modification TDR net finance receivables | \$ 91          | \$ 1                  | \$ 92  |
| Number of TDR accounts                              | 13,729         | 17                    | 13,746 |
| Three Months Ended September 30, 2017               |                |                       |        |
| Pre-modification TDR net finance receivables        | \$ 77          | \$ 1                  | \$ 78  |
| Post-modification TDR net finance receivables:      |                |                       |        |
| Rate reduction                                      | \$ 60          | \$ 2                  | \$ 62  |
| Other (b)   | 17             | —                     | 17     |
| Total post-modification TDR net finance receivables | \$ 77          | \$ 2                  | \$ 79  |
| Number of TDR accounts                              | 11,272         | 63                    | 11,335 |
| Nine Months Ended September 30, 2018                |                |                       |        |
| Pre-modification TDR net finance receivables        | \$ 270         | \$ 2                  | \$ 272 |
| Post-modification TDR net finance receivables:      |                |                       |        |
| Rate reduction                                      | \$ 206         | \$ 3                  | \$ 209 |
| Other (b)   | 64             | —                     | 64     |
| Total post-modification TDR net finance receivables | \$ 270         | \$ 3                  | \$ 273 |
| Number of TDR accounts                              | 41,237         | 61                    | 41,298 |
| Nine Months Ended September 30, 2017                |                |                       |        |
| Pre-modification TDR net finance receivables        | \$ 236         | \$ 14                 | \$ 250 |
| Post-modification TDR net finance receivables:      |                |                       |        |
| Rate reduction                                      | \$ 178         | \$ 15                 | \$ 193 |
| Other (b)   | 56             | —                     | 56     |
| Total post-modification TDR net finance receivables | \$ 234         | \$ 15                 | \$ 249 |
| Number of TDR accounts                              | 32,293         | 477                   | 32,770 |

(a) Other Receivables held for sale included in the table above were immaterial.

(b) “Other” modifications primarily include potential principal and interest forgiveness contingent on future payment performance by the borrower under the modified terms.

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Personal loans held for investment that were modified as TDR personal loans within the previous 12 months and for which there was a default during the period to cause the TDR personal loans to be considered nonperforming (90 days or more past due) were as follows:

|                               | Three<br>Months<br>Ended<br>September<br>30,<br>2018 | 2017  | Nine Months<br>Ended<br>September<br>30,<br>2018 | 2017   |
|-------------------------------|--|-------|--|--------|
| (dollars in millions)         |  |       |  |        |
| TDR net finance receivables * | \$ 12  | \$ 21 | \$ 48  | \$ 63  |
| Number of TDR accounts        | 1,880  | 3,759 | 7,221  | 10,357 |

\* Represents the corresponding balance of TDR net finance receivables at the end of the month in which they defaulted.

TDR other receivables for the three and nine months ended September 30, 2018 and 2017 that defaulted during the previous 12-month period were immaterial.

#### 4. Allowance for Finance Receivable Losses

Changes in the allowance for finance receivable losses by finance receivable type were as follows:

| (dollars in millions)                        | Personal<br>Loans | Other<br>Receivables | Total  |
|--|-------------------|----------------------|--------|
| <b>Three Months Ended September 30, 2018</b> |                   |                      |        |
| Balance at beginning of period               | \$ 678            | \$ 24                | \$ 702 |
| Provision for finance receivable losses      | 257               | (1 )                 | 256    |
| Charge-offs                                  | (255 )            | (1 )                 | (256 ) |
| Recoveries                                   | 26                | 1                    | 27     |
| Other*                                       | —                 | (23 )                | (23 )  |
| Balance at end of period                     | \$ 706            | \$ —                 | \$ 706 |
| <b>Three Months Ended September 30, 2017</b> |                   |                      |        |
| Balance at beginning of period               | \$ 656            | \$ 20                | \$ 676 |
| Provision for finance receivable losses      | 238               | 5                    | 243    |
| Charge-offs                                  | (245 )            | (1 )                 | (246 ) |
| Recoveries                                   | 24                | 1                    | 25     |
| Balance at end of period                     | \$ 673            | \$ 25                | \$ 698 |
| <b>Nine Months Ended September 30, 2018</b>  |                   |                      |        |
| Balance at beginning of period               | \$ 673            | \$ 24                | \$ 697 |
| Provision for finance receivable losses      | 772               | (2 )                 | 770    |
| Charge-offs                                  | (821 )            | (2 )                 | (823 ) |
| Recoveries                                   | 82                | 3                    | 85     |
| Other*                                       | —                 | (23 )                | (23 )  |
| Balance at end of period                     | \$ 706            | \$ —                 | \$ 706 |
| <b>Nine Months Ended September 30, 2017</b>  |                   |                      |        |
| Balance at beginning of period               | \$ 669            | \$ 20                | \$ 689 |

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|   |        |       |        |
|---|--------|-------|--------|
| Provision for finance receivable losses | 717    | 7     | 724    |
| Charge-offs                             | (794 ) | (4 )  | (798 ) |
| Recoveries                              | 81     | 2     | 83     |
| Balance at end of period                | \$ 673 | \$ 25 | \$698  |

\* Other consists primarily of the reclassification of allowance for finance receivable losses due to the transfer of the real estate loans in Other Receivables from held for investment to finance receivables held for sale. See Note 3 included in this report for further information.

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The allowance for finance receivable losses and net finance receivables by type and by impairment method were as follows:

| (dollars in millions)  | Personal<br>Loans | Other<br>Receivables | Total    |
|--|-------------------|----------------------|----------|
| September 30, 2018   |                   |                      |          |
| Allowance for finance receivable losses:                                       |                   |                      |          |
| Collectively evaluated for impairment  | \$546             | \$ —                 | \$546    |
| TDR finance receivables  | 160               | —                    | 160      |
| Total  | \$706             | \$ —                 | \$706    |
| Finance receivables:   |                   |                      |          |
| Collectively evaluated for impairment  | \$15,233          | \$ —                 | \$15,233 |
| Purchased credit impaired finance receivables                                  | 107               | —                    | 107      |
| TDR finance receivables  | 410               | —                    | 410      |
| Total  | \$15,750          | \$ —                 | \$15,750 |
| Allowance for finance receivable losses as a percentage of finance receivables | 4.48              | % —                  | % 4.48   |
| December 31, 2017  |                   |                      |          |
| Allowance for finance receivable losses:                                       |                   |                      |          |
| Collectively evaluated for impairment  | \$532             | \$ 3                 | \$535    |
| Purchased credit impaired finance receivables                                  | 6                 | 9                    | 15       |
| TDR finance receivables  | 135               | 12                   | 147      |
| Total  | \$673             | \$ 24                | \$697    |
| Finance receivables:   |                   |                      |          |
| Collectively evaluated for impairment  | \$14,323          | \$ 63                | \$14,386 |
| Purchased credit impaired finance receivables                                  | 182               | 22                   | 204      |
| TDR finance receivables  | 318               | 49                   | 367      |
| Total  | \$14,823          | \$ 134               | \$14,957 |
| Allowance for finance receivable losses as a percentage of finance receivables | 4.53              | % 18.27              | % 4.66   |

#### 5. Finance Receivables Held for Sale

We reported finance receivables held for sale of \$207 million at September 30, 2018 and \$132 million at December 31, 2017, which are carried at the lower of cost or fair value and consist entirely of real estate loans. At September 30, 2018 and December 31, 2017, the fair value of our finance receivables held for sale exceeded the cost. We used the aggregate basis to determine the lower of cost or fair value of finance receivables held for sale.

On September 30, 2018, we transferred \$88 million of real estate loans (net of allowance for finance receivable losses) from held for investment to held for sale due to management's intent to no longer hold these finance receivables for the foreseeable future.

We did not have any other material transfers to or from finance receivables held for sale during the three and nine months ended September 30, 2018 and 2017.



## 6. Investment Securities

## AVAILABLE-FOR-SALE SECURITIES

Cost/amortized cost, unrealized gains and losses, and fair value of fixed maturity available-for-sale securities by type were as follows:

| (dollars in millions)   | Cost/<br>Amortized<br>Cost | Unrealized<br>Gains | Unrealized<br>Losses | Fair<br>Value |
|---|----------------------------|---------------------|----------------------|---------------|
| September 30, 2018  |                            |                     |                      |               |
| Fixed maturity available-for-sale securities:                     |                            |                     |                      |               |
| U.S. government and government sponsored entities                 | \$ 20                      | \$ —                | \$ —                 | \$20          |
| Obligations of states, municipalities, and political subdivisions | 97                         | —                   | (2 )                 | 95            |
| Certificates of deposit and commercial paper                      | 52                         | —                   | —                    | 52            |
| Non-U.S. government and government sponsored entities             | 144                        | —                   | (3 )                 | 141           |
| Corporate debt  | 1,037                      | 3                   | (26 )                | 1,014         |
| Mortgage-backed, asset-backed, and collateralized:                |                            |                     |                      |               |
| RMBS  | 125                        | —                   | (3 )                 | 122           |
| CMBS  | 75                         | —                   | (2 )                 | 73            |
| CDO/ABS   | 94                         | 1                   | (1 )                 | 94            |
| Total   | \$ 1,644                   | \$ 4                | \$ (37 )             | \$1,611       |
| December 31, 2017   |                            |                     |                      |               |
| Fixed maturity available-for-sale securities:                     |                            |                     |                      |               |
| U.S. government and government sponsored entities                 | \$ 28                      | \$ —                | \$ —                 | \$28          |
| Obligations of states, municipalities, and political subdivisions | 135                        | —                   | —                    | 135           |
| Certificates of deposit and commercial paper                      | 60                         | —                   | —                    | 60            |
| Non-U.S. government and government sponsored entities             | 126                        | —                   | (1 )                 | 125           |
| Corporate debt  | 941                        | 12                  | (5 )                 | 948           |
| Mortgage-backed, asset-backed, and collateralized:                |                            |                     |                      |               |
| RMBS  | 100                        | —                   | (1 )                 | 99            |
| CMBS  | 88                         | —                   | (1 )                 | 87            |
| CDO/ABS   | 96                         | —                   | —                    | 96            |
| Total   | \$ 1,574                   | \$ 12               | \$ (8 )              | \$1,578       |



Fair value and unrealized losses on available-for-sale securities by type and length of time in a continuous unrealized loss position were as follows:

| (dollars in millions)   | Less Than 12 Months |                   | 12 Months or Longer |                   | Total      |                   |
|---|---------------------|-------------------|---------------------|-------------------|------------|-------------------|
|   | Fair Value          | Unrealized Losses | Fair Value          | Unrealized Losses | Fair Value | Unrealized Losses |
| September 30, 2018  |                     |                   |                     |                   |            |                   |
| U.S. government and government sponsored entities                 | \$ 9                | \$ —              | \$ 11               | \$ —              | \$ 20      | \$ —              |
| Obligations of states, municipalities, and political subdivisions | 68                  | (1 )              | 23                  | (1 )              | 91         | (2 )              |
| Non-U.S. government and government sponsored entities             | 70                  | (1 )              | 61                  | (2 )              | 131        | (3 )              |
| Corporate debt  | 714                 | (19 )             | 166                 | (7 )              | 880        | (26 )             |
| RMBS  | 72                  | (2 )              | 46                  | (1 )              | 118        | (3 )              |
| CMBS  | 24                  | (1 )              | 46                  | (1 )              | 70         | (2 )              |
| CDO/ABS   | 54                  | —                 | 28                  | (1 )              | 82         | (1 )              |
| Total   | \$ 1,011            | \$ (24 )          | \$ 381              | \$ (13 )          | \$ 1,392   | \$ (37 )          |
| December 31, 2017   |                     |                   |                     |                   |            |                   |
| U.S. government and government sponsored entities                 | \$ 21               | \$ —              | \$ 3                | \$ —              | \$ 24      | \$ —              |
| Obligations of states, municipalities, and political subdivisions | 65                  | —                 | 20                  | —                 | 85         | —                 |
| Non-U.S. government and government sponsored entities             | 89                  | (1 )              | 13                  | —                 | 102        | (1 )              |
| Corporate debt  | 387                 | (3 )              | 93                  | (2 )              | 480        | (5 )              |
| RMBS  | 40                  | —                 | 25                  | (1 )              | 65         | (1 )              |
| CMBS  | 40                  | —                 | 38                  | (1 )              | 78         | (1 )              |
| CDO/ABS   | 48                  | —                 | 26                  | —                 | 74         | —                 |
| Total   | \$ 690              | \$ (4 )           | \$ 218              | \$ (4 )           | \$ 908     | \$ (8 )           |

On a lot basis, we had 2,003 and 1,229 investment securities in an unrealized loss position at September 30, 2018 and December 31, 2017, respectively. We do not consider the unrealized losses to be credit-related, as these unrealized losses primarily relate to changes in interest rates and market spreads subsequent to purchase. Additionally, at September 30, 2018, we had no plans to sell any investment securities with unrealized losses, and we believe it is more likely than not that we would not be required to sell such investment securities before recovery of their amortized cost.

We continue to monitor unrealized loss positions for potential impairments. During the three and nine months ended September 30, 2018 and 2017, other-than-temporary impairment credit losses we recognized in investment revenues were immaterial.

During the three and nine months ended September 30, 2018 and 2017, there were no material additions or reductions in the cumulative amount of credit losses (recognized in earnings) on other-than-temporarily impaired available-for-sale securities.

The proceeds of available-for-sale securities sold or redeemed and the resulting net realized gains were as follows:

| (dollars in millions) | Three     | Nine Months |
|-----------------------|-----------|-------------|
|                       | Months    | Ended       |
|                       | Ended     | September   |
|                       | September | 30,         |

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30,  
2018 2017 2018 2017

|                                     |        |        |        |        |
|-------------------------------------|--------|--------|--------|--------|
| Proceeds from sales and redemptions | \$ 118 | \$ 157 | \$ 258 | \$ 437 |
| Realized gains                      | \$ 1   | \$ 4   | \$ 1   | \$ 13  |
| Realized losses                     | (1 )   | —      | (1 )   | (1 )   |
| Net realized gains (losses)         | \$—    | \$ 4   | \$—    | \$ 12  |

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Contractual maturities of fixed-maturity available-for-sale securities at September 30, 2018 were as follows:

| (dollars in millions)   | Fair<br>Value | Amortized<br>Cost |
|---|---------------|-------------------|
| Fixed maturities, excluding mortgage-backed, asset-backed, and collateralized securities: |               |                   |
| Due in 1 year or less   | \$173         | \$ 174            |
| Due after 1 year through 5 years  | 555           | 563               |
| Due after 5 years through 10 years  | 384           | 396               |
| Due after 10 years  | 210           | 217               |
| Mortgage-backed, asset-backed, and collateralized securities                              | 289           | 294               |
| Total   | \$1,611       | \$ 1,644          |

Actual maturities may differ from contractual maturities since issuers and borrowers may have the right to call or prepay obligations. We may sell investment securities before maturity for general corporate and working capital purposes and to achieve certain investment strategies.

The fair value of securities on deposit with third parties totaled \$507 million and \$537 million at September 30, 2018 and December 31, 2017, respectively.

#### OTHER SECURITIES

The fair value of other securities by type was as follows:

| (dollars in millions)                                 | September 30,<br>2018 | December 31,<br>2017 |
|---|-----------------------|----------------------|
| Fixed maturity other securities:                      |                       |                      |
| Bonds   |                       |                      |
| Non-U.S. government and government sponsored entities | \$ 1                  | \$ 1                 |
| Corporate debt  | 46                    | 68                   |
| Mortgage-backed, asset-backed, and collateralized:    |                       |                      |
| RMBS  | 1                     | 1                    |
| CDO/ABS   | 3                     | 4                    |
| Total bonds   | 51                    | 74                   |
| Preferred stock *                                     | 20                    | 20                   |
| Common stock *  | 24                    | 23                   |
| Other long-term investments                           | 1                     | 1                    |
| Total   | \$ 96                 | \$ 118               |

\*The Company employs an income equity strategy targeting investments in stocks with strong current dividend yields. Stocks included have a history of stable or increasing dividend payments.

Net unrealized gains and losses on other securities held at September 30, 2018 and 2017 were immaterial for the three and nine months then ended. Net realized gains and losses on other securities sold or redeemed during the 2018 and 2017 periods were also immaterial for the three and nine months then ended. We report these gains and losses in investment revenues.

## 7. Transactions with Affiliates

Upon closing of the Apollo-Värde Transaction, on June 25, 2018, Fortress and its affiliates are no longer considered related-parties or affiliates. See Note 1 for additional information regarding the Apollo-Värde Transaction.

### SUBSERVICING AGREEMENT

Nationstar subservices the real estate loans of certain of our indirect subsidiaries. Investment funds managed by affiliates of Fortress indirectly own a majority interest in Nationstar. The subservicing fees paid to Nationstar, prior to the closing of the Apollo-Värde Transaction, were immaterial.

### SERVICING AGREEMENT

In 2016, we sold our equity interest in the SpringCastle Joint Venture, which owns the SpringCastle Portfolio, to certain subsidiaries of NRZ and Blackstone. NRZ is managed by an affiliate of Fortress.

Unless we are terminated, we will continue as the servicer of the SpringCastle Portfolio for the SpringCastle Funding Trust pursuant to a servicing agreement. Prior to the closing of the Apollo-Värde Transaction on June 25, 2018, servicing fees revenue totaled \$16 million for the six months ended June 30, 2018. For the three and nine months ended September 30, 2017 these fees were \$9 million and \$29 million, respectively. At December 31, 2017, the servicing fees receivable from the SpringCastle Funding Trust were immaterial.

## 8. Long-term Debt

Principal maturities of long-term debt (excluding projected repayments on securitizations and revolving conduit facilities by period) by type of debt at September 30, 2018 were as follows:

| (dollars in millions)      | Senior Debt     |                   |                          | Total    |
|----------------------------|-----------------|-------------------|--------------------------|----------|
|                            | Securitizations | Medium Term Notes | Junior Subordinated Debt |          |
| Interest rates (a)         | 2.16%<br>-      | 5.25%<br>-        | 4.09%                    |          |
| Fourth quarter 2018        | \$—             | \$—               | \$ —                     | \$—      |
| 2019                       | —               | 696               | —                        | 696      |
| 2020                       | —               | 1,299             | —                        | 1,299    |
| 2021                       | —               | 646               | —                        | 646      |
| 2022                       | —               | 1,000             | —                        | 1,000    |
| 2023                       | —               | 1,175             | —                        | 1,175    |
| 2024-2067                  | —               | 2,849             | 350                      | 3,199    |
| Securitizations (b)        | 8,092           | —                 | —                        | 8,092    |
| Total principal maturities | \$8,092         | \$7,665           | \$ 350                   | \$16,107 |
| Total carrying amount      | \$8,065         | \$7,494           | \$ 172                   | \$15,731 |
| Debt issuance costs (c)    | \$(26 )         | \$(62 )           | \$ —                     | \$(88 )  |

(a) The interest rates shown are the range of contractual rates in effect at September 30, 2018. The interest rate on the UPB of the Junior Subordinated Debenture consists of a variable floating rate (determined quarterly)

equal to 3-month LIBOR plus 1.75%, or 4.09% as of September 30, 2018.

Securitizations have a stated maturity date but are not included in the above maturities by period due to their variable monthly repayments, which may result in pay-off prior to the stated maturity date. At September 30, 2018, (b) there were no amounts drawn under our revolving conduit facilities. See Note 9 for further information on our long-term debt associated with securitizations and revolving conduit facilities.

Debt issuance costs are reported as a direct deduction from long-term debt, with the exception of debt issuance (c) costs associated with our revolving conduit facilities, which totaled \$25 million at September 30, 2018 and are reported in other assets.

#### SFC'S OFFERINGS OF 7.125% SENIOR NOTES DUE 2026

SFC issued a total of \$1.6 billion aggregate principal amount of 7.125% Senior Notes due 2026 (the "7.125% SFC Notes") under the SFC Senior Notes Indentures, pursuant to which OMH provided a guarantee of the 7.125% SFC Notes on an unsecured basis. SFC issued \$900 million of the 7.125% SFC Notes on May 11, 2018 and \$700 million of the 7.125% SFC Notes on August 10, 2018.

SFC used a portion of the net proceeds to redeem the remaining \$400 million in aggregate principal amount of the OMFH 7.25% Senior Notes due 2021 and will use the remaining proceeds for other general corporate purposes, which may include other debt repurchases and repayments.

#### SFC'S OFFERING OF 6.875% SENIOR NOTES DUE 2025

On March 12, 2018, SFC issued \$1.25 billion aggregate principal amount of 6.875% Senior Notes due 2025 (the "6.875% SFC Notes") under the SFC Senior Notes Indentures, pursuant to which OMH provided a guarantee of the 6.875% SFC Notes on an unsecured basis.

SFC used the net proceeds from the sale of the 6.875% SFC Notes for general corporate purposes, which included debt repurchases.

The 6.875% and 7.125% SFC Notes are SFC's senior unsecured obligations and rank equally in right of payment to all of SFC's other existing and future unsubordinated indebtedness from time to time outstanding. The notes are effectively subordinated to all of SFC's secured obligations to the extent of the value of the assets securing such obligations and structurally subordinated to any existing and future obligations of SFC's subsidiaries with respect to claims against the assets of such subsidiaries.

The notes may be redeemed at any time and from time to time, at the option of SFC, in whole or in part at a "make-whole" redemption price specified in the SFC Senior Notes Indentures. The notes will not have the benefit of any sinking fund.

#### GUARANTY AGREEMENTS

OMH entered into the SFC Base Indenture and the following SFC supplemental indentures, pursuant to which OMH agreed to fully and unconditionally guarantee, on a senior unsecured basis the payments of principal, premium (if any) and interest on the following notes:

| Guarantee Agreement | Date Entered | SFC Supplemental Indentures       | Interest rate | September 30, 2018<br>Outstanding balance<br>(dollars in millions) |
|---------------------|--------------|-----------------------------------|---------------|--|
| 7.125% SFC Notes    | 5/11/2018    | SFC Sixth Supplemental Indenture  | 7.125%        | \$ 1,600   |
| 6.875% SFC Notes    | 3/12/2018    | SFC Fifth Supplemental Indenture  | 6.875%        | 1,250  |
| 5.625% SFC Notes    | 12/8/2017    | SFC Fourth Supplemental Indenture | 5.625%        | 875  |
| 6.125% SFC Notes    | 5/15/2017    | SFC Third Supplemental Indenture  | 6.125%        | 1,000  |

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|                 |           |                                   |       |       |
|-----------------|-----------|-----------------------------------|-------|-------|
| 8.25% SFC Notes | 4/11/2016 | SFC Second Supplemental Indenture | 8.25% | 1,000 |
| 5.25% SFC Notes | 12/3/2014 | SFC First Supplemental Indenture  | 5.25% | 700   |

The supplemental indentures listed above contain covenants that, among other things, (i) limit SFC's ability to create liens on assets and (ii) restrict SFC's ability to consolidate, merge or sell its assets. The SFC Senior Notes Indentures also provide for events of default which, if any of them were to occur, would permit or require the principal of and accrued interest on the SFC Notes to become, or to be declared, due and payable. We describe our guarantee agreements in Note 12 of the Notes to Consolidated Financial Statements in Part II - Item 8 included in our 2017 Annual Report on Form 10-K.

#### Other SFC Notes

On December 30, 2013, OMH entered into SFC Guaranty Agreements whereby it agreed to fully and unconditionally guarantee the payments of principal, premium (if any) and interest on the Other SFC Notes. The Other SFC Notes consisted of the following:

8.25% Senior Notes due 2023;  
7.75% Senior Notes due 2021;  
6.00% Senior Notes due 2020; and  
the Junior Subordinated Debenture.

The Junior Subordinated Debenture underlies the trust preferred securities sold by a trust sponsored by SFC. On December 30, 2013, OMH entered into the SFC Trust Guaranty Agreement whereby it agreed to fully and unconditionally guarantee the related payment obligations under the trust preferred securities. As of September 30, 2018, \$1.6 billion aggregate principal amount of the Other SFC Notes were outstanding.

The OMH guarantees of SFC's long-term debt discussed above are subject to customary release provisions.

#### OMFH Notes

On December 11, 2014, OMFH and certain of its subsidiaries entered into the OMFH Indenture, among OMFH, the guarantors listed therein and The Bank of New York Mellon, as trustee, in connection with OMFH's issuance of the OMFH Notes. The OMFH Notes are OMFH's unsecured senior obligations, guaranteed on a senior unsecured basis by each of its wholly owned domestic subsidiaries, other than certain subsidiaries, including its insurance subsidiaries and securitization subsidiaries.

On November 8, 2016, OMH entered into the OMFH Supplemental Indenture, pursuant to which OMH agreed to fully, unconditionally and irrevocably guarantee the outstanding OMFH Notes in accordance with and subject to the terms of the OMFH Indenture. Further, as permitted by the terms of the OMFH Indenture up to the point of redemption of the OMFH Notes described below, OMFH satisfied its reporting obligations under the OMFH Indenture with respect to providing OMFH financial information to the holders of the OMFH Notes by furnishing financial information relating to the Company.

On December 8, 2017, OMFH provided notice to note holders to redeem on January 8, 2018, all \$700 million outstanding principal amount of OMFH Notes due 2019 at a redemption price equal to 103.375%, plus accrued and unpaid interest to the redemption date. The notes were redeemed on January 8, 2018. In connection with the redemption, we recognized \$1 million of net loss on repurchases and repayments of debt for the nine months ended September 30, 2018.

On March 19, 2018, OMFH provided notice to note holders to redeem \$400 million in aggregate principal amount of OMFH Notes due 2021 on April 18, 2018, at a redemption price in cash equal to 103.625%, plus accrued and unpaid interest to the redemption date. The notes were redeemed on April 18, 2018. In connection with the redemption, we recognized \$4 million of net loss on repurchases and repayments of debt for the nine months ended September 30, 2018.

On May 14, 2018, OMFH provided notice to note holders to redeem the remaining \$400 million in aggregate principal amount of OMFH Notes due 2021 on June 13, 2018, at a redemption price in cash equal to 103.625%, plus accrued and unpaid interest to the redemption date. In connection with the redemption, we recognized \$3 million of net loss on repurchases and repayments of debt for the nine months ended September 30, 2018.



On June 13, 2018, OMFH redeemed the remaining principal amount of the OMFH Notes due 2021 and received notice of satisfaction and discharge with respect to the OMFH Notes. As such, OMFH is no longer subject to the covenants or other terms of the OMFH Indenture.

## 9. Variable Interest Entities

## CONSOLIDATED VIES

As part of our overall funding strategy, we have transferred certain finance receivables to VIEs for asset-backed financing transactions, including securitization and conduit transactions. We have determined that we are the primary beneficiary of these VIEs and, as a result, we include each VIE's assets, including any finance receivables securing the VIE's debt obligations, and related liabilities in our consolidated financial statements and each VIE's asset-backed debt obligations are accounted for as secured borrowings.

See Note 3 and Note 13 of the Notes to Consolidated Financial Statements in Part II - Item 8 included in our 2017 Annual Report on Form 10-K for more detail regarding VIEs.

We parenthetically disclose on our consolidated balance sheets the VIE's assets that can only be used to settle the VIE's obligations and liabilities if its creditors have no recourse against the primary beneficiary's general credit. The carrying amounts of consolidated VIE assets and liabilities associated with our securitization trusts were as follows:

| (dollars in millions)                           | September 30, December 31, |          |
|---|----------------------------|----------|
|   | 2018                       | 2017     |
| Assets  |                            |          |
| Cash and cash equivalents                       | \$ 4                       | \$ 4     |
| Finance receivables:                            |                            |          |
| Personal loans                                  | 9,041                      | 9,769    |
| Allowance for finance receivable losses         | 451                        | 465      |
| Restricted cash and restricted cash equivalents | 478                        | 482      |
| Other assets                                    | 25                         | 20       |
| Liabilities                                     |                            |          |
| Long-term debt                                  | \$ 8,065                   | \$ 8,688 |
| Other liabilities                               | 15                         | 15       |

## SECURITIZED BORROWINGS

Each of our securitizations contains a revolving period ranging from one to five years during which no principal payments are required to be made on the related asset-backed notes. The indentures governing our securitization borrowings contain early amortization events and events of default, that, if triggered, may result in the acceleration of the obligation to pay principal and interest on the related asset-backed notes.

Our securitized borrowings at September 30, 2018 consisted of the following:

| (dollars in millions)            | Issue Amount<br>(a) | Current Note Amounts Outstanding<br>(a) | Current Weighted Average Interest Rate | Original Revolving Period | Issue Date | Maturity Date |
|----------------------------------|---------------------|---|--|---------------------------|------------|---------------|
| <b>Consumer Securitizations:</b> |                     |   |  |                           |            |               |
| SLFT 2015-A                      | \$ 1,163            | \$ 625                                  | 3.73 %                                 | 3 years                   | 02/26/15   | 11/2024       |
| SLFT 2015-B                      | 314                 | 314                                     | 3.78 %                                 | 5 years                   | 04/07/15   | 05/2028       |
| SLFT 2016-A (b)                  | 532                 | 500                                     | 3.10 %                                 | 2 years                   | 12/14/16   | 11/2029       |
| SLFT 2017-A (b)                  | 652                 | 619                                     | 2.98 %                                 | 3 years                   | 06/28/17   | 07/2030       |
| OMFIT 2015-1                     | 1,229               | 655                                     | 4.22 %                                 | 3 years                   | 02/05/15   | 03/2026       |
| OMFIT 2015-2                     | 1,250               | 359                                     | 4.30 %                                 | 2 years                   | 05/21/15   | 07/2025       |
| OMFIT 2015-3                     | 293                 | 293                                     | 4.21 %                                 | 5 years                   | 09/29/15   | 11/2028       |
| OMFIT 2016-1 (b)                 | 500                 | 459                                     | 4.01 %                                 | 3 years                   | 02/10/16   | 02/2029       |
| OMFIT 2016-2 (b)                 | 890                 | 473                                     | 4.80 %                                 | 2 years                   | 03/23/16   | 03/2028       |
| OMFIT 2016-3 (b)                 | 350                 | 317                                     | 4.33 %                                 | 5 years                   | 06/07/16   | 06/2031       |
| OMFIT 2017-1 (b)                 | 947                 | 900                                     | 2.74 %                                 | 2 years                   | 09/06/17   | 09/2032       |
| OMFIT 2018-1 (c)                 | 632                 | 600                                     | 3.60 %                                 | 3 years                   | 02/28/18   | 03/2029       |
| OMFIT 2018-2 (d)                 | 368                 | 350                                     | 3.87 %                                 | 5 years                   | 03/19/18   | 03/2033       |
| Total consumer securitizations   |                     | 6,464                                   |  |                           |            |               |
| <b>Auto Securitizations:</b>     |                     |   |  |                           |            |               |
| ODART 2017-1 (b)                 | 300                 | 153                                     | 2.94 %                                 | 1 year                    | 02/01/17   | Various       |
| ODART 2017-2 (b)                 | 605                 | 575                                     | 2.63 %                                 | 1 year                    | 12/11/17   | Various       |
| ODART 2018-1 (e)                 | 947                 | 900                                     | 3.56 %                                 | 2 years                   | 07/24/18   | Various       |
| Total auto securitizations       |                     | 1,628                                   |  |                           |            |               |
| Total securitizations            |                     | \$ 8,092                                |  |                           |            |               |

(a) Issue Amount includes the retained interest amounts as applicable and, as noted below, the Current Note Amounts Outstanding balances reflect pay-downs subsequent to note issuance and exclude retained interest amounts.

(b) For these borrowings, we describe our consumer and auto securitizations initial retained amounts in Note 13 of the Notes to Consolidated Financial Statements in Part II - Item 8 included in our 2017 Annual Report on Form 10-K.

(c) OMFIT 2018-1 Securitization. We initially retained approximately \$32 million of the asset-backed notes.

(d) OMFIT 2018-2 Securitization. We initially retained approximately \$18 million of the asset-backed notes.

(e) ODART 2018-1 Securitization. We initially retained approximately \$47 million of the asset-backed notes.

## REVOLVING CONDUIT FACILITIES

As of September 30, 2018, our borrowings under conduit facilities consisted of the following:

| (dollar in millions)                         | Advance<br>Maximum<br>Balance | Amount<br>Drawn | Revolving<br>Period End | Collateral Type                  | Due and Payable<br>(a) |
|--|-------------------------------|-----------------|-------------------------|----------------------------------|------------------------|
| Seine River Funding, LLC                     | \$ 500                        | \$              | December<br>2019        | Personal loans                   | December 2022          |
| Rocky River Funding, LLC (b)                 | 400                           | —               | June 2020               | Personal loans                   | July 2021              |
| Thur River Funding, LLC                      | 350                           | —               | June 2020               | Personal loans                   | February 2027          |
| OneMain Financial Funding IX,<br>LLC         | 600                           | —               | June 2020               | Personal loans                   | July 2021              |
| Mystic River Funding, LLC                    | 850                           | —               | September<br>2020       | Personal loans and auto<br>loans | October 2023           |
| Fourth Avenue Auto Funding, LLC              | 250                           | —               | September<br>2020       | Auto loans                       | October 2021           |
| OneMain Financial Funding VIII,<br>LLC (c)   | 650                           | —               | August 2021             | Personal loans                   | September 2023         |
| OneMain Financial Auto Funding I,<br>LLC (d) | 850                           | —               | June 2021               | Auto loans                       | July 2028              |
| OneMain Financial Funding VII,<br>LLC (e)    | 850                           | —               | June 2021               | Personal loans                   | July 2023              |
| Thayer Brook Funding, LLC (f)                | 250                           | —               | July 2021               | Auto loans                       | August 2022            |
| Hubbard River Funding, LLC (g)               | 250                           | —               | September<br>2021       | Personal loans                   | October 2023           |
| Total  | \$ 5,800                      | \$              | —                       |                                  |                        |

(a) The date following the revolving period that the principal balance of the outstanding loans, if any, will be reduced as cash payments are received on the underlying loans and will be due and payable in full.

On June 27, 2018, we amended the loan and security agreement with Rocky River Funding, LLC to, among other things, (i) increase the advance maximum balance from \$250 million to \$400 million and (ii) extend the revolving period ending September 2019 to June 2020 thereby extending the final maturity to July 2021.

On February 2, 2018, we entered into a loan and security agreement with OneMain Financial Funding VIII, LLC concurrently with the voluntary termination of the note purchase agreement with the OneMain Financial B6 Warehouse Trust. On August 1, 2018, we amended this agreement to, among other things, (i) increase the advance maximum balance from \$450 million to \$650 million and (ii) extend the revolving period ending January 2021 to August 2021 thereby extending the final maturity to September 2023.

On June 26, 2018, we amended the loan and security agreement with OneMain Financial Auto Funding I, LLC to, among other things, (i) increase the advance maximum balance from \$750 million to \$850 million and (ii) extend the revolving period ending October 2020 to June 2021 thereby extending the final maturity to July 2028.

On May 31, 2018, we amended the loan and security agreement with OneMain Financial Funding VII, LLC to, among other things, (i) increase the advance maximum balance from \$650 million to \$850 million and (ii) extend the revolving period ending October 2019 to June 2021 thereby extending the final maturity to July 2023.

(f) On June 28, 2018, we entered into a new loan and security agreement with Thayer Brook Funding, LLC.

(g) On September 28, 2018, we entered into a new loan and security agreement with Hubbard River Funding, LLC.

#### VIE INTEREST EXPENSE

Other than the retained subordinate and residual interests in our consolidated VIEs, we are under no further obligation than is otherwise noted herein, either contractually or implicitly, to provide financial support to these entities.

Consolidated interest expense related to our VIEs for the three and nine months ended September 30, 2018 totaled \$86 million and \$259 million, compared to \$81 million and \$239 million for the three and nine months ended September 30, 2017.

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## 10. Insurance

Changes in the reserve for unpaid claims and loss adjustment expenses (not considering reinsurance recoverable) were as follows:

| (dollars in millions)   | At or for the<br>Nine Months<br>Ended<br>September<br>30,<br>2018 2017 |        |
|---|--|--------|
| Balance at beginning of period                                      | \$154  | \$158  |
| Less reinsurance recoverables                                       | (23 )  | (26 )  |
| Net balance at beginning of period                                  | 131  | 132    |
| Additions for losses and loss adjustment expenses incurred to:      |  |        |
| Current year  | 152  | 149    |
| Prior years *   | (5 )   | —      |
| Total   | 147  | 149    |
| Reductions for losses and loss adjustment expenses paid related to: |  |        |
| Current year  | (81 )  | (82 )  |
| Prior years   | (63 )  | (69 )  |
| Total   | (144 )   | (151 ) |
| Foreign currency translation adjustment                             | —  | (1 )   |
| Net balance at end of period  | 134  | 129    |
| Plus reinsurance recoverables                                       | 4  | 25     |
| Transfer of reserves  | (19 )  | —      |
| Balance at end of period  | \$119  | \$154  |

Reflects (i) a redundancy in the prior years' net reserves of \$5 million at September 30, 2018 primarily due to \*favorable development of credit disability and unemployment claims during the year and (ii) a redundancy in the prior years' net reserves of less than \$1 million at September 30, 2017 primarily due to favorable development on ordinary life and credit disability during the year.

## 11. Earnings Per Share

The computation of earnings per share was as follows:

| (dollars in millions, except per share data)            | Three Months        |         | Nine Months         |         |
|---|---------------------|---------|---------------------|---------|
|   | Ended September 30, |         | Ended September 30, |         |
|   | 2018                | 2017    | 2018                | 2017    |
| Numerator (basic and diluted):                          |                     |         |                     |         |
| Net income  | \$148               | \$ 69   | \$279               | \$ 144  |
| Denominator:  |                     |         |                     |         |
| Weighted average number of shares outstanding (basic)   | 135,756,357         | 125,493 | 135,677,351         | 140,664 |
| Effect of dilutive securities *                         | 350,566             | 57,719  | 313,903             | 58,705  |
| Weighted average number of shares outstanding (diluted) | 136,107,361         | 183,212 | 135,991,354         | 199,369 |
| Earnings per share:                                     |                     |         |                     |         |
| Basic   | \$1.09              | \$ 0.52 | \$2.05              | \$ 1.07 |
| Diluted   | \$1.09              | \$ 0.51 | \$2.05              | \$ 1.07 |

\* We have excluded the following shares in the diluted earnings per share calculation for the three and nine months ended September 30, 2018 and 2017 because these shares would be anti-dilutive, which could impact the earnings per share calculation in the future:

|                          | Three Months        |         | Nine Months         |         |
|--------------------------|---------------------|---------|---------------------|---------|
|                          | Ended September 30, |         | Ended September 30, |         |
|                          | 2018                | 2017    | 2018                | 2017    |
| Performance-based shares | 10,415              | 69,321  | 51,014              | 41,698  |
| Service-based shares     | 162,223             | 577,557 | 214,386             | 709,503 |

Basic earnings per share is computed by dividing net income by the weighted-average number of shares outstanding during each period. Diluted earnings per share is computed based on the weighted-average number of shares outstanding plus the effect of potentially dilutive shares outstanding during the period using the treasury stock method. The potentially dilutive shares represent outstanding unvested RSUs and RSAs.

12. Accumulated Other Comprehensive Income (Loss)

Changes, net of tax, in accumulated other comprehensive income (loss) were as follows:

| (dollars in millions)   | Unrealized<br>Gains (Losses)<br>Available-for-Sale<br>Securities | Retirement<br>Plan<br>Liabilities<br>Adjustments | Foreign<br>Currency<br>Translation<br>Adjustments | Total<br>Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) |
|---|--|--|---|--|
| <b>Three Months Ended September 30, 2018</b>                                    |  |  |   |  |
| Balance at beginning of period  | \$ (24 )   | \$ 3   | \$ —  | \$ (21 )   |
| Other comprehensive income (loss) before reclassifications                      | (2 )   | —  | 1   | (1 )   |
| Balance at end of period  | \$ (26 )   | \$ 3   | \$ 1  | \$ (22 )   |
| <b>Three Months Ended September 30, 2017</b>                                    |  |  |   |  |
| Balance at beginning of period  | \$ 6   | \$ (4 )  | \$ 1  | \$ 3   |
| Other comprehensive income (loss) before reclassifications                      | 2  | —  | 2   | 4  |
| Reclassification adjustments from accumulated other comprehensive income (loss) | (2 )   | —  | —   | (2 )   |
| Balance at end of period  | \$ 6   | \$ (4 )  | \$ 3  | \$ 5   |
| <b>Nine Months Ended September 30, 2018</b>                                     |  |  |   |  |
| Balance at beginning of period  | \$ 4   | \$ 4   | \$ 3  | \$ 11  |
| Other comprehensive income (loss) before reclassifications                      | (33 )  | 2  | (5 )  | (36 )  |
| Reclassification adjustments from accumulated other comprehensive income (loss) | 1  | —  | —   | 1  |
| Impact of AOCI reclassification due to the Tax Act                              | 2  | (3 )   | 3   | 2  |
| Balance at end of period  | \$ (26 )   | \$ 3   | \$ 1  | \$ (22 )   |
| <b>Nine Months Ended September 30, 2017</b>                                     |  |  |   |  |
| Balance at beginning of period  | \$ (1 )  | \$ (4 )  | \$ (1 )   | \$ (6 )  |
| Other comprehensive income (loss) before reclassifications                      | 15   | —  | 4   | 19   |
| Reclassification adjustments from accumulated other comprehensive income (loss) | (8 )   | —  | —   | (8 )   |
| Balance at end of period  | \$ 6   | \$ (4 )  | \$ 3  | \$ 5   |

Reclassification adjustments from accumulated other comprehensive income (loss) to the applicable line item on our condensed consolidated statements of operations were as follows:

| (dollars in millions)  | Three<br>Months<br>Ended<br>September<br>30,<br>2018 | Nine<br>Months<br>Ended<br>September<br>30,<br>2017 |
|--|--|---|
| Unrealized gains (losses) on available-for-sale securities:  |  |   |
| Reclassification from accumulated other comprehensive income (loss) to investment revenues, before taxes | \$ —   | \$ 4  |
| Income tax effect  | (2 )   | (4 )  |



|  |    |   |      |        |      |
|--|----|---|------|--------|------|
| Reclassification from accumulated other comprehensive income (loss) to investment revenues, net of taxes | \$ | — | \$ 2 | \$ (1) | \$ 8 |
|--|----|---|------|--------|------|

### 13. Income Taxes

We had a net deferred tax asset of \$143 million at September 30, 2018 and December 31, 2017, respectively.

The effective tax rate for the nine months ended September 30, 2018 was 32.0%, compared to 40.8% for the same period in 2017. The effective tax rate for the nine months ended September 30, 2018 differed from the federal statutory rate of 21% primarily due to the effect of discrete tax expense for non-deductible compensation and state income taxes. The effective tax rate for the nine months ended September 30, 2017 differed from the then-applicable federal statutory rate of 35% primarily due to the effect of state income taxes and discrete expense from the 2016 tax year return-to-provision adjustment.

We are currently under examination of our U.S. federal tax return for the years 2014 to 2016 by the IRS. We are also under examination of various states for the years 2011 to 2017. Management believes it has adequately provided for taxes for such years.

Our gross unrecognized tax benefits, including related interest and penalties, totaled \$16 million at September 30, 2018 and \$15 million at December 31, 2017. We accrue interest related to uncertain tax positions in income tax expense. The amount of any change in the balance of uncertain tax liabilities over the next 12 months is not expected to be material to our consolidated financial statements.

On December 22, 2017, President Trump signed into law the Tax Act, which contains substantial changes to the Internal Revenue Code effective January 1, 2018, including a reduction in the federal corporate tax rate from 35% to 21%.

### 14. Contingencies

#### LEGAL CONTINGENCIES

In the normal course of business, we have been named, from time to time, as defendants in various legal actions, including arbitrations, class actions and other litigation arising in connection with our activities. Some of the actual or threatened legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. While we will continue to evaluate legal actions to determine whether a loss is reasonably possible or probable and is reasonably estimable, there can be no assurance that material losses will not be incurred from pending, threatened or future litigation, investigations, examinations, or other claims.

We contest liability and/or the amount of damages, as appropriate, in each pending matter. Where available information indicates that it is probable that a liability had been incurred at the date of the condensed consolidated financial statements and we can reasonably estimate the amount of that loss, we accrue the estimated loss by a charge to income. In many actions, however, it is inherently difficult to determine whether any loss is probable or even reasonably possible or to estimate the amount of any loss. In addition, even where loss is reasonably possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, it is not always possible to reasonably estimate the size of the possible loss or range of loss.

For certain legal actions, we cannot reasonably estimate such losses, particularly for actions that are in their early stages of development or where plaintiffs seek substantial or indeterminate damages. Numerous issues may need to be resolved, including through potentially lengthy discovery and determination of important factual matters, and by addressing novel or unsettled legal questions relevant to the actions in question, before a loss or additional loss or range of loss or additional loss can be reasonably estimated for any given action.

For certain other legal actions, we can estimate reasonably possible losses, additional losses, ranges of loss or ranges of additional loss in excess of amounts accrued, but do not believe, based on current knowledge and after consultation with counsel, that such losses will have a material adverse effect on our condensed consolidated financial statements as a whole.

## Federal Securities Class Actions

On February 10, 2017, a putative class action lawsuit, *Galestan v. OneMain Holdings, Inc., et al.*, was filed in the U.S. District Court for the Southern District of New York, naming as defendants the Company and two of its officers. The lawsuit alleges violations of the Exchange Act for allegedly making materially misleading statements and/or omitting material information concerning alleged integration issues after the OneMain Acquisition in November 2015, and was filed on behalf of a putative class of persons who purchased or otherwise acquired the Company's common stock between February 25, 2016 and November 7, 2016. The complaint seeks an award of unspecified compensatory damages, an award of interest, reasonable attorney's fees, expert fees and other costs, and equitable relief as the court may deem just and proper. On March 23, 2017, the court appointed a lead plaintiff for the putative class and approved the lead plaintiff's selection of counsel. The plaintiff filed an amended complaint on June 13, 2017 challenging statements regarding the Company's projections of future financial performance and certain statements regarding integration after the OneMain Acquisition. On September 29, 2017, pursuant to the Court's Individual Rules and Practices, we sought permission to file a motion to dismiss the amended complaint. The Company believes that the allegations specified in the amended complaint are without merit, and intends to vigorously defend against the claims. As the lawsuit is in the preliminary stages, the Company is unable to estimate a reasonably possible range of loss, if any, that may result from the lawsuit.

## SALES RECOURSE OBLIGATIONS

At September 30, 2018, our reserve for sales recourse obligations totaled \$7 million, which primarily related to our real estate loan sales in 2014, with a minimal portion of the reserve related to net charge-off sales of our finance receivables. During the three and nine months ended September 30, 2018 and 2017, we had no material repurchase activity related to these sales and no material activity related to our sales recourse obligations.

At September 30, 2018, there were no material recourse requests with loss exposure that management believed would not be covered by the reserve. However, we will continue to monitor any repurchase activity in the future and will adjust the reserve accordingly. When recourse losses are reasonably possible or exposure to such losses exists in excess of the liability already accrued, it is not always possible to reasonably estimate the size of the possible recourse losses or range of losses.

## 15. Benefit Plans

During the three and nine months ended September 30, 2018 and 2017, the components of net periodic benefit cost with respect to our defined benefit pension plans were immaterial. We do not currently fund post retirement benefits.

## 16. Segment Information

Our segments coincide with how our businesses are managed. At September 30, 2018, our two segments were Consumer and Insurance and Acquisitions and Servicing. The remaining components (which we refer to as "Other") consist of our non-originating legacy operations, which include our liquidating real estate loans and our liquidating retail sales finance portfolios.

Due to the nature of the OneMain Acquisition and the Fortress Acquisition, we applied purchase accounting. However, we report the operating results of Consumer and Insurance, Acquisitions and Servicing, and Other using the Segment Accounting Basis, which (i) reflects our allocation methodologies for certain costs, primarily interest expense, loan loss reserves, and acquisition costs to reflect the manner in which we assess our business results and (ii) excludes the impact of applying purchase accounting (eliminates premiums/discounts on our finance receivables and long-term debt at acquisition, as well as the amortization/accretion in future periods).

The accounting policies of the segments are the same as those disclosed in Note 3 and Note 22 of the Notes to Consolidated Financial Statements in Part II - Item 8 included in our 2017 Annual Report on Form 10-K.

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The following tables present information about the Company's segments, as well as reconciliations to the condensed consolidated financial statement amounts.

| (dollars in millions)  | Consumer<br>and<br>Insurance | Acquisitions<br>and<br>Servicing | Other      | Segment to<br>GAAP<br>Adjustment | Consolidated<br>Total |
|--|------------------------------|----------------------------------|------------|----------------------------------|-----------------------|
| <b>Three Months Ended September 30, 2018</b>                             |                              |                                  |            |                                  |                       |
| Interest income  | \$ 935                       | \$ —                             | —\$ 4      | \$ (6 )                          | \$ 933                |
| Interest expense   | 218                          | —                                | 4          | 5                                | 227                   |
| Provision for finance receivable losses                                  | 253                          | —                                | —          | 3                                | 256                   |
| Net interest income after provision for finance receivable losses        | 464                          | —                                | —          | (14 )                            | 450                   |
| Other revenues   | 140                          | 8                                | 1          | (5 )                             | 144                   |
| Acquisition-related transaction and integration expenses                 | 9                            | —                                | —          | —                                | 9                     |
| Other expenses   | 369                          | 8                                | 5          | 4                                | 386                   |
| Income (loss) before income tax expense (benefit)                        | \$ 226                       | \$ —                             | —\$ (4 )   | \$ (23 )                         | \$ 199                |
| <b>Three Months Ended September 30, 2017</b>                             |                              |                                  |            |                                  |                       |
| Interest income  |                              | \$831                            | \$ —\$6    | \$(29)                           | \$808                 |
| Interest expense   |                              | 195                              | — 5        | 7                                | 207                   |
| Provision for finance receivable losses                                  |                              | 245                              | — 6        | (8 )                             | 243                   |
| Net interest income (loss) after provision for finance receivable losses |                              | 391                              | — (5 )     | (28 )                            | 358                   |
| Other revenues   |                              | 145                              | 10 (1 )    | (2 )                             | 152                   |
| Acquisition-related transaction and integration expenses                 |                              | 22                               | — —        | —                                | 22                    |
| Other expenses   |                              | 343                              | 10 7       | 7                                | 367                   |
| Income (loss) before income tax expense (benefit)                        |                              | \$171                            | \$ —\$(13) | \$(37)                           | \$121                 |
| <b>At or for the Nine Months Ended September 30, 2018</b>                |                              |                                  |            |                                  |                       |
| Interest income  | \$2,718                      | \$ —\$14                         | \$(32 )    | \$2,700                          |                       |
| Interest expense   | 624                          | — 13                             | 10         | 647                              |                       |
| Provision for finance receivable losses                                  | 772                          | — (5 )                           | 3          | 770                              |                       |
| Net interest income after provision for finance receivable losses        | 1,322                        | — 6                              | (45 )      | 1,283                            |                       |
| Other revenues   | 352                          | 25 (2 )                          | 46         | 421                              |                       |
| Acquisition-related transaction and integration expenses                 | 41                           | — —                              | 6          | 47                               |                       |
| Other expenses   | 1,078                        | 25 127                           | 17         | 1,247                            |                       |
| Income (loss) before income tax expense (benefit)                        | \$555                        | \$ —\$(123)                      | \$(22 )    | \$410                            |                       |
| Assets   | \$18,152                     | \$ —\$238                        | \$2,078    | \$20,468                         |                       |
| <b>At or for the Nine Months Ended September 30, 2017</b>                |                              |                                  |            |                                  |                       |
| Interest income  | \$2,430                      | \$—\$18                          | \$(109 )   | \$2,339                          |                       |
| Interest expense   | 570                          | — 16                             | 26         | 612                              |                       |
| Provision for finance receivable losses                                  | 718                          | — 7                              | (1 )       | 724                              |                       |
| Net interest income (loss) after provision for finance receivable losses | 1,142                        | — (5 )                           | (134 )     | 1,003                            |                       |
| Other revenues   | 409                          | 32 —                             | (27 )      | 414                              |                       |
| Acquisition-related transaction and integration expenses                 | 56                           | — 6                              | (3 )       | 59                               |                       |
| Other expenses   | 1,038                        | 31 23                            | 22         | 1,114                            |                       |
| Income (loss) before income tax expense (benefit)                        | \$457                        | \$1 \$(34 )                      | \$(180 )   | \$244                            |                       |
| Assets   | \$16,916                     | \$4 \$304                        | \$1,826    | \$19,050                         |                       |

## 17. Fair Value Measurements

The fair value of a financial instrument is the amount that would be expected to be received if an asset were to be sold or the amount that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The degree of judgment used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. The accounting policies of our Fair Value Measurements are the same as those disclosed in Note 3 and Note 23 of the Notes to Consolidated Financial Statements in Part II - Item 8 included in our 2017 Annual Report on Form 10-K.

The following table presents the carrying amounts and estimated fair values of our financial instruments and indicates the level in the fair value hierarchy of the estimated fair value measurement based on the observability of the inputs used:

| (dollars in millions)   | Fair Value Measurements Using |           |         | Total<br>Fair<br>Value | Total<br>Carrying<br>Value |
|---|-------------------------------|-----------|---------|------------------------|----------------------------|
|   | Level 1                       | Level 2   | Level 3 |                        |                            |
| September 30, 2018  |                               |           |         |                        |                            |
| Assets  |                               |           |         |                        |                            |
| Cash and cash equivalents   | \$ 1,210                      | \$ 33     | \$ —    | \$1,243                | \$1,243                    |
| Investment securities   | 37                            | 1,665     | 5       | 1,707                  | 1,707                      |
| Net finance receivables, less allowance for finance receivable losses | —                             | —         | 16,445  | 16,445                 | 15,044                     |
| Finance receivables held for sale                                     | —                             | —         | 242     | 242                    | 207                        |
| Restricted cash and restricted cash equivalents                       | 495                           | —         | —       | 495                    | 495                        |
| Other assets *  | —                             | —         | 16      | 16                     | 16                         |
| Liabilities   |                               |           |         |                        |                            |
| Long-term debt  | \$ —                          | \$ 16,125 | \$ —    | \$16,125               | \$15,731                   |
| December 31, 2017   |                               |           |         |                        |                            |
| Assets  |                               |           |         |                        |                            |
| Cash and cash equivalents   | \$ 933                        | \$ 54     | \$ —    | \$987                  | \$987                      |
| Investment securities   | 36                            | 1,654     | 7       | 1,697                  | 1,697                      |
| Net finance receivables, less allowance for finance receivable losses | —                             | —         | 15,656  | 15,656                 | 14,260                     |
| Finance receivables held for sale                                     | —                             | —         | 139     | 139                    | 132                        |
| Restricted cash and restricted cash equivalents                       | 498                           | —         | —       | 498                    | 498                        |
| Other assets *  | —                             | —         | 12      | 12                     | 12                         |
| Liabilities   |                               |           |         |                        |                            |
| Long-term debt  | \$ —                          | \$ 15,625 | \$ —    | \$15,625               | \$15,050                   |

\* Other assets at September 30, 2018 and December 31, 2017 include miscellaneous receivables related to our liquidating loan portfolios.

## FAIR VALUE MEASUREMENTS — RECURRING BASIS

The following tables present information about our assets measured at fair value on a recurring basis and indicates the fair value hierarchy based on the levels of inputs we utilized to determine such fair value:

| (dollars in millions)   | Fair Value Measurements Using |          |              | Total Carried<br>At Fair Value |
|---|-------------------------------|----------|--------------|--------------------------------|
|   | Level 1                       | Level 2  | Level 3<br>* |                                |
| September 30, 2018  |                               |          |              |                                |
| Assets  |                               |          |              |                                |
| Cash equivalents in mutual funds                                  | \$ 508                        | \$ —     | \$ —         | \$ 508                         |
| Cash equivalents in securities                                    | —                             | 33       | —            | 33                             |
| Investment securities:  |                               |          |              |                                |
| Available-for-sale securities                                     |                               |          |              |                                |
| U.S. government and government sponsored entities                 | —                             | 20       | —            | 20                             |
| Obligations of states, municipalities, and political subdivisions | —                             | 95       | —            | 95                             |
| Certificates of deposit and commercial paper                      | —                             | 52       | —            | 52                             |
| Non-U.S. government and government sponsored entities             | —                             | 141      | —            | 141                            |
| Corporate debt  | —                             | 1,012    | 2            | 1,014                          |
| RMBS  | —                             | 122      | —            | 122                            |
| CMBS  | —                             | 73       | —            | 73                             |
| CDO/ABS   | —                             | 93       | 1            | 94                             |
| Total available-for-sale securities                               | —                             | 1,608    | 3            | 1,611                          |
| Other securities  |                               |          |              |                                |
| Bonds:  |                               |          |              |                                |
| Non-U.S. government and government sponsored entities             | —                             | 1        | —            | 1                              |
| Corporate debt  | —                             | 45       | 1            | 46                             |
| RMBS  | —                             | 1        | —            | 1                              |
| CDO/ABS   | —                             | 3        | —            | 3                              |
| Total bonds   | —                             | 50       | 1            | 51                             |
| Preferred stock   | 13                            | 7        | —            | 20                             |
| Common stock  | 24                            | —        | —            | 24                             |
| Other long-term investments                                       | —                             | —        | 1            | 1                              |
| Total other securities  | 37                            | 57       | 2            | 96                             |
| Total investment securities                                       | 37                            | 1,665    | 5            | 1,707                          |
| Restricted cash in mutual funds                                   | 480                           | —        | —            | 480                            |
| Total   | \$ 1,025                      | \$ 1,698 | \$ 5         | \$ 2,728                       |

Due to the insignificant activity within the Level 3 assets during the three and nine months ended September 30, \*2018, we have omitted the additional disclosures relating to the changes in Level 3 assets measured at fair value on a recurring basis and the quantitative information about Level 3 unobservable inputs.



| (dollars in millions)   | Fair Value Measurements Using |          |                | Total Carried<br>At Fair Value |
|---|-------------------------------|----------|----------------|--------------------------------|
|   | Level 1                       | Level 2  | Level 3<br>(a) |                                |
| December 31, 2017   |                               |          |                |                                |
| Assets  |                               |          |                |                                |
| Cash equivalents in mutual funds                                  | \$ 709                        | \$ —     | \$ —           | \$ 709                         |
| Cash equivalents in securities                                    | —                             | 54       | —              | 54                             |
| Investment securities:  |                               |          |                |                                |
| Available-for-sale securities                                     |                               |          |                |                                |
| U.S. government and government sponsored entities                 | —                             | 28       | —              | 28                             |
| Obligations of states, municipalities, and political subdivisions | —                             | 135      | —              | 135                            |
| Certificates of deposit and commercial paper                      | —                             | 60       | —              | 60                             |
| Non-U.S. government and government sponsored entities             | —                             | 125      | —              | 125                            |
| Corporate debt  | —                             | 946      | 2              | 948                            |
| RMBS  | —                             | 99       | —              | 99                             |
| CMBS  | —                             | 87       | —              | 87                             |
| CDO/ABS   | —                             | 95       | 1              | 96                             |
| Total available-for-sale securities (b)                           | —                             | 1,575    | 3              | 1,578                          |
| Other securities  |                               |          |                |                                |
| Bonds:  |                               |          |                |                                |
| Non-U.S. government and government sponsored entities             | —                             | 1        | —              | 1                              |
| Corporate debt  | —                             | 66       | 2              | 68                             |
| RMBS  | —                             | 1        | —              | 1                              |
| CDO/ABS   | —                             | 4        | —              | 4                              |
| Total bonds   | —                             | 72       | 2              | 74                             |
| Preferred stock   | 13                            | 7        | —              | 20                             |
| Common stock  | 23                            | —        | —              | 23                             |
| Other long-term investments                                       | —                             | —        | 1              | 1                              |
| Total other securities  | 36                            | 79       | 3              | 118                            |
| Total investment securities                                       | 36                            | 1,654    | 6              | 1,696                          |
| Restricted cash in mutual funds                                   | 484                           | —        | —              | 484                            |
| Total   | \$ 1,229                      | \$ 1,708 | \$ 6           | \$ 2,943                       |

Due to the insignificant activity within the Level 3 assets during 2017, we have omitted the additional disclosures (a) relating to the changes in Level 3 assets measured at fair value on a recurring basis and the quantitative information about Level 3 unobservable inputs.

(b) Excludes an immaterial interest in a limited partnership that we account for using the equity method and FHLB common stock of \$1 million at December 31, 2017, which is carried at cost.

#### FAIR VALUE MEASUREMENTS — NON-RECURRING BASIS

We measure the fair value of certain assets on a non-recurring basis when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Net impairment charges recorded on assets measured at fair value on a non-recurring basis were immaterial for the three and nine months ended September 30, 2018 and 2017.

#### FAIR VALUE MEASUREMENTS — VALUATION METHODOLOGIES AND ASSUMPTIONS

See Note 23 of the Notes to Consolidated Financial Statements in Part II - Item 8 included in our 2017 Annual Report on Form 10-K for information regarding our methods and assumptions used to estimate fair value.

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

An index to our management’s discussion and analysis follows:

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|---|-----------|
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| <u>Overview</u>                                   | <u>43</u> |
| <u>Recent Developments and Outlook</u>            | <u>44</u> |
| <u>Results of Operations</u>                      | <u>46</u> |
| <u>Segment Results</u>                            | <u>49</u> |
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Forward-Looking Statements

This report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact but instead represent only management’s current beliefs regarding future events. By their nature, forward-looking statements involve inherent risks, uncertainties and other important factors that may cause actual results, performance or achievements to differ materially from those expressed in or implied by such forward-looking statements. We caution you not to place undue reliance on these forward-looking statements that speak only as of the date they were made. We do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events or the non-occurrence of anticipated events.

Forward-looking statements include, without limitation, statements concerning future plans, objectives, goals, projections, strategies, events or performance, and underlying assumptions and other statements related thereto. Statements preceded by, followed by or that otherwise include the words “anticipates,” “appears,” “are likely,” “believes,” “estimates,” “expects,” “foresees,” “intends,” “plans,” “projects” and similar expressions or future or conditional verbs such as “would,” “should,” “could,” “may,” or “will,” are intended to identify forward-looking statements. Important factors that could cause actual results, performance or achievements to differ materially from those expressed in or implied by forward-looking statements include, without limitation, the following:

- the inability to obtain, or delays in obtaining, cost savings and synergies from the OneMain Acquisition and risks and other uncertainties associated with the integration of the companies;
- any litigation, fines or penalties that could arise relating to the OneMain Acquisition or Apollo-Värde Transaction;
- effects, if any, of the Apollo-Värde Transaction, including effects on our business or operational strategies, goals or objectives or our relationships with our employees or third parties;
- various risks relating to continued compliance with the Settlement Agreement;

changes in general economic conditions, including the interest rate environment in which we conduct business and the financial markets through which we can access capital and also invest cash flows from our Consumer and Insurance segment;

• levels of unemployment and personal bankruptcies;

• natural or accidental events such as earthquakes, hurricanes, tornadoes, fires, or floods affecting our customers, collateral, or branches or other operating facilities;

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war, acts of terrorism, riots, civil disruption, pandemics, disruptions in the operation of our information systems, or other events disrupting business or commerce;

effects on our business, reputation and our financial position, results of operations and cash flows of any cyberbreach or other cyber-related incident involving our information systems or the loss, theft or unauthorized disclosure of personally identifiable information of our present or former customers, including any costs, fines or penalties incurred in connection therewith not covered by insurance, whether as a result of litigation, governmental investigations, business interruption, remediation efforts or otherwise;

changes in the rate at which we can collect or potentially sell our finance receivables portfolio;

the effectiveness of our credit risk scoring models in assessing the risk of customer unwillingness or lack of capacity to repay;

changes in our ability to attract and retain employees or key executives to support our businesses;

changes in the competitive environment in which we operate, including the demand for our products, customer responsiveness to our distribution channels, our ability to make technological improvements, and the strength and ability of our competitors to operate independently or to enter into business combinations that result in a more attractive range of customer products or provide greater financial resources;

risks related to the acquisition or sale of assets or businesses or the formation, termination or operation of joint ventures or other strategic alliances or arrangements, including loan delinquencies or net charge-offs, integration or migration issues, increased costs of servicing, incomplete records, and retention of customers;

risks associated with our insurance operations, including insurance claims that exceed our expectations or insurance losses that exceed our reserves;

the inability to successfully implement our growth strategy for our consumer lending business as well as various risks associated with successfully acquiring portfolios of consumer loans, pursuing acquisitions, and/or establishing joint ventures;

declines in collateral values or increases in actual or projected delinquencies or net charge-offs;

changes in federal, state or local laws, regulations, or regulatory policies and practices, including the Dodd-Frank Act (which, among other things, established the BCFP, which has broad authority to regulate and examine financial institutions, including us), that affect our ability to conduct business or the manner in which we conduct business, such as licensing requirements, pricing limitations or restrictions on the method of offering products, as well as changes that may result from increased regulatory scrutiny of the sub-prime lending industry, our use of third party vendors and real estate loan servicing, or changes in corporate or individual income tax laws or regulations, including effects of the enactment of the Tax Act;

potential liability relating to real estate and personal loans which we have sold or may sell in the future, or relating to securitized loans, if it is determined that there was a non-curable breach of a representation or warranty made in connection with such transactions;

the costs and effects of any actual or alleged violations of any federal, state or local laws, rules or regulations, including any litigation associated therewith, any impact to our business operations, reputation, financial position, results of operations or cash flows arising therefrom, any impact to our relationships with lenders, investors or other third parties attributable thereto, and the costs and effects of any breach of any representation, warranty or covenant

under any of our contractual arrangements, including indentures or other financing arrangements or contracts, as a result of any such violation;

the costs and effects of any fines, penalties, judgments, decrees, orders, inquiries, investigations, subpoenas, or enforcement or other proceedings of any governmental or quasi-governmental agency or authority and any litigation associated therewith;

our continued ability to access the capital markets or the sufficiency of our current sources of funds to satisfy our cash flow requirements;

our ability to comply with our debt covenants;

our ability to generate sufficient cash to service all of our indebtedness;

any material impairment or write-down of the value of our assets;

the effects of any downgrade of our debt ratings by credit rating agencies, which could have a negative impact on our cost of and/or access to capital;

our substantial indebtedness, which could prevent us from meeting our obligations under our debt instruments and limit our ability to react to changes in the economy or our industry, or our ability to incur additional borrowings;

the impacts of our securitizations and borrowings;

our ability to maintain sufficient capital levels in our regulated and unregulated subsidiaries;

changes in accounting standards or tax policies and practices and the application of such new standards, policies and practices;

changes in accounting principles and policies or changes in accounting estimates;

- any failure or inability to achieve the SpringCastle Portfolio performance requirements set forth in the SpringCastle Interests Sale purchase agreement; and

the effect of future sales of our remaining portfolio of real estate loans and the transfer of servicing of these loans, including the environmental liability and costs for damage caused by hazardous waste if a real estate loan goes into default.

We also direct readers to the other risks and uncertainties discussed in other documents we filed with the SEC.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from what we may have expressed or implied by these forward-looking statements. We caution that you should not place undue reliance on any of our forward-looking statements. You should specifically consider the factors identified in this report that could cause actual results to differ before making an investment decision to purchase our common stock. Furthermore, new risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us.

## Overview

We are a leading provider of responsible personal loan products, primarily to non-prime customers. Our network of over 1,600 branch offices in 44 states as of September 30, 2018 is staffed with expert personnel and is complemented by our online consumer loan origination business and centralized operations, which allows us to reach customers located outside our branch footprint. Our digital platform provides current and prospective customers the option of obtaining a personal loan via our website, [www.omf.com](http://www.omf.com). The information on our website is not incorporated by reference into this report. In connection with our personal loan business, our insurance subsidiaries offer our customers credit and non-credit insurance.

In addition, we service loans owned by us and service or subservice loans owned by third parties; pursue strategic acquisitions and dispositions of assets and businesses, including loan portfolios or other financial assets; and may establish joint ventures or enter into other strategic alliances or arrangements from time to time.

## OUR PRODUCTS

Our product offerings include:

**Personal Loans** — We offer personal loans through our branch network and over the Internet through our centralized operations to customers who generally need timely access to cash. Our personal loans are typically non-revolving with a fixed-rate and a fixed, original term of three to six years and are secured by automobiles, or other personal property or are unsecured. At September 30, 2018, we had nearly 2.4 million personal loans, representing \$15.8 billion of net finance receivables, compared to 2.4 million personal loans totaling \$14.8 billion at December 31, 2017.

**Insurance Products** — We offer our customers credit insurance (life insurance, disability insurance, and involuntary unemployment insurance) and non-credit insurance through both our branch network and our centralized operations. Credit insurance and non-credit insurance products are provided by our affiliated insurance companies. We also offer home and auto membership plans of an unaffiliated company.

Our non-originating legacy products include:

**Other Receivables** — We ceased originating real estate loans in 2012 and purchasing retail sales contracts and revolving retail accounts in 2013. We continue to service or sub-service the liquidating real estate loans and retail sales contracts and will provide revolving retail sales financing services on our revolving retail accounts. Effective on September 30, 2018, our real estate loans previously classified as Other Receivables were transferred from held for investment to held for sale due to management's intent to no longer hold these finance receivables for the foreseeable future. See Notes 3, 4 and 5 of the Notes to Condensed Consolidated Financial Statements included in this report for more information about Other Receivables.

## OUR SEGMENTS

At September 30, 2018, we had two operating segments:

• Consumer and Insurance; and  
• Acquisitions and Servicing.

See Note 16 of the Notes to Condensed Consolidated Financial Statements included in this report for more information about our segments.





## Recent Developments and Outlook

### RECENT DEVELOPMENTS

#### Apollo-Värde Transaction

On January 3, 2018, the Apollo-Värde Group entered into a Share Purchase Agreement with SFH and the Company to acquire from SFH 54,937,500 shares of our common stock representing the entire holdings of our stock beneficially owned by Fortress. The Apollo-Värde Transaction closed on June 25, 2018 for an aggregate purchase price of approximately \$1.4 billion in cash.

As disclosed in Note 21 of the Notes to Consolidated Financial Statements in Part II - Item 8 included in our 2017 Annual Report on Form 10-K, certain executives of the Company had previously been granted incentive units that only provide benefits (in the form of distributions) if SFH makes distributions to one or more of its common members that exceed specified amounts. In connection with the Apollo-Värde Transaction, certain executive officers who are holders of SFH incentive units received a distribution of approximately \$106 million in the aggregate from SFH as a result of their ownership interests in SFH. Although the distribution was not made by the Company or its subsidiaries, in accordance with ASC Topic 710, Compensation-General, we recorded non-cash incentive compensation expense of approximately \$106 million, with an equal and offsetting increase to additional paid-in-capital. The impact to the Company was non-cash, equity neutral and not tax deductible.

#### AIG Share Sale Transaction

On February 21, 2018, OMH entered into an underwriting agreement among OMH, SFH and Morgan Stanley & Co. LLC as underwriter in connection with the sale by SFH of 4,179,678 shares of its common stock. These shares were beneficially owned by AIG and represented the entire holdings of our stock beneficially owned by AIG. In connection with this sale of our common stock by SFH, certain executive officers who are holders of SFH incentive units, as described above, received a distribution of approximately \$4 million in the first quarter of 2018. Consistent with the accounting for distribution from the Apollo-Värde Transaction described above, the Company recognized non-cash incentive compensation expense of approximately \$4 million, with an equal and offsetting increase to additional paid-in-capital. The impact to the Company was non-cash, equity neutral and not tax deductible.

#### Appointment of New Member of the Board of Directors, President, and Chief Executive Officer at OMH

On July 13, 2018, we announced that our Company's Board of Directors had appointed Douglas H. Shulman as the Company's next President and Chief Executive Officer. Mr. Shulman succeeds Jay N. Levine who will remain Chairman of the Board. On September 8, 2018, Mr. Shulman began his first day of employment and was also appointed to the Company's Board of Directors.

#### Cost Synergies

As of September 30, 2018, we had incurred approximately \$286 million of total acquisition-related transaction and integration expenses (\$47 million incurred during 2018) from the OneMain Acquisition.

As part of our continuing integration efforts in connection with the OneMain Acquisition, on May 29, 2018, the Company entered into a share purchase agreement with a third party to sell all of the issued and outstanding shares of our Yosemite insurance company subsidiary. The transaction closed in the third quarter of 2018. We recorded an impairment loss of \$14 million in acquisition-related transaction and integration expenses in the second quarter of 2018. There was no loss on the sale of Yosemite recorded in the quarter ended September 30, 2018.



## OUTLOOK

With our experienced management team, long track record of successfully accessing the capital markets, and strong demand for consumer credit, we believe we are well positioned to execute on our strategic priorities to strengthen our capital base through the following key initiatives:

- Continuing the growth in receivables through enhanced marketing strategies and customer product options;
- Growing secured lending originations with a goal of enhancing credit performance;
- Leveraging our scale and cost discipline across the Company to deliver improved operating leverage;
- Increasing tangible equity and reducing leverage; and
- Maintaining a strong liquidity level with diversified funding sources.

We continue to execute our strategy to increase the proportion of our loan originations secured by titled collateral (which typically have lower yields and credit losses relative to unsecured personal loans). Our yields have stabilized in the portfolio; and we expect an improvement in net credit losses over time as the portion of our secured portfolio continues to increase.

Assuming the U.S. economy continues to experience moderate growth, we expect to continue our long history of strong credit performance. We believe the strong credit quality of our loan portfolio will continue as the result of our disciplined underwriting practices and ongoing collection efforts. We have continued to see some migration of customer activity away from traditional channels, such as direct mail, to online channels (primarily serviced through our branch network), where we believe we are well suited to capture volume due to our scale, technology, and deployment of advanced analytics.

## Results of Operations

## CONSOLIDATED RESULTS

See the table below for our consolidated operating results and selected financial statistics. A further discussion of our operating results for each of our operating segments is provided under “Segment Results” below.

| (dollars in millions, except per share amounts)                   | At or for the<br>Three Months Ended<br>September 30, |             | At or for the<br>Nine Months Ended<br>September 30, |             |
|---|--|-------------|---|-------------|
|   | 2018   | 2017        | 2018  | 2017        |
| Interest income   | \$933  | \$ 808      | \$2,700   | \$2,339     |
| Interest expense  | 227  | 207         | 647   | 612         |
| Provision for finance receivable losses                           | 256  | 243         | 770   | 724         |
| Net interest income after provision for finance receivable losses | 450  | 358         | 1,283   | 1,003       |
| Other revenues  | 144  | 152         | 421   | 414         |
| Acquisition-related transaction and integration expenses          | 9  | 22          | 47  | 59          |
| Other expenses  | 386  | 367         | 1,247   | 1,114       |
| Income before income taxes  | 199  | 121         | 410   | 244         |
| Income taxes  | 51   | 52          | 131   | 100         |
| Net income  | \$148  | \$ 69       | \$279   | \$144       |
| Share Data:   |  |             |   |             |
| Weighted average number of shares outstanding:                    |  |             |   |             |
| Basic   | 135,756,479  | 135,253,493 | 135,677,811   | 135,240,664 |
| Diluted   | 136,107,045  | 135,711,212 | 135,991,716   | 135,599,369 |
| Earnings per share:   |  |             |   |             |
| Basic   | \$1.09   | \$0.52      | \$2.05  | \$1.07      |
| Diluted   | \$1.09   | \$0.51      | \$2.05  | \$1.07      |
| Selected Financial Statistics *                                   |  |             |   |             |
| Finance receivables held for investment:                          |  |             |   |             |
| Net finance receivables   | \$15,750   | \$14,496    | \$15,750  | \$14,496    |
| Number of accounts  | 2,382,331  | 2,306,735   | 2,382,331   | 2,306,735   |
| Finance receivables held for sale:                                |  |             |   |             |
| Net finance receivables   | \$207  | \$137       | \$207   | \$137       |
| Number of accounts  | 4,424  | 2,533       | 4,424   | 2,533       |
| Finance receivables held for investment:                          |  |             |   |             |
| Average net receivables   | \$15,695   | \$14,297    | \$15,307  | \$13,830    |
| Yield   | 23.51 %  | 22.35 %     | 23.51 %   | 22.52 %     |
| Gross charge-off ratio  | 6.46 %   | 6.83 %      | 7.19 %  | 7.71 %      |
| Recovery ratio  | (0.70 )%   | (0.67 )%    | (0.76 )%  | (0.80 )%    |
| Net charge-off ratio  | 5.76 %   | 6.16 %      | 6.43 %  | 6.91 %      |
| 30-89 Delinquency ratio   | 2.33 %   | 2.43 %      | 2.33 %  | 2.43 %      |
| Origination volume  | \$2,899  | \$2,640     | \$8,655   | \$7,405     |
| Number of accounts originated                                     | 345,680  | 369,720     | 1,063,971   | 1,011,612   |

\* See “Glossary” at the beginning of this report for formulas and definitions of our key performance ratios.



Comparison of Consolidated Results for the Three and Nine Months Ended September 30, 2018 and 2017

Interest income increased \$125 million and \$361 million for the three and nine months ended September 30, 2018, respectively, when compared to the same periods in 2017 due to continued growth in our loan portfolio and higher yield primarily driven by lower amortization of purchase premium on our non-credit impaired finance receivables. The yield in the 2017 periods was negatively impacted by hurricanes Harvey and Irma. The yield in the 2018 periods is slightly reduced by the continued portfolio shift towards more secured loans, which have lower yields.

Interest expense increased \$20 million and \$35 million for the three and nine months ended September 30, 2018, respectively, when compared to the same periods in 2017 primarily due to the increase in average outstanding debt related to the issuance of the 6.875% and 7.125% SFC Notes, partially offset by the redemption of the OMFH 6.75% and 7.25% Senior Notes due 2019 and 2021.

See Notes 8 and 9 of the Notes to Condensed Consolidated Financial Statements included in this report for further information on our long-term debt, securitization transactions and our conduit facilities.

Provision for finance receivable losses increased \$13 million and \$46 million for the three and nine months ended September 30, 2018, respectively, when compared to the same periods in 2017 primarily driven by the growth in the loan portfolio. This increase was partially offset by the 2017 provision of \$17 million due to estimated future net charge-offs attributable to the hurricanes Harvey, Irma and Maria. The level of allowance for finance receivable losses as a percentage of net finance receivables has decreased from 2017 due to the continued change in portfolio mix to more secured personal loans, improvement in the effectiveness of our collections, and the completion of our integration of the OneMain Acquisition.

Other revenues decreased \$8 million for the three months ended September 30, 2018 when compared to the same period in 2017 primarily due to lower revenue received in 2018 on third party credit insurance policies which were canceled in 2017.

For the nine months ended September 30, 2018, other revenues increased \$7 million when compared to the same period in 2017 primarily due to lower loss on repurchases and repayments of debt in the 2018 period offset by the lower revenue received in 2018 on canceled insurance policies noted above.

Acquisition-related transaction and integration costs decreased \$13 million and \$12 million for the three and nine months ended September 30, 2018, respectively, primarily due to branch and office consolidation expenses that were incurred in the 2017 periods.

Other expenses increased \$19 million for the three months ended September 30, 2018 when compared to the same period in 2017 primarily reflecting our initiatives to reinvest in the business and growth in our operations.

For the nine months ended September 30, 2018, other expenses increased \$133 million when compared to the same period in 2017 primarily due to the non-cash incentive compensation expense of \$106 million relating to the rights of certain executives to receive a portion of the cash proceeds from the sale of OMH's common stock that were beneficially owned by Fortress.

Income taxes totaled \$51 million for the three months ended September 30, 2018 compared to \$52 million for the same period in 2017. The effective tax rate for the three months ended September 30, 2018 was 25.7% compared to 42.7% for the same period in 2017. For the nine months ended September 30, 2018 income taxes totaled \$131 million compared to \$100 million for the same period in 2017. The effective tax rate for the nine months ended September 30, 2018 was 32.0% compared to 40.8% for the same period in 2017.

The effective tax rate for the three months ended September 30, 2018 differed from the federal statutory rate of 21% primarily due to the effect of state income taxes. The effective tax rate for the three months ended September 30, 2017 differed from the then-applicable federal statutory rate of 35% primarily due to the effect of state income taxes and

discrete expense from the 2016 tax year return-to-provision adjustment.

The effective tax rate for the nine months ended September 30, 2018 differed from the federal statutory rate of 21% primarily due to the effect of discrete expense for non-deductible compensation expense and state income taxes. The effective tax rate for the nine months ended September 30, 2017 differed from the then-applicable federal statutory rate of 35% primarily due to the effect of state income taxes and discrete expense from the 2016 tax year return-to-provision adjustment.



## NON-GAAP FINANCIAL MEASURES

## Adjusted Pretax Income (Loss)

Management uses adjusted pretax income (loss), a non-GAAP financial measure, as a key performance measure of our segments. Management believes adjusted pretax income (loss) is useful in assessing the profitability of our segments and uses adjusted pretax income (loss) in evaluating our operating performance and as a performance goal under the Company's executive compensation programs. We describe our adjusted pretax income (loss) in our "Results of Operations" of the Management's Discussion and Analysis of Financial Condition in Part II - Item 7 included in our 2017 Annual Report on Form 10-K.

Adjusted pretax income (loss) is a non-GAAP financial measure and should be considered supplemental to, but not as a substitute for or superior to, income (loss) before income taxes, net income, or other measures of financial performance prepared in accordance with GAAP.

The reconciliations of income (loss) before income tax expense (benefit) on a Segment Accounting Basis to adjusted pretax income (loss) (non-GAAP) by segment were as follows:

| (dollars in millions)                                     | Three<br>Months<br>Ended<br>September<br>30,<br>2018 |         | Nine Months<br>Ended<br>September 30,<br>2017 |         |
|---|--|---------|---|---------|
| <b>Consumer and Insurance</b>                             |  |         |   |         |
| Income before income taxes - Segment Accounting Basis     | \$226  | \$171   | \$555   | \$457   |
| Adjustments:  |  |         |   |         |
| Acquisition-related transaction and integration expenses  | 9  | 22      | 41  | 56      |
| Net loss on repurchases and repayments of debt            | —  | 1       | 63  | 18      |
| Adjusted pretax income (non-GAAP)                         | \$235  | \$194   | \$659   | \$531   |
| <b>Acquisitions and Servicing</b>                         |  |         |   |         |
| Income before income taxes - Segment Accounting Basis     | \$—  | \$—     | \$—   | \$1     |
| Adjustments:  |  |         |   |         |
| Adjusted pretax income (non-GAAP)                         | \$—  | \$—     | \$—   | \$1     |
| <b>Other</b>  |  |         |   |         |
| Loss before income tax benefit - Segment Accounting Basis | \$(4 )   | \$(13 ) | \$(123 )                                      | \$(34 ) |
| Adjustments:  |  |         |   |         |
| Non-cash incentive compensation expense                   | —  | —       | 106   | —       |
| Acquisition-related transaction and integration expenses  | —  | —       | —   | 6       |
| Adjusted pretax loss (non-GAAP)                           | \$(4 )   | \$(13 ) | \$(17 )                                       | \$(28 ) |

We describe our acquisition-related transaction and integration expenses in our "Results of Operations" of the Management's Discussion and Analysis of Financial Condition in Part II - Item 7 included in our 2017 Annual Report on Form 10-K.

## Segment Results

See Note 16 of the Notes to Condensed Consolidated Financial Statements included in this report for (i) a description of our segments, (ii) reconciliations of segment totals to condensed consolidated financial statement amounts and (iii) methodologies used to allocate revenues and expenses to each segment.

## CONSUMER AND INSURANCE

Adjusted pretax income and selected financial statistics for Consumer and Insurance (which are reported on an adjusted Segment Accounting Basis) were as follows:

| (dollars in millions)   | At or for the<br>Three Months Ended<br>September 30, |           | At or for the<br>Nine Months Ended<br>September 30, |           |
|---|--|-----------|---|-----------|
|   | 2018   | 2017      | 2018  | 2017      |
| Interest income   | \$935  | \$831     | \$2,718   | \$2,430   |
| Interest expense  | 218  | 195       | 624   | 570       |
| Provision for finance receivable losses                           | 253  | 245       | 772   | 718       |
| Net interest income after provision for finance receivable losses | 464  | 391       | 1,322   | 1,142     |
| Other revenues  | 140  | 146       | 415   | 427       |
| Other expenses  | 369  | 343       | 1,078   | 1,038     |
| Adjusted pretax income (non-GAAP)                                 | \$235  | \$194     | \$659   | \$531     |
| Selected Financial Statistics *                                   |  |           |   |           |
| Finance receivables held for investment:                          |  |           |   |           |
| Net finance receivables   | \$15,777   | \$14,334  | \$15,777  | \$14,334  |
| Number of accounts  | 2,382,331  | 2,301,321 | 2,382,331   | 2,301,321 |
| Finance receivables held for investment:                          |  |           |   |           |
| Average net receivables   | \$15,619   | \$14,119  | \$15,203  | \$13,617  |
| Yield   | 23.74 %  | 23.35 %   | 23.91 %   | 23.85 %   |
| Gross charge-off ratio  | 6.61 %   | 7.20 %    | 7.41 %  | 8.20 %    |
| Recovery ratio  | (0.79 )%   | (0.83 )%  | (0.87 )%  | (0.98 )%  |
| Net charge-off ratio  | 5.82 %   | 6.37 %    | 6.54 %  | 7.22 %    |
| 30-89 Delinquency ratio   | 2.34 %   | 2.39 %    | 2.34 %  | 2.39 %    |
| Origination volume  | \$2,899  | \$2,639   | \$8,655   | \$7,405   |
| Number of accounts originated                                     | 345,680  | 369,720   | 1,063,971   | 1,011,612 |

\*See "Glossary" at the beginning of this report for formulas and definitions of our key performance ratios.

## Comparison of Adjusted Pretax Income for the Three and Nine Months Ended September 30, 2018 and 2017

Interest income increased \$104 million and \$288 million for the three and nine months ended September 30, 2018, respectively, when compared to the same periods in 2017 due primarily to the continued growth in our loan portfolio. The yield in the 2017 periods was negatively impacted by hurricanes Harvey and Irma. The yield in the 2018 periods is slightly reduced by the continued portfolio shift towards more secured loans, which have lower yields.

Interest expense increased \$23 million and \$54 million for the three and nine months ended September 30, 2018, respectively, when compared to the same periods in 2017 primarily due to the increase in average outstanding debt related to the issuance of the 6.875% and 7.125% SFC Notes, partially offset by the redemption of the OMFH 6.75% and 7.25% Senior Notes due 2019 and 2021.



Provision for finance receivable losses increased \$8 million and \$54 million for the three and nine months ended September 30, 2018, respectively, when compared to the same periods in 2017 primarily driven by growth in the loan portfolio. This increase was partially offset by the 2017 provision of \$12 million due to estimated future net charge-offs attributable to the hurricanes Harvey and Irma. The level of allowance for finance receivable losses as a percentage of net finance receivables has decreased from 2017 due to the continued change in portfolio mix to more secured personal loans, improvement in the effectiveness of our collections, and the completion of our integration of the OneMain Acquisition.

Other revenues decreased \$6 million and \$12 million for the three and nine months ended September 30, 2018 when compared to the same periods in 2017 primarily due to lower revenue received in 2018 on third party credit insurance policies which were canceled in 2017.

Other expenses increased \$26 million and \$40 million for the three months and nine months ended September 30, 2018 when compared to the same periods in 2017 primarily reflecting our initiatives to reinvest in the business and growth in our operations.

#### ACQUISITIONS AND SERVICING

Adjusted pretax income for Acquisition and Servicing (which is reported on an adjusted Segment Accounting Basis) was as follows:

| (dollars in millions)             | Three Months Ended September 30, 2018 |       | Nine Months Ended September 30, 2017 |       |
|-----------------------------------|---------------------------------------|-------|--------------------------------------|-------|
|                                   | 2018                                  | 2017  | 2018                                 | 2017  |
| Other revenues                    | \$ 8                                  | \$ 10 | \$ 25                                | \$ 32 |
| Other expenses                    | 8                                     | 10    | 25                                   | 31    |
| Adjusted pretax income (non-GAAP) | \$ —                                  | \$ —  | \$ —                                 | \$ 1  |

#### OTHER

“Other” consists of our non-originating legacy operations, which include other receivables consisting of (i) our liquidating real estate loan portfolio and (ii) our liquidating retail sales finance portfolio.

Adjusted pretax income (loss) of the Other components (which is reported on an adjusted Segment Accounting Basis) was as follows:

| (dollars in millions)  | Three Months Ended September 30, 2018 |        | Nine Months Ended September 30, 2017 |        |
|--|---------------------------------------|--------|--------------------------------------|--------|
|  | 2018                                  | 2017   | 2018                                 | 2017   |
| Interest income  | \$4                                   | \$6    | \$14                                 | \$18   |
| Interest expense   | 4                                     | 5      | 13                                   | 16     |
| Provision for finance receivable losses *                                | —                                     | 6      | (5)                                  | 7      |
| Net interest income (loss) after provision for finance receivable losses | —                                     | (5)    | 6                                    | (5)    |
| Other revenues   | 1                                     | (1)    | (2)                                  | —      |
| Other expenses   | 5                                     | 7      | 21                                   | 23     |
| Adjusted pretax income (loss) (non-GAAP)                                 | \$(4)                                 | \$(13) | \$(17)                               | \$(28) |

For the three and nine months ended September 30, 2017 our provision for finance receivable losses includes \*approximately \$5 million estimated increase in future net charge-offs attributable to the impact of hurricanes Harvey and Maria.

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Net finance receivables of the Other components (which are reported on a Segment Accounting Basis) were as follows:

| (dollars in millions)                        | September<br>30,<br>2018 | 2017  |
|--|--------------------------|-------|
| Net finance receivables held for investment: |                          |       |
| Other receivables                            | \$—                      | \$148 |
| Net finance receivables held for sale:       |                          |       |
| Other receivables                            | \$215                    | \$142 |

\* On September 30, 2018, we transferred our real estate loans previously classified as Other Receivables from held for investment to held for sale. See Note 3 of the Notes to the Condensed Consolidated Financial Statements included in this report for further information.

### Credit Quality

#### FINANCE RECEIVABLES COMPOSITION

The following table presents the composition of our finance receivables for each of the Company's segments on a Segment Accounting Basis, as well as reconciliations to our total net finance receivables on a GAAP basis:

| (dollars in millions) | Consumer<br>and<br>Insurance | Other | Segment to<br>GAAP<br>Adjustment | Consolidated<br>Total |
|-----------------------|------------------------------|-------|----------------------------------|-----------------------|
| September 30, 2018    |                              |       |                                  |                       |
| Personal loans        | \$ 15,777                    | \$—   | \$ (27 )                         | \$ 15,750             |
| December 31, 2017     |                              |       |                                  |                       |
| Personal loans        | \$ 14,820                    | \$—   | \$ 3                             | \$ 14,823             |
| Other receivables     | —                            | 142   | (8 )                             | 134                   |
| Total                 | \$ 14,820                    | \$142 | \$ (5 )                          | \$ 14,957             |

The largest component of our finance receivables and primary source of our interest income is our personal loan portfolio. Our personal loans are typically non-revolving with a fixed-rate and a fixed, original term of three to six years and are secured by automobiles, or other personal property or are unsecured. We consider the value and concentration of secured loans and the delinquency status of our finance receivables as the primary indicators of credit quality. At September 30, 2018 and December 31, 2017, 46% and 43% of our personal loans were secured by titled collateral, respectively.

#### Distribution of Finance Receivables by FICO Score

There are many different categorizations used in the consumer lending industry to describe the creditworthiness of a borrower, including prime, non-prime, and sub-prime. We track and analyze the performance of our finance receivable portfolio using many different parameters, including FICO scores, which is widely recognized in the consumer lending industry.

We group FICO scores into the following credit strength categories:

- Prime: FICO score of 660 or higher
- Non-prime: FICO score of 620-659
- Sub-prime: FICO score of 619 or below

Our customers are described as prime at one end of the credit spectrum and sub-prime at the other. Our customers' demographics are in many respects near the national median but may vary from national norms in terms of credit and repayment histories. Many of our customers have experienced some level of prior financial difficulty or have limited credit experience and require higher levels of servicing and support from our branch network.

Our net finance receivables grouped into the following categories based solely on borrower FICO credit scores at the purchase, origination, renewal, or most recently refreshed date were as follows:

| (dollars in millions) | Personal<br>Loans | Other<br>Receivables | Total    |
|-----------------------|-------------------|----------------------|----------|
| September 30, 2018    |                   |                      |          |
| FICO scores           |                   |                      |          |
| 660 or higher         | \$4,021           | \$ —                 | \$4,021  |
| 620-659               | 4,128             | —                    | 4,128    |
| 619 or below          | 7,601             | —                    | 7,601    |
| Total                 | \$15,750          | \$ —                 | \$15,750 |

|                   |          |        |          |
|-------------------|----------|--------|----------|
| December 31, 2017 |          |        |          |
| FICO scores       |          |        |          |
| 660 or higher     | \$3,950  | \$ 45  | \$3,995  |
| 620-659           | 3,919    | 22     | 3,941    |
| 619 or below      | 6,954    | 67     | 7,021    |
| Total             | \$14,823 | \$ 134 | \$14,957 |

#### DELINQUENCY

We monitor delinquency trends to evaluate the risk of future credit losses and employ advanced analytical tools to manage our exposure and appetite. Our branch team members work with customers through occasional periods of financial difficulty and offer a variety of borrower assistance programs to help customers continue to make payments. Team members also actively engage in collection activities throughout the early stages of delinquency. We closely track and report the percentage of receivables that are contractually 30-89 days past due as a benchmark of portfolio quality, collections effectiveness, and as a strong indicator of losses in coming quarters.

When finance receivables are contractually 60 days past due, we consider these accounts to be at an increased risk for loss and we transfer collection of these accounts to our centralized operations. Use of our centralized operations teams for managing late stage delinquency allows us to apply more advanced collections technologies/ tools and drives operating efficiencies in servicing. At 90 days contractually past due, we consider our finance receivables to be nonperforming.



The following table presents (i) delinquency information of the Company's segments on a Segment Accounting Basis, (ii) reconciliations to our total net finance receivables on a GAAP basis, by number of days delinquent, and (iii) delinquency ratios as a percentage of net finance receivables:

| (dollars in millions)             | Consumer<br>and<br>Insurance | Other      | Segment to<br>GAAP<br>Adjustment | Consolidated<br>Total |   |
|-----------------------------------|------------------------------|------------|----------------------------------|-----------------------|---|
| <b>September 30, 2018</b>         |                              |            |                                  |                       |   |
| Current                           | \$ 15,086                    | \$—        | \$ (23 )                         | \$ 15,063             |   |
| 30-59 days past due               | 216                          | —          | (1 )                             | 215                   |   |
| Delinquent (60-89 days past due)  | 153                          | —          | (1 )                             | 152                   |   |
| Performing                        | 15,455                       | —          | (25 )                            | 15,430                |   |
| Nonperforming (90+ days past due) | 322                          | —          | (2 )                             | 320                   |   |
| Total net finance receivables     | \$ 15,777                    | \$—        | \$ (27 )                         | \$ 15,750             |   |
| <b>Delinquency ratio</b>          |                              |            |                                  |                       |   |
| 30-89 days past due               | 2.34                         | % *        | *                                | 2.33                  | % |
| 30+ days past due                 | 4.38                         | % *        | *                                | 4.36                  | % |
| 60+ days past due                 | 3.01                         | % *        | *                                | 3.00                  | % |
| 90+ days past due                 | 2.04                         | % *        | *                                | 2.04                  | % |
| <b>December 31, 2017</b>          |                              |            |                                  |                       |   |
| Current                           | \$ 14,119                    | \$ 109     | \$ —                             | \$ 14,228             |   |
| 30-59 days past due               | 205                          | 9          | (2 )                             | 212                   |   |
| Delinquent (60-89 days past due)  | 157                          | 4          | (1 )                             | 160                   |   |
| Performing                        | 14,481                       | 122        | (3 )                             | 14,600                |   |
| Nonperforming (90+ days past due) | 339                          | 20         | (2 )                             | 357                   |   |
| Total net finance receivables     | \$ 14,820                    | \$ 142     | \$ (5 )                          | \$ 14,957             |   |
| <b>Delinquency ratio</b>          |                              |            |                                  |                       |   |
| 30-89 days past due               | 2.44                         | % 8.60 % * | *                                | 2.49                  | % |
| 30+ days past due                 | 4.73                         | % 22.75% * | *                                | 4.88                  | % |
| 60+ days past due                 | 3.35                         | % 16.66% * | *                                | 3.46                  | % |
| 90+ days past due                 | 2.29                         | % 14.15% * | *                                | 2.39                  | % |

\*Not applicable.

## ALLOWANCE FOR FINANCE RECEIVABLE LOSSES

We record an allowance for finance receivable losses to cover incurred losses on our finance receivables. Our allowance for finance receivable losses may fluctuate based upon our continual review of the growth, credit quality, and collateral mix of the finance receivable portfolios and changes in economic conditions.

Changes in the allowance for finance receivable losses for each of the Company's segments on a Segment Accounting Basis, as well as reconciliations to our total allowance for finance receivable losses on a GAAP basis, were as follows:

| (dollars in millions)                        | Consumer<br>and<br>Insurance | Other | Segment to<br>GAAP<br>Adjustment | Consolidated<br>Total |
|--|------------------------------|-------|----------------------------------|-----------------------|
| <b>Three Months Ended September 30, 2018</b> |                              |       |                                  |                       |
| Balance at beginning of period               | \$ 729                       | \$30  | \$ (57 )                         | \$ 702                |
| Provision for finance receivable losses      | 253                          | —     | 3                                | 256                   |
| Charge-offs                                  | (260 )                       | (1 )  | 5                                | (256 )                |
| Recoveries                                   | 31                           | 1     | (5 )                             | 27                    |
| Other (a)                                    | —                            | (30 ) | 7                                | (23 )                 |
| Balance at end of period                     | \$ 753                       | \$—   | \$ (47 )                         | \$ 706                |
| <b>Three Months Ended September 30, 2017</b> |                              |       |                                  |                       |
| Balance at beginning of period               | \$ 697                       | \$27  | \$ (48 )                         | \$ 676                |
| Provision for finance receivable losses      | 245                          | 6     | (8 )                             | 243                   |
| Charge-offs                                  | (257 )                       | (1 )  | 12                               | (246 )                |
| Recoveries                                   | 30                           | 1     | (6 )                             | 25                    |
| Balance at end of period                     | \$ 715                       | \$33  | \$ (50 )                         | \$ 698                |
| <b>Nine Months Ended September 30, 2018</b>  |                              |       |                                  |                       |
| Balance at beginning of period               | \$ 724                       | \$35  | \$ (62 )                         | \$ 697                |
| Provision for finance receivable losses      | 772                          | (5 )  | 3                                | 770                   |
| Charge-offs                                  | (842 )                       | (3 )  | 22                               | (823 )                |
| Recoveries                                   | 99                           | 3     | (17 )                            | 85                    |
| Other (a)                                    | —                            | (30 ) | 7                                | (23 )                 |
| Balance at end of period                     | \$ 753                       | \$—   | \$ (47 )                         | \$ 706                |
| Allowance ratio                              | 4.77 %                       | (b)   | (b)                              | 4.48 %                |
| <b>Nine Months Ended September 30, 2017</b>  |                              |       |                                  |                       |
| Balance at beginning of period               | \$ 732                       | \$31  | \$ (74 )                         | \$ 689                |
| Provision for finance receivable losses      | 718                          | 7     | (1 )                             | 724                   |
| Charge-offs                                  | (836 )                       | (7 )  | 45                               | (798 )                |
| Recoveries                                   | 101                          | 2     | (20 )                            | 83                    |
| Balance at end of period                     | \$ 715                       | \$33  | \$ (50 )                         | \$ 698                |
| Allowance ratio                              | 4.99 %                       | 23.2% | (b)                              | 4.81 %                |

(a) Other consists primarily of the reclassification of allowance for finance receivable losses due to the transfer of the real estate loans in Other Receivables from held for investment to finance receivables held for sale. See Note 3 of the Notes to Condensed Consolidated Financial Statements included in this report for further information.

(b)Not applicable.

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The current delinquency status of our finance receivable portfolio, inclusive of recent borrower performance, the collateral mix, along with the volume of our TDR activity, and the level and recoverability of collateral securing our finance receivable portfolio are the primary drivers that can cause fluctuations in our allowance for finance receivable losses from period to period. We monitor the allowance ratio to ensure we have a sufficient level of allowance for finance receivable losses to cover estimated incurred losses in our finance receivable portfolio. The level of allowance for finance receivable losses as a percentage of net finance receivables has decreased from 2017 due to the continued change in portfolio mix to more secured personal loans, improvement in the effectiveness of our collections, and the completion of our integration of the OneMain Acquisition.

See Note 4 of the Notes to Condensed Consolidated Financial Statements included in this report for more information about the changes in the allowance for finance receivable losses.

#### TDR FINANCE RECEIVABLES

We make modifications to our finance receivables to assist borrowers during times of financial difficulties. When we modify a loan's contractual terms for economic or other reasons related to the borrower's financial difficulties and grant a concession that we would not otherwise consider, we classify that loan as a TDR finance receivable.

Information regarding TDR finance receivables held for investment for each of the Company's segments on a Segment Accounting Basis, as well as reconciliations to information regarding our total TDR finance receivables held for investment on a GAAP basis, were as follows:

| (dollars in millions)                       | Consumer<br>and<br>Insurance | Other | Segment to<br>GAAP<br>Adjustment | Consolidated<br>Total |
|---|------------------------------|-------|----------------------------------|-----------------------|
| September 30, 2018                          |                              |       |                                  |                       |
| TDR net finance receivables                 | \$ 524                       | \$ —  | \$ (114 )                        | \$ 410                |
| Allowance for TDR finance receivable losses | 202                          | —     | (42 )                            | 160                   |
| December 31, 2017                           |                              |       |                                  |                       |
| TDR net finance receivables                 | \$ 481                       | \$ 74 | \$ (188 )                        | \$ 367                |
| Allowance for TDR finance receivable losses | 191                          | 26    | (70 )                            | 147                   |

The allowance for non-TDR finance receivable losses continues to reflect our historical loss coverage.

## Liquidity and Capital Resources

### SOURCES OF FUNDS

We finance the majority of our operating liquidity and capital needs through a combination of cash flows from operations, securitization debt, borrowings from conduit facilities, unsecured debt and equity, and may also utilize other corporate debt facilities in the future. As a holding company, all of the funds generated from our operations are earned by our operating subsidiaries.

#### Redemption of OMFH 2019 Notes

On December 8, 2017, OMFH issued a notice of redemption to redeem all \$700 million outstanding principal amount of OMFH's 6.75% Senior Notes due 2019 at a redemption price equal to 103.375%, plus accrued and unpaid interest to the redemption date. The notes were redeemed on January 8, 2018. In connection with the redemption, we recognized approximately \$1 million of net loss on repurchases and repayments of debt for the nine months ended September 30, 2018.

#### Redemption of OMFH 2021 Notes

On March 19, 2018, OMFH provided notice of redemption to redeem \$400 million in aggregate principal amount of OMFH Notes due 2021 on April 18, 2018 at a redemption price in cash equal to the sum of (i) 103.625% of the principal amount of the notes and (ii) any accrued and unpaid interest to the redemption date on the principal amount. These notes were redeemed on April 18, 2018. In connection with the redemption, we recognized approximately \$4 million of net loss on repurchases and repayments of debt for the nine months ended September 30, 2018.

On May 14, 2018, OMFH provided notice of redemption to redeem the remaining \$400 million in aggregate principal amount of the OMFH Notes due 2021 on June 13, 2018, at a redemption price in cash equal to the sum of (i) 103.625% of the principal amount of the notes and (ii) any accrued and unpaid interest to the redemption date on the principal amount. These notes were redeemed on June 13, 2018. In connection with the redemption, we recognized approximately \$3 million of net loss on repurchase and repayments of debt for the nine months ended September 30, 2018.

#### Termination of First Avenue Funding LLC

On June 10, 2018, First Avenue Funding LLC voluntarily terminated its note purchase agreement.

#### Termination of OneMain Financial B6 Warehouse Trust

On February 2, 2018, OneMain Financial B6 Warehouse Trust voluntarily terminated its note purchase agreement. Concurrently with such termination, we entered into a loan and security agreement with OneMain Financial Funding VIII, LLC with the same third party lenders who were party to the terminated note purchase agreement with the OneMain Financial B6 Warehouse Trust. Under the loan and security agreement with OneMain Financial Funding VIII, LLC, we may borrow up to a maximum principal balance of \$450 million.

#### SFC's Offering of 6.875% Senior Notes Due 2025

On March 12, 2018, SFC issued \$1.25 billion aggregate principal amount of the 6.875% SFC Notes under the SFC Base Indenture, as supplemented by the SFC Fifth Supplemental Indenture, pursuant to which OMH provided a guarantee of the 6.875% SFC Notes on an unsecured basis. SFC used the net proceeds from the sale of the 6.875% SFC Notes for general corporate purposes, which included debt repurchases. See Note 8 of the Notes to the

Condensed Consolidated Financial Statements included in this report for further information of the issuance.

### SFC's Offerings of 7.125% Senior Notes Due 2026

SFC issued a total of \$1.6 billion aggregate principal amount of 7.125% Senior Notes due 2026 under the SFC Senior Notes Indentures, pursuant to which OMH provided a guarantee of the 7.125% SFC Notes on an unsecured basis. SFC issued \$900 million of the 7.125% SFC Notes on May 11, 2018 and \$700 million of the 7.125% SFC Notes on August 10, 2018.

SFC used a portion of the net proceeds to redeem the remaining \$400 million in aggregate principal amount of the OMFH 7.25% Senior Notes due 2021 and will use the remaining proceeds for other general corporate purposes, which may include other debt repurchases and repayments.

See Note 8 of the Notes to the Condensed Consolidated Financial Statements included in this report for further information regarding these issuances.

### Securitizations and Borrowings from Revolving Conduit Facilities

During the nine months ended September 30, 2018, we (i) completed two consumer loan securitizations and one auto securitization and (ii) exercised our right to redeem one consumer loan securitization and one auto securitization. At September 30, 2018, we had approximately \$9.1 billion in UPB of finance receivables pledged as collateral for our securitization transactions.

During the nine months ended September 30, 2018, we (i) terminated two revolving conduit agreements, (ii) entered into three new conduit facilities, (iii) extended the revolving period on four existing conduit facilities, and (iv) amended four existing conduit facilities to increase the maximum principal balance.

See Notes 8 and 9 of the Notes to Condensed Consolidated Financial Statements included in this report for further information on our long-term debt, loan securitization transactions and conduit facilities.

Subsequent to September 30, 2018, we completed the following transactions:

On October 10, 2018, we borrowed \$50 million under the loan and security agreement with Thur River Funding, LLC.

On October 19, 2018, we amended the loan and security agreement with Seine River Funding, LLC to, among other things, (i) increase the advance maximum balance from \$500 million to \$650 million and (ii) extend the revolving period ending December 2019 to October 2021 thereby extending the final maturity to November 2024.

### USES OF FUNDS

Our operating subsidiaries' primary cash needs relate to funding our lending activities, our debt service obligations, our operating expenses, payment of insurance claims and, to a lesser extent, expenditures relating to upgrading and monitoring our technology platform, risk systems, and branch locations.

At September 30, 2018, we had \$1.2 billion of cash and cash equivalents, which included \$264 million of cash and cash equivalents held at our regulated insurance subsidiaries or for other operating activities that is unavailable for general corporate purposes.

At September 30, 2018, we had \$1.7 billion of investment securities, which are all held as part of our insurance operations and are unavailable for general corporate purposes.

During the nine months ended September 30, 2018, we generated net income of \$279 million. Our net cash outflow from operating and investing activities totaled \$360 million for the nine months ended September 30, 2018. At September 30, 2018, our remaining scheduled principal and interest payments for 2018 on our existing debt (excluding securitizations) totaled \$140 million. As of September 30, 2018, we had \$6.6 billion UPB of unencumbered personal loans and \$294 million UPB of unencumbered real estate loans. These real estate loans are included in held for sale.

Based on our estimates and taking into account the risks and uncertainties of our plans, we believe that we will have adequate liquidity to finance and operate our businesses and repay our obligations as they become due for at least the next 12 months.

See Notes 8 and 9 of the Notes to Condensed Consolidated Financial Statements included in this report for further information on our long-term debt, loan securitization transactions and conduit facilities.



We have previously purchased portions of our unsecured indebtedness, and we may elect to purchase additional portions of our unsecured indebtedness in the future. Future purchases may be made through the open market, privately negotiated transactions with third parties, or pursuant to one or more tender or exchange offers, all of which are subject to terms, prices, and consideration we may determine.

We have not paid dividends since our initial public offering in 2013. However, we plan to evaluate the potential for capital distributions based on the achievement of our liquidity and target leverage objectives, among other factors. Any capital distribution, including any declaration and payment of future dividends to holders of our common stock, will be at the discretion of our board of directors and will depend on many factors, including our financial condition, earnings, cash flows, capital requirements, level of indebtedness, statutory and contractual restrictions applicable to the payment of dividends, and other considerations that our board of directors deems relevant. There can be no assurances that we will make any capital distributions and, even if we make capital distributions, there can be no assurances that we will continue to do so in the future.

## LIQUIDITY

### Operating Activities

Net cash provided by operations of \$1.5 billion for the nine months ended September 30, 2018 reflected net income of \$279 million, the impact of non-cash items, and a favorable change in working capital of \$65 million. Net cash provided by operations of \$1.2 billion for the nine months ended September 30, 2017 reflected net income of \$144 million, the impact of non-cash items, and a favorable change in working capital of \$108 million.

### Investing Activities

Net cash used for investing activities of \$1.8 billion for the nine months ended September 30, 2018 was primarily due to net principal originations of finance receivables held for investment and held for sale and purchases of available-for-sale securities, partially offset by calls, sales and maturities of available-for-sale securities. Net cash used for investing activities of \$1.5 billion for the nine months ended September 30, 2017 was primarily due to net principal originations of finance receivables held for investment and held for sale and purchases of available-for-sale securities, partially offset by calls, sales and maturities of available-for-sale securities.

### Financing Activities

Net cash provided by financing activities of \$613 million for the nine months ended September 30, 2018 was primarily due to net issuances of long-term debt, including SFC's offering of the 6.875% SFC Notes in March of 2018 and SFC's offerings of the 7.125% SFC Notes in May and August of 2018. Net cash provided by financing activities of \$562 million for the nine months ended September 30, 2017 was primarily due to net issuances of long-term debt, including SFC's offerings of the 6.125% SFC Notes in May of 2017.

### Liquidity Risks and Strategies

SFC's and OMFH's credit ratings are non-investment grade, which have a significant impact on our cost of, and access to, capital. This, in turn, can negatively affect our ability to manage our liquidity and our ability or cost to refinance our indebtedness.

There are numerous risks to our financial results, liquidity, capital raising, and debt refinancing plans, some of which may not be quantified in our current liquidity forecasts. These risks include, but are not limited to, the following:

- our inability to grow or maintain our personal loan portfolio with adequate profitability;

the effect of federal, state and local laws, regulations, or regulatory policies and practices;  
potential liability relating to real estate and personal loans which we have sold or may sell in the future, or relating to securitized loans; and  
the potential for disruptions in the debt and equity markets.

The principal factors that could decrease our liquidity are customer delinquencies and defaults, a decline in customer prepayments, and a prolonged inability to adequately access capital market funding. We intend to support our liquidity position by utilizing some or all the following strategies:

- maintaining disciplined underwriting standards and pricing for loans we originate or purchase and managing purchases of finance receivables;
- pursuing additional debt financings (including new securitizations and new unsecured debt issuances, debt refinancing transactions and revolving conduit facilities), or a combination of the foregoing;
- purchasing portions of our outstanding indebtedness through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices, as well as with such consideration, as we may determine; and
- obtaining new and extending existing secured revolving facilities to provide committed liquidity in case of prolonged market fluctuations.

However, it is possible that the actual outcome of one or more of our plans could be materially different than expected or that one or more of our significant judgments or estimates could prove to be materially incorrect.

## OUR INSURANCE SUBSIDIARIES

Our insurance subsidiaries are subject to state regulations that limit their ability to pay dividends. State law restricts the amounts that Merit and Yosemite may pay as dividends without prior notice to the Indiana DOI and the amounts that AHL and Triton may pay as dividends without prior notice to the Texas DOI. The maximum amount of dividends, referred to as “ordinary dividends,” for an Indiana or Texas domiciled life insurance company that can be paid without prior approval in a 12 month period (measured retrospectively from the date of payment) is the greater of: (i) 10% of policyholders’ surplus as of the prior year-end or (ii) the statutory net gain from operations as of the prior year-end. Any amount greater must be approved by the Indiana DOI or Texas DOI prior to its payment. The maximum ordinary dividends for an Indiana or Texas domiciled property and casualty insurance company that can be paid without prior approval in a 12 month period (measured retrospectively from the date of payment) is the greater of: (i) 10% of policyholders’ surplus as of the prior year-end or (ii) the statutory net income. Any amount greater must be approved by the Indiana DOI or Texas DOI prior to its payment. These approved dividends are called “extraordinary dividends.” During the nine months ended September 30, 2018, Yosemite paid extraordinary dividends to SFC totaling \$42 million and Triton paid extraordinary dividends to OMFH totaling \$45 million. Merit and AHL did not pay any dividends during the nine months ended September 30, 2018. During the nine months ended September 30, 2017, Merit, Yosemite and Triton did not pay any dividends and AHL paid extraordinary dividends to OMFH totaling \$111 million.

As of September 30, 2018, the Company sold all of the issued and outstanding shares of Yosemite to a third party. See “Recent Developments and Outlook” for further information.

## DEBT COVENANTS

### SFC Debt Agreements

The debt agreements to which SFC and its subsidiaries are a party include customary terms and conditions, including covenants and representations and warranties. Some or all of these agreements also contain certain restrictions, including (i) restrictions on the ability to create senior liens on property and assets in connection with any new debt financings and (ii) SFC’s ability to sell or convey all or substantially all of its assets, unless the transferee assumes SFC’s obligations under the applicable debt agreement. In addition, the OMH guarantees of SFC’s long-term debt discussed above are subject to customary release provisions.

With the exception of SFC's Junior Subordinated Debenture, none of our debt agreements require SFC or any of its subsidiaries to meet or maintain any specific financial targets or ratios. However, certain events, including non-payment of principal or interest, bankruptcy or insolvency, or a breach of a covenant or a representation or warranty, may constitute an event of default and trigger an acceleration of payments. In some cases, an event of default or acceleration of payments under one debt agreement may constitute a cross-default under other debt agreements resulting in an acceleration of payments under the other agreements.

As of September 30, 2018, SFC was in compliance with all of the covenants under its debt agreements.

### Junior Subordinated Debenture

In January of 2007, SFC issued the Junior Subordinated Debenture, consisting of \$350 million aggregate principal amount of 60-year junior subordinated debt. The Junior Subordinated Debenture underlies the trust preferred securities sold by a trust sponsored by SFC. SFC can redeem the Junior Subordinated Debenture at par beginning in January of 2017. The interest rate on the UPB of the Junior Subordinated Debenture consists of a variable floating rate (determined quarterly) equal to 3-month LIBOR plus 1.75%, or 4.09% as of September 30, 2018.

Pursuant to the terms of the Junior Subordinated Debenture, upon the occurrence of a mandatory trigger event, SFC is required to defer interest payments to the holders of the Junior Subordinated Debenture (and not make dividend payments to SFI) unless SFC obtains non-debt capital funding in an amount equal to all accrued and unpaid interest on the Junior Subordinated Debenture otherwise payable on the next interest payment date and pays such amount to the holders of the Junior Subordinated Debenture. A mandatory trigger event occurs if SFC's (i) tangible equity to tangible managed assets is less than 5.5% or (ii) average fixed charge ratio is not more than 1.10x for the trailing four quarters.

Based upon SFC's financial results for the three months ended September 30, 2018, a mandatory trigger event did not occur with respect to the interest payment due in October of 2018, as SFC was in compliance with both required ratios discussed above.

### OMFH Debt Agreements

On June 13, 2018, OMFH redeemed the remaining principal amount of the OMFH Notes due 2021 and received notice of satisfaction and discharge with respect to the OMFH Notes. As such, OMFH is no longer subject to the covenants or other terms of the OMFH Indenture.

### Structured Financings

We execute private securitizations under Rule 144A of the Securities Act of 1933. See Note 9 of the Notes to Condensed Consolidated Financial Statements included in this report for further information on our structured financings.

In addition to the structured financings, we had access to 11 conduit facilities with a total borrowing capacity of \$5.8 billion as of September 30, 2018, as discussed in Note 9 of the Notes to Condensed Consolidated Financial Statements included in this report. At September 30, 2018, no amounts were drawn under these facilities.

See "Liquidity and Capital Resources - Sources of Funds - Securitizations and Borrowings from Revolving Conduit Facilities" above for information on the securitization and conduit transactions completed subsequent to September 30, 2018.

Our overall funding costs are positively impacted by our increased usage of securitizations, as we typically execute these transactions at interest rates below those of our unsecured debt.

### Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements as defined by SEC rules. We had no off-balance sheet exposure to losses associated with unconsolidated VIEs at September 30, 2018 or December 31, 2017, other than certain representations and warranties associated with the sales of the mortgage-backed retained certificates during 2014. As of September 30, 2018, we had no repurchase activity related to these sales.

### Critical Accounting Policies and Estimates

We describe our significant accounting policies used in the preparation of our consolidated financial statements in Note 3 of the Notes to Consolidated Financial Statements in Part II - Item 8 included in our 2017 Annual Report on Form 10-K. We consider the following policies to be our most critical accounting policies because they involve critical accounting estimates and a significant degree of management judgment:

- allowance for finance receivable losses;
- purchased credit impaired finance receivables;
- TDR finance receivables;
- fair value measurements; and
- goodwill and other intangible assets.

There have been no material changes to our critical accounting policies or to our methodologies for deriving critical accounting estimates during the nine months ended September 30, 2018.

#### Recent Accounting Pronouncements

See Note 2 of the Notes to Condensed Consolidated Financial Statements included in this report for discussion of recently issued accounting pronouncements.

#### Seasonality

Our personal loan volume is generally highest during the second and fourth quarters of the year, primarily due to marketing efforts, seasonality of demand, and increased traffic in branches after the winter months. Demand for our personal loans is usually lower in January and February after the holiday season and as a result of tax refunds. Delinquencies on our personal loans are generally lowest in the first quarter and tend to rise throughout the remainder of the year. These seasonal trends contribute to fluctuations in our operating results and cash needs throughout the year.

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

There have been no material changes to our market risk previously disclosed in Part II - Item 7A included in our 2017 Annual Report on Form 10-K.

#### Item 4. Controls and Procedures.

##### Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of September 30, 2018, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. This evaluation was conducted under the supervision of, and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based on our evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2018 to provide the reasonable assurance described above.

##### Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the third quarter of 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

#### Item 1. Legal Proceedings.

See Note 14 of the Notes to Condensed Consolidated Financial Statements included in this report.

Item 1A. Risk Factors.

There have been no material changes to our risk factors included in Part I, Item 1A of our 2017 Annual Report on Form 10-K, except for changes previously disclosed in Part II, Item 1A of our Quarterly Report on Form 10-Q for the period ended June 30, 2018, filed with the SEC on August 3, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

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Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

On November 5, 2018, Dinesh Goyal will be joining the Company as Executive Vice President and Chief Credit Officer. On that date, David Hogan, Executive Vice President, Credit and Analytics, will transition from his current role and assume a new role in the Company's strategy group.

Item 6. Exhibits.

| Exhibit Number | Description   |
|----------------|---|
| <u>10.1*</u>   | <u>Employment Agreement, dated as of July 10, 2018, among OneMain Holdings, Inc., OneMain General Services Corporation and Douglas H. Shulman. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on July 13, 2018.</u>  |
| <u>10.2*</u>   | <u>Letter Agreement, effective as of September 8, 2018, by and between OneMain Holdings, Inc. and Jay N. Levine. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on September 12, 2018.</u>   |
| <u>31.1</u>    | <u>Rule 13a-14(a)/15d-14(a) Certifications of the President and Chief Executive Officer of OneMain Holdings, Inc.</u>   |
| <u>31.2</u>    | <u>Rule 13a-14(a)/15d-14(a) Certifications of the Executive Vice President and Chief Financial Officer of OneMain Holdings, Inc.</u>  |
| <u>32.1</u>    | <u>Section 1350 Certifications.</u>   |
| 101            | Interactive data files pursuant to Rule 405 of Regulation S-T:<br>(i) Condensed Consolidated Balance Sheets,<br>(ii) Condensed Consolidated Statements of Operations,<br>(iii) Condensed Consolidated Statements of Comprehensive Income (Loss),<br>(iv) Condensed Consolidated Statements of Shareholders' Equity,<br>(v) Condensed Consolidated Statements of Cash Flows, and<br>(vi) Notes to Condensed Consolidated Financial Statements. |

\*Management contract or compensatory plan arrangement.

Signature

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

ONEMAIN HOLDINGS, INC.  
(Registrant)

Date: November 5, 2018 By: /s/ Scott T. Parker  
Scott T. Parker  
Executive Vice President and Chief Financial Officer  
(Duly Authorized Officer and Principal Financial Officer)