

OneMain Holdings, Inc.  
Form 10-Q  
August 03, 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 June 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated

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filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
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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 August 1, 2018, there were 135,787,008 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
2022 SFC Notes	\$500 million of 6.125% Senior Notes due 2022 issued by SFC on May 15, 2017 and guaranteed by OMH
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	collectively, the 2022 SFC Notes and the Additional SFC Notes
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 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
Additional SFC Notes	\$500 million of 6.125% Senior Notes due 2022 issued by SFC on May 30, 2017 and guaranteed by OMH
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.
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
Blackstone	collectively, BTO Willow Holdings II, L.P. and Blackstone Family Tactical Opportunities Investment Partnership—NQ—ESC L.P.
CDO	collateralized debt obligations
CFPB	Consumer Financial Protection Bureau

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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
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

Term or Abbreviation	Definition
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	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
Settlement Agreement	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

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SFC	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
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

Term or Abbreviation	Definition
SFC Notes	collectively, the issued and outstanding senior unsecured notes issued pursuant to the SFC Senior Notes Indentures
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	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
Springleaf Tangible equity	OMH and its subsidiaries (other than OneMain)
Tangible managed assets	total equity less accumulated other comprehensive income or loss
Tax Act	total assets less goodwill and other intangible assets
TDR finance receivables	Public Law 115-97 amending the Internal Revenue Code of 1986
Texas DOI	troubled debt restructured finance receivables
Triton	Texas Department of Insurance
	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.
VIes	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)	June 30, 2018	December 31, 2017
<b>Assets</b>		
Cash and cash equivalents	\$556	\$ 987
Investment securities	1,720	1,697
Net finance receivables:		
Personal loans (includes loans of consolidated VIEs of \$9.1 billion in 2018 and \$9.8 billion in 2017)	15,384	14,823
Other receivables	124	134
Net finance receivables	15,508	14,957
Unearned insurance premium and claim reserves	(611 )	(590 )
Allowance for finance receivable losses (includes allowance of consolidated VIEs of \$459 million in 2018 and \$465 million in 2017)	(702 )	(697 )
Net finance receivables, less unearned insurance premium and claim reserves and allowance for finance receivable losses	14,195	13,670
Finance receivables held for sale	123	132
Restricted cash and restricted cash equivalents (includes restricted cash and restricted cash equivalents of consolidated VIEs of \$569 million in 2018 and \$482 million in 2017)	587	498
Goodwill	1,422	1,422
Other intangible assets	409	440
Other assets	628	587
<b>Total assets</b>	<b>\$19,640</b>	<b>\$ 19,433</b>
<b>Liabilities and Shareholders' Equity</b>		
Long-term debt (includes debt of consolidated VIEs of \$8.1 billion in 2018 and \$8.7 billion in 2017)	\$15,054	\$ 15,050
Insurance claims and policyholder liabilities	690	737
Deferred and accrued taxes	3	45
Other liabilities (includes other liabilities of consolidated VIEs of \$14 million in 2018 and 2017)	404	323
<b>Total liabilities</b>	<b>16,151</b>	<b>16,155</b>
Commitments and contingent liabilities (Note 14)		
<b>Shareholders' equity:</b>		
Common stock, par value \$.01 per share; 2,000,000,000 shares authorized, 135,780,755 and 135,349,638 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	1	1
Additional paid-in capital	1,674	1,560
Accumulated other comprehensive income (loss)	(21 )	11

Retained earnings	1,835	1,706
Total shareholders' equity	3,489	3,278
Total liabilities and shareholders' equity	\$19,640	\$ 19,433

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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

(dollars in millions, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest income:				
Finance charges	\$902	\$ 768	\$1,761	\$ 1,524
Finance receivables held for sale originated as held for investment	3	4	6	7
Total interest income	905	772	1,767	1,531
Interest expense	220	203	420	405
Net interest income	685	569	1,347	1,126
Provision for finance receivable losses	260	236	514	481
Net interest income after provision for finance receivable losses	425	333	833	645
Other revenues:				
Insurance	107	104	212	207
Investment	19	20	32	39
Net loss on repurchases and repayments of debt	(7 )	(27 )	(8 )	(28 )
Other	21	24	41	44
Total other revenues	140	121	277	262
Other expenses:				
Operating expenses:				
Salaries and benefits	306	191	500	377
Acquisition-related transaction and integration expenses	28	14	39	37
Other operating expenses	137	137	264	279
Insurance policy benefits and claims	51	46	96	91
Total other expenses	522	388	899	784
Income before income taxes	43	66	211	123
Income taxes	36	24	80	48
Net income	\$7	\$ 42	\$131	\$ 75
Share Data:				
Weighted average number of shares outstanding:				
Basic	135,678,195	135,637,825	135,678,195	135,637,825
Diluted	135,969,105	135,933,395	135,969,105	135,933,395
Earnings per share:				
Basic	\$0.05	\$ 0.31	\$0.96	\$ 0.55
Diluted	\$0.05	\$ 0.30	\$0.96	\$ 0.55

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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## ONEMAIN HOLDINGS, INC. AND SUBSIDIARIES

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

	Three Months Ended June 30, 2018		Six Months Ended June 30, 2017	
(dollars in millions)				
Net income	\$7	\$42	\$131	\$75
Other comprehensive income (loss):				
Net change in unrealized gains (losses) on non-credit impaired available-for-sale securities	(13)	10	(37)	20
Foreign currency translation adjustments	(2)	4	(5)	4
Income tax effect:				
Net unrealized gains (losses) on non-credit impaired available-for-sale securities	3	(4)	7	(7)
Retirement plan liability adjustments	2	—	2	—
Foreign currency translation adjustments	(1)	(2)	(1)	(2)
Other comprehensive income (loss), net of tax, before reclassification adjustments	(11)	8	(34)	15
Reclassification adjustments included in net income:				
Net realized gains on available-for-sale securities	—	(4)	—	(8)
Income tax effect:				
Net realized gains on available-for-sale securities	—	1	—	2
Reclassification adjustments included in net income, net of tax	—	(3)	—	(6)
Other comprehensive income (loss), net of tax	(11)	5	(34)	9
Comprehensive income (loss)	\$(4)	\$47	\$97	\$84

See Notes to Condensed Consolidated Financial Statements (Unaudited).

## ONEMAIN HOLDINGS, INC. AND SUBSIDIARIES

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

(dollars in millions)	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' 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	—	13	—	—	13
Withholding tax on share-based compensation	—	(9 )	—	—	(9 )
Other comprehensive income (loss)	—	—	(34 )	—	(34 )
Impact of AOCI reclassification due to the Tax Act	—	—	2	(2 )	—
Net income	—	—	—	131	131
Balance, June 30, 2018	\$ 1	\$ 1,674	\$ (21 )	\$ 1,835	\$ 3,489
Balance, January 1, 2017	\$ 1	\$ 1,548	\$ (6 )	\$ 1,523	\$ 3,066
Share-based compensation expense, net of forfeitures	—	9	—	—	9
Withholding tax on share-based compensation	—	(5 )	—	—	(5 )
Other comprehensive income	—	—	9	—	9
Net income	—	—	—	75	75
Balance, June 30, 2017	\$ 1	\$ 1,552	\$ 3	\$ 1,598	\$ 3,154

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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

	Six Months Ended June 30,	
(dollars in millions)	2018	2017
Cash flows from operating activities		
Net income	\$ 131	\$ 75
Reconciling adjustments:		
Provision for finance receivable losses	514	481
Depreciation and amortization	131	182
Deferred income tax charge (benefit)	7	(11 )
Net loss on repurchases and repayments of debt	8	28
Non-cash incentive compensation from SFH	110	—
Share-based compensation expense, net of forfeitures	13	9
Other	8	—
Cash flows due to changes in other assets and other liabilities	22	(24 )
Net cash provided by operating activities	944	740
Cash flows from investing activities		
Net principal originations of finance receivables held for investment and held for sale	(1,116 )	(884 )
Available-for-sale securities purchased	(394 )	(351 )
Available-for-sale securities called, sold, and matured	280	382
Trading and other securities called, sold, and matured	20	6
Other, net	(30 )	(7 )
Net cash used for investing activities	(1,240 )	(854 )
Cash flows from financing activities		
Proceeds from issuance of long-term debt, net of commissions	3,739	2,633
Repayment of long-term debt	(3,776 )	(2,254 )
Withholding tax on share-based compensation	(9 )	(5 )
Net cash provided by (used for) financing activities	(46 )	374
Net change in cash and cash equivalents and restricted cash and restricted cash equivalents	(342 )	260
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	\$ 1,143	\$ 1,407
Supplemental cash flow information		
Cash and cash equivalents	\$ 556	\$ 862
Restricted cash and restricted cash equivalents	587	545
Total cash and cash equivalents and restricted cash and restricted cash equivalents	\$ 1,143	\$ 1,407
Supplemental non-cash activities		
Transfer of finance receivables to real estate owned	\$ 3	\$ 5
Net unsettled investment security purchases	(1 )	(3 )

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).

ONEMAIN HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

June 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 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.

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 common stock, par value \$0.01 per share, at a purchase price per share of \$26.00, representing the entire holdings of our stock beneficially owned by Fortress. This 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. 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.

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 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.

At June 30, 2018, the Apollo-Värde Group owned approximately 40.5% of OMH’s common stock.

OMH is a financial services holding company whose principal subsidiary is SFI. SFI’s principal subsidiary is SFC. On June 22, 2018, SFI entered into a contribution agreement with OMH, whereby OMH contributed all of the common interests of 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 OMFH and OMFH’s subsidiaries, and SFC engage in the consumer finance and insurance businesses.

## 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 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.

### Allowance for Finance Receivables 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 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 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. After the model has been reviewed and validated in accordance with our governance policies, the Company will provide further disclosure regarding the estimated impact on our allowance for finance receivables 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. We are in the process of quantifying the expected impacts.

We do not believe that any other accounting pronouncements issued during the six months ended June 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 receivable types include personal loans and 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.

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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 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 and retail sales finance loans into “Other Receivables.” Previously, we presented real estate and retail sales finance loans as distinct receivable types. In order to conform to this new alignment, we have revised our prior period finance receivable disclosures.

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

(dollars in millions)	Personal Loans	Other Receivables	Total
June 30, 2018			
Gross receivables (a)(b)	\$15,216	\$ 123	\$15,339
Unearned points and fees	(176 )	—	(176 )
Accrued finance charges	219	1	220
Deferred origination costs	125	—	125
Total	\$15,384	\$ 124	\$15,508
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 accretable 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 June 30, 2018 and December 31, 2017, unused lines of credit extended to customers by the Company were immaterial.

## 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 June 30, 2018 and December 31, 2017, 44% 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 Loans	Other Receivables	Total
June 30, 2018			
Performing			
Current	\$ 14,766	\$ 95	\$ 14,861
30-59 days past due	193	9	202
60-89 days past due	133	3	136
Total performing	15,092	107	15,199
Nonperforming			
90-179 days past due	284	4	288
180 days or more past due	8	13	21
Total nonperforming	292	17	309
Total	\$ 15,384	\$ 124	\$ 15,508

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 June 30, 2018 and December 31, 2017, finance receivables held for sale totaled \$123 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)	June 30, 2018	December 31, 2017
OM Loans		
Carrying amount, net of allowance	\$ 127	\$ 176
Outstanding balance (a)	180	243
Allowance for purchased credit impaired finance receivable losses	—	6
FA Loans (b)		
Carrying amount, net of allowance	\$ 53	\$ 57
Outstanding balance (a)	90	94
Allowance for purchased credit impaired finance receivable losses	9	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)	June 30, 2018	December 31, 2017
Carrying amount	\$ 41	\$ 44
Outstanding balance	68	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 Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
OM Loans				
Balance at beginning of period	\$49	\$48	\$47	\$59
Accretion	(8 )	(9 )	(14 )	(20 )
Reclassifications from (to) nonaccretable difference *	11	10	19	10
Balance at end of period	\$52	\$49	\$52	\$49
FA Loans				
Balance at beginning of period	\$52	\$59	\$53	\$60
Accretion	(1 )	(2 )	(2 )	(3 )
Reclassifications from (to) nonaccretable difference *	—	(2 )	—	(2 )
Balance at end of period	\$51	\$55	\$51	\$55

\* Reclassifications from (to) nonaccretable difference represents the increases (decreases) in accretable yield resulting from higher (lower) estimated undiscounted cash flows.

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# TDR FINANCE RECEIVABLES

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

(dollars in millions)	Personal Loans	Other Receivables (a)	Total
June 30, 2018			
TDR gross finance receivables (b)	\$ 377	\$ 136	\$513
TDR net finance receivables	380	136	516
Allowance for TDR finance receivable losses	158	12	170
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)	June 30, 2018	December 31, 2017
TDR gross finance receivables	\$ 87	\$ 90
TDR net finance receivables	87	91

(b) As defined earlier in this Note.

As of June 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 Loans	Other Receivables *	Total
Three Months Ended June 30, 2018			
TDR average net receivables	\$ 367	\$ 137	\$504
TDR finance charges recognized	11	2	13
Three Months Ended June 30, 2017			
TDR average net receivables	\$ 197	\$ 140	\$337
TDR finance charges recognized	9	2	11
Six Months Ended June 30, 2018			
TDR average net receivables	\$ 352	\$ 138	\$490
TDR finance charges recognized	22	4	26
Six Months Ended June 30, 2017			
TDR average net receivables	\$ 175	\$ 138	\$313

TDR finance charges recognized	15	4	19
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\* Other Receivables held for sale included in the table above were as follows:

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2017
(dollars in millions)		

TDR average net receivables	\$88	\$91	\$89	\$90
TDR finance charges recognized	2	2	3	3

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 June 30, 2018			
Pre-modification TDR net finance receivables	\$ 84	\$ —	\$ 84
Post-modification TDR net finance receivables:			
Rate reduction	\$ 63	\$ —	\$ 63
Other (b)	21	—	21
Total post-modification TDR net finance receivables	\$ 84	\$ —	\$ 84
Number of TDR accounts	12,778	15	12,793
Three Months Ended June 30, 2017			
Pre-modification TDR net finance receivables	\$ 115	\$ 10	\$ 125
Post-modification TDR net finance receivables:			
Rate reduction	\$ 79	\$ 10	\$ 89
Other (b)	35	—	35
Total post-modification TDR net finance receivables	\$ 114	\$ 10	\$ 124
Number of TDR accounts	14,583	350	14,933
Six Months Ended June 30, 2018			
Pre-modification TDR net finance receivables	\$ 179	\$ 2	\$ 181
Post-modification TDR net finance receivables:			
Rate reduction	\$ 132	\$ 2	\$ 134
Other (b)	47	—	47
Total post-modification TDR net finance receivables	\$ 179	\$ 2	\$ 181
Number of TDR accounts	27,508	44	27,552
Six Months Ended June 30, 2017			
Pre-modification TDR net finance receivables	\$ 159	\$ 13	\$ 172
Post-modification TDR net finance receivables:			
Rate reduction	\$ 118	\$ 13	\$ 131
Other (b)	39	—	39
Total post-modification TDR net finance receivables	\$ 157	\$ 13	\$ 170
Number of TDR accounts	21,021	414	21,435

(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.

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 Months Ended June 30, 2018	Six Months Ended June 30, 2017
(dollars in millions)		
TDR net finance receivables *	\$ 18 \$ 30	\$ 35 \$ 42
Number of TDR accounts	2,622,805	5,341,598

\* 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 six months ended June 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 Loans	Other Receivables	Total
Three Months Ended June 30, 2018			
Balance at beginning of period	\$ 665	\$ 24	\$ 689
Provision for finance receivable losses	261	(1 )	260
Charge-offs	(278 )	—	(278 )
Recoveries	30	1	31
Balance at end of period	\$ 678	\$ 24	\$ 702
Three Months Ended June 30, 2017			
Balance at beginning of period	\$ 646	\$ 20	\$ 666
Provision for finance receivable losses	235	1	236
Charge-offs	(253 )	(2 )	(255 )
Recoveries	28	1	29
Balance at end of period	\$ 656	\$ 20	\$ 676
Six Months Ended June 30, 2018			
Balance at beginning of period	\$ 673	\$ 24	\$ 697
Provision for finance receivable losses	515	(1 )	514
Charge-offs	(567 )	(1 )	(568 )
Recoveries	57	2	59
Balance at end of period	\$ 678	\$ 24	\$ 702
Six Months Ended June 30, 2017			
Balance at beginning of period	\$ 669	\$ 20	\$ 689
Provision for finance receivable losses	479	2	481

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Charge-offs	(549 )	(3 )	(552 )
Recoveries	57	1	58
Balance at end of period	\$ 656	\$ 20	\$676

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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 Loans	Other Receivables	Total
June 30, 2018			
Allowance for finance receivable losses:			
Collectively evaluated for impairment	\$520	\$ 3	\$523
Purchased credit impaired finance receivables	—	9	9
TDR finance receivables	158	12	170
Total	\$678	\$ 24	\$702
Finance receivables:			
Collectively evaluated for impairment	\$14,877	\$ 54	\$14,931
Purchased credit impaired finance receivables	127	21	148
TDR finance receivables	380	49	429
Total	\$15,384	\$ 124	\$15,508
Allowance for finance receivable losses as a percentage of finance receivables	4.41	% 19.25	% 4.53 %
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 \$123 million at June 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 June 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.

We did not have any material transfers to or from finance receivables held for sale during the three and six months ended June 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/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
June 30, 2018				
Fixed maturity available-for-sale securities:				
U.S. government and government sponsored entities	\$ 23	\$ —	\$ —	\$23
Obligations of states, municipalities, and political subdivisions	135	—	(1	) 134
Certificates of deposit and commercial paper	26	—	—	26
Non-U.S. government and government sponsored entities	134	—	(2	) 132
Corporate debt	1,034	3	(26	) 1,011
Mortgage-backed, asset-backed, and collateralized:				
RMBS	118	1	(3	) 116
CMBS	83	—	(1	) 82
CDO/ABS	95	—	(1	) 94
Total	\$ 1,648	\$ 4	\$ (34	) \$1,618
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 Fair Value	12 Months Unrealized Losses *	12 Months Fair Value	or Longer Unrealized Losses *	Total Fair Value	Unrealized Losses
June 30, 2018						
U.S. government and government sponsored entities	\$ 12	\$ —	\$ 8	\$ —	\$20	\$ —
Obligations of states, municipalities, and political subdivisions	84	(1 )	17	—	101	(1 )
Non-U.S. government and government sponsored entities	63	(1 )	57	(1 )	120	(2 )
Corporate debt	741	(22 )	99	(4 )	840	(26 )
RMBS	80	(2 )	32	(1 )	112	(3 )
CMBS	42	—	33	(1 )	75	(1 )
CDO/ABS	57	(1 )	18	—	75	(1 )
Total	\$ 1,079	\$ (27 )	\$ 264	\$ (7 )	\$1,343	\$ (34 )
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 )

\* Unrealized losses on certain available-for-sale securities were less than \$1 million and, therefore, are not quantified in the table above.

On a lot basis, we had 1,872 and 1,229 investment securities in an unrealized loss position at June 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 June 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 months ended June 30, 2018, we did not recognize any other-than-temporary impairment credit losses and during the six months ended June 30, 2018 we recognized less than \$1 million of other-than-temporary impairment credit losses on our available-for-sale securities in investment revenues. During the three and six months ended June 30, 2017, we did not recognize any other-than-temporary impairment credit losses on our available-for-sale securities in investment revenues.

During the three and six months ended June 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.

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

(dollars in millions)	Three Months Ended June 30, 2018	2017	Six Months Ended June 30, 2018	2017
Proceeds from sales and redemptions	\$69	\$167	\$140	\$280
Realized gains	\$—	\$5	\$—	\$9
Realized losses	—	(1)	—	(1)
Net realized gains (losses)	\$—	\$4	\$—	\$8

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

(dollars in millions)	Fair Value	Amortized Cost
Fixed maturities, excluding mortgage-backed, asset-backed, and collateralized securities:		
Due in 1 year or less	\$148	\$148
Due after 1 year through 5 years	596	604
Due after 5 years through 10 years	385	396
Due after 10 years	197	204
Mortgage-backed, asset-backed, and collateralized securities	292	296
Total	\$1,618	\$1,648

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 \$500 million and \$537 million at June 30, 2018 and December 31, 2017, respectively.

## OTHER SECURITIES

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

(dollars in millions)	June 30, 2018	December 31, 2017
Fixed maturity other securities:		
Bonds		
Non-U.S. government and government sponsored entities	\$1	\$1
Corporate debt	51	68
Mortgage-backed, asset-backed, and collateralized:		
RMBS	1	1
CDO/ABS	3	4
Total bonds	56	74
Preferred stock *	22	20
Common stock *	23	23

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Other long-term investments	1	1
Total	\$ 102	\$ 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 losses on other securities held at June 30, 2018 and 2017, were less than \$1 million and \$3 million for the three and six months ended June 30, 2018, respectively, and were less than \$1 million for the three and six months ended June 30, 2017. Net realized gains and losses on other securities sold or redeemed during the 2018 and 2017 periods were immaterial for the three and six months ended June 30, 2018 and 2017. 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 for the three and six months ended June 30, 2018 and 2017.

## 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, servicing fees revenue totaled \$8 million and \$16 million for the three and six months ended June 30, 2018, respectively, compared to \$10 million and \$20 million for the three and six months ended June 30, 2017, respectively. At June 30, 2018 and December 31, 2017, the servicing fees receivable from the SpringCastle Funding Trust that were incurred prior to the closing of the Apollo-Värde Transaction totaled \$2 million and \$3 million, respectively.

## 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 June 30, 2018 were as follows:

(dollars in millions)	Senior Debt			Total
	Securitizations	Medium Term Notes	Junior Subordinated Debt	
Interest rates (a)	2.04%	5.25%	4.10	%
	-	-		
	6.94%	8.25%		
Remainder of 2018	—	—	—	—
2019	—	696	—	696
2020	—	1,299	—	1,299
2021	—	646	—	646
2022	—	1,000	—	1,000

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2023	—	1,175	—	1,175
2024-2067	—	2,149	350	2,499
Securitizations (b)	8,119	—	—	8,119
Total principal maturities	\$8,119	\$6,965	\$ 350	\$15,434
Total carrying amount	\$8,094	\$6,788	\$ 172	\$15,054
Debt issuance costs (c)	\$(24 )	\$(55 )	\$ —	\$(79 )

The interest rates shown are the range of contractual rates in effect at June 30, 2018. The interest rate on the UPB (a) of the Junior Subordinated Debenture consists of a variable floating rate (determined quarterly) equal to 3-month LIBOR plus 1.75%, or 4.10% as of June 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 June 30, 2018, 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 costs associated with our revolving conduit facilities, which totaled \$24 million at June 30, 2018 and are reported in other assets.

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

On May 11, 2018, SFC issued \$900 million 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 used a portion of the net proceeds from this offering 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	June 30, 2018	Outstanding balance
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				(dollars in millions)
7.125% SFC Notes	5/11/2018	SFC Sixth Supplemental Indenture	7.125%	\$ 900
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
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 June 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 six months ended June 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 six months ended June 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 six months ended June 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 of June 30, 2018, 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)	June 30, December 31,	
	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 3	\$ 4
Finance receivables:		
Personal loans	9,135	9,769
Allowance for finance receivable losses	459	465
Restricted cash and restricted cash equivalents	569	482
Other assets	24	20
<b>Liabilities</b>		
Long-term debt	\$ 8,094	\$ 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, except for the ODART 2016-1 securitization which has no revolving period. 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 June 30, 2018 consisted of the following:

(dollars in millions)	Issue Amount (a)	Current Note Amounts Outstanding (a)	Current Weighted Average Interest Rate	Original Revolving Period	Issue Date	Maturity Date
Consumer Securitizations:						
SLFT 2015-A	\$ 1,163	\$ 817	3.60 %	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 2014-2	1,185	164	5.06 %	2 years	07/30/14	09/2024
OMFIT 2015-1	1,229	834	4.00 %	3 years	02/05/15	03/2026
OMFIT 2015-2	1,250	462	3.91 %	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	616	4.63 %	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	2.73 %	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		7,245				
Auto Securitizations:						
ODART 2016-1 (b)	754	99	3.70 %	—	07/19/16	Various
ODART 2017-1 (b)	300	200	2.76 %	1 year	02/01/17	Various
ODART 2017-2 (b)	605	575	2.63 %	1 year	12/11/17	Various
Total auto securitizations		874				
Total secured structured financings		\$ 8,119				

Issue Amount includes the retained interest amounts as applicable and as noted below while the Current Note (a) 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.

## REVOLVING CONDUIT FACILITIES

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

(dollar in millions)	Advance Maximum Balance	Amount Drawn	Revolving Period End	Collateral Type	Due and Payable (a)
Seine River Funding, LLC	\$ 500	\$ —	December 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, LLC	600	—	June 2020	Personal loans	July 2021
Mystic River Funding, LLC	850	—	September 2020	Personal loans and auto loans	October 2023
Fourth Avenue Auto Funding, LLC	250	—	September 2020	Auto loans	October 2021
OneMain Financial Funding VIII, LLC (c)	450	—	January 2021	Personal loans	February 2023
OneMain Financial Auto Funding I, LLC (d)	850	—	June 2021	Auto loans	July 2028
OneMain Financial Funding VII, LLC (e)	850	—	June 2021	Personal loans	July 2023
Thayer Brook Funding, LLC (f)	250	—	July 2021	Auto loans	August 2022
Total	\$ 5,350	\$ —			

(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 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.

## 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 six months ended June 30, 2018 totaled \$87 million and \$173 million, compared to \$78 million and \$158 million for the three and six months ended June 30, 2017.

## 10. Insurance

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

	At or for the Six Months Ended June 30,	
(dollars in millions)	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	102	96
Prior years *	(5 )	2
Total	97	98
Reductions for losses and loss adjustment expenses paid related to:		
Current year	(47 )	(45 )
Prior years	(51 )	(58 )
Total	(98 )	(103 )
Net balance at end of period	130	127
Plus reinsurance recoverables	4	25
Transfer of reserves	(19 )	—
Balance at end of period	\$115	\$152

Reflects (i) a redundancy in the prior years' net reserves of \$5 million at June 30, 2018 primarily due to favorable development of credit disability and unemployment claims during the year and (ii) a shortfall in the prior years' net reserves of \$2 million at June 30, 2017 primarily due to adverse 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		Six Months Ended	
	Ended June 30,		June 30,	
	2018	2017	2018	2017
Numerator (basic and diluted):				
Net income attributable to OneMain Holdings, Inc.	\$7	\$ 42	\$131	\$ 75
Denominator:				
Weighted average number of shares outstanding (basic)	135,678,351	149,610	135,637,822	134,143
Effect of dilutive securities *	290,132	163,817	295,574	109,199
Weighted average number of shares outstanding (diluted)	135,969,384	151,427	135,933,396	143,342
Earnings per share:				
Basic	\$0.05	\$ 0.31	\$0.96	\$ 0.55
Diluted	\$0.05	\$ 0.30	\$0.96	\$ 0.55

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

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2018	2017	2018	2017
Performance-based shares	45,467	25,089	71,314	27,887
Service-based shares	159,698	795,321	240,467	775,476

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 common shares plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common 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 Gains (Losses) Available-for-Sale Securities	Retirement Plan Liabilities Adjustments	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income (Loss)
<b>Three Months Ended June 30, 2018</b>				
Balance at beginning of period	\$ (16 )	\$ 4	\$ —	\$ (12 )
Other comprehensive income (loss) before reclassifications	(10 )	2	(3 )	(11 )
Impact of AOCI reclassification due to the Tax Act	2	(3 )	3	2
Balance at end of period	\$ (24 )	\$ 3	\$ —	\$ (21 )
<b>Three Months Ended June 30, 2017</b>				
Balance at beginning of period	\$ 3	\$ (4 )	\$ (1 )	\$ (2 )
Other comprehensive income before reclassifications	6	—	2	8
Reclassification adjustments from accumulated other comprehensive loss	(3 )	—	—	(3 )
Balance at end of period	\$ 6	\$ (4 )	\$ 1	\$ 3
<b>Six Months Ended June 30, 2018</b>				
Balance at beginning of period	\$ 4	\$ 4	\$ 3	\$ 11
Other comprehensive income (loss) before reclassifications	(30 )	2	(6 )	(34 )
Impact of AOCI reclassification due to the Tax Act	2	(3 )	3	2
Balance at end of period	\$ (24 )	\$ 3	\$ —	\$ (21 )
<b>Six Months Ended June 30, 2017</b>				
Balance at beginning of period	\$ (1 )	\$ (4 )	\$ (1 )	\$ (6 )
Other comprehensive income before reclassifications	13	—	2	15
Reclassification adjustments from accumulated other comprehensive loss	(6 )	—	—	(6 )
Balance at end of period	\$ 6	\$ (4 )	\$ 1	\$ 3

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 Months Ended June 30, 2018	Six Months Ended June 30, 2017
Unrealized gains on available-for-sale securities:		
Reclassification from accumulated other comprehensive income (loss) to investment revenues, before taxes	\$ — \$ 4	\$ — \$ 8
Income tax effect	— (1 )	— (2 )

Reclassification from accumulated other comprehensive income (loss) to investment revenues, net of taxes	\$ —	\$ 3	\$ —	\$ 6
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### 13. Income Taxes

We had a net deferred tax asset of \$142 million and \$143 million at June 30, 2018 and December 31, 2017, respectively.

The effective tax rate for the six months ended June 30, 2018 was 38.0%, compared to 39.0% for the same period in 2017. The effective tax rate for the six months ended June 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 six months ended June 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 share-based compensation.

We are currently under examination of our U.S. federal tax return for the years 2012 and 2013 by the IRS. We are also under examination of various states for the years 2011 to 2016. 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 June 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 June 30, 2018, our reserve for sales recourse obligations totaled \$8 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 six months ended June 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 June 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 six months ended June 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 June 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 loan portfolio and our liquidating retail sales finance portfolio.

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.

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 and Insurance	Acquisitions and Servicing	Other	Segment to GAAP Adjustment	Consolidated Total
Three Months Ended June 30, 2018					
Interest income	\$ 911	\$ —	\$5	\$ (11 )	\$ 905
Interest expense	212	—	5	3	220
Provision for finance receivable losses	261	—	(3 )	2	260
Net interest income after provision for finance receivable losses	438	—	3	(16 )	425
Other revenues	106	8	—	26	140
Acquisition-related transaction and integration expenses	22	—	—	6	28
Other expenses	368	8	112	6	494
Income (loss) before income tax expense (benefit)	\$ 154	\$ —	\$(109)	\$ (2 )	\$ 43
Three Months Ended June 30, 2017					
Interest income	\$801	\$—	\$6	\$(35)	