

Section 1: 10-Q (10-Q)

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2019

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

(State of Incorporation)

27-3379612

(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)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class                      | Trading symbol | Name of each exchange on which registered |
|------------------------------------------|----------------|-------------------------------------------|
| Common Stock, par value \$0.01 per share | OMF            | New York Stock Exchange                   |

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

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

At October 28, 2019, there were 136,101,006 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                                                                                                                                                                                                                        |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2018 Annual Report on Form 10-K     | Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed with the SEC on February 15, 2019                                                                                                                   |
| 30-89 Delinquency ratio             | net finance receivables 30-89 days past due as a percentage of net finance receivables                                                                                                                                            |
| 5.25% SFC Notes due 2019            | \$700 million of 5.25% Senior Notes due 2019 issued by SFC on December 3, 2014, guaranteed by OMH and redeemed in full on March 25, 2019                                                                                          |
| 6.00% SFC Notes due 2020            | \$300 million of 6.00% Senior Notes due 2020 issued by SFC on May 29, 2013, guaranteed by OMH and redeemed in full on April 15, 2019                                                                                              |
| 6.125% SFC Notes due 2024           | \$1.0 billion of 6.125% Senior Notes due 2024 issued by SFC on February 22, 2019 and \$300 million of 6.125% Senior Notes due 2024 issued by SFC on July 2, 2019 and, in each case, guaranteed by OMH                             |
| 6.625% SFC Notes due 2028           | \$800 million of 6.625% Senior Notes due 2028 issued by SFC on May 9, 2019 and guaranteed by OMH                                                                                                                                  |
| ABS                                 | asset-backed securities                                                                                                                                                                                                           |
| Accrutable yield                    | the excess of the cash flows expected to be collected on the purchased credit impaired finance receivables over the discounted cash flows                                                                                         |
| Adjusted pretax income (loss)       | a non-GAAP financial measure used by management as a key performance measure of our segments                                                                                                                                      |
| AHL                                 | American Health and Life Insurance Company, an insurance subsidiary of OneMain                                                                                                                                                    |
| AIG                                 | AIG Capital Corporation, a subsidiary of American International Group, Inc.                                                                                                                                                       |
| AIG Share Sale Transaction          | sale by SFH of 4,179,678 shares of OMH common stock pursuant to an Underwriting Agreement entered into February 21, 2018 among OMH, SFH and Morgan Stanley & Co. LLC                                                              |
| AOCI                                | Accumulated other comprehensive income (loss)                                                                                                                                                                                     |
| Apollo                              | Apollo Global Management, LLC and its consolidated subsidiaries                                                                                                                                                                   |
| Apollo-Värde Group                  | an investor group led by funds managed by Apollo and Värde                                                                                                                                                                        |
| Apollo-Värde Transaction            | the purchase by the Apollo-Värde Group of 54,937,500 shares of OMH common stock from SFH pursuant to the Share Purchase Agreement for an aggregate purchase price of approximately \$1.4 billion in cash on June 25, 2018         |
| ASC                                 | Accounting Standards Codification                                                                                                                                                                                                 |
| ASU                                 | Accounting Standards Update                                                                                                                                                                                                       |
| Average daily debt balance          | 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                                                                                  |
| CDO                                 | collateralized debt obligations                                                                                                                                                                                                   |
| CMBS                                | commercial mortgage-backed securities                                                                                                                                                                                             |
| Exchange Act                        | Securities Exchange Act of 1934, as amended                                                                                                                                                                                       |
| FASB                                | Financial Accounting Standards Board                                                                                                                                                                                              |
| February 2019 Real Estate Loan Sale | SFC and certain of its subsidiaries sold a portfolio of real estate loans with a carrying value of \$16 million, classified in finance receivables held for sale, for aggregate cash proceeds of \$19 million on February 5, 2019 |
| FICO score                          | a credit score created by Fair Isaac Corporation                                                                                                                                                                                  |
| 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                     |
| Fortress Transaction                | the distributions by SFH to Fortress resulting from the Apollo-Värde Transaction                                                                                                                                                  |
| 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                                                                                                                                                           |
| Indenture                           | the SFC Base Indenture, together with all subsequent Supplemental Indentures                                                                                                                                                      |
| Independence                        | Independence Holdings, LLC                                                                                                                                                                                                        |
| IRS                                 | Internal Revenue Service                                                                                                                                                                                                          |

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| Term or Abbreviation               | Definition                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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                                                                                                                                                                                                                                                                                                                                                                   |
| Net charge-off ratio               | annualized net charge-offs as a percentage of average net receivables                                                                                                                                                                                                                                                                                                                                                      |
| Net interest income                | interest income less interest expense                                                                                                                                                                                                                                                                                                                                                                                      |
| ODART                              | OneMain Direct Auto Receivables Trust                                                                                                                                                                                                                                                                                                                                                                                      |
| OMFIT                              | OneMain Financial Issuance Trust                                                                                                                                                                                                                                                                                                                                                                                           |
| OMH                                | OneMain Holdings, Inc.                                                                                                                                                                                                                                                                                                                                                                                                     |
| OneMain                            | OneMain Financial Holdings, LLC, 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                                                                                                                                                                                                                                                                |
| Other SFC Notes                    | collectively, SFC's 8.25% Senior Notes due 2023, and 7.75% Senior Notes due 2021, on a senior unsecured basis, and the Junior Subordinated Debenture, on a junior subordinated basis, issued by SFC and guaranteed by OMH                                                                                                                                                                                                  |
| Recovery ratio                     | annualized recoveries on net charge-offs as a percentage of average net receivables                                                                                                                                                                                                                                                                                                                                        |
| Retail sales finance portfolio     | collectively, retail sales finance contracts and revolving retail accounts                                                                                                                                                                                                                                                                                                                                                 |
| RMBS                               | residential mortgage-backed securities                                                                                                                                                                                                                                                                                                                                                                                     |
| RSAs                               | restricted stock awards                                                                                                                                                                                                                                                                                                                                                                                                    |
| RSUs                               | restricted stock units                                                                                                                                                                                                                                                                                                                                                                                                     |
| Sale of SpringCastle interests     | the March 31, 2016 sale by SpringCastle Holdings, LLC and Springleaf Acquisition Corporation of the equity interest in the SpringCastle Joint Venture                                                                                                                                                                                                                                                                      |
| 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                                                                                                                                                                                                                                            |
| SFC                                | Springleaf Finance Corporation                                                                                                                                                                                                                                                                                                                                                                                             |
| SFC Base Indenture                 | Indenture, dated as of December 3, 2014                                                                                                                                                                                                                                                                                                                                                                                    |
| SFC Eighth Supplemental Indenture  | Eighth Supplemental Indenture, dated as of May 9, 2019, 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, and the 6.00% Senior Notes due 2020, which were redeemed in full on April 15, 2019                                                                                                                                          |
| 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, the SFC Sixth Supplemental Indenture, the SFC Seventh Supplemental Indenture and the SFC Eighth Supplemental Indenture                                                           |
| SFC Seventh Supplemental Indenture | Seventh Supplemental Indenture, dated as of February 22, 2019, to the SFC Base Indenture                                                                                                                                                                                                                                                                                                                                   |
| 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-Vårde Group in the Apollo-Vårde Transaction                                                                                                                                                                                     |
| SFI                                | Springleaf Finance, Inc.                                                                                                                                                                                                                                                                                                                                                                                                   |
| Share Purchase Agreement           | a share purchase agreement entered into on January 3, 2018, among the Apollo-Vårde 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 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 |

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| Term or Abbreviation           | Definition                                                                                                                                                                                                    |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SpringCastle Portfolio         | loans the Company previously owned and now service on behalf of a third party. On March 31, 2016, the portfolio was sold in connection with the “Sale of SpringCastle interests”                              |
| Tax Act                        | Public Law 115-97 amending the Internal Revenue Code of 1986                                                                                                                                                  |
| TDR finance receivables        | troubled debt restructured finance receivables. Debt restructuring in which a concession is granted to the borrower as a result of economic or legal reasons related to the borrower’s financial difficulties |
| Triton                         | Triton Insurance Company, an insurance subsidiary of OneMain                                                                                                                                                  |
| 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                                                                                                                                                   |
| XBRL                           | eXtensible Business Reporting Language                                                                                                                                                                        |
| Yield                          | annualized finance charges as a percentage of average net receivables                                                                                                                                         |
| Yosemite                       | Yosemite Insurance Company, a former insurance subsidiary of SFC. In the third quarter of 2018, the Company sold all of the issued and outstanding shares in Yosemite to a third party                        |

**PART I — FINANCIAL INFORMATION**
**Item 1. Financial Statements.**
**ONEMAIN HOLDINGS, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets (Unaudited)**

| (dollars in millions, except par value amount)                                                                                                                                                | September 30,<br>2019 | December 31,<br>2018 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| <b>Assets</b>                                                                                                                                                                                 |                       |                      |
| Cash and cash equivalents                                                                                                                                                                     | \$ 1,393              | \$ 679               |
| Investment securities                                                                                                                                                                         | 1,779                 | 1,694                |
| Net finance receivables (includes loans of consolidated VIEs of \$9.2 billion in 2019 and \$8.5 billion in 2018)                                                                              | 17,791                | 16,164               |
| Unearned insurance premium and claim reserves                                                                                                                                                 | (762)                 | (662)                |
| Allowance for finance receivable losses (includes allowance of consolidated VIEs of \$356 million in 2019 and \$444 million in 2018)                                                          | (798)                 | (731)                |
| Net finance receivables, less unearned insurance premium and claim reserves and allowance for finance receivable losses                                                                       | 16,231                | 14,771               |
| Finance receivables held for sale                                                                                                                                                             | 69                    | 103                  |
| Restricted cash and restricted cash equivalents (include restricted cash and restricted cash equivalents of consolidated VIEs of \$427 million in 2019 and \$479 million in 2018)             | 434                   | 499                  |
| Goodwill                                                                                                                                                                                      | 1,422                 | 1,422                |
| Other intangible assets                                                                                                                                                                       | 352                   | 388                  |
| Other assets                                                                                                                                                                                  | 730                   | 534                  |
| Total assets                                                                                                                                                                                  | <u>\$ 22,410</u>      | <u>\$ 20,090</u>     |
| <b>Liabilities and Shareholders' Equity</b>                                                                                                                                                   |                       |                      |
| Long-term debt (includes debt of consolidated VIEs of \$8.2 billion in 2019 and \$7.5 billion in 2018)                                                                                        | \$ 17,021             | \$ 15,178            |
| Insurance claims and policyholder liabilities                                                                                                                                                 | 646                   | 685                  |
| Deferred and accrued taxes                                                                                                                                                                    | 37                    | 45                   |
| Other liabilities (includes other liabilities of consolidated VIEs of \$15 million in 2019 and \$14 million in 2018)                                                                          | 612                   | 383                  |
| Total liabilities                                                                                                                                                                             | <u>18,316</u>         | <u>16,291</u>        |
| Commitments and contingent liabilities (Note 13)                                                                                                                                              |                       |                      |
| Shareholders' equity:                                                                                                                                                                         |                       |                      |
| Common stock, par value \$.01 per share; 2,000,000,000 shares authorized, 136,095,674 and 135,832,278 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively | 1                     | 1                    |
| Additional paid-in capital                                                                                                                                                                    | 1,686                 | 1,681                |
| Accumulated other comprehensive income (loss)                                                                                                                                                 | 38                    | (34)                 |
| Retained earnings                                                                                                                                                                             | 2,369                 | 2,151                |
| Total shareholders' equity                                                                                                                                                                    | <u>4,094</u>          | <u>3,799</u>         |
| Total liabilities and shareholders' equity                                                                                                                                                    | <u>\$ 22,410</u>      | <u>\$ 20,090</u>     |

See Notes to the 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 September 30, |               | Nine Months Ended September 30, |               |
|--------------------------------------------------------------------------|----------------------------------|---------------|---------------------------------|---------------|
|                                                                          | 2019                             | 2018          | 2019                            | 2018          |
| Interest income:                                                         |                                  |               |                                 |               |
| Finance charges                                                          | \$ 1,062                         | \$ 930        | \$ 3,012                        | \$ 2,692      |
| Finance receivables held for sale                                        | 3                                | 3             | 8                               | 8             |
| Total interest income                                                    | 1,065                            | 933           | 3,020                           | 2,700         |
| Interest expense                                                         | 244                              | 227           | 717                             | 647           |
| <b>Net interest income</b>                                               | <b>821</b>                       | <b>706</b>    | <b>2,303</b>                    | <b>2,053</b>  |
| Provision for finance receivable losses                                  | 282                              | 256           | 836                             | 770           |
| <b>Net interest income after provision for finance receivable losses</b> | <b>539</b>                       | <b>450</b>    | <b>1,467</b>                    | <b>1,283</b>  |
| Other revenues:                                                          |                                  |               |                                 |               |
| Insurance                                                                | 117                              | 106           | 341                             | 318           |
| Investment                                                               | 21                               | 18            | 71                              | 50            |
| Net loss on repurchases and repayments of debt                           | (2)                              | —             | (35)                            | (9)           |
| Net gain on sale of real estate loans                                    | —                                | —             | 3                               | —             |
| Other                                                                    | 20                               | 20            | 80                              | 62            |
| <b>Total other revenues</b>                                              | <b>156</b>                       | <b>144</b>    | <b>460</b>                      | <b>421</b>    |
| Other expenses:                                                          |                                  |               |                                 |               |
| Salaries and benefits                                                    | 205                              | 199           | 609                             | 709           |
| Other operating expenses                                                 | 146                              | 148           | 422                             | 441           |
| Insurance policy benefits and claims                                     | 47                               | 48            | 141                             | 144           |
| <b>Total other expenses</b>                                              | <b>398</b>                       | <b>395</b>    | <b>1,172</b>                    | <b>1,294</b>  |
| <b>Income before income taxes</b>                                        | <b>297</b>                       | <b>199</b>    | <b>755</b>                      | <b>410</b>    |
| Income taxes                                                             | 49                               | 51            | 161                             | 131           |
| <b>Net income</b>                                                        | <b>\$ 248</b>                    | <b>\$ 148</b> | <b>\$ 594</b>                   | <b>\$ 279</b> |

**Share Data:**

Weighted average number of shares outstanding:

|                     |             |             |             |             |
|---------------------|-------------|-------------|-------------|-------------|
| Basic               | 136,095,481 | 135,756,479 | 136,060,832 | 135,677,811 |
| Diluted             | 136,376,051 | 136,107,045 | 136,272,391 | 135,991,716 |
| Earnings per share: |             |             |             |             |
| Basic               | \$ 1.82     | \$ 1.09     | \$ 4.36     | \$ 2.05     |
| Diluted             | \$ 1.82     | \$ 1.09     | \$ 4.36     | \$ 2.05     |

See Notes to the Condensed Consolidated Financial Statements (Unaudited).

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

| (dollars in millions)                                                                                                          | Three Months Ended September 30, |               | Nine Months Ended September 30, |               |
|--------------------------------------------------------------------------------------------------------------------------------|----------------------------------|---------------|---------------------------------|---------------|
|                                                                                                                                | 2019                             | 2018          | 2019                            | 2018          |
| <b>Net income</b>                                                                                                              | <b>\$ 248</b>                    | <b>\$ 148</b> | <b>\$ 594</b>                   | <b>\$ 279</b> |
| <b>Other comprehensive income (loss):</b>                                                                                      |                                  |               |                                 |               |
| Net change in unrealized gains (losses) on non-credit impaired available-for-sale securities, net reclassification adjustments | 14                               | (3)           | 90                              | (39)          |
| Foreign currency translation adjustments                                                                                       | (1)                              | 1             | 3                               | (4)           |
| Income tax effect:                                                                                                             |                                  |               |                                 |               |
| Net unrealized gains (losses) on non-credit impaired available-for-sale securities                                             | (3)                              | 1             | (21)                            | 7             |
| Retirement plan liability adjustments                                                                                          | —                                | —             | —                               | 2             |
| Foreign currency translation adjustments                                                                                       | —                                | —             | —                               | (1)           |
| Other comprehensive income (loss), net of tax, net reclassification adjustments                                                | 10                               | (1)           | 72                              | (35)          |
| <b>Comprehensive income</b>                                                                                                    | <b>\$ 258</b>                    | <b>\$ 147</b> | <b>\$ 666</b>                   | <b>\$ 244</b> |

See Notes to the Condensed Consolidated Financial Statements (Unaudited).

**ONEMAIN HOLDINGS, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Shareholders' Equity (Unaudited)**

| (dollars in millions)                                | Common<br>Stock | Additional<br>Paid-in<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Retained<br>Earnings | Total<br>Shareholders'<br>Equity |
|------------------------------------------------------|-----------------|----------------------------------|--------------------------------------------------------|----------------------|----------------------------------|
| <b>Three Months Ended September 30, 2019</b>         |                 |                                  |                                                        |                      |                                  |
| Balance, July 1, 2019                                | \$ 1            | \$ 1,683                         | \$ 28                                                  | \$ 2,429             | \$ 4,141                         |
| Share-based compensation expense, net of forfeitures | —               | 3                                | —                                                      | —                    | 3                                |
| Other comprehensive income                           | —               | —                                | 10                                                     | —                    | 10                               |
| Cash dividends *                                     | —               | —                                | —                                                      | (308)                | (308)                            |
| Net income                                           | —               | —                                | —                                                      | 248                  | 248                              |
| Balance, September 30, 2019                          | <u>\$ 1</u>     | <u>\$ 1,686</u>                  | <u>\$ 38</u>                                           | <u>\$ 2,369</u>      | <u>\$ 4,094</u>                  |
| <b>Three Months Ended September 30, 2018</b>         |                 |                                  |                                                        |                      |                                  |
| Balance, July 1, 2018                                | \$ 1            | \$ 1,674                         | \$ (21)                                                | \$ 1,835             | \$ 3,489                         |
| Share-based compensation expense, net of forfeitures | —               | 4                                | —                                                      | —                    | 4                                |
| Other comprehensive loss                             | —               | —                                | (1)                                                    | —                    | (1)                              |
| Net income                                           | —               | —                                | —                                                      | 148                  | 148                              |
| Balance, September 30, 2018                          | <u>\$ 1</u>     | <u>\$ 1,678</u>                  | <u>\$ (22)</u>                                         | <u>\$ 1,983</u>      | <u>\$ 3,640</u>                  |
| <b>Nine Months Ended September 30, 2019</b>          |                 |                                  |                                                        |                      |                                  |
| Balance, January 1, 2019                             | \$ 1            | \$ 1,681                         | \$ (34)                                                | \$ 2,151             | \$ 3,799                         |
| Share-based compensation expense, net of forfeitures | —               | 10                               | —                                                      | —                    | 10                               |
| Withholding tax on share-based compensation          | —               | (5)                              | —                                                      | —                    | (5)                              |
| Other comprehensive income                           | —               | —                                | 72                                                     | —                    | 72                               |
| Cash dividends *                                     | —               | —                                | —                                                      | (376)                | (376)                            |
| Net income                                           | —               | —                                | —                                                      | 594                  | 594                              |
| Balance, September 30, 2019                          | <u>\$ 1</u>     | <u>\$ 1,686</u>                  | <u>\$ 38</u>                                           | <u>\$ 2,369</u>      | <u>\$ 4,094</u>                  |
| <b>Nine Months Ended September 30, 2018</b>          |                 |                                  |                                                        |                      |                                  |
| Balance, January 1, 2018                             | \$ 1            | \$ 1,560                         | \$ 11                                                  | \$ 1,706             | \$ 3,278                         |
| Non-cash incentive compensation from SFH             | —               | 110                              | —                                                      | —                    | 110                              |
| Share-based compensation expense, net of forfeitures | —               | 17                               | —                                                      | —                    | 17                               |
| Withholding tax on share-based compensation          | —               | (9)                              | —                                                      | —                    | (9)                              |
| Other comprehensive loss                             | —               | —                                | (35)                                                   | —                    | (35)                             |
| Impact of AOCI reclassification due to the Tax Act   | —               | —                                | 2                                                      | (2)                  | —                                |
| Net income                                           | —               | —                                | —                                                      | 279                  | 279                              |
| Balance, September 30, 2018                          | <u>\$ 1</u>     | <u>\$ 1,678</u>                  | <u>\$ (22)</u>                                         | <u>\$ 1,983</u>      | <u>\$ 3,640</u>                  |

\* Cash dividends declared were \$0.25 per share in the first and second quarters, and \$2.25 per share in the third quarter of 2019.

See Notes to the Condensed Consolidated Financial Statements (Unaudited).

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

| (dollars in millions)                                                                                                                                     | Nine Months Ended September 30, |          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------|
|                                                                                                                                                           | 2019                            | 2018     |
| <b>Cash flows from operating activities</b>                                                                                                               |                                 |          |
| Net income                                                                                                                                                | \$ 594                          | \$ 279   |
| Reconciling adjustments:                                                                                                                                  |                                 |          |
| Provision for finance receivable losses                                                                                                                   | 836                             | 770      |
| Depreciation and amortization                                                                                                                             | 203                             | 191      |
| Deferred income tax charge                                                                                                                                | 8                               | 6        |
| Net loss on repurchases and repayments of debt                                                                                                            | 35                              | 9        |
| Non-cash incentive compensation from SFH                                                                                                                  | —                               | 110      |
| Share-based compensation expense, net of forfeitures                                                                                                      | 10                              | 17       |
| Other                                                                                                                                                     | (8)                             | 9        |
| Cash flows due to changes in other assets and other liabilities                                                                                           | 51                              | 65       |
| Net cash provided by operating activities                                                                                                                 | 1,729                           | 1,456    |
| <b>Cash flows from investing activities</b>                                                                                                               |                                 |          |
| Net principal originations of finance receivables held for investment and held for sale                                                                   | (2,445)                         | (1,703)  |
| Proceeds on sales of finance receivables held for sale originated as held for investment                                                                  | 19                              | —        |
| Available-for-sale securities purchased                                                                                                                   | (499)                           | (548)    |
| Available-for-sale securities called, sold, and matured                                                                                                   | 457                             | 438      |
| Other securities purchased                                                                                                                                | (13)                            | (9)      |
| Other securities called, sold, and matured                                                                                                                | 26                              | 30       |
| Other, net                                                                                                                                                | (1)                             | (24)     |
| Net cash used for investing activities                                                                                                                    | (2,456)                         | (1,816)  |
| <b>Cash flows from financing activities</b>                                                                                                               |                                 |          |
| Proceeds from issuance of long-term debt, net of commissions                                                                                              | 5,157                           | 5,474    |
| Repayment of long-term debt                                                                                                                               | (3,402)                         | (4,852)  |
| Cash dividends                                                                                                                                            | (374)                           | —        |
| Withholding tax on share-based compensation                                                                                                               | (5)                             | (9)      |
| Net cash provided by financing activities                                                                                                                 | 1,376                           | 613      |
| Net change in cash and cash equivalents and restricted cash and restricted cash equivalents                                                               | 649                             | 253      |
| Cash and cash equivalents and restricted cash and restricted cash equivalents at beginning of period                                                      | 1,178                           | 1,485    |
| Cash and cash equivalents and restricted cash and restricted cash equivalents at end of period                                                            | \$ 1,827                        | \$ 1,738 |
| <b>Supplemental cash flow information</b>                                                                                                                 |                                 |          |
| Cash and cash equivalents                                                                                                                                 | \$ 1,393                        | \$ 1,243 |
| Restricted cash and restricted cash equivalents                                                                                                           | 434                             | 495      |
| Total cash and cash equivalents and restricted cash and restricted cash equivalents                                                                       | \$ 1,827                        | \$ 1,738 |
| Cash paid for amounts included in the measurement of operating lease liabilities                                                                          | \$ 44                           | \$ —     |
| <b>Supplemental non-cash activities</b>                                                                                                                   |                                 |          |
| Transfer of net finance receivables held for investment to finance receivables held for sale (prior to deducting allowance for finance receivable losses) | \$ —                            | \$ 111   |
| Transfer of finance receivables to real estate owned                                                                                                      | 6                               | 5        |
| Right-of-use assets obtained in exchange for operating lease obligations                                                                                  | 221                             | —        |
| Net unsettled investment security purchases                                                                                                               | (8)                             | —        |

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 the Condensed Consolidated Financial Statements (Unaudited).

**ONEMAIN HOLDINGS, INC. AND SUBSIDIARIES**

**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

**September 30, 2019**

**1. Business and Basis of Presentation**

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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.

OMH is a financial services holding company whose subsidiaries engage in the consumer finance and insurance businesses. Prior to the completion of the merger described below, OMH’s direct subsidiary was Springleaf Finance, Inc. (“SFI”).

On September 20, 2019, Springleaf Finance Corporation (“SFC”) entered into a merger agreement with its direct parent, SFI, to merge SFI with and into SFC, with SFC as the surviving entity. The merger was effective in the condensed consolidated financial statements as of July 1, 2019. As a result of the merger with SFI, SFC became a wholly owned direct subsidiary of OMH.

At September 30, 2019, the Apollo-Vårde Group owned approximately 40.4% of OMH’s common stock.

**2018 Share Sale Transactions**

As disclosed in Note 21 of the Notes to the Consolidated Financial Statements in Part II - Item 8 included in our 2018 Annual Report on Form 10-K, certain executives of the Company had previously been granted incentive units that only provided benefits (in the form of distributions) if Springleaf Financial Holdings, LLC (“SFH”) made distributions to one or more of its common members that exceeded specified threshold amounts. In connection with the Fortress Transaction resulting from the Apollo-Vårde Transaction described in Note 2 of the Notes to the Consolidated Financial Statements in Part II - Item 8 included in our 2018 Annual Report on Form 10-K, certain executive officers who were holders of SFH incentive units received a distribution of approximately \$106 million in the aggregate from 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.

In addition, in connection with the distributions by SFH to AIG resulting from the AIG Share Sale Transaction described in Note 2 of the Notes to the Consolidated Financial Statements in Part II - Item 8 included in our 2018 Annual Report on Form 10-K, these same executive officers holding the incentive units described above, received a distribution of approximately \$4 million in the aggregate from SFH in respect of their incentive interests in SFH. Consistent with the Fortress Transaction, we recorded non-cash incentive compensation expense of approximately \$4 million, with an equal and offsetting increase to additional paid-in-capital. Again, the impact to the Company was non-cash, equity neutral, and not tax deductible.

**BASIS OF PRESENTATION**

We prepared our condensed consolidated financial statements using generally accepted accounting principles in the United States of America (“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. Actual 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 2019 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 2018 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

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### ACCOUNTING PRONOUNCEMENTS RECENTLY 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. We adopted the amendments of these ASUs as of January 1, 2019. See Note 13 for additional information on the adoption of ASU 2016-02.

### ACCOUNTING PRONOUNCEMENTS TO BE ADOPTED

#### *Financial Instruments - Credit Losses*

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

The ASU also modifies the other-than-temporary impairment model for available-for-sale debt securities by requiring companies to record an allowance for credit impairment 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. The Company has performed parallel testing through the third quarter of 2019. We continue to refine our model to estimate the expected credit losses as well as finalize our processes and internal controls in order to comply with this ASU. This ASU will result in an increase to the allowance for finance receivable losses, an increase to deferred tax assets, and a corresponding one-time cumulative reduction to retained earnings, net of tax, in the consolidated balance sheet as of the beginning of the year of adoption. Based on the September 30, 2019 loan portfolio and current expectations of future economic conditions, the Company estimates its allowance for finance receivable losses as a percentage of finance receivables would increase to 10% to 11%. The actual impact will depend on the growth and characteristics of our finance receivables, current economic conditions, as well as our economic and loss forecasts at the time of adoption.

The Company’s implementation team has also been working with our investment advisor to develop a new process to comply with this ASU as it relates to available-for-sale debt securities and the related disclosure requirements. The Company does not expect the adoption of this ASU, as it relates to available-for-sale debt securities, will have a material impact on its consolidated financial statements.

**Insurance**

In August of 2018, the FASB issued ASU 2018-12, *Financial Services - Insurance: Targeted Improvements to the Accounting for Long-Duration Contracts*, which provides targeted improvements to Topic 944 for the assumptions used to measure the liability for future policy benefits for nonparticipating traditional and limited-payment contracts; measurement of market risk benefits; amortization of deferred acquisition costs; and enhanced disclosures. The amendments in this ASU become effective for the Company for fiscal years beginning January 1, 2021. In August of 2019, the FASB proposed a one-year deferral of this ASU to become effective for the Company for fiscal years beginning January 1, 2022. We have a cross-functional implementation team and a project plan to ensure we comply with all the amendments in this ASU at the time of adoption. We continue to make progress in evaluating the potential impact of the adoption of the ASU on our consolidated financial statements.

We do not believe that any other accounting pronouncements issued during the nine months ended September 30, 2019, but not yet effective, would have a material impact on our consolidated financial statements or disclosures, if adopted.

### 3. Finance Receivables

Our finance receivables consist of personal loans, which are non-revolving, with a fixed-rate, a fixed term of three to six years, and are secured by automobiles, other titled collateral, or are unsecured. Prior to September 30, 2018, our finance receivables also included other receivables, which consist of our liquidating loan portfolios: real estate loans, retail sales finance contracts, and revolving retail accounts. We continue to service or sub-service liquidating real estate loans and retail sales finance contracts. Effective September 30, 2018, our real estate loans were transferred from held for investment to held for sale. See Notes 5, 6 and 7 of the Notes to the Consolidated Financial Statements in Part II - Item 8 included in our 2018 Annual Report on Form 10-K for more information about other receivables.

Net finance receivables consist of our total portfolio of personal loans. Components of our personal loans were as follows:

| (dollars in millions)      | September 30,<br>2019 | December 31,<br>2018 |
|----------------------------|-----------------------|----------------------|
| Gross receivables *        | \$ 17,615             | \$ 15,978            |
| Unearned points and fees   | (233)                 | (201)                |
| Accrued finance charges    | 267                   | 253                  |
| Deferred origination costs | 142                   | 134                  |
| Total                      | <u>\$ 17,791</u>      | <u>\$ 16,164</u>     |

\* Gross receivables equal the UPB except for the following:

- **Finance receivables purchased as a performing receivable** — gross receivables are equal to UPB and, if applicable, any remaining unearned premium or discount established at the time of purchase to reflect the finance receivable balance at its initial fair value; and
- **Purchased credit impaired finance receivables** — gross receivables equal the remaining estimated cash flows less the current balance of accretable yield on the purchased credit impaired accounts.

#### CREDIT QUALITY INDICATOR

We consider the concentration of secured loans, the underlying value of collateral of secured loans, and the delinquency status of our finance receivables as our primary credit quality indicators. At September 30, 2019 and December 31, 2018, 51% and 48%, respectively, of our personal loans were secured by titled collateral. 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 our personal loans held for investment by number of days delinquent:

| (dollars in millions)     | September 30,<br>2019 | December 31,<br>2018 |
|---------------------------|-----------------------|----------------------|
| <i>Performing</i>         |                       |                      |
| Current                   | \$ 17,040             | \$ 15,411            |
| 30-59 days past due       | 245                   | 229                  |
| 60-89 days past due       | 164                   | 161                  |
| Total performing          | <u>17,449</u>         | <u>15,801</u>        |
| <i>Nonperforming</i>      |                       |                      |
| 90-179 days past due      | 335                   | 355                  |
| 180 days or more past due | 7                     | 8                    |
| Total nonperforming       | <u>342</u>            | <u>363</u>           |
| Total                     | <u>\$ 17,791</u>      | <u>\$ 16,164</u>     |

## PURCHASED CREDIT IMPAIRED FINANCE RECEIVABLES

Our purchased credit impaired finance receivables consist of personal loans and real estate loans purchased in connection with the OneMain Acquisition and the Fortress Acquisition, respectively.

We report the carrying amount of our purchased credit impaired personal loans in net finance receivables, less allowance for finance receivable losses, and our purchased credit impaired real estate loans in finance receivables held for sale as discussed below.

At September 30, 2019 and December 31, 2018, finance receivables held for sale totaled \$69 million and \$103 million, respectively, which include purchased credit impaired real estate loans, as well as TDR real estate loans. See Note 5 for further information on our finance receivables held for sale.

Information regarding our purchased credit impaired finance receivables were as follows:

| (dollars in millions)                                                 | September 30,<br>2019 | December 31,<br>2018 |
|-----------------------------------------------------------------------|-----------------------|----------------------|
| <b>Personal Loans</b>                                                 |                       |                      |
| Carrying amount, net of allowance                                     | \$ 48                 | \$ 89                |
| Outstanding balance (a)                                               | 86                    | 135                  |
| Allowance for purchased credit impaired finance receivable losses (b) | —                     | —                    |
| <b>Real Estate Loans - Held for Sale</b>                              |                       |                      |
| Carrying amount                                                       | \$ 20                 | \$ 28                |
| Outstanding balance (a)                                               | 36                    | 48                   |

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

(b) The allowance for purchased credit impaired finance receivable losses reflects the carrying value of the purchased credit impaired loans held for investment exceeding the present value of the expected cash flows. As indicated above, no allowance was required as of September 30, 2019 or December 31, 2018.

Changes in accretable yield for purchased credit impaired finance receivables were as follows:

| (dollars in millions)                             | Three Months Ended September 30, |       | Nine Months Ended September 30, |       |
|---------------------------------------------------|----------------------------------|-------|---------------------------------|-------|
|                                                   | 2019                             | 2018  | 2019                            | 2018  |
| <b>Personal Loans</b>                             |                                  |       |                                 |       |
| Balance at beginning of period                    | \$ 46                            | \$ 52 | \$ 39                           | \$ 47 |
| Accretion                                         | (6)                              | (7)   | (15)                            | (21)  |
| Reclassifications from nonaccretable difference * | —                                | —     | 16                              | 19    |
| Balance at end of period                          | \$ 40                            | \$ 45 | \$ 40                           | \$ 45 |
| <b>Real Estate Loans - Held for Sale</b>          |                                  |       |                                 |       |
| Balance at beginning of period                    | \$ 23                            | \$ 51 | \$ 27                           | \$ 53 |
| Accretion                                         | (1)                              | (1)   | (2)                             | (3)   |
| Transfer due to finance receivables sold          | —                                | —     | (3)                             | —     |
| Balance at end of period                          | \$ 22                            | \$ 50 | \$ 22                           | \$ 50 |

\* Reclassifications from nonaccretable difference represents the increases in accretable yield resulting from higher estimated undiscounted cash flows.

## TDR FINANCE RECEIVABLES

Information regarding TDR finance receivables were as follows:

| (dollars in millions)                       | September 30,<br>2019 | December 31,<br>2018 |
|---------------------------------------------|-----------------------|----------------------|
| <b>Personal Loans</b>                       |                       |                      |
| TDR gross receivables (a)                   | \$ 593                | \$ 450               |
| TDR net receivables (b)                     | 595                   | 453                  |
| Allowance for TDR finance receivable losses | 242                   | 170                  |

### Real Estate Loans - Held for Sale

|                           |       |       |
|---------------------------|-------|-------|
| TDR gross receivables (a) | \$ 54 | \$ 89 |
| TDR net receivables (b)   | 55    | 75    |

(a) **TDR gross receivables** — gross receivables are equal to UPB and, if applicable, any remaining unearned premium or discount established at the time of purchase if previously purchased as a performing receivable.

(b) **TDR net receivables** — TDR gross receivables net of unearned points and fees, accrued finance charges, and deferred origination costs.

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

| (dollars in millions)                        | Personal<br>Loans | Other Receivables * | Total  |
|----------------------------------------------|-------------------|---------------------|--------|
| <b>Three Months Ended September 30, 2019</b> |                   |                     |        |
| TDR average net receivables                  | \$ 571            | \$ 55               | \$ 626 |
| TDR finance charges recognized               | 11                | 1                   | 12     |
| <b>Three Months Ended September 30, 2018</b> |                   |                     |        |
| TDR average net receivables                  | \$ 396            | \$ 134              | \$ 530 |
| TDR finance charges recognized               | 11                | 2                   | 13     |
| <b>Nine Months Ended September 30, 2019</b>  |                   |                     |        |
| TDR average net receivables                  | \$ 525            | \$ 59               | \$ 584 |
| TDR finance charges recognized               | 35                | 2                   | 37     |
| <b>Nine Months Ended September 30, 2018</b>  |                   |                     |        |
| TDR average net receivables                  | \$ 366            | \$ 136              | \$ 502 |
| TDR finance charges recognized               | 34                | 6                   | 40     |

\* Other receivables held for sale included in the table above consist of real estate loans and were as follows:

| (dollars in millions)          | Three Months Ended September 30, |        | Nine Months Ended September 30, |       |
|--------------------------------|----------------------------------|--------|---------------------------------|-------|
|                                | 2019                             | 2018   | 2019                            | 2018  |
| TDR average net receivables    | \$ 55                            | \$ 102 | \$ 59                           | \$ 93 |
| TDR finance charges recognized | 1                                | 1      | 2                               | 4     |

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Information regarding the new volume of the TDR finance receivables held for investment, consisting of personal loans, are reflected in the following table.

| (dollars in millions)                               | Three Months Ended September 30, |        | Nine Months Ended September 30, |        |
|-----------------------------------------------------|----------------------------------|--------|---------------------------------|--------|
|                                                     | 2019                             | 2018   | 2019                            | 2018   |
| <b>Personal Loans</b>                               |                                  |        |                                 |        |
| Pre-modification TDR net finance receivables        | \$ 129                           | \$ 91  | \$ 373                          | \$ 270 |
| Post-modification TDR net finance receivables:      |                                  |        |                                 |        |
| Rate reduction                                      | \$ 86                            | \$ 73  | \$ 257                          | \$ 206 |
| Other *                                             | 43                               | 18     | 116                             | 64     |
| Total post-modification TDR net finance receivables | \$ 129                           | \$ 91  | \$ 373                          | \$ 270 |
| Number of TDR accounts                              | 18,545                           | 13,729 | 55,358                          | 41,237 |

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

New volume of TDR other receivables for the three and nine months ended September 30, 2019 and 2018 are not included in the table above as they were immaterial.

Personal loans held for investment that were modified as TDR finance receivables within the previous 12 months and for which there was a default during the period to cause the TDR finance receivables to be considered nonperforming (90 days or more past due) are reflected in the following table.

| (dollars in millions)         | Three Months Ended September 30, |       | Nine Months Ended September 30, |       |
|-------------------------------|----------------------------------|-------|---------------------------------|-------|
|                               | 2019                             | 2018  | 2019                            | 2018  |
| <b>Personal Loans</b>         |                                  |       |                                 |       |
| TDR net finance receivables * | \$ 27                            | \$ 12 | \$ 66                           | \$ 48 |
| Number of TDR accounts        | 4,202                            | 1,880 | 10,298                          | 7,221 |

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

TDR other receivables for the three and nine months ended September 30, 2019 and 2018 that defaulted during the previous 12-month period were immaterial.

#### 4. Allowance for Finance Receivable Losses

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

| (dollars in millions)                        | Personal<br>Loans | Other<br>Receivables | Total         |
|----------------------------------------------|-------------------|----------------------|---------------|
| <b>Three Months Ended September 30, 2019</b> |                   |                      |               |
| Balance at beginning of period               | \$ 744            | \$ —                 | \$ 744        |
| Provision for finance receivable losses      | 282               | —                    | 282           |
| Charge-offs                                  | (260)             | —                    | (260)         |
| Recoveries                                   | 32                | —                    | 32            |
| Balance at end of period                     | <u>\$ 798</u>     | <u>\$ —</u>          | <u>\$ 798</u> |
| <b>Three Months Ended September 30, 2018</b> |                   |                      |               |
| Balance at beginning of period               | \$ 678            | \$ 24                | \$ 702        |
| Provision for finance receivable losses      | 257               | (1)                  | 256           |
| Charge-offs                                  | (255)             | (1)                  | (256)         |
| Recoveries                                   | 26                | 1                    | 27            |
| Other *                                      | —                 | (23)                 | (23)          |
| Balance at end of period                     | <u>\$ 706</u>     | <u>\$ —</u>          | <u>\$ 706</u> |
| <b>Nine Months Ended September 30, 2019</b>  |                   |                      |               |
| Balance at beginning of period               | \$ 731            | \$ —                 | \$ 731        |
| Provision for finance receivable losses      | 836               | —                    | 836           |
| Charge-offs                                  | (862)             | —                    | (862)         |
| Recoveries                                   | 93                | —                    | 93            |
| Balance at end of period                     | <u>\$ 798</u>     | <u>\$ —</u>          | <u>\$ 798</u> |
| <b>Nine Months Ended September 30, 2018</b>  |                   |                      |               |
| Balance at beginning of period               | \$ 673            | \$ 24                | \$ 697        |
| Provision for finance receivable losses      | 772               | (2)                  | 770           |
| Charge-offs                                  | (821)             | (2)                  | (823)         |
| Recoveries                                   | 82                | 3                    | 85            |
| Other *                                      | —                 | (23)                 | (23)          |
| Balance at end of period                     | <u>\$ 706</u>     | <u>\$ —</u>          | <u>\$ 706</u> |

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

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

| (dollars in millions)                                                                 | September 30,<br>2019 | December 31,<br>2018 |
|---------------------------------------------------------------------------------------|-----------------------|----------------------|
| <i>Allowance for finance receivable losses:</i>                                       |                       |                      |
| Collectively evaluated for impairment                                                 | \$ 556                | \$ 561               |
| Purchased credit impaired finance receivables                                         | —                     | —                    |
| TDR finance receivables                                                               | 242                   | 170                  |
| Total                                                                                 | <u>\$ 798</u>         | <u>\$ 731</u>        |
| <i>Finance receivables:</i>                                                           |                       |                      |
| Collectively evaluated for impairment                                                 | \$ 17,148             | \$ 15,622            |
| Purchased credit impaired finance receivables                                         | 48                    | 89                   |
| TDR finance receivables                                                               | 595                   | 453                  |
| Total                                                                                 | <u>\$ 17,791</u>      | <u>\$ 16,164</u>     |
| <i>Allowance for finance receivable losses as a percentage of finance receivables</i> | <b>4.49%</b>          | <b>4.52%</b>         |

## 5. Finance Receivables Held for Sale

We reported finance receivables held for sale of \$69 million at September 30, 2019 and \$103 million at December 31, 2018, which consist entirely of real estate loans, and are carried at the lower of cost or fair value, applied on an aggregate basis.

In February 2019, we sold a portfolio of real estate loans with a carrying value of \$16 million for aggregate cash proceeds of \$19 million and recorded a net gain in other revenues of \$3 million (“February 2019 Real Estate Loan Sale”). After the recognition of the February 2019 Real Estate Loan Sale, the carrying value of the remaining loans classified in finance receivables held for sale exceeded their fair value and, accordingly, we marked the remaining loans to fair value and recorded an impairment in other revenue of \$3 million.

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

At September 30, 2019, the carrying value of our finance receivables held for sale was not impaired. We did not have any other material transfers to or from finance receivables held for sale during the three and nine months ended September 30, 2019 and 2018.

## 6. Investment Securities

### AVAILABLE-FOR-SALE SECURITIES

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

| (dollars in millions)                                             | Cost/<br>Amortized<br>Cost | Unrealized<br>Gains | Unrealized<br>Losses | Fair<br>Value |
|-------------------------------------------------------------------|----------------------------|---------------------|----------------------|---------------|
| <b>September 30, 2019</b>                                         |                            |                     |                      |               |
| Fixed maturity available-for-sale securities:                     |                            |                     |                      |               |
| U.S. government and government sponsored entities                 | \$ 11                      | \$ —                | \$ —                 | \$ 11         |
| Obligations of states, municipalities, and political subdivisions | 74                         | 2                   | —                    | 76            |
| Certificates of deposit and commercial paper                      | 66                         | —                   | —                    | 66            |
| Non-U.S. government and government sponsored entities             | 138                        | 4                   | —                    | 142           |
| Corporate debt                                                    | 1,044                      | 43                  | (2)                  | 1,085         |
| Mortgage-backed, asset-backed, and collateralized:                |                            |                     |                      |               |
| RMBS                                                              | 175                        | 3                   | —                    | 178           |
| CMBS                                                              | 60                         | 1                   | —                    | 61            |
| CDO/ABS                                                           | 78                         | 2                   | —                    | 80            |
| Total                                                             | \$ 1,646                   | \$ 55               | \$ (2)               | \$ 1,699      |

### December 31, 2018

Fixed maturity available-for-sale securities:

|                                                                   |          |      |         |          |
|-------------------------------------------------------------------|----------|------|---------|----------|
| U.S. government and government sponsored entities                 | \$ 21    | \$ — | \$ —    | \$ 21    |
| Obligations of states, municipalities, and political subdivisions | 91       | —    | (1)     | 90       |
| Certificates of deposit and commercial paper                      | 63       | —    | —       | 63       |
| Non-U.S. government and government sponsored entities             | 145      | —    | (2)     | 143      |
| Corporate debt                                                    | 1,027    | 2    | (32)    | 997      |
| Mortgage-backed, asset-backed, and collateralized:                |          |      |         |          |
| RMBS                                                              | 130      | —    | (2)     | 128      |
| CMBS                                                              | 72       | —    | (1)     | 71       |
| CDO/ABS                                                           | 94       | 1    | (1)     | 94       |
| Total                                                             | \$ 1,643 | \$ 3 | \$ (39) | \$ 1,607 |

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

| (dollars in millions)                                             | Less Than 12 Months |                   | 12 Months or Longer |                   | Total           |                   |
|-------------------------------------------------------------------|---------------------|-------------------|---------------------|-------------------|-----------------|-------------------|
|                                                                   | Fair Value          | Unrealized Losses | Fair Value          | Unrealized Losses | Fair Value      | Unrealized Losses |
| <b>September 30, 2019</b>                                         |                     |                   |                     |                   |                 |                   |
| U.S. government and government sponsored entities                 | \$ —                | \$ —              | \$ 2                | \$ —              | \$ 2            | \$ —              |
| Obligations of states, municipalities, and political subdivisions | 11                  | —                 | 6                   | —                 | 17              | —                 |
| Non-U.S. government and government sponsored entities             | 6                   | —                 | 14                  | —                 | 20              | —                 |
| Corporate debt                                                    | 57                  | (1)               | 26                  | (1)               | 83              | (2)               |
| Mortgage-backed, asset-backed, and collateralized:                |                     |                   |                     |                   |                 |                   |
| RMBS                                                              | 30                  | —                 | —                   | —                 | 30              | —                 |
| CMBS                                                              | 9                   | —                 | 11                  | —                 | 20              | —                 |
| CDO/ABS                                                           | 4                   | —                 | 1                   | —                 | 5               | —                 |
| <b>Total</b>                                                      | <b>\$ 117</b>       | <b>\$ (1)</b>     | <b>\$ 60</b>        | <b>\$ (1)</b>     | <b>\$ 177</b>   | <b>\$ (2)</b>     |
| <b>December 31, 2018</b>                                          |                     |                   |                     |                   |                 |                   |
| U.S. government and government sponsored entities                 | \$ 3                | \$ —              | \$ 16               | \$ —              | \$ 19           | \$ —              |
| Obligations of states, municipalities, and political subdivisions | 10                  | —                 | 57                  | (1)               | 67              | (1)               |
| Non-U.S. government and government sponsored entities             | 19                  | (1)               | 97                  | (1)               | 116             | (2)               |
| Corporate debt                                                    | 377                 | (14)              | 448                 | (18)              | 825             | (32)              |
| Mortgage-backed, asset-backed, and collateralized:                |                     |                   |                     |                   |                 |                   |
| RMBS                                                              | 23                  | —                 | 78                  | (2)               | 101             | (2)               |
| CMBS                                                              | 10                  | —                 | 54                  | (1)               | 64              | (1)               |
| CDO/ABS                                                           | 18                  | —                 | 33                  | (1)               | 51              | (1)               |
| <b>Total</b>                                                      | <b>\$ 460</b>       | <b>\$ (15)</b>    | <b>\$ 783</b>       | <b>\$ (24)</b>    | <b>\$ 1,243</b> | <b>\$ (39)</b>    |

On a lot basis, we had 266 and 1,767 investment securities in an unrealized loss position at September 30, 2019 and December 31, 2018, respectively. We do not consider the unrealized losses to be credit-related as these unrealized losses primarily relate to changes in interest rates and market spreads subsequent to purchase. Additionally, at September 30, 2019, other-than-temporary impairments on investment securities that we intend to sell were immaterial. We do not have plans to sell any of the remaining investment securities with unrealized losses as of September 30, 2019, and we believe it is more likely than not that we would not be required to sell such investment securities before recovery of their amortized cost.

We continue to monitor unrealized loss positions for potential impairments. During the three and nine months ended September 30, 2019, other-than-temporary impairment credit losses, primarily on corporate debt, in investment revenues were immaterial. During the three months ended September 30, 2018, we did not recognize any other-than-temporary impairment credit losses and during the nine months ended September 30, 2018, other-than-temporary impairment credit losses were immaterial.

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 during the three and nine months ended September 30, 2019 and 2018.

The proceeds of available-for-sale securities sold or redeemed during the three and nine months ended September 30, 2019 totaled \$36 million and \$245 million, respectively. The proceeds of available-for-sale securities sold or redeemed during the three and nine months ended September 30, 2018 totaled \$118 million and \$258 million, respectively. The realized gains and losses were immaterial during the three and nine months ended September 30, 2019 and 2018.

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Contractual maturities of fixed-maturity available-for-sale securities at September 30, 2019 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                                                                     | \$ 207          | \$ 206          |
| Due after 1 year through 5 years                                                          | 545             | 533             |
| Due after 5 years through 10 years                                                        | 460             | 436             |
| Due after 10 years                                                                        | 168             | 158             |
| Mortgage-backed, asset-backed, and collateralized securities                              | 319             | 313             |
| Total                                                                                     | <u>\$ 1,699</u> | <u>\$ 1,646</u> |

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

The fair value of securities on deposit with third parties totaled \$507 million and \$515 million at September 30, 2019 and December 31, 2018, respectively.

## OTHER SECURITIES

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

| (dollars in millions)                                   | September 30, 2019 | December 31, 2018 |
|---------------------------------------------------------|--------------------|-------------------|
| Fixed maturity other securities:                        |                    |                   |
| <i>Bonds</i>                                            |                    |                   |
| Non-U.S. government and government sponsored entities   | \$ 1               | \$ 1              |
| Corporate debt                                          | 27                 | 43                |
| Mortgage-backed, asset-backed, and collateralized bonds | <u>11</u>          | <u>2</u>          |
| Total bonds                                             | 39                 | 46                |
| Preferred stock (a)                                     | 15                 | 19                |
| Common stock (a)                                        | 25                 | 21                |
| Other long-term investments                             | <u>1</u>           | <u>1</u>          |
| Total                                                   | <u>\$ 80</u>       | <u>\$ 87</u>      |

(a) 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.

The net unrealized gains and losses on other securities were immaterial for the three and nine months ended September 30, 2019 and 2018. Net realized gains and losses on other securities sold or redeemed were immaterial for the three and nine months ended September 30, 2019 and 2018. We report these gains and losses in investment revenues.

Other securities include equity securities and those securities for which the fair value option was elected.

## 7. Long-term Debt

Principal maturities of long-term debt (excluding projected repayments on securitizations and revolving conduit facilities by period) by type of debt at September 30, 2019 were as follows:

| (dollars in millions)      | Senior Debt     |                     | Junior Subordinated Debt (a) | Total            |
|----------------------------|-----------------|---------------------|------------------------------|------------------|
|                            | Securitizations | Unsecured Notes (a) |                              |                  |
| Interest rates (b)         | 2.31% - 6.94%   | 5.63% - 8.25%       | 4.05%                        |                  |
| Fourth quarter 2019        | \$ —            | \$ —                | \$ —                         | \$ —             |
| 2020                       | —               | 1,000               | —                            | 1,000            |
| 2021                       | —               | 646                 | —                            | 646              |
| 2022                       | —               | 1,000               | —                            | 1,000            |
| 2023                       | —               | 1,175               | —                            | 1,175            |
| 2024-2067                  | —               | 4,949               | 350                          | 5,299            |
| Securitizations (c)        | 8,237           | —                   | —                            | 8,237            |
| Total principal maturities | <u>\$ 8,237</u> | <u>\$ 8,770</u>     | <u>\$ 350</u>                | <u>\$ 17,357</u> |
| Total carrying amount      | \$ 8,200        | \$ 8,649            | \$ 172                       | \$ 17,021        |
| Debt issuance costs (d)    | \$ (32)         | \$ (77)             | \$ —                         | \$ (109)         |

- (a) Pursuant to the SFC Base Indenture, the SFC supplemental indentures and the SFC Guaranty Agreements, OMH agreed to fully and unconditionally guarantee, on a senior unsecured basis, payments of principal, premium and interest on the SFC Unsecured Senior Notes and Junior Subordinated Debenture. The OMH guarantees of SFC's long-term debt are subject to customary release provisions.
- (b) The interest rates shown are the range of contractual rates in effect at September 30, 2019. The interest rate on the remaining principal balance of the Junior Subordinated Debenture consists of a variable floating rate (determined quarterly) equal to 3-month LIBOR plus 1.75%, or 4.05% as of September 30, 2019.
- (c) Securitizations have a stated maturity date but are not included in the above maturities by period due to their variable monthly repayments, which may result in pay-off prior to the stated maturity date. At September 30, 2019, there were no amounts drawn under our revolving conduit facilities. See Note 8 for further information on our long-term debt associated with securitizations and revolving conduit facilities.
- (d) 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 \$30 million at September 30, 2019 and are reported in "Other assets".

### SFC'S 6.125% SENIOR NOTES DUE 2024 OFFERINGS

On February 22, 2019, SFC issued \$1.0 billion aggregate principal amount and on July 2, 2019, SFC issued an additional \$300 million aggregate principal amount of 6.125% Senior Notes due 2024 (the "6.125% SFC Notes due 2024") under the SFC Senior Notes Indentures, as supplemented by the SFC Seventh Supplemental Indenture, pursuant to which OMH provided a guarantee on an unsecured basis.

### REDEMPTION OF 5.25% SENIOR NOTES DUE 2019

As a result of the February 2019 offering of the 6.125% SFC Notes due 2024 as described above, SFC issued a notice of redemption to redeem all of the outstanding principal amount of its 5.25% Senior Notes due 2019. On March 25, 2019, SFC paid an aggregate amount of \$706 million, inclusive of accrued interest and premiums, to complete the redemption. In connection with the redemption, we recognized \$21 million of net loss on the repurchases and repayments of debt for the nine months ended September 30, 2019.

## REDEMPTION OF 6.00% SENIOR NOTES DUE 2020

On March 15, 2019, SFC issued a notice of redemption of its 6.00% Senior Notes due 2020. On April 15, 2019, SFC paid an aggregate amount of \$317 million, inclusive of accrued interest and premiums, to complete the redemption. In connection with the redemption, we recognized \$11 million of net loss on repurchases and repayments of debt for the nine months ended September 30, 2019.

## SFC'S 6.625% SENIOR NOTES DUE 2028 OFFERING

On May 9, 2019, SFC issued a total of \$800 million aggregate principal amount of 6.625% Senior Notes due 2028 (the "6.625% SFC Notes due 2028") under the SFC Senior Notes Indentures, as supplemented by the SFC Eighth Supplemental Indenture, pursuant to which OMH provided a guarantee on an unsecured basis.

## 8. Variable Interest Entities

### CONSOLIDATED VIES

We have transferred finance receivables to VIEs for asset-backed financing transactions and include the assets and liabilities in our consolidated financial statements because we are the primary beneficiary of each VIE. We account for these asset-backed debt obligations as secured borrowings.

See Note 3 and Note 13 of the Notes to the Consolidated Financial Statements in Part II - Item 8 included in our 2018 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 and revolving conduit facilities were as follows:

| (dollars in millions)                           | September 30,<br>2019 | December 31,<br>2018 |
|-------------------------------------------------|-----------------------|----------------------|
| <b>Assets</b>                                   |                       |                      |
| Cash and cash equivalents                       | \$ 3                  | \$ 2                 |
| Finance receivables - Personal loans            | 9,188                 | 8,480                |
| Allowance for finance receivable losses         | 356                   | 444                  |
| Restricted cash and restricted cash equivalents | 427                   | 479                  |
| Other assets                                    | 30                    | 26                   |
| <b>Liabilities</b>                              |                       |                      |
| Long-term debt                                  | \$ 8,200              | \$ 7,510             |
| Other liabilities                               | 15                    | 14                   |

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 totaled \$79 million and \$243 million for the three and nine months ended September 30, 2019, compared to \$86 million and \$259 million for the three and nine months ended September 30, 2018.

### SECURITIZED BORROWINGS

Each of our securitizations contains a revolving period ranging from one to seven years during which no principal payments are required to be made on the related asset-backed notes. The indentures governing our securitization borrowings contain early amortization events and events of default, that, if triggered, may result in the acceleration of the obligation to pay principal and interest on the related asset-backed notes. Our total securitized borrowings at September 30, 2019 were \$8.2 billion.

## REVOLVING CONDUIT FACILITIES

We had access to 13 conduit facilities with a total borrowing capacity of \$6.9 billion as of September 30, 2019. Our conduit facilities' revolving period end ranges from one to three years. Principal balances of outstanding loans, if any, are due and payable in full ranging from approximately three to nine years as of September 30, 2019. Amounts drawn on these facilities are collateralized by our personal loans.

At September 30, 2019, no amounts were drawn under these facilities.

## 9. Insurance

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

| (dollars in millions)                                               | At or for the Nine Months Ended<br>September 30, |        |
|---------------------------------------------------------------------|--------------------------------------------------|--------|
|                                                                     | 2019                                             | 2018   |
| Balance at beginning of period                                      | \$ 117                                           | \$ 154 |
| Less reinsurance recoverables                                       | (4)                                              | (23)   |
| Net balance at beginning of period                                  | 113                                              | 131    |
| Additions for losses and loss adjustment expenses incurred to:      |                                                  |        |
| Current year                                                        | 154                                              | 152    |
| Prior years *                                                       | (13)                                             | (5)    |
| Total                                                               | 141                                              | 147    |
| Reductions for losses and loss adjustment expenses paid related to: |                                                  |        |
| Current year                                                        | (85)                                             | (81)   |
| Prior years                                                         | (57)                                             | (63)   |
| Total                                                               | (142)                                            | (144)  |
| Net balance at end of period                                        | 112                                              | 134    |
| Plus reinsurance recoverables                                       | 3                                                | 4      |
| Transfer of reserves                                                | —                                                | (19)   |
| Balance at end of period                                            | \$ 115                                           | \$ 119 |

\* Reflects (i) a redundancy in the prior years' net reserves of \$13 million at September 30, 2019 primarily due to a favorable development of credit life, disability, and unemployment claims during the year and (ii) a redundancy in the prior years' net reserves of \$5 million at September 30, 2018, primarily due to a favorable development of credit disability and unemployment claims during the year.

## 10. Earnings Per Share

The computation of earnings per share was as follows:

| (dollars in millions, except per share data)            | Three Months Ended September 30, |             | Nine Months Ended September 30, |             |
|---------------------------------------------------------|----------------------------------|-------------|---------------------------------|-------------|
|                                                         | 2019                             | 2018        | 2019                            | 2018        |
| <b>Numerator (basic and diluted):</b>                   |                                  |             |                                 |             |
| Net income                                              | \$ 248                           | \$ 148      | \$ 594                          | \$ 279      |
| <b>Denominator:</b>                                     |                                  |             |                                 |             |
| Weighted average number of shares outstanding (basic)   | 136,095,481                      | 135,756,479 | 136,060,832                     | 135,677,811 |
| Effect of dilutive securities *                         | 280,570                          | 350,566     | 211,559                         | 313,905     |
| Weighted average number of shares outstanding (diluted) | 136,376,051                      | 136,107,045 | 136,272,391                     | 135,991,716 |
| <b>Earnings per share:</b>                              |                                  |             |                                 |             |
| Basic                                                   | \$ 1.82                          | \$ 1.09     | \$ 4.36                         | \$ 2.05     |
| Diluted                                                 | \$ 1.82                          | \$ 1.09     | \$ 4.36                         | \$ 2.05     |

\* We have excluded the following shares in the diluted earnings per share calculation for three and nine months ended September 30, 2019 and 2018 because these shares would be anti-dilutive, which could impact the earnings per share calculation in the future:

|                          | Three Months Ended September 30, |         | Nine Months Ended September 30, |         |
|--------------------------|----------------------------------|---------|---------------------------------|---------|
|                          | 2019                             | 2018    | 2019                            | 2018    |
| Performance-based shares | 182,034                          | 10,415  | 168,387                         | 51,014  |
| Service-based shares     | 2,963                            | 162,223 | 128,807                         | 214,386 |

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

## 11. Accumulated Other Comprehensive Income (Loss)

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

| (dollars in millions)                                                    | Unrealized<br>Gains (Losses)<br>Available-for-Sale<br>Securities | Retirement<br>Plan Liabilities<br>Adjustments | Foreign<br>Currency<br>Translation<br>Adjustments | Total<br>Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|--------------------------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------|---------------------------------------------------|-----------------------------------------------------------------|
| <b>Three Months Ended September 30, 2019</b>                             |                                                                  |                                               |                                                   |                                                                 |
| Balance at beginning of period                                           | \$ 30                                                            | \$ (3)                                        | \$ 1                                              | \$ 28                                                           |
| Other comprehensive income before reclassifications                      | 11                                                               | —                                             | (1)                                               | 10                                                              |
| Balance at end of period                                                 | <u>\$ 41</u>                                                     | <u>\$ (3)</u>                                 | <u>\$ —</u>                                       | <u>\$ 38</u>                                                    |
| <b>Three Months Ended September 30, 2018</b>                             |                                                                  |                                               |                                                   |                                                                 |
| Balance at beginning of period                                           | \$ (24)                                                          | \$ 3                                          | \$ —                                              | \$ (21)                                                         |
| Other comprehensive income (loss) before reclassifications               | (2)                                                              | —                                             | 1                                                 | (1)                                                             |
| Balance at end of period                                                 | <u>\$ (26)</u>                                                   | <u>\$ 3</u>                                   | <u>\$ 1</u>                                       | <u>\$ (22)</u>                                                  |
| <b>Nine Months Ended September 30, 2019</b>                              |                                                                  |                                               |                                                   |                                                                 |
| Balance at beginning of period                                           | \$ (28)                                                          | \$ (3)                                        | \$ (3)                                            | \$ (34)                                                         |
| Other comprehensive income before reclassifications                      | 69                                                               | —                                             | 3                                                 | 72                                                              |
| Balance at end of period                                                 | <u>\$ 41</u>                                                     | <u>\$ (3)</u>                                 | <u>\$ —</u>                                       | <u>\$ 38</u>                                                    |
| <b>Nine Months Ended September 30, 2018</b>                              |                                                                  |                                               |                                                   |                                                                 |
| Balance at beginning of period                                           | \$ 4                                                             | \$ 4                                          | \$ 3                                              | \$ 11                                                           |
| Other comprehensive income (loss) before reclassifications               | (33)                                                             | 2                                             | (5)                                               | (36)                                                            |
| Reclassification adjustments from accumulated other comprehensive income | 1                                                                | —                                             | —                                                 | 1                                                               |
| Impact of AOCI reclassification due to the Tax Act                       | 2                                                                | (3)                                           | 3                                                 | 2                                                               |
| Balance at end of period                                                 | <u>\$ (26)</u>                                                   | <u>\$ 3</u>                                   | <u>\$ 1</u>                                       | <u>\$ (22)</u>                                                  |

Reclassification adjustments from accumulated other comprehensive income (loss) to the applicable line item on our condensed consolidated statements of operations were immaterial for the three and nine months ended September 30, 2019 and 2018.

## 12. Income Taxes

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We had a net deferred tax asset of \$98 million and \$129 million at September 30, 2019 and December 31, 2018, respectively. The decrease in our net deferred tax asset of \$31 million was primarily driven by the change in mark-to-market valuation of our receivables and amortization of tax goodwill, partially offset by the release of the valuation allowance against certain state deferred taxes.

The effective tax rate for the nine months ended September 30, 2019 was 21.3%, compared to 32.0% for the same period in 2018. The effective tax rate for the nine months ended September 30, 2019 differed from the federal statutory rate of 21% due to the effect of state income taxes, which was offset by the release of the valuation allowance against certain state deferred taxes. The effective tax rate for the nine months ended September 30, 2018 differed from the federal statutory rate of 21% primarily due to the effect of discrete tax expense for non-deductible compensation expense and state income taxes.

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

Our gross unrecognized tax benefits, including related interest and penalties, totaled \$13 million at September 30, 2019 and \$17 million at December 31, 2018. 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.

## 13. Leases and Contingencies

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### LEASES

Our leases primarily consist of leased office space, automobiles, and information technology equipment.

As described in Note 2, we have adopted ASU 2016-02, *Leases*, as of January 1, 2019, using the optional transition approach. As a result of this election, the prior periods presented have not been adjusted. Additionally, we have elected the practical expedient to treat both the lease component and non-lease component for our leased office space portfolio as a single lease component.

All our leases are classified as operating leases. At inception of an arrangement we determine if a lease exists. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. At lease commencement date, we recognize right-of-use assets and lease liabilities measured at the present value of lease payments over the lease term. Since our operating leases do not provide an implicit rate, we utilize the best available information to determine our incremental borrowing rate, which is used to calculate the present value of lease payments. The right-of-use asset also includes any prepaid fixed lease payments and excludes lease incentives. Options to extend or terminate a lease may be included in our lease arrangements. We reflect the renewal or termination option in the right-of-use asset and lease liability when it is reasonably certain that we will exercise those options. Operating lease costs for lease payments are recognized on a straight-line basis over the lease term and are included in "Other operating expenses" in our condensed consolidated statement of operations. The operating lease right-of-use assets are included in "Other assets" and the operating lease liabilities are included in "Other liabilities" in our condensed consolidated balance sheet.

Our operating leases have remaining lease terms of one year to ten years. In the normal course of business, we will renew leases that expire or replace them with leases on other properties. In addition to rent, we pay taxes, insurance, and maintenance expenses under certain leases as variable lease payments. As of September 30, 2019, our operating right-of-use asset balance was \$166 million, and our operating lease liability balance was \$179 million. Our operating lease costs totaled \$15 million and \$47 million for three and nine months ended September 30, 2019, respectively. Our variable lease costs totaled \$4 million and \$12 million for three and nine months ended September 30, 2019, respectively. Our sublease income was immaterial for three and nine months ended September 30, 2019.

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As of September 30, 2019, maturities of lease liabilities, excluding leases on a month-to-month basis, were as follows:

| (dollars in millions)                                     | Operating Leases |
|-----------------------------------------------------------|------------------|
| 2019 (excluding the nine months ended September 30, 2019) | \$ 16            |
| 2020                                                      | 60               |
| 2021                                                      | 48               |
| 2022                                                      | 36               |
| 2023                                                      | 20               |
| 2024                                                      | 10               |
| Thereafter                                                | 7                |
| Total lease payments                                      | 197              |
| Imputed interest                                          | (18)             |
| Total                                                     | \$ 179           |
| Weighted Average Remaining Lease Term                     | 3.9 years        |
| Weighted Average Discount Rate                            | 3.77%            |

As of December 31, 2018, under ASC 840, *Leases*, annual rental commitments for leased office space, automobiles and information technology equipment accounted for as operating leases, excluding leases on a month-to-month basis, were as follows:

| (dollars in millions) | Lease Commitments |
|-----------------------|-------------------|
| 2019                  | \$ 60             |
| 2020                  | 50                |
| 2021                  | 37                |
| 2022                  | 26                |
| 2023                  | 12                |
| 2024+                 | 12                |
| Total                 | \$ 197            |

Rental expense totaled \$74 million in 2018.

## 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 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 consolidated financial statements as a whole.

#### ***Federal Securities Class Action***

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 alleged 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 sought 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 April 23, 2019, the parties executed a settlement agreement, which received final approval from the Court on August 9, 2019. Pursuant to the settlement agreement, the action was dismissed with prejudice. The settlement contained no admission of liability by the Company and the other defendants.

## 14. Segment Information

At September 30, 2019, our two reportable segments were Consumer and Insurance and Acquisitions and Servicing. The remaining components (which we refer to as “Other”) consist of our non-originating legacy operations, which include our liquidating real estate loans and our liquidating retail sales finance portfolios.

Our segment accounting policies are the same as those disclosed in Note 3 and Note 22 of the Notes to the Consolidated Financial Statements in Part II - Item 8 included in our 2018 Annual Report on Form 10-K. We report the operating results of our segments and Other using the Segment Accounting Basis, which (i) reflects our allocation methodologies for interest expense and operating costs, and (ii) excludes the impact of applying purchase accounting.

The following tables present information about our segments, as well as reconciliations to the consolidated financial statement amounts.

| (dollars in millions)                                             | Consumer<br>and<br>Insurance | Acquisitions<br>and<br>Servicing | Other         | Segment to<br>GAAP<br>Adjustment | Consolidated<br>Total |
|-------------------------------------------------------------------|------------------------------|----------------------------------|---------------|----------------------------------|-----------------------|
| <b>Three Months Ended September 30, 2019</b>                      |                              |                                  |               |                                  |                       |
| Interest income                                                   | \$ 1,060                     | \$ —                             | \$ 2          | \$ 3                             | \$ 1,065              |
| Interest expense                                                  | 238                          | —                                | 1             | 5                                | 244                   |
| Provision for finance receivable losses                           | 277                          | —                                | —             | 5                                | 282                   |
| Net interest income after provision for finance receivable losses | 545                          | —                                | 1             | (7)                              | 539                   |
| Other revenues                                                    | 152                          | 4                                | 1             | (1)                              | 156                   |
| Other expenses                                                    | 385                          | 5                                | 3             | 5                                | 398                   |
| Income (loss) before income tax expense (benefit)                 | <u>\$ 312</u>                | <u>\$ (1)</u>                    | <u>\$ (1)</u> | <u>\$ (13)</u>                   | <u>\$ 297</u>         |
| <b>Three Months Ended September 30, 2018</b>                      |                              |                                  |               |                                  |                       |
| Interest income                                                   | \$ 935                       | \$ —                             | \$ 4          | \$ (6)                           | \$ 933                |
| Interest expense                                                  | 218                          | —                                | 4             | 5                                | 227                   |
| Provision for finance receivable losses                           | 253                          | —                                | —             | 3                                | 256                   |
| Net interest income after provision for finance receivable losses | 464                          | —                                | —             | (14)                             | 450                   |
| Other revenues                                                    | 140                          | 8                                | 1             | (5)                              | 144                   |
| Other expenses                                                    | 378                          | 8                                | 5             | 4                                | 395                   |
| Income (loss) before income tax expense (benefit)                 | <u>\$ 226</u>                | <u>\$ —</u>                      | <u>\$ (4)</u> | <u>\$ (23)</u>                   | <u>\$ 199</u>         |

| (dollars in millions)                                             | Consumer<br>and<br>Insurance | Acquisitions<br>and<br>Servicing | Other           | Segment to<br>GAAP<br>Adjustment | Consolidated<br>Total |
|-------------------------------------------------------------------|------------------------------|----------------------------------|-----------------|----------------------------------|-----------------------|
| <b>At or for the Nine Months Ended September 30, 2019</b>         |                              |                                  |                 |                                  |                       |
| Interest income                                                   | \$ 3,013                     | \$ —                             | \$ 7            | \$ —                             | \$ 3,020              |
| Interest expense                                                  | 700                          | —                                | 4               | 13                               | 717                   |
| Provision for finance receivable losses                           | 816                          | —                                | —               | 20                               | 836                   |
| Net interest income after provision for finance receivable losses | 1,497                        | —                                | 3               | (33)                             | 1,467                 |
| Other revenues                                                    | 442                          | 23                               | 3               | (8)                              | 460                   |
| Other expenses                                                    | 1,125                        | 18                               | 13              | 16                               | 1,172                 |
| Income (loss) before income tax expense (benefit)                 | <u>\$ 814</u>                | <u>\$ 5</u>                      | <u>\$ (7)</u>   | <u>\$ (57)</u>                   | <u>\$ 755</u>         |
| Assets                                                            | \$ 20,276                    | \$ —                             | \$ 82           | \$ 2,052                         | \$ 22,410             |
| <b>At or for the Nine Months Ended September 30, 2018</b>         |                              |                                  |                 |                                  |                       |
| Interest income                                                   | \$ 2,718                     | \$ —                             | \$ 14           | \$ (32)                          | \$ 2,700              |
| Interest expense                                                  | 624                          | —                                | 13              | 10                               | 647                   |
| Provision for finance receivable losses                           | 772                          | —                                | (5)             | 3                                | 770                   |
| Net interest income after provision for finance receivable losses | 1,322                        | —                                | 6               | (45)                             | 1,283                 |
| Other revenues                                                    | 352                          | 25                               | (2)             | 46                               | 421                   |
| Other expenses                                                    | 1,119                        | 25                               | 127             | 23                               | 1,294                 |
| Income (loss) before income tax expense (benefit)                 | <u>\$ 555</u>                | <u>\$ —</u>                      | <u>\$ (123)</u> | <u>\$ (22)</u>                   | <u>\$ 410</u>         |
| Assets                                                            | \$ 18,152                    | \$ —                             | \$ 238          | \$ 2,078                         | \$ 20,468             |

## 15. Fair Value Measurements

The accounting policies of our Fair Value Measurements are the same as those disclosed in Note 3 and Note 23 of the Notes to the Consolidated Financial Statements in Part II - Item 8 included in our 2018 Annual Report on Form 10-K.

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

|                                                                       | Fair Value Measurements Using |           |         | Total<br>Fair<br>Value | Total<br>Carrying<br>Value |
|-----------------------------------------------------------------------|-------------------------------|-----------|---------|------------------------|----------------------------|
| (dollars in millions)                                                 | Level 1                       | Level 2   | Level 3 |                        |                            |
| <b>September 30, 2019</b>                                             |                               |           |         |                        |                            |
| <i>Assets</i>                                                         |                               |           |         |                        |                            |
| Cash and cash equivalents                                             | \$ 1,345                      | \$ 48     | \$ —    | \$ 1,393               | \$ 1,393                   |
| Investment securities                                                 | 39                            | 1,736     | 4       | 1,779                  | 1,779                      |
| Net finance receivables, less allowance for finance receivable losses | —                             | —         | 18,559  | 18,559                 | 16,993                     |
| Finance receivables held for sale                                     | —                             | —         | 80      | 80                     | 69                         |
| Restricted cash and restricted cash equivalents                       | 434                           | —         | —       | 434                    | 434                        |
| Other assets *                                                        | —                             | —         | 11      | 11                     | 11                         |
| <i>Liabilities</i>                                                    |                               |           |         |                        |                            |
| Long-term debt                                                        | \$ —                          | \$ 18,145 | \$ —    | \$ 18,145              | \$ 17,021                  |
| <b>December 31, 2018</b>                                              |                               |           |         |                        |                            |
| <i>Assets</i>                                                         |                               |           |         |                        |                            |
| Cash and cash equivalents                                             | \$ 618                        | \$ 61     | \$ —    | \$ 679                 | \$ 679                     |
| Investment securities                                                 | 34                            | 1,655     | 5       | 1,694                  | 1,694                      |
| Net finance receivables, less allowance for finance receivable losses | —                             | —         | 16,734  | 16,734                 | 15,433                     |
| Finance receivables held for sale                                     | —                             | —         | 103     | 103                    | 103                        |
| Restricted cash and restricted cash equivalents                       | 499                           | —         | —       | 499                    | 499                        |
| Other assets *                                                        | —                             | 1         | 15      | 16                     | 16                         |
| <i>Liabilities</i>                                                    |                               |           |         |                        |                            |
| Long-term debt                                                        | \$ —                          | \$ 15,041 | \$ —    | \$ 15,041              | \$ 15,178                  |

\* Other assets at September 30, 2019 and December 31, 2018 include miscellaneous receivables related to our liquidating loan portfolios.

**FAIR VALUE MEASUREMENTS — RECURRING BASIS**

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

| (dollars in millions)                                             | Fair Value Measurements Using |          |         | Total Carried<br>At Fair Value |
|-------------------------------------------------------------------|-------------------------------|----------|---------|--------------------------------|
|                                                                   | Level 1                       | Level 2  | Level 3 |                                |
| <b>September 30, 2019</b>                                         |                               |          |         |                                |
| <i>Assets</i>                                                     |                               |          |         |                                |
| Cash equivalents in mutual funds                                  | \$ 850                        | \$ —     | \$ —    | \$ 850                         |
| Cash equivalents in securities                                    | —                             | 48       | —       | 48                             |
| Investment securities:                                            |                               |          |         |                                |
| <i>Available-for-sale securities</i>                              |                               |          |         |                                |
| U.S. government and government sponsored entities                 | —                             | 11       | —       | 11                             |
| Obligations of states, municipalities, and political subdivisions | —                             | 76       | —       | 76                             |
| Certificates of deposit and commercial paper                      | —                             | 66       | —       | 66                             |
| Non-U.S. government and government sponsored entities             | —                             | 142      | —       | 142                            |
| Corporate debt                                                    | —                             | 1,084    | 1       | 1,085                          |
| RMBS                                                              | —                             | 178      | —       | 178                            |
| CMBS                                                              | —                             | 61       | —       | 61                             |
| CDO/ABS                                                           | —                             | 79       | 1       | 80                             |
| Total available-for-sale securities                               | —                             | 1,697    | 2       | 1,699                          |
| <i>Other securities</i>                                           |                               |          |         |                                |
| Bonds:                                                            |                               |          |         |                                |
| Non-U.S. government and government sponsored entities             | —                             | 1        | —       | 1                              |
| Corporate debt                                                    | —                             | 26       | 1       | 27                             |
| RMBS                                                              | —                             | 1        | —       | 1                              |
| CDO/ABS                                                           | —                             | 10       | —       | 10                             |
| Total bonds                                                       | —                             | 38       | 1       | 39                             |
| Preferred stock                                                   | 14                            | 1        | —       | 15                             |
| Common stock                                                      | 25                            | —        | —       | 25                             |
| Other long-term investments                                       | —                             | —        | 1       | 1                              |
| Total other securities                                            | 39                            | 39       | 2       | 80                             |
| Total investment securities                                       | 39                            | 1,736    | 4       | 1,779                          |
| Restricted cash in mutual funds                                   | 432                           | —        | —       | 432                            |
| Total                                                             | \$ 1,321                      | \$ 1,784 | \$ 4    | \$ 3,109                       |

| (dollars in millions)                                             | Fair Value Measurements Using |          |         | Total Carried<br>At Fair Value |
|-------------------------------------------------------------------|-------------------------------|----------|---------|--------------------------------|
|                                                                   | Level 1                       | Level 2  | Level 3 |                                |
| <b>December 31, 2018</b>                                          |                               |          |         |                                |
| <i>Assets</i>                                                     |                               |          |         |                                |
| Cash equivalents in mutual funds                                  | \$ 426                        | \$ —     | \$ —    | \$ 426                         |
| Cash equivalents in securities                                    | —                             | 61       | —       | 61                             |
| Investment securities:                                            |                               |          |         |                                |
| <i>Available-for-sale securities</i>                              |                               |          |         |                                |
| U.S. government and government sponsored entities                 | —                             | 21       | —       | 21                             |
| Obligations of states, municipalities, and political subdivisions | —                             | 90       | —       | 90                             |
| Certificates of deposit and commercial paper                      | —                             | 63       | —       | 63                             |
| Non-U.S. government and government sponsored entities             | —                             | 143      | —       | 143                            |
| Corporate debt                                                    | —                             | 995      | 2       | 997                            |
| RMBS                                                              | —                             | 128      | —       | 128                            |
| CMBS                                                              | —                             | 71       | —       | 71                             |
| CDO/ABS                                                           | —                             | 93       | 1       | 94                             |
| Total available-for-sale securities                               | —                             | 1,604    | 3       | 1,607                          |
| <i>Other securities</i>                                           |                               |          |         |                                |
| Bonds:                                                            |                               |          |         |                                |
| Non-U.S. government and government sponsored entities             | —                             | 1        | —       | 1                              |
| Corporate debt                                                    | —                             | 42       | 1       | 43                             |
| RMBS                                                              | —                             | 1        | —       | 1                              |
| CDO/ABS                                                           | —                             | 1        | —       | 1                              |
| Total bonds                                                       | —                             | 45       | 1       | 46                             |
| Preferred stock                                                   | 13                            | 6        | —       | 19                             |
| Common stock                                                      | 21                            | —        | —       | 21                             |
| Other long-term investments                                       | —                             | —        | 1       | 1                              |
| Total other securities                                            | 34                            | 51       | 2       | 87                             |
| Total investment securities                                       | 34                            | 1,655    | 5       | 1,694                          |
| Restricted cash in mutual funds                                   | 482                           | —        | —       | 482                            |
| Total                                                             | \$ 942                        | \$ 1,716 | \$ 5    | \$ 2,663                       |

Due to the insignificant activity within the Level 3 assets during the three and nine months ended September 30, 2019 and 2018, we have omitted the additional disclosures relating to the changes in Level 3 assets measured at fair value on a recurring basis and the quantitative information about Level 3 unobservable inputs in the tables above.

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

We measure the fair value of certain assets on a non-recurring basis when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Net impairment charges recorded on assets measured at fair value on a non-recurring basis were immaterial for the three and nine months ended September 30, 2019 and 2018.

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

See Note 23 of the Notes to the Consolidated Financial Statements in Part II - Item 8 included in our 2018 Annual Report on Form 10-K for information regarding our methods and assumptions used to estimate fair value.

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

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

| <b>Topic</b>                                               | <b>Page</b>        |
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**Forward-Looking Statements**

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This report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact but instead represent only management's current beliefs regarding future events. By their nature, forward-looking statements are subject to risks, uncertainties, assumptions, and other important factors that may cause actual results, performance or achievements to differ materially from those expressed in or implied by such forward-looking statements. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date they were made. We do not undertake any obligation to update or revise these forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events or the non-occurrence of anticipated events, whether as a result of new information, future developments, or otherwise, except as required by law. Forward-looking statements include, without limitation, statements concerning future plans, objectives, goals, projections, strategies, events, or performance, and underlying assumptions and other statements related thereto. Statements preceded by, followed by or that otherwise include the words "anticipates," "appears," "are likely," "believes," "estimates," "expects," "foresees," "intends," "plans," "projects," and similar expressions or future or conditional verbs such as "would," "should," "could," "may," or "will" are intended to identify forward-looking statements. Important factors that could cause actual results, performance, or achievements to differ materially from those expressed in or implied by forward-looking statements include, without limitation, the following:

- adverse changes in general economic conditions, including the interest rate environment and the financial markets;
- risks related to the acquisition or sale of assets or businesses or the formation, termination, or operation of joint ventures or other strategic alliances, including increased loan delinquencies or net charge-offs, integration or migration issues, increased costs of servicing, incomplete records, and retention of customers;
- our estimates of the allowance for finance receivable losses may not be adequate to absorb actual losses, causing our provision for finance receivable losses to increase, which would adversely affect our results of operations;
- increased levels of unemployment and personal bankruptcies;
- our strategy of increasing the proportion of secured loans may lead to declines in or slower growth in our personal loan receivables and portfolio yield;
- adverse changes in the rate at which we can collect or potentially sell our finance receivables portfolio;

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- our decentralized branch loan approval process could expose us to greater than historical delinquencies and charge-offs;
- natural or accidental events such as earthquakes, hurricanes, tornadoes, fires, or floods affecting our customers, collateral, or our branches or other operating facilities;
- war, acts of terrorism, riots, civil disruption, pandemics, disruptions in the operation of our information systems, or other events disrupting business or commerce;
- a failure in or breach of our operational or security systems or infrastructure or those of third parties, including as a result of cyber-attacks, or other cyber-related incidents involving the loss, theft or unauthorized disclosure of personally identifiable information, or “PII,” of our present or former customers;
- our credit risk scoring models may be inadequate to properly assess the risk of customer unwillingness or lack of capacity to repay;
- adverse changes in our ability to attract and retain employees or key executives to support our businesses;
- increased competition, lack of customer responsiveness to our distribution channels, an inability to make technological improvements, and the ability of our competitors to offer a more attractive range of personal loan products than we offer;
- changes in federal, state, or local laws, regulations, or regulatory policies and practices that adversely affect our ability to conduct business or the manner in which we are permitted to conduct business, such as licensing requirements, pricing limitations or restrictions on the method of offering products, as well as changes that may result from increased regulatory scrutiny of the sub-prime lending industry, our use of third party vendors and real estate loan servicing, or changes in corporate or individual income tax laws or regulations, including effects of the Tax Act;
- risks associated with our insurance operations, including insurance claims that exceed our expectations or insurance losses that exceed our reserves;
- our inability to successfully implement our growth strategy for our consumer lending business or successfully acquire portfolios of personal loans;
- declines in collateral values or increases in actual or projected delinquencies or net charge-offs;
- potential liability relating to finance receivables which we have sold or securitized or may sell or securitize in the future if it is determined that there was a non-curable breach of a representation or warranty made in connection with such transactions;
- the costs and effects of any actual or alleged violations of any federal, state, or local laws, rules or regulations, including any associated litigation;
- the costs and effects of any fines, penalties, judgments, decrees, orders, inquiries, investigations, subpoenas, or enforcement or other proceedings of any governmental or quasi-governmental agency or authority and any associated litigation;
- our continued ability to access the capital markets and maintain adequate current sources of funds to satisfy our cash flow requirements;
- our ability to comply with our debt covenants;
- our ability to generate sufficient cash to service all of our indebtedness;
- any material impairment or write-down of the value of our assets;
- the ownership of our common stock continues to be highly concentrated, which may prevent other minority stockholders from influencing significant corporate decisions and may result in conflicts of interest;

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- the effects of any downgrade of our debt ratings by credit rating agencies, which could have a negative impact on our cost of and/or access to capital;
- our substantial indebtedness, which could prevent us from meeting our obligations under our debt instruments and limit our ability to react to changes in the economy or our industry or our ability to incur additional borrowings;
- our ability to maintain sufficient capital levels in our regulated and unregulated subsidiaries;
- changes in accounting standards or tax policies and practices and the application of such new standards, policies and practices;
- management estimates and assumptions, including estimates and assumptions about future events, may prove to be incorrect;
- any failure to achieve the SpringCastle Portfolio performance requirements, which could, among other things, cause us to lose our loan servicing rights over the SpringCastle Portfolio; and
- various risks relating to continued compliance with the Settlement Agreement with the U.S. Department of Justice.

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

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from what we may have expressed or implied by these forward-looking statements. You should specifically consider the factors identified in this report and in the documents we file with the SEC, including our 2018 Annual Report on Form 10-K, that could cause actual results to differ before making an investment decision to purchase our securities and should not place undue reliance on any of our forward-looking statements. Furthermore, new risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us.

## Overview

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

In addition to our loan originations and insurance sales activities, we service loans owned by us and service loans owned by third parties; pursue strategic acquisitions and dispositions of assets and businesses, including loan portfolios or other financial assets; and may establish joint ventures or enter into other strategic alliances.

## OUR PRODUCTS

Our product offerings include:

- **Personal Loans** — We offer personal loans through our branch network, centralized operations, and our website, [www.omf.com](http://www.omf.com), to customers who generally need timely access to cash. Our personal loans are non-revolving, with a fixed-rate, a fixed term of three to six years, and are secured by automobiles, other titled collateral, or are unsecured. At September 30, 2019, we had exceeded 2.4 million personal loans, representing \$17.8 billion of net finance receivables, compared to \$16.2 billion at December 31, 2018.
- **Insurance Products** — We offer our customers optional credit insurance products (life insurance, disability insurance, and involuntary unemployment insurance) and optional non-credit insurance products through both our branch network and our centralized operations. Credit insurance and non-credit insurance products are provided by our affiliated insurance companies. We also offer optional home and auto membership plans of an unaffiliated company.

Our non-originating legacy products include:

- **Other Receivables** — We ceased originating real estate loans in 2012 and purchasing retail sales finance contracts and revolving retail accounts in 2013. We continue to service or sub-service liquidating real estate loans and retail sales finance contracts. Effective September 30, 2018, our real estate loans were transferred from held for investment to held for sale. See Notes 5, 6 and 7 of the Notes to the Consolidated Financial Statements in Part II - Item 8 included in our 2018 Annual Report on Form 10-K for more information about other receivables.

## OUR SEGMENTS

At September 30, 2019, we had two reportable segments:

- Consumer and Insurance; and
- Acquisitions and Servicing.

The remaining components (which we refer to as “Other”) consist of our non-originating legacy operations, which primarily include our liquidating real estate loan portfolio and our liquidating retail sales finance portfolio. See Note 14 of the Notes to the Condensed Consolidated Financial Statements included in this report for more information about our segments.

## **Recent Developments and Outlook**

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### **RECENT DEVELOPMENTS**

#### ***Cash Dividends to our Common Stockholders***

For information regarding the quarterly dividends declared by the Company, see the “Liquidity and Capital Resources” of the Management’s Discussion and Analysis of Financial Condition and Results of Operations in this report.

#### ***Issuances and Redemptions of 6.125% Senior Notes Due 2024, 5.25% Senior Notes Due 2019, 6.00% Senior Notes Due 2020, and 6.625% Senior Notes Due 2028***

For information regarding the issuances and redemptions of our unsecured debt, see Note 7 of the Notes to the Condensed Consolidated Financial Statements included in this report.

#### ***Securitization Transactions Completed: OMFIT 2019-1, OMFIT 2019-A, OMFIT 2019-2 and ODART 2019-1***

For information regarding the issuances of our secured debt, see the “Liquidity and Capital Resources” of the Management’s Discussion and Analysis of Financial Condition and Results of Operations in this report.

#### ***Appointment of Executive Vice President and Chief Operating Officer (“COO”) of OMH***

On June 24, 2019, our Board of Directors appointed Rajive Chadha as Executive Vice President and COO, effective on his first day of employment, July 15, 2019. Mr. Chadha replaced Robert A. Hurzeler, who resigned as Executive Vice President and COO on May 1, 2019 and departed the Company on May 31, 2019.

#### ***Departure of OMH’s Chief Financial Officer (“CFO”) and Appointment of CFO of OMH***

On April 25, 2019, our Board of Directors appointed Micah R. Conrad as CFO. Mr. Conrad replaced Scott T. Parker, who resigned as Executive Vice President and CFO on March 26, 2019 and departed the Company on April 4, 2019. Mr. Parker’s departure was not due to any disagreement between Mr. Parker and the Company relating to the Company’s financial reporting or condition, policies or practices. Mr. Conrad served as the Company’s acting CFO from March 26, 2019 until his appointment as CFO of OMH.

#### ***Sale of Merit Life Insurance Co.***

As part of our continuing integration efforts from the OneMain Acquisition, on March 7, 2019 we entered into a Share Purchase Agreement to sell all of the issued and outstanding shares of Merit, a wholly owned subsidiary of SFC to a third-party insurance holding company. The assets and liabilities of Merit that are subject to sale are classified as held for sale as of September 30, 2019 and are reflected in “Other assets” and “Other liabilities,” respectively, in our condensed consolidated balance sheet.

### **OUTLOOK**

With our experienced management team, long track record of successfully accessing the capital markets, and strong demand for consumer credit, we believe we are well positioned to execute on our strategic priorities to strengthen our capital base. We further describe our key initiatives and strategies under “Recent Developments and Outlook” of the Management’s Discussion and Analysis of Financial Condition and Results of Operations in Part II - Item 7 included in our 2018 Annual Report on Form 10-K.

## Results of Operations

### CONSOLIDATED RESULTS

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

| (dollars in millions, except per share amounts)                          | At or for the<br>Three Months Ended September 30, |               | At or for the<br>Nine Months Ended September 30, |               |
|--------------------------------------------------------------------------|---------------------------------------------------|---------------|--------------------------------------------------|---------------|
|                                                                          | 2019                                              | 2018          | 2019                                             | 2018          |
| Interest income                                                          | \$ 1,065                                          | \$ 933        | \$ 3,020                                         | \$ 2,700      |
| Interest expense                                                         | 244                                               | 227           | 717                                              | 647           |
| Provision for finance receivable losses                                  | 282                                               | 256           | 836                                              | 770           |
| <b>Net interest income after provision for finance receivable losses</b> | <b>539</b>                                        | <b>450</b>    | <b>1,467</b>                                     | <b>1,283</b>  |
| Other revenues                                                           | 156                                               | 144           | 460                                              | 421           |
| Other expenses                                                           | 398                                               | 395           | 1,172                                            | 1,294         |
| <b>Income before income taxes</b>                                        | <b>297</b>                                        | <b>199</b>    | <b>755</b>                                       | <b>410</b>    |
| Income taxes                                                             | 49                                                | 51            | 161                                              | 131           |
| <b>Net income</b>                                                        | <b>\$ 248</b>                                     | <b>\$ 148</b> | <b>\$ 594</b>                                    | <b>\$ 279</b> |

#### Share Data:

Earnings per share:

|         |         |         |         |         |
|---------|---------|---------|---------|---------|
| Diluted | \$ 1.82 | \$ 1.09 | \$ 4.36 | \$ 2.05 |
|---------|---------|---------|---------|---------|

#### Selected Financial Statistics \*

*Finance receivables held for investment:*

|                         |           |           |           |           |
|-------------------------|-----------|-----------|-----------|-----------|
| Net finance receivables | \$ 17,791 | \$ 15,750 | \$ 17,791 | \$ 15,750 |
| Number of accounts      | 2,406,753 | 2,382,331 | 2,406,753 | 2,382,331 |

*Finance receivables held for sale:*

|                         |       |        |       |        |
|-------------------------|-------|--------|-------|--------|
| Net finance receivables | \$ 69 | \$ 207 | \$ 69 | \$ 207 |
| Number of accounts      | 2,128 | 4,424  | 2,128 | 4,424  |

*Finance receivables held for investment and held for sale:*

|                               |           |           |           |           |
|-------------------------------|-----------|-----------|-----------|-----------|
| Average net receivables       | \$ 17,434 | \$ 15,695 | \$ 16,706 | \$ 15,307 |
| Yield                         | 24.16 %   | 23.51 %   | 24.10 %   | 23.51 %   |
| Gross charge-off ratio        | 5.92 %    | 6.46 %    | 6.89 %    | 7.19 %    |
| Recovery ratio                | (0.73)%   | (0.70)%   | (0.74)%   | (0.76)%   |
| Net charge-off ratio          | 5.19 %    | 5.76 %    | 6.15 %    | 6.43 %    |
| 30-89 Delinquency ratio       | 2.30 %    | 2.33 %    | 2.30 %    | 2.33 %    |
| Origination volume            | \$ 3,657  | \$ 2,899  | \$ 10,118 | \$ 8,655  |
| Number of accounts originated | 395,899   | 345,680   | 1,082,576 | 1,063,971 |

*Debt balances:*

|                            |           |           |           |           |
|----------------------------|-----------|-----------|-----------|-----------|
| Long-term debt balance     | \$ 17,021 | \$ 15,731 | \$ 17,021 | \$ 15,731 |
| Average daily debt balance | 16,271    | 15,743    | 16,028    | 15,420    |

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

***Comparison of Consolidated Results for Three and Nine Months Ended September 30, 2019 and 2018***

**Interest income** increased \$132 million or 14% and \$320 million or 12% for the three and nine months ended September 30, 2019, respectively, when compared to the same periods in 2018 primarily due to continued growth in our loan portfolio along with higher yield, which was primarily driven by lower amortization of purchase premium on non-credit impaired finance receivables.

**Interest expense** increased \$17 million or 7% and \$70 million or 11% for the three and nine months ended September 30, 2019, respectively, when compared to the same periods in 2018 primarily due to an increase in average debt, consistent with the growth in our loan portfolio, and our strategic actions to increase unsecured debt, which tends to have higher interest rates than secured debt, in order to achieve a more proportional mix of secured and unsecured funding.

See Notes 7 and 8 of the Notes to the Condensed Consolidated Financial Statements included in this report for further information on our long-term debt, securitization transactions and our conduit facilities.

**Provision for finance receivable losses** increased \$26 million or 10% and \$66 million or 9% for the three and nine months ended September 30, 2019, respectively, when compared to the same periods in 2018 primarily driven by the growth in our loan portfolio. The allowance for finance receivable losses as a percentage of net finance receivables was flat from prior periods reflecting lower allowance requirements due to the shift in portfolio mix to more secured personal loans and improvements in the effectiveness of our collections, offset by the impacts of continued liquidation of purchased credit impaired finance receivables resulting from the OneMain Acquisition.

**Other revenues** increased \$12 million or 8% for the three months ended September 30, 2019 when compared to the same period in 2018 primarily due to an increase in insurance products sold.

Other revenues increased \$39 million or 9% for the nine months ended September 30, 2019 when compared to the same period in 2018 primarily due to (i) a \$23 million increase in insurance products sold, (ii) a \$21 million increase in investment revenue primarily driven by an increase in interest income due to higher yield and a larger average cash and cash equivalents balance, and an increase in unrealized gains on equity investment securities due to improved market conditions, (iii) an \$11 million net gain on sale of a cost method investment, and (iv) a \$7 million increase due to the additional net gain on the Sale of SpringCastle interests. The increase was partially offset by \$26 million of higher net losses on repurchases and repayments of debt.

**Other expenses** decreased \$122 million or 9% for the nine months ended September 30, 2019 when compared to the same period in 2018 primarily due to \$106 million of non-cash incentive compensation expense related to the Fortress Transaction and \$14 million of impairment loss on the sale of Yosemite, both occurring in the second quarter of 2018.

**Income taxes** totaled \$49 million and \$161 million for the three and nine months ended September 30, 2019, respectively, compared to \$51 million and \$131 million for the three and nine months ended September 30, 2018, respectively.

The effective tax rates of 16.3% and 21.3% for the three and nine months ended September 30, 2019, respectively, differed from the federal statutory rate of 21% due to the effect of state income taxes, which was offset by the release of the valuation allowance against certain state deferred taxes.

The effective tax rates were 25.7% and 32.0% for the three and nine months ended September 30, 2018, respectively. The effective tax rate for the three months ended September 30, 2018 differed from the federal statutory rate of 21% primarily due to the effect of state income taxes. The effective tax rate for the nine months ended September 30, 2018 differed from the federal statutory rate of 21% primarily due to the effect of discrete tax expense for non-deductible compensation expense and state income taxes.

## NON-GAAP FINANCIAL MEASURES

### Adjusted Pretax Income (Loss)

Management uses adjusted pretax income (loss), a non-GAAP financial measure, as a key performance measure of our segments. Adjusted pretax income (loss) represents income (loss) before income taxes on a Segment Accounting Basis and excludes net losses resulting from repurchases and repayments of debt, net gain on sale of cost method investment, acquisition-related transaction and integration expenses, restructuring charges, additional net gain on Sale of SpringCastle interests, net loss on sale of real estate loans, and non-cash incentive compensation expense related to the Fortress Transaction. Management believes adjusted pretax income (loss) is useful in assessing the profitability of our segment and uses adjusted pretax income (loss) in evaluating our operating performance and as a performance goal under our executive compensation programs. Adjusted pretax income (loss) is a non-GAAP financial measure and should be considered supplemental to, but not as a substitute for or superior to, income (loss) before income taxes, net income, or other measures of financial performance prepared in accordance with GAAP.

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

| (dollars in millions)                                                        | Three Months Ended September 30, |               | Nine Months Ended September 30, |                |
|------------------------------------------------------------------------------|----------------------------------|---------------|---------------------------------|----------------|
|                                                                              | 2019                             | 2018          | 2019                            | 2018           |
| <b>Consumer and Insurance</b>                                                |                                  |               |                                 |                |
| Income before income taxes - Segment Accounting Basis                        | \$ 312                           | \$ 226        | \$ 814                          | \$ 555         |
| Adjustments:                                                                 |                                  |               |                                 |                |
| Net loss on repurchases and repayments of debt                               | 2                                | —             | 30                              | 63             |
| Acquisition-related transaction and integration expenses                     | 2                                | 9             | 16                              | 41             |
| Net gain on sale of cost method investment                                   | —                                | —             | (11)                            | —              |
| Restructuring charges                                                        | 1                                | —             | 5                               | —              |
| Adjusted pretax income (non-GAAP)                                            | <u>\$ 317</u>                    | <u>\$ 235</u> | <u>\$ 854</u>                   | <u>\$ 659</u>  |
| <b>Acquisitions and Servicing</b>                                            |                                  |               |                                 |                |
| Income (loss) before income tax expense (benefit) - Segment Accounting Basis | \$ (1)                           | \$ —          | \$ 5                            | \$ —           |
| Adjustment:                                                                  |                                  |               |                                 |                |
| Additional net gain on Sale of SpringCastle interests                        | —                                | —             | (7)                             | —              |
| Adjusted pretax loss (non-GAAP)                                              | <u>\$ (1)</u>                    | <u>\$ —</u>   | <u>\$ (2)</u>                   | <u>\$ —</u>    |
| <b>Other</b>                                                                 |                                  |               |                                 |                |
| Loss before income taxes - Segment Accounting Basis                          | \$ (1)                           | \$ (4)        | \$ (7)                          | \$ (123)       |
| Adjustments:                                                                 |                                  |               |                                 |                |
| Non-cash incentive compensation expense                                      | —                                | —             | —                               | 106            |
| Net loss on sale of real estate loans *                                      | —                                | —             | 1                               | —              |
| Adjusted pretax loss (non-GAAP)                                              | <u>\$ (1)</u>                    | <u>\$ (4)</u> | <u>\$ (6)</u>                   | <u>\$ (17)</u> |

\* During the nine months ended September 30, 2019, the resulting impairment on finance receivables held for sale remaining after the February 2019 Real Estate Loan Sale has been combined with the gain on the sale.

We describe our acquisition-related transaction and integration expenses under “Results of Operations” of the Management’s Discussion and Analysis of Financial Condition and Results of Operations in Part II - Item 7 included in our 2018 Annual Report on Form 10-K.

## Segment Results

See Note 22 of the Notes to the Consolidated Financial Statements in Part II - Item 8 included in our 2018 Annual Report on Form 10-K for a description of our segments and methodologies used to allocate revenues and expenses to each segment. See Note 14 of the Notes to the Condensed Consolidated Financial Statements included in this report for reconciliations of segment totals to condensed consolidated financial statement amounts.

### CONSUMER AND INSURANCE

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

| (dollars in millions)                                                    | At or for the<br>Three Months Ended September 30, |               | At or for the<br>Nine Months Ended September 30, |               |
|--------------------------------------------------------------------------|---------------------------------------------------|---------------|--------------------------------------------------|---------------|
|                                                                          | 2019                                              | 2018          | 2019                                             | 2018          |
| Interest income                                                          | \$ 1,060                                          | \$ 935        | \$ 3,013                                         | \$ 2,718      |
| Interest expense                                                         | 238                                               | 218           | 700                                              | 624           |
| Provision for finance receivable losses                                  | 277                                               | 253           | 816                                              | 772           |
| <b>Net interest income after provision for finance receivable losses</b> | <b>545</b>                                        | <b>464</b>    | <b>1,497</b>                                     | <b>1,322</b>  |
| Other revenues                                                           | 154                                               | 140           | 461                                              | 415           |
| Other expenses                                                           | 382                                               | 369           | 1,104                                            | 1,078         |
| <b>Adjusted pretax income (non-GAAP)</b>                                 | <b>\$ 317</b>                                     | <b>\$ 235</b> | <b>\$ 854</b>                                    | <b>\$ 659</b> |

### Selected Financial Statistics \*

*Finance receivables held for investment:*

|                         |           |           |           |           |
|-------------------------|-----------|-----------|-----------|-----------|
| Net finance receivables | \$ 17,825 | \$ 15,777 | \$ 17,825 | \$ 15,777 |
| Number of accounts      | 2,406,753 | 2,382,331 | 2,406,753 | 2,382,331 |

*Finance receivables held for investment and held for sale:*

|                               |           |           |           |           |
|-------------------------------|-----------|-----------|-----------|-----------|
| Average net receivables       | \$ 17,469 | \$ 15,619 | \$ 16,740 | \$ 15,203 |
| Yield                         | 24.07 %   | 23.74 %   | 24.06 %   | 23.91 %   |
| Gross charge-off ratio        | 5.98 %    | 6.61 %    | 6.97 %    | 7.41 %    |
| Recovery ratio                | (0.81)%   | (0.79)%   | (0.84)%   | (0.87)%   |
| Net charge-off ratio          | 5.17 %    | 5.82 %    | 6.13 %    | 6.54 %    |
| 30-89 Delinquency ratio       | 2.30 %    | 2.34 %    | 2.30 %    | 2.34 %    |
| Origination volume            | \$ 3,657  | \$ 2,899  | \$ 10,118 | \$ 8,655  |
| Number of accounts originated | 395,899   | 345,680   | 1,082,576 | 1,063,971 |

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

### **Comparison of Adjusted Pretax Income for Three and Nine Months Ended September 30, 2019 and 2018**

**Interest income** increased \$125 million or 13% and \$295 million or 11% for the three and nine months ended September 30, 2019, respectively, when compared to the same periods in 2018 primarily due to continued growth in our loan portfolio.

**Interest expense** increased \$20 million or 9% and \$76 million or 12% for the three and nine months ended September 30, 2019, respectively, when compared to the same periods in 2018 primarily due to an increase in average debt, consistent with the growth in our loan portfolio, and our strategic actions to increase unsecured debt, which tends to have higher interest rates than secured debt, in order to achieve a more proportional mix of secured and unsecured funding.

See Notes 7 and 8 of the Notes to the Condensed Consolidated Financial Statements included in this report for further information on our long-term debt, securitization transactions and our conduit facilities.

**Provision for finance receivable losses** increased \$24 million or 9% and \$44 million or 6% for the three and nine months ended September 30, 2019, respectively, when compared to the same periods in 2018 primarily driven by the growth in our loan portfolio. The allowance for finance receivable losses as a percentage of net finance receivables decreased from prior periods due to the shift in portfolio mix to more secured personal loans and improvements in the effectiveness of collections.

**Other revenues** increased \$14 million or 10% for the three months ended September 30, 2019 when compared to the same period in 2018 primarily due to an increase in insurance products sold.

Other revenues increased \$46 million or 11% for the nine months ended September 30, 2019 when compared to the same period in 2018 primarily due to a \$23 million increase in insurance products sold, and a \$17 million increase in investment revenue primarily driven by an increase in interest income due to higher yield and a larger average cash and cash equivalents balance, and an increase in unrealized gains on equity investment securities due to improved market conditions.

**Other expenses** increased \$13 million or 4% and \$26 million or 2% for the three and nine months ended September 30, 2019, respectively, when compared to the same periods in 2018 primarily due to our continued reinvestment in our business operations.

### **ACQUISITIONS AND SERVICING**

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

| (dollars in millions)                           | Three Months Ended September 30, |             | Nine Months Ended September 30, |             |
|-------------------------------------------------|----------------------------------|-------------|---------------------------------|-------------|
|                                                 | 2019                             | 2018        | 2019                            | 2018        |
| Other revenues                                  | \$ 4                             | \$ 8        | \$ 16                           | \$ 25       |
| Other expenses                                  | 5                                | 8           | 18                              | 25          |
| <b>Adjusted pretax income (loss) (non-GAAP)</b> | <b>\$ (1)</b>                    | <b>\$ —</b> | <b>\$ (2)</b>                   | <b>\$ —</b> |

## OTHER

“Other” consists of our non-originating legacy operations which include other receivables consisting of our liquidating real estate loan and retail sales finance portfolios.

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

| (dollars in millions)                                                    | Three Months Ended September 30, |               | Nine Months Ended September 30, |                |
|--------------------------------------------------------------------------|----------------------------------|---------------|---------------------------------|----------------|
|                                                                          | 2019                             | 2018          | 2019                            | 2018           |
| Interest income                                                          | \$ 2                             | \$ 4          | \$ 7                            | \$ 14          |
| Interest expense                                                         | 1                                | 4             | 4                               | 13             |
| Provision for finance receivable losses                                  | —                                | —             | —                               | (5)            |
| <b>Net interest income after provision for finance receivable losses</b> | <b>1</b>                         | <b>—</b>      | <b>3</b>                        | <b>6</b>       |
| Other revenues                                                           | 1                                | 1             | 4                               | (2)            |
| Other expenses *                                                         | 3                                | 5             | 13                              | 21             |
| <b>Adjusted pretax loss (non-GAAP)</b>                                   | <b>\$ (1)</b>                    | <b>\$ (4)</b> | <b>\$ (6)</b>                   | <b>\$ (17)</b> |

\* Other expenses for the nine months ended September 30, 2018 include \$4 million of non-cash incentive compensation expense related to the rights of certain executives to a portion of the cash proceeds from the sale of OMH’s common stock by SFH.

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

| (dollars in millions)                         | September 30, |        |
|-----------------------------------------------|---------------|--------|
|                                               | 2019          | 2018   |
| <i>Net finance receivables held for sale:</i> |               |        |
| Other receivables *                           | \$ 70         | \$ 215 |

\* On September 30, 2018, we transferred our real estate loans previously classified as other receivables from held for investment to held for sale. See Notes 5 and 7 of the Notes to the Consolidated Financial Statements in Part II - Item 8 included in our 2018 Annual Report on Form 10-K for further information.

## Credit Quality

### FINANCE RECEIVABLES

Our net finance receivables, consisting of personal loans, were \$17.8 billion at September 30, 2019 and \$16.2 billion at December 31, 2018. Our personal loans are non-revolving, with a fixed-rate, a fixed term of three to six years, and are secured by automobiles, other titled collateral, or are unsecured. We consider the concentration of secured loans, the underlying value of the collateral of the secured loans, and the delinquency status of our finance receivables as the primary indicators of credit quality. At September 30, 2019 and December 31, 2018, 51% and 48%, respectively, of our personal loans, on a consolidated basis, were secured by titled collateral.

#### *Distribution of Finance Receivables by FICO Score*

There are many different categorizations used in the consumer lending industry to describe the creditworthiness of a borrower, including prime, near prime, and sub-prime.

We group FICO scores into the following credit strength categories:

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

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

The following table reflects our personal loans grouped into the categories described above based on borrower FICO credit scores as of the most recently refreshed date or as of the origination or purchase date:

| (dollars in millions) | September 30,<br>2019 | December 31,<br>2018 |
|-----------------------|-----------------------|----------------------|
| <i>FICO scores</i>    |                       |                      |
| 660 or higher         | \$ 3,914              | \$ 3,906             |
| 620-659               | 4,568                 | 4,251                |
| 619 or below          | 9,309                 | 8,007                |
| Total                 | <u>\$ 17,791</u>      | <u>\$ 16,164</u>     |

### DELINQUENCY

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

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

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The delinquency information for net finance receivables is as follows:

| (dollars in millions)             | Consumer<br>and<br>Insurance | Segment to<br>GAAP<br>Adjustment | GAAP<br>Basis |
|-----------------------------------|------------------------------|----------------------------------|---------------|
| <b>September 30, 2019</b>         |                              |                                  |               |
| Current                           | \$ 17,071                    | \$ (31)                          | \$ 17,040     |
| 30-59 days past due               | 246                          | (1)                              | 245           |
| Delinquent (60-89 days past due)  | 165                          | (1)                              | 164           |
| Performing                        | 17,482                       | (33)                             | 17,449        |
| Nonperforming (90+ days past due) | 343                          | (1)                              | 342           |
| Total net finance receivables     | \$ 17,825                    | \$ (34)                          | \$ 17,791     |
| <i>Delinquency ratio</i>          |                              |                                  |               |
| 30-89 days past due               | 2.30%                        | *                                | 2.30%         |
| 30+ days past due                 | 4.23%                        | *                                | 4.22%         |
| 60+ days past due                 | 2.85%                        | *                                | 2.84%         |
| 90+ days past due                 | 1.93%                        | *                                | 1.92%         |
| <b>December 31, 2018</b>          |                              |                                  |               |
| Current                           | \$ 15,437                    | \$ (26)                          | \$ 15,411     |
| 30-59 days past due               | 231                          | (2)                              | 229           |
| Delinquent (60-89 days past due)  | 162                          | (1)                              | 161           |
| Performing                        | 15,830                       | (29)                             | 15,801        |
| Nonperforming (90+ days past due) | 365                          | (2)                              | 363           |
| Total net finance receivables     | \$ 16,195                    | \$ (31)                          | \$ 16,164     |
| <i>Delinquency ratio</i>          |                              |                                  |               |
| 30-89 days past due               | 2.43%                        | *                                | 2.42%         |
| 30+ days past due                 | 4.68%                        | *                                | 4.66%         |
| 60+ days past due                 | 3.26%                        | *                                | 3.25%         |
| 90+ days past due                 | 2.25%                        | *                                | 2.25%         |

\* Not applicable.

## ALLOWANCE FOR FINANCE RECEIVABLE LOSSES

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

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

| (dollars in millions)                        | Consumer<br>and<br>Insurance | Other (a)   | Segment to<br>GAAP<br>Adjustment | Consolidated<br>Total |
|----------------------------------------------|------------------------------|-------------|----------------------------------|-----------------------|
| <b>Three Months Ended September 30, 2019</b> |                              |             |                                  |                       |
| Balance at beginning of period               | \$ 772                       | \$ —        | \$ (28)                          | \$ 744                |
| Provision for finance receivable losses      | 277                          | —           | 5                                | 282                   |
| Charge-offs                                  | (263)                        | —           | 3                                | (260)                 |
| Recoveries                                   | 36                           | —           | (4)                              | 32                    |
| Balance at end of period                     | <u>\$ 822</u>                | <u>\$ —</u> | <u>\$ (24)</u>                   | <u>\$ 798</u>         |
| <b>Three Months Ended September 30, 2018</b> |                              |             |                                  |                       |
| Balance at beginning of period               | \$ 729                       | \$ 30       | \$ (57)                          | \$ 702                |
| Provision for finance receivable losses      | 253                          | —           | 3                                | 256                   |
| Charge-offs                                  | (260)                        | (1)         | 5                                | (256)                 |
| Recoveries                                   | 31                           | 1           | (5)                              | 27                    |
| Other (b)                                    | —                            | (30)        | 7                                | (23)                  |
| Balance at end of period                     | <u>\$ 753</u>                | <u>\$ —</u> | <u>\$ (47)</u>                   | <u>\$ 706</u>         |
| <b>Nine Months Ended September 30, 2019</b>  |                              |             |                                  |                       |
| Balance at beginning of period               | \$ 773                       | \$ —        | \$ (42)                          | \$ 731                |
| Provision for finance receivable losses      | 816                          | —           | 20                               | 836                   |
| Charge-offs                                  | (873)                        | —           | 11                               | (862)                 |
| Recoveries                                   | 106                          | —           | (13)                             | 93                    |
| Balance at end of period                     | <u>\$ 822</u>                | <u>\$ —</u> | <u>\$ (24)</u>                   | <u>\$ 798</u>         |
| Allowance ratio                              | 4.61%                        | (c)         | (c)                              | 4.49%                 |
| <b>Nine Months Ended September 30, 2018</b>  |                              |             |                                  |                       |
| Balance at beginning of period               | \$ 724                       | \$ 35       | \$ (62)                          | \$ 697                |
| Provision for finance receivable losses      | 772                          | (5)         | 3                                | 770                   |
| Charge-offs                                  | (842)                        | (3)         | 22                               | (823)                 |
| Recoveries                                   | 99                           | 3           | (17)                             | 85                    |
| Other (b)                                    | —                            | (30)        | 7                                | (23)                  |
| Balance at end of period                     | <u>\$ 753</u>                | <u>\$ —</u> | <u>\$ (47)</u>                   | <u>\$ 706</u>         |
| Allowance ratio                              | 4.77%                        | (c)         | (c)                              | 4.48%                 |

- (a) Due to the transfer of our real estate loans from held for investment to held for sale on September 30, 2018, there are no longer finance receivable losses in Other. See Note 5 of the Notes to the Consolidated Financial Statements in Part II - Item 8 included in our 2018 Annual Report on Form 10-K for further information.
- (b) Other consists primarily of the reclassification of allowance for finance receivable losses due to the transfer of the real estate loans in other receivables from held for investment to finance receivables held for sale.
- (c) Not applicable.



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The current delinquency status of our finance receivable portfolio, inclusive of recent borrower performance, volume of our TDR activity, and the level and recoverability of collateral securing our finance receivable portfolio are the primary drivers that can cause fluctuations in our allowance for finance receivable losses from period to period. We monitor the allowance ratio to ensure we have a sufficient level of allowance for finance receivable losses to cover estimated incurred losses in our finance receivable portfolio. The allowance for finance receivable losses as a percentage of net finance receivables was flat from prior periods reflecting lower allowance requirements due to the shift in portfolio mix to more secured personal loans and improvements in the effectiveness of our collections, offset by the impacts of continued liquidation of purchased credit impaired finance receivables resulting from the OneMain Acquisition.

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

### **TDR FINANCE RECEIVABLES**

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

Information regarding TDR net finance receivables is as follows:

| (dollars in millions)                       | Consumer<br>and<br>Insurance | Segment to<br>GAAP<br>Adjustment | GAAP<br>Basis |
|---------------------------------------------|------------------------------|----------------------------------|---------------|
| <b>September 30, 2019</b>                   |                              |                                  |               |
| TDR net finance receivables                 | \$ 666                       | \$ (71)                          | \$ 595        |
| Allowance for TDR finance receivable losses | 264                          | (22)                             | 242           |
| <b>December 31, 2018</b>                    |                              |                                  |               |
| TDR net finance receivables                 | \$ 555                       | \$ (102)                         | \$ 453        |
| Allowance for TDR finance receivable losses | 210                          | (40)                             | 170           |

## **Liquidity and Capital Resources**

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### **SOURCES AND USES OF FUNDS**

We finance the majority of our operating liquidity and capital needs through a combination of cash flows from operations, securitization debt, borrowings from revolving conduit facilities, unsecured debt and equity, and may also utilize other sources in the future. As a holding company, all of the funds generated from our operations are earned by our operating subsidiaries. Our operating subsidiaries' primary cash needs relate to funding our lending activities, our debt service obligations, our operating expenses, payment of insurance claims and, to a lesser extent, expenditures relating to upgrading and monitoring our technology platform, risk systems, and branch locations.

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

During the nine months ended September 30, 2019, we generated net income of \$594 million. Our net cash outflow from operating and investing activities totaled \$727 million for the nine months ended September 30, 2019. At September 30, 2019, our remaining scheduled principal and interest payments for 2019 on our existing debt (excluding securitizations) totaled \$113 million. As of September 30, 2019, we had \$8.5 billion UPB of unencumbered personal loans and \$125 million UPB of unencumbered real estate loans. These real estate loans are included in held for sale.

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

#### ***SFC's Issuances and Redemptions***

For information regarding the issuances and redemptions of our unsecured debt, see Note 7 of the Notes to the Condensed Consolidated Financial Statements included in this report.

#### ***Securitizations and Borrowings from Revolving Conduit Facilities***

During the nine months ended September 30, 2019, we completed four personal loan securitizations (OMFIT 2019-1, ODART 2019-1, OMFIT 2019-A, and OMFIT 2019-2, see "Securitized Borrowings" below), and redeemed three securitizations (SLFT 2015-A, OMFIT 2015-2, and OMFIT 2016-2). At September 30, 2019, we had \$9.1 billion in UPB of finance receivables pledged as collateral for our securitization transactions.

During the nine months ended September 30, 2019, we entered into three new revolving conduit facilities and terminated one revolving conduit facility.

Subsequent to September 30, 2019, we completed the following transaction:

- On October 31, 2019, we entered a loan and security agreement with St. Lawrence River Funding, LLC and third party lenders. Under the agreement, we may borrow up to a maximum principal balance of \$250 million.

See Notes 7 and 8 of the Notes to the Condensed Consolidated Financial Statements included in this report for further information on our long-term debt, loan securitization transactions and conduit facilities.

#### ***Cash Dividends to our Common Stockholders***

On February 11, 2019 and on April 29, 2019, the Company declared quarterly dividends of \$0.25 per share and paid \$34 million in dividends on March 15, 2019 and on June 14, 2019. On July 29, 2019, the Company declared a dividend of \$2.25 per share, consisting of the regular quarterly dividend of \$0.25 per share and a special dividend of \$2.00 per share, and paid \$306 million in dividends on September 13, 2019.

On October 28, 2019, the Company declared a quarterly dividend of \$0.25 per share, payable on December 13, 2019 to record holders of our common stock as of the close of business on November 26, 2019.

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While we intend to pay regular quarterly dividends for the foreseeable future, all subsequent dividends will be reviewed quarterly and declared at the discretion of our Board of Directors and will depend on many factors, including our financial condition, earnings, cash flows, capital requirements, level of indebtedness, statutory and contractual restrictions applicable to the payment of dividends, and other considerations that our Board of Directors deems relevant. Our dividend payments may change from time to time, and our Board of Directors may not continue to declare dividends in the future.

## **LIQUIDITY**

### ***Operating Activities***

Net cash provided by operations of \$1.7 billion for the nine months ended September 30, 2019 reflected net income of \$594 million and the impact of non-cash items. Net cash provided by operations of \$1.5 billion for the nine months ended September 30, 2018 reflected net income of \$279 million and the impact of non-cash items.

### ***Investing Activities***

Net cash used for investing activities of \$2.5 billion for the nine months ended September 30, 2019 and \$1.8 billion for the nine months ended September 30, 2018 were primarily due to net principal originations of finance receivables held for investment and held for sale and purchases of available-for-sale securities, partially offset by calls, and maturities of available-for-sale securities.

### ***Financing Activities***

Net cash provided by financing activities of \$1.4 billion and \$613 million for the nine months ended September 30, 2019 and 2018, respectively, were primarily due to net issuances of long-term debt.

### ***Cash and Investments***

At September 30, 2019, we had \$1.4 billion of cash and cash equivalents, which included \$230 million of cash and cash equivalents held at our regulated insurance subsidiaries or for other operating activities that is unavailable for general corporate purposes.

At September 30, 2019, we had \$1.8 billion of investment securities, which are all held as part of our insurance operations and are unavailable for general corporate purposes.

### ***Liquidity Risks and Strategies***

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

There are numerous risks to our financial results, liquidity, capital raising, and debt refinancing plans, some of which may not be quantified in our current liquidity forecasts. These risks are further described in our "Liquidity and Capital Resources" of the Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II - Item 7 included in our 2018 Annual Report on Form 10-K.

Principal factors that could decrease our liquidity are customer delinquencies and defaults, a decline in customer prepayments, and a prolonged inability to adequately access capital market funding. We intend to support our liquidity position by utilizing strategies that are further described in our "Liquidity and Capital Resources" of the Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II - Item 7 included in our 2018 Annual Report on Form 10-K.

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

## OUR INSURANCE SUBSIDIARIES

Our insurance subsidiaries are subject to state regulations that limit their ability to pay dividends. See Note 14 of the Notes to the Consolidated Financial Statements in Part II - Item 8 included in our 2018 Annual Report on Form 10-K for more information on these restrictions. Merit paid an extraordinary dividend to SFC totaling \$140 million, while AHL and Triton did not pay any dividends during the nine months ended September 30, 2019. Yosemite, prior to its sale on September 30, 2018, paid extraordinary dividends to SFC totaling \$42 million and Triton paid extraordinary dividends to OneMain totaling \$45 million during the nine months ended September 30, 2018. Merit and AHL did not pay any dividends during the nine months ended September 30, 2018.

## OUR DEBT AGREEMENTS

The debt agreements to which SFC and its subsidiaries are a party include customary terms and conditions, including covenants and representations and warranties. See Note 12 of the Notes to the Consolidated Financial Statements in Part II - Item 8 included in our 2018 Annual Report on Form 10-K for more information on the restrictive covenants under SFC's debt agreements, as well as the guarantees of SFC's long-term debt.

### Securitized Borrowings

We execute private securitizations under Rule 144A of the Securities Act of 1933. As of September 30, 2019, our structured financings consisted of the following:

| (dollars in millions)        | Issue<br>Amount (a) | Initial<br>Collateral<br>Balance | Current<br>Note Amounts<br>Outstanding (a) | Current<br>Collateral<br>Balance<br>(b) | Current<br>Weighted<br>Average<br>Interest Rate | Original<br>Revolving<br>Period |
|------------------------------|---------------------|----------------------------------|--------------------------------------------|-----------------------------------------|-------------------------------------------------|---------------------------------|
| SLFT 2015-B                  | \$ 314              | \$ 336                           | \$ 314                                     | \$ 336                                  | 3.78%                                           | 5 years                         |
| SLFT 2016-A                  | 532                 | 559                              | 227                                        | 267                                     | 3.33%                                           | 2 years                         |
| SLFT 2017-A                  | 652                 | 685                              | 619                                        | 685                                     | 2.98%                                           | 3 years                         |
| OMFIT 2015-1                 | 1,229               | 1,397                            | 193                                        | 330                                     | 6.15%                                           | 3 years                         |
| OMFIT 2015-3                 | 293                 | 329                              | 293                                        | 325                                     | 4.21%                                           | 5 years                         |
| OMFIT 2016-1                 | 500                 | 570                              | 221                                        | 297                                     | 4.39%                                           | 3 years                         |
| OMFIT 2016-3                 | 350                 | 397                              | 317                                        | 391                                     | 4.33%                                           | 5 years                         |
| OMFIT 2017-1                 | 947                 | 988                              | 900                                        | 970                                     | 2.73%                                           | 2 years                         |
| OMFIT 2018-1                 | 632                 | 650                              | 600                                        | 651                                     | 3.60%                                           | 3 years                         |
| OMFIT 2018-2                 | 368                 | 381                              | 350                                        | 381                                     | 3.87%                                           | 5 years                         |
| OMFIT 2019-1                 | 632                 | 654                              | 600                                        | 654                                     | 3.79%                                           | 2 years                         |
| OMFIT 2019-2                 | 900                 | 947                              | 900                                        | 947                                     | 3.30%                                           | 7 years                         |
| OMFIT 2019-A                 | 789                 | 892                              | 750                                        | 892                                     | 3.78%                                           | 7 years                         |
| ODART 2017-1                 | 300                 | 300                              | 53                                         | 74                                      | 4.22%                                           | 1 year                          |
| ODART 2017-2                 | 605                 | 624                              | 300                                        | 341                                     | 2.92%                                           | 1 year                          |
| ODART 2018-1                 | 947                 | 964                              | 900                                        | 964                                     | 3.56%                                           | 2 years                         |
| ODART 2019-1                 | 737                 | 750                              | 700                                        | 750                                     | 3.79%                                           | 5 years                         |
| <b>Total securitizations</b> | <b>\$ 10,727</b>    | <b>\$ 11,423</b>                 | <b>\$ 8,237</b>                            | <b>\$ 9,255</b>                         |                                                 |                                 |

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

(b) Inclusive of in-process replenishments of collateral for securitized borrowings in a revolving status as of September 30, 2019.

### Revolving Conduit Facilities

In addition to the structured financings, we have access to 13 conduit facilities with a total borrowing capacity of \$6.9 billion as of September 30, 2019:

| (dollar in millions)                  | Advance<br>Maximum<br>Balance | Amount<br>Drawn | Revolving<br>Period End | Due and Payable |
|---------------------------------------|-------------------------------|-----------------|-------------------------|-----------------|
| Rocky River Funding, LLC              | \$ 400                        | \$ —            | April 2022              | May 2023        |
| OneMain Financial Funding IX, LLC     | 650                           | —               | June 2022               | July 2023       |
| Mystic River Funding, LLC             | 850                           | —               | September 2022          | October 2025    |
| Fourth Avenue Auto Funding, LLC       | 200                           | —               | June 2022               | July 2023       |
| OneMain Financial Funding VIII, LLC   | 650                           | —               | August 2021             | September 2023  |
| OneMain Financial Auto Funding I, LLC | 850                           | —               | June 2021               | July 2028       |
| OneMain Financial Funding VII, LLC    | 850                           | —               | June 2021               | July 2023       |
| Thayer Brook Funding, LLC             | 250                           | —               | July 2021               | August 2022     |
| Hubbard River Funding, LLC            | 250                           | —               | September 2021          | October 2023    |
| Seine River Funding, LLC              | 650                           | —               | October 2021            | November 2024   |
| New River Funding, LLC                | 250                           | —               | March 2022              | April 2027      |
| Hudson River Funding, LLC             | 500                           | —               | June 2022               | July 2025       |
| Columbia River Funding, LLC           | 500                           | —               | September 2022          | October 2025    |
| Total                                 | <u>\$ 6,850</u>               | <u>\$ —</u>     |                         |                 |

See “Liquidity and Capital Resources - Sources and Uses of Funds - Securitizations and Borrowings from Revolving Conduit Facilities” above for information on the transaction completed subsequent to September 30, 2019.

## **Off-Balance Sheet Arrangements**

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We have no material off-balance sheet arrangements as defined by SEC rules. We had no off-balance sheet exposure to losses associated with unconsolidated VIEs at September 30, 2019 or December 31, 2018, other than certain representations and warranties associated with the sales of the mortgage-backed retained certificates during 2014. As of September 30, 2019, we had no repurchase activity related to these sales.

## **Critical Accounting Policies and Estimates**

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We describe our significant accounting policies used in the preparation of our consolidated financial statements in Note 3 of the Notes to the Consolidated Financial Statements in Part II - Item 8 included in our 2018 Annual Report on Form 10-K. We consider the following policies to be our most critical accounting policies because they involve critical accounting estimates and a significant degree of management judgment:

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

There have been no material changes to our critical accounting policies or to our methodologies for deriving critical accounting estimates during the nine months ended September 30, 2019.

## **Recent Accounting Pronouncements**

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

## **Seasonality**

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

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

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There have been no material changes to our market risk previously disclosed in Part II - Item 7A included in our 2018 Annual Report on Form 10-K.

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

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**Evaluation of Disclosure Controls and Procedures**

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

As of September 30, 2019, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. This evaluation was conducted under the supervision of, and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based on our evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2019 to provide the reasonable assurance described above.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the third quarter of 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II — OTHER INFORMATION**

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

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See Note 13 of the Notes to the Condensed Consolidated Financial Statements included in this report.

***Item 1A. Risk Factors.***

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There have been no material changes to our risk factors included in Part I, Item 1A of our 2018 Annual Report on Form 10-K.

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

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None.

***Item 3. Defaults Upon Senior Securities.***

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None.

***Item 4. Mine Safety Disclosures.***

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Not applicable.

***Item 5. Other Information.***

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None.

**Item 6. Exhibit Index.**

| <b>Exhibit Number</b>        | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <a href="#"><u>10.1*</u></a> | <a href="#"><u>Form of Restricted Stock Unit Award Agreement under the OneMain Holdings, Inc. Amended and Restated 2013 Omnibus Incentive Plan (Employees) filed herewith as Exhibit 10.1.</u></a>                                                                                                                                                                                                                                                                   |
| <a href="#"><u>10.2*</u></a> | <a href="#"><u>Form of Restricted Stock Unit Award Agreement under the OneMain Holdings, Inc. Amended and Restated 2013 Omnibus Incentive Plan (Non-Employees Directors) filed herewith as Exhibit 10.2.</u></a>                                                                                                                                                                                                                                                     |
| <a href="#"><u>10.3*</u></a> | <a href="#"><u>Form of Restricted Stock Unit Award Agreement under the OneMain Holdings, Inc. Amended and Restated 2013 Omnibus Incentive Plan (Performance) filed herewith as Exhibit 10.3.</u></a>                                                                                                                                                                                                                                                                 |
| <a href="#"><u>10.4*</u></a> | <a href="#"><u>Form of Cash-Settled Stock-Based Award Agreement under the OneMain Holdings, Inc. Amended and Restated 2013 Omnibus Incentive Plan filed herewith as Exhibit 10.4.</u></a>                                                                                                                                                                                                                                                                            |
| <a href="#"><u>10.5*</u></a> | <a href="#"><u>Amended and Restated Cash-Settled Option Award Agreement under the Amended and Restated 2013 Omnibus Incentive Plan, dated as of July 26, 2019, by and between OneMain Holdings, Inc. and Douglas H. Shulman filed herewith as Exhibit 10.5.</u></a>                                                                                                                                                                                                  |
| <a href="#"><u>31.1</u></a>  | <a href="#"><u>Rule 13a-14(a)/15d-14(a) Certifications of the President and Chief Executive Officer of OneMain Holdings, Inc.</u></a>                                                                                                                                                                                                                                                                                                                                |
| <a href="#"><u>31.2</u></a>  | <a href="#"><u>Rule 13a-14(a)/15d-14(a) Certifications of the Executive Vice President and Chief Financial Officer of OneMain Holdings, Inc.</u></a>                                                                                                                                                                                                                                                                                                                 |
| <a href="#"><u>32.1</u></a>  | <a href="#"><u>Section 1350 Certifications.</u></a>                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 101                          | Interactive data files pursuant to Rule 405 of Regulation S-T, formatted in Inline XBRL:<br>(i) Condensed Consolidated Balance Sheets,<br>(ii) Condensed Consolidated Statements of Operations,<br>(iii) Condensed Consolidated Statements of Comprehensive Income,<br>(iv) Condensed Consolidated Statements of Shareholder's Equity,<br>(v) Condensed Consolidated Statements of Cash Flows, and<br>(vi) Notes to the Condensed Consolidated Financial Statements. |
| 104                          | Cover Page Interactive Data File in Inline XBRL format (Included in Exhibit 101).                                                                                                                                                                                                                                                                                                                                                                                    |

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\* Management contract or compensatory plan or arrangement.

## Signature

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

ONEMAIN HOLDINGS, INC.  
(Registrant)

Date: November 1, 2019

By: /s/ Micah R. Conrad

Micah R. Conrad

Executive Vice President and Chief Financial Officer

(Duly Authorized Officer and Principal Financial Officer)

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## Section 2: EX-10.1 (EXHIBIT 10.1)

### Exhibit 10.1

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#### FORM RESTRICTED STOCK UNIT AWARD AGREEMENT UNDER THE AMENDED AND RESTATED ONEMAIN HOLDINGS, INC. 2013 OMNIBUS INCENTIVE PLAN

This Award Agreement (this “RSU Award Agreement”), dated as of [\_\_\_\_], 20[\_\_\_] (the “Date of Grant”), is made by and between OneMain Holdings, Inc., a Delaware corporation (the “Company”), and [\_\_\_\_] (the “Participant”). Capitalized terms not defined herein shall have the meaning ascribed to them in the Amended and Restated OneMain Holdings, Inc. 2013 Omnibus Incentive Plan (as may be amended from time to time, the “Plan”). Where the context permits, references to the Company shall include any successor to the Company.

1. Grant of Restricted Stock Units. The Company hereby grants to the Participant [\_\_\_\_] restricted stock units (the “RSUs”) as outlined in **Exhibit A** hereto, subject to all of the terms and conditions of **Exhibit A** hereto, this RSU Award Agreement and the Plan.

2. Form of Payment. Except as otherwise provided in the Plan or in Section 8 hereof, each RSU granted hereunder shall represent the right to receive one (1) share of Common Stock (a “Share”), which shall be issued to the Participant pursuant to the applicable schedule set forth in **Exhibit A** hereto.

3. Restrictions.

(a) The RSUs may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered and shall be subject to a risk of forfeiture as described in Section 3(c) until the lapse of the Restricted Period (as defined below) and any additional requirements or restrictions contained in **Exhibit A** hereto, this RSU Award Agreement or in the Plan have been otherwise satisfied, terminated or expressly waived by the Company in writing.

(b) Unless the Restricted Period is previously terminated in accordance with Section 3(c), the Shares subject to the RSUs shall become issuable hereunder (provided, that such issuance is otherwise in accordance with federal and state securities laws) in accordance with the applicable provisions set forth in **Exhibit A** hereto (the period prior to Share issuance, the “Restricted Period”).

(c) Except as otherwise provided under the terms of the Plan or in **Exhibit A** hereto, if the Participant's employment is terminated for any reason (the "Termination"), this RSU Award Agreement shall terminate and all rights of the Participant with respect to RSUs that have not vested shall immediately terminate. Except as otherwise provided under the terms of the Plan or in **Exhibit A** hereto, the RSUs that are subject to restrictions upon the date of termination shall be forfeited without payment of any consideration, and neither the Participant nor any of the Participant's successors, heirs, assigns, or personal representatives shall thereafter have any further rights or interests in such RSUs.

4. Voting and Other Rights. The Participant shall have no rights of a stockholder (including the right to distributions or dividends) until Shares are delivered following vesting of the Participant's RSUs; provided, that:

(a) With respect to the period commencing on the Grant Date and ending on the day immediately prior to July 26, 2019 (the “Amendment Date”), the Participant shall be eligible to receive an amount equal to the product of (i) the number of Shares which become deliverable as a result of the vesting of the RSUs pursuant to Section 3(b) above, and (ii) the amount of cash dividends paid with respect to an outstanding share of Common Stock during such period, which amount shall be paid to the Participant on the date such Shares are delivered (provided that such amount shall not be paid to the extent that any RSUs do not become vested and Shares are not delivered). No interest or other earnings will be credited with respect to such payment.

(b) With respect to the period commencing on the Amendment Date and ending on the date on which the RSUs are no longer outstanding (whether due to delivery of shares or forfeiture of the RSUs), the Participant shall be eligible to receive: (i) an amount equal to the product of (A) the number of Shares subject to outstanding RSUs on the record date of any cash dividend made with respect to an outstanding share of Common Stock, and (B) fifty percent (50%) of the amount of the cash dividend paid with respect to an outstanding share of Common Stock during such period, which amount shall be paid to the Participant on the date such Shares are delivered and, if such Shares are not delivered as a result of a forfeiture of the RSUs, then such amount shall be paid on the vesting date of the RSUs to which such amounts relate (provided, that, for the avoidance of doubt, such amount shall be paid even if the underlying RSUs cease to be outstanding for any reason, including forfeiture, after the record date of such dividend); and (ii) an amount equal to the product of (A) the number of Shares subject to the RSUs which become deliverable as a result of vesting to Section 3(b) above and (B) fifty percent (50%) of the amount of cash dividends paid with respect to an outstanding share of Common Stock with a record date during the period beginning on the Amendment Date and ending on the date on which such RSUs are delivered, which amount shall be paid to the Participant on the date such Shares are delivered (provided, that, such amount shall not be paid to the extent that any RSUs do not become vested and Shares are not delivered). No interest or other earning will be credited with respect to such distributions.

5. RSU Award Agreement Subject to Plan. This RSU Award Agreement is made pursuant to all of the provisions of the Plan, which is incorporated herein by this reference, and is intended, and shall be interpreted in a manner, to comply therewith. In the event of any conflict between the provisions of this RSU Award Agreement and the provisions of the Plan, the provisions of the Plan shall govern.

6. No Rights to Continuation of Employment. Nothing in the Plan or this RSU Award Agreement shall confer upon the Participant any right to continue in the employ of the Company or any Affiliate thereof or shall interfere with or restrict the right of the Company or its Affiliates to terminate the Participant’s employment any time for any reason whatsoever, with or without cause.

7. Tax Withholding. The Company shall be entitled to require a cash payment by or on behalf of the Participant in respect of any sums required or permitted by federal, state or local tax law to be withheld with respect to the payment of any RSUs; provided, that, notwithstanding the foregoing, the Participant shall be permitted, at his or her election, to satisfy the applicable tax obligations with respect to any RSUs by cashless exercise or net share settlement, pursuant to which the Company shall withhold from the number of Shares that would otherwise be issued upon settlement of the RSUs the largest whole number of Shares with a Fair Market Value equal to the applicable tax obligations.

8. Section 409A Compliance. The intent of the parties is that the payments and benefits under this RSU Award Agreement comply with Section 409A of the Code to the extent subject thereto, and, accordingly, to the maximum extent permitted, this RSU Award Agreement shall be interpreted and

administered to be in compliance therewith. Notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A of the Code, the Participant shall not be considered to have terminated employment with the Company and its Affiliates for purposes of this RSU Award Agreement until the Participant would be considered to have incurred a "separation from service" within the meaning of Section 409A of the Code. Any payments described in this RSU Award Agreement that are due within the "short-term deferral period" as defined in Section 409A of the Code shall not be treated as deferred compensation unless applicable law requires otherwise. Notwithstanding anything to the contrary in this RSU Award Agreement, to the extent that any payment (including Share delivery) is to be made upon a separation from service and such payment would result in the imposition of any individual penalty tax and late interest charges imposed under Section 409A of the Code, such payment shall instead be made on the first business day after the date that is six (6) months following such separation from service (or upon the Participant's death, if earlier). The Company makes no representation that any or all of the payments and benefits under this RSU Award Agreement comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to any such payments or benefits. The Participant shall be solely responsible for the payment of any taxes and penalties incurred under Section 409A of the Code.

9. Governing Law. This RSU Award Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the internal laws, and not the laws pertaining to conflicts or choices of laws, of the State of Delaware applicable to agreements made and to be performed wholly within the State of Delaware.

10. RSU Award Agreement Binding on Successors. The terms of this RSU Award Agreement shall be binding upon the Participant and upon the Participant's heirs, executors, administrators, personal representatives, transferees, assignees and successors in interest, and upon the Company and its successors and assignees, subject to the terms of the Plan.

11. No Assignment. Notwithstanding anything to the contrary in this RSU Award Agreement, neither this RSU Award Agreement nor any rights granted herein shall be assignable by the Participant.

12. Necessary Acts. The Participant hereby agrees to perform all acts, and to execute and deliver any documents that may be reasonably necessary to carry out the provisions of this RSU Award Agreement, including but not limited to all acts and documents related to compliance with federal and/or state securities and/or tax laws.

13. Severability. Should any provision of this RSU Award Agreement be held by a court of competent jurisdiction to be unenforceable, or enforceable only if modified, such holding shall not affect the validity of the remainder of this RSU Award Agreement, the balance of which shall continue to be binding upon the parties hereto with any such modification (if any) to become a part hereof and treated as though contained in this original RSU Award Agreement. Moreover, if one or more of the provisions contained in this RSU Award Agreement shall for any reason be held to be excessively broad as to scope, activity, subject or otherwise so as to be unenforceable, in lieu of severing such unenforceable provision, such provision or provisions shall be construed by the appropriate judicial body by limiting or reducing it or them, so as to be enforceable to the maximum extent compatible with the applicable law as it shall then appear, and such determination by such judicial body shall not affect the enforceability of such provisions or provisions in any other jurisdiction.

14. Entire RSU Award Agreement. This RSU Award Agreement and the Plan contain the entire agreement and understanding among the parties as to the subject matter hereof, and supersedes any other

agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof.

15. Headings. Headings are used solely for the convenience of the parties and shall not be deemed to be a limitation upon or descriptive of the contents of any such Section.

16. Counterparts; Electronic Signature. This RSU Award Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Your electronic signature of this RSU Award Agreement shall have the same validity and effect as a signature affixed by your hand.

17. Amendment. No amendment or modification hereof shall be valid unless it shall be in writing and signed by all parties hereto.

18. Set-Off. The Participant hereby acknowledges and agrees, without limiting rights of the Company or any Affiliate thereof otherwise available at law or in equity, that, to the extent permitted by law, the number of Shares due to the Participant under this RSU Award Agreement may be reduced by, and set-off against, any or all amounts or other consideration payable by the Participant to the Company or any of its Affiliates under any other agreement or arrangement between the Participant and the Company or any of its Affiliates; provided that any such set-off does not result in a penalty under Section 409A of the Code.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this RSU Award Agreement as of the date set forth above.

**ONEMAIN HOLDINGS, INC.**

By \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

[Company's Signature Page to Restricted Stock Unit Award Agreement]

The undersigned hereby accepts and agrees to all the terms and provisions of the foregoing RSU Award Agreement.

**PARTICIPANT**

Signature \_\_\_\_\_

[\_\_\_\_\_]

Address: \_\_\_\_\_  
\_\_\_\_\_

[Participant's Signature Page to Restricted Stock Unit Award Agreement]

## EXHIBIT A

*[Intentionally left blank]*

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### **Section 3: EX-10.2 (EXHIBIT 10.2)**

#### **Exhibit 10.2**

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#### **FORM OF DIRECTOR RESTRICTED STOCK UNIT AWARD AGREEMENT UNDER THE AMENDED AND RESTATED ONEMAIN HOLDINGS, INC. 2013 OMNIBUS INCENTIVE PLAN**

This Award Agreement (this “RSU Award Agreement”), dated as of [\_\_\_\_], 20[\_\_\_] (the “Date of Grant”), is made by and between OneMain Holdings, Inc., a Delaware corporation (the “Company”), and [\_\_\_\_\_] (the “Participant”). Capitalized terms not defined herein shall have the meaning ascribed to them in the Amended and Restated OneMain Holdings, Inc. 2013 Omnibus Incentive Plan (the “Plan”). Where the context permits, references to the Company shall include any successor to the Company.

1. Grant of Restricted Stock Units. The Company hereby grants to the Participant [\_\_\_\_\_] restricted stock units (the “RSUs”), subject to all of the terms and conditions of this RSU Award Agreement and the Plan.

2. Form of Payment. Except as otherwise provided in the Plan or in Section 8 hereof, each RSU granted hereunder shall represent the right to receive one (1) share of Common Stock (a “Share”), which shall be issued to the Participant pursuant to the terms of Section 3(b) hereof.

3. Vesting and Settlement.

(a) The RSUs shall become vested in full on [\_\_\_\_\_]; provided that the Participant remains in continuous service as a member of the Company’s Board of Directors through and has not given or received a notice of termination of such service (except as provided in Section 3(b)) as of, the date that the RSUs vest. Notwithstanding the foregoing, in the event that the Participant’s service as a member of the Board ends on account of the Participant’s death or Disability at any time, all unvested RSUs not previously forfeited shall immediately vest on such date service ends.

(b) In the event of the Participant’s resignation or termination of service as a member of the Board (other than for Cause) on or after the Participant has attained age 60 and completed at least 3 years of continuous service as a member of the Board, then any unvested shares shall vest in accordance with Section 3(a).

(c) Unless the Participant has elected otherwise by timely executing a valid deferral election in a form acceptable to the Company with respect to the RSUs granted hereunder, the Shares subject to the RSUs shall become issuable hereunder (provided, that such issuance is otherwise in accordance with federal and state securities laws) as soon as practicable following the date on which they vest in accordance with Section 3(a) and in no event later than March 15 of the year following the year in which they vest.

4. Restrictions.

(a) The RSUs may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered, and shall be subject to a risk of forfeiture until they vest in accordance with Section 3(a) and any additional requirements or restrictions contained in this RSU Award Agreement or in the Plan have been otherwise satisfied, terminated or expressly waived by the Company in writing.

(b) Except as otherwise provided under the terms of the Plan or in Sections 3(a) and 3(b) hereof, if the Participant's service as a member of the Board is terminated for any reason (the "Termination"), this RSU Award Agreement shall terminate and all rights of the Participant with respect to

RSUs that have not vested shall immediately terminate. Except as otherwise provided under the terms of the Plan or in Sections 3 (a) and 3(b) hereof, the RSUs that are subject to restrictions upon the date of termination shall be forfeited without payment of any consideration, and neither the Participant nor any of the Participant's successors, heirs, assigns, or personal representatives shall thereafter have any further rights or interests in such RSUs.

5. Voting and Other Rights. The Participant shall have no rights of a stockholder (including the right to distributions or dividends) until Shares are delivered following vesting of the Participant's RSUs; provided, that:

(a) With respect to the period commencing on the Grant Date and ending on the day immediately prior to July 26, 2019 (the "Amendment Date"), the Participant shall be eligible to receive an amount equal to the product of (i) the number of Shares which become deliverable as a result of the vesting of the RSUs pursuant to Section 4(b) above, and (ii) the amount of cash dividends paid with respect to an outstanding share of Common Stock during such period, which amount shall be paid to the Participant on the date such Shares are delivered (provided that such amount shall not be paid to the extent that any RSUs do not become vested and Shares are not delivered). No interest or other earnings will be credited with respect to such payment.

(b) With respect to the period commencing on the Amendment Date and ending on the date on which the RSUs are no longer outstanding (whether due to delivery of shares or forfeiture of the RSUs), the Participant shall be eligible to receive: (i) an amount equal to the product of (A) the number of Shares subject to outstanding RSUs on the record date of any cash dividend made with respect to an outstanding share of Common Stock, and (B) fifty percent (50%) of the amount of the cash dividend paid with respect to an outstanding share of Common Stock during such period, which amount shall be paid to the Participant on the date such Shares are delivered and, if such Shares are not delivered as a result of a forfeiture of the RSUs, then such amount shall be paid on the vesting date of the RSUs to which such amounts relate (provided, that, for the avoidance of doubt, such amount shall be paid even if the underlying RSUs cease to be outstanding for any reason, including forfeiture, after the record date of such dividend); and (ii) an amount equal to the product of (A) the number of Shares subject to the RSUs which become deliverable as a result of vesting to Section 3(b) above and (B) fifty percent (50%) of the amount of cash dividends paid with respect to an outstanding share of Common Stock with a record date during the period beginning on the Amendment Date and ending on the date on which such RSUs are delivered, which amount shall be paid to the Participant on the date such Shares are delivered (provided, that, such amount shall not be paid to the extent that any RSUs do not become vested and Shares are not delivered). No interest or other earnings will be credited with respect to such distributions.

6. RSU Award Agreement Subject to Plan. This RSU Award Agreement is made pursuant to all of the provisions of the Plan, which is incorporated herein by this reference, and is intended, and shall be interpreted in a manner, to comply therewith. In the event of any conflict between the provisions of this RSU Award Agreement and the provisions of the Plan, the provisions of the Plan shall govern.

7. Taxes. The Participant understands that the Participant (and not the Company) shall be responsible for any tax liability that may arise as a result of the transactions contemplated by this RSU Award Agreement.

8. Section 409A Compliance. The intent of the parties is that the payments and benefits under this RSU Award Agreement comply with Section 409A of the Code to the extent subject thereto, and,

accordingly, to the maximum extent permitted, this RSU Award Agreement shall be interpreted and administered to be in compliance therewith. Notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A of the Code, the Participant shall not be considered to have terminated service with the Company and its Affiliates for purposes of this RSU Award Agreement until the Participant would be considered to have incurred a “separation from service” within the meaning of Section 409A of the Code. Any payments described in this RSU Award Agreement that are due within the “short-term deferral period” as defined in Section 409A of the Code shall not be treated as deferred compensation unless applicable law requires otherwise. Notwithstanding anything to the contrary in this RSU Award Agreement, to the extent that any payment (including Share delivery) is to be made upon a separation from service and such payment would result in the imposition of any individual penalty tax and late interest charges imposed under Section 409A of the Code, such payment shall instead be made on the first business day after the date that is six (6) months following such separation from service (or upon the Participant’s death, if earlier).

9. Governing Law. This RSU Award Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the internal laws, and not the laws pertaining to conflicts or choices of laws, of the State of Delaware applicable to agreements made and to be performed wholly within the State of Delaware.

10. RSU Award Agreement Binding on Successors. The terms of this RSU Award Agreement shall be binding upon the Participant and upon the Participant’s heirs, executors, administrators, personal representatives, transferees, assignees and successors in interest, and upon the Company and its successors and assignees, subject to the terms of the Plan.

11. No Assignment. Notwithstanding anything to the contrary in this RSU Award Agreement, neither this RSU Award Agreement nor any rights granted herein shall be assignable by the Participant.

12. Necessary Acts. The Participant hereby agrees to perform all acts, and to execute and deliver any documents that may be reasonably necessary to carry out the provisions of this RSU Award Agreement, including but not limited to all acts and documents related to compliance with federal and/or state securities and/or tax laws.

13. Severability. Should any provision of this RSU Award Agreement be held by a court of competent jurisdiction to be unenforceable, or enforceable only if modified, such holding shall not affect the validity of the remainder of this RSU Award Agreement, the balance of which shall continue to be binding upon the parties hereto with any such modification (if any) to become a part hereof and treated as though contained in this original RSU Award Agreement. Moreover, if one or more of the provisions contained in this RSU Award Agreement shall for any reason be held to be excessively broad as to scope, activity, subject or otherwise so as to be unenforceable, in lieu of severing such unenforceable provision, such provision or provisions shall be construed by the appropriate judicial body by limiting or reducing it or them, so as to be enforceable to the maximum extent compatible with the applicable law as it shall then appear, and such determination by such judicial body shall not affect the enforceability of such provisions or provisions in any other jurisdiction.

14. Entire RSU Award Agreement. This RSU Award Agreement and the Plan contain the entire agreement and understanding among the parties as to the subject matter hereof, and supersedes any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof.

15. Headings. Headings are used solely for the convenience of the parties and shall not be deemed to be a limitation upon or descriptive of the contents of any such Section.

16. Counterparts; Electronic Signature. This RSU Award Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. The Participant's electronic signature of this RSU Award Agreement shall have the same validity and effect as a signature affixed by the Participant's hand.

17. Amendment. No amendment or modification hereof shall be valid unless it shall be in writing and signed by all parties hereto.

18. Set-Off. The Participant hereby acknowledges and agrees, without limiting rights of the Company or any Affiliate thereof otherwise available at law or in equity, that, to the extent permitted by law, the number of Shares due to the Participant under this RSU Award Agreement may be reduced by, and set-off against, any or all amounts or other consideration payable by the Participant to the Company or any of its Affiliates under any other agreement or arrangement between the Participant and the Company or any of its Affiliates; provided that any such set-off does not result in a penalty under Section 409A of the Code.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this RSU Award Agreement as of the date set forth above.

**ONEMAIN HOLDINGS, INC.**

By \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

The undersigned hereby accepts and agrees to all the terms and provisions of the foregoing RSU Award Agreement.

## PARTICIPANT

Signature \_\_\_\_\_

[\_\_\_\_\_]

Address: \_\_\_\_\_

\_\_\_\_\_

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## Section 4: EX-10.3 (EXHIBIT 10.3)

### Exhibit 10.3

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#### FORM OF RESTRICTED STOCK UNIT AWARD AGREEMENT UNDER THE AMENDED AND RESTATED ONEMAIN HOLDINGS, INC. 2013 OMNIBUS INCENTIVE PLAN

This Award Agreement (this “RSU Award Agreement”), dated as of [\_\_\_\_\_], 20[\_\_\_] (the “Date of Grant”), is made by and between OneMain Holdings, Inc., a Delaware corporation (the “Company”), and [\_\_\_\_\_] (the “Participant”). Capitalized terms not defined herein shall have the meaning ascribed to them in the Amended and Restated OneMain Holdings, Inc. 2013 Omnibus Incentive Plan (as may be amended from time to time, the “Plan”). Where the context permits, references to the Company shall include any successor to the Company.

1. Grant of Restricted Stock Units. The Company hereby grants to the Participant [\_\_\_\_\_] restricted stock units (the “RSUs”) (based on the target award) as outlined in **Exhibit A** hereto, subject to all of the terms and conditions of **Exhibit A** hereto, this RSU Award Agreement and the Plan. The number of RSUs granted is subject to adjustments based on the final results for the metrics outlined in **Exhibit A**.

2. Form of Payment. Except as otherwise provided in the Plan or in Section 8 hereof, each RSU granted hereunder shall represent the right to receive one (1) share of Common Stock (a “Share”), which shall be delivered to the Participant pursuant to the applicable schedule set forth in **Exhibit A** hereto.

3. Restrictions.

(a) The RSUs may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered and shall be subject to a risk of forfeiture as described in Section 3(c) until the lapse of the Restricted Period (as defined below) and any additional requirements or restrictions contained in **Exhibit A** hereto, this RSU Award Agreement or in the Plan have been otherwise satisfied, terminated or expressly waived by the Company in writing.

(b) Unless the Restricted Period is previously terminated in accordance with Section 3(c), the Shares subject to

the RSUs shall become deliverable hereunder (provided, that such delivery is otherwise in accordance with federal and state securities laws) in accordance with the applicable provisions set forth in **Exhibit A** hereto (the period prior to Share delivery, the "Restricted Period").

(c) Except as otherwise provided under the terms of the Plan or in **Exhibit A** hereto, if the Participant's employment is terminated for any reason (the "Termination"), this RSU Award Agreement shall terminate and all rights of the Participant with respect to RSUs that have not vested shall immediately terminate. Except as otherwise provided under the terms of the Plan or in **Exhibit A** hereto, the RSUs that are subject to restrictions upon the date of termination shall be forfeited without payment of any consideration, and neither the Participant nor any of the Participant's successors, heirs, assigns, or personal representatives shall thereafter have any further rights or interests in such RSUs.

4. Voting and Other Rights. The Participant shall have no rights of a stockholder (including the right to distributions or dividends) until Shares are delivered following vesting of the Participant's RSUs; provided, that with respect to the period commencing on the Grant Date and ending on the date on which the RSUs are no longer outstanding (whether due to delivery of Shares or forfeiture of the RSUs),

the Participant shall be eligible to receive: (a) an amount equal to the product of (i) the number of Shares subject to outstanding RSUs (assuming achievement of the applicable performance goals at the target level (the “Target Shares”)) on the record date of any cash dividend made with respect to an outstanding share of Common Stock, and (ii) fifty percent (50%) of the amount of the cash dividend paid with respect to an outstanding share of Common Stock during such period, which amount shall be paid to the Participant as soon as practicable following the date such dividend is paid to the holders of shares of Common Stock, but no later than forty-five (45) days following the end of the quarter during which any such record date occurs (provided, that, for the avoidance of doubt, such amount shall be paid even if the underlying RSUs cease to be outstanding for any reason, including forfeiture, after the record date of such dividend); and (b) an amount equal to the excess, if any of (i) the product of (A) the number of Shares subject to the RSUs which become deliverable as a result of vesting pursuant to Section 3(b) above based on the actual level of achievement of the applicable performance goals and (B) one hundred percent (100%) of the amount of the cash dividends paid with respect to an outstanding share of Common Stock with a record date during the period beginning on the Amendment Date and ending on the date on which such RSUs are delivered, over (ii) the aggregate amount of distributions paid with respect to the Target Shares pursuant to clause (a) of this Section, which amount, if any, shall be paid to the Participant on the date such Shares are delivered (provided, that, such amount shall not be paid to the extent that any RSUs do not become vested and Shares are not delivered). No interest or other earnings will be credited with respect to such distributions.

5. RSU Award Agreement Subject to Plan. This RSU Award Agreement is made pursuant to all of the provisions of the Plan, which is incorporated herein by this reference, and is intended, and shall be interpreted in a manner, to comply therewith. In the event of any conflict between the provisions of this RSU Award Agreement and the provisions of the Plan, the provisions of the Plan shall govern.

6. No Rights to Continuation of Employment. Nothing in the Plan or this RSU Award Agreement shall confer upon the Participant any right to continue in the employ of the Company or any Affiliate thereof or shall interfere with or restrict the right of the Company or its Affiliates to terminate the Participant’s employment any time for any reason whatsoever, with or without cause.

7. Tax Withholding. The Company shall be entitled to require a cash payment by or on behalf of the Participant in respect of any sums required or permitted by federal, state or local tax law to be withheld with respect to the payment of any RSUs; provided, that, notwithstanding the foregoing, the Participant shall be permitted, at his or her election, to satisfy the applicable tax obligations with respect to any RSUs by cashless exercise or net share settlement, pursuant to which the Company shall withhold from the number of Shares that would otherwise be delivered upon settlement of the RSUs by the largest whole number of Shares with a Fair Market Value equal to the applicable tax obligations.

8. Section 409A Compliance. The intent of the parties is that the payments and benefits under this RSU Award Agreement be exempt from Section 409A of the Code as short-term deferrals pursuant to Treasury Regulation Section 1.409A-1(b)(4), and this RSU Award Agreement shall be interpreted and administered consistent with such intent; provided, however, that to the extent this payments and benefits under this RSU Award Agreement are subject to Section 409A of the Code, the intent of the parties is that such payments and benefits comply with Section 409A of the Code and to the maximum extent permitted, this RSU Award Agreement shall be interpreted and administered to be in compliance therewith. Each payment and benefit hereunder shall constitute a “separately identified” amount within the meaning of Treasury regulation §1.409A-2(b)(2). The Company makes no representation that any or all of the payments and benefits under this Award Agreement comply with or are exempt from Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to any such

payments or benefits. The Participant shall be solely responsible for the payment of any taxes and penalties incurred under Section 409A of the Code.

9. Governing Law. This RSU Award Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the internal laws, and not the laws pertaining to conflicts or choices of laws, of the State of Delaware applicable to agreements made and to be performed wholly within the State of Delaware.

10. RSU Award Agreement Binding on Successors. The terms of this RSU Award Agreement shall be binding upon the Participant and upon the Participant's heirs, executors, administrators, personal representatives, transferees, assignees and successors in interest, and upon the Company and its successors and assignees, subject to the terms of the Plan.

11. No Assignment. Notwithstanding anything to the contrary in this RSU Award Agreement, neither this RSU Award Agreement nor any rights granted herein shall be assignable by the Participant.

12. Necessary Acts. The Participant hereby agrees to perform all acts, and to execute and deliver any documents that may be reasonably necessary to carry out the provisions of this RSU Award Agreement, including but not limited to all acts and documents related to compliance with federal and/or state securities and/or tax laws.

13. Severability. Should any provision of this RSU Award Agreement be held by a court of competent jurisdiction to be unenforceable, or enforceable only if modified, such holding shall not affect the validity of the remainder of this RSU Award Agreement, the balance of which shall continue to be binding upon the parties hereto with any such modification (if any) to become a part hereof and treated as though contained in this original RSU Award Agreement. Moreover, if one or more of the provisions contained in this RSU Award Agreement shall for any reason be held to be excessively broad as to scope, activity, subject or otherwise so as to be unenforceable, in lieu of severing such unenforceable provision, such provision or provisions shall be construed by the appropriate judicial body by limiting or reducing it or them, so as to be enforceable to the maximum extent compatible with the applicable law as it shall then appear, and such determination by such judicial body shall not affect the enforceability of such provisions or provisions in any other jurisdiction.

14. Entire RSU Award Agreement. This RSU Award Agreement and the Plan contain the entire agreement and understanding among the parties as to the subject matter hereof, and supersedes any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof.

15. Headings. Headings are used solely for the convenience of the parties and shall not be deemed to be a limitation upon or descriptive of the contents of any such Section.

16. Counterparts; Electronic Signature. This RSU Award Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Your electronic signature of this RSU Award Agreement shall have the same validity and effect as a signature affixed by your hand.

17. Amendment. No amendment or modification hereof shall be valid unless it shall be in writing and signed by all parties hereto.

18. Set-Off. The Participant hereby acknowledges and agrees, without limiting rights of the Company or any Affiliate thereof otherwise available at law or in equity, that, to the extent permitted by

law, the number of Shares due to the Participant under this RSU Award Agreement may be reduced by, and set-off against, any or all amounts or other consideration payable by the Participant to the Company or any of its Affiliates under any other agreement or arrangement between the Participant and the Company or any of its Affiliates; provided that any such set-off does not result in a penalty under Section 409A of the Code.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this RSU Award Agreement as of the date set forth above.

**ONEMAIN HOLDINGS, INC.**

By \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

[Company's Signature Page to Restricted Stock Unit Award Agreement]

The undersigned hereby accepts and agrees to all the terms and provisions of the foregoing RSU Award Agreement.

**PARTICIPANT**

Signature \_\_\_\_\_

[\_\_\_\_\_]

Address: \_\_\_\_\_

EXHIBIT A

*[Intentionally left blank]*

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## Section 5: EX-10.4 (EXHIBIT 10.4)

### Exhibit 10.4

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**FORM CASH-SETTLED STOCK-BASED AWARD AGREEMENT  
UNDER THE AMENDED AND RESTATED  
ONEMAIN HOLDINGS, INC. 2013 OMNIBUS INCENTIVE PLAN**

This Award Agreement (this "Award Agreement"), dated as of [\_\_\_\_], 20[\_\_\_] (the "Date of Grant"), is made by and between OneMain Holdings, Inc., a Delaware corporation (the "Company"), and [\_\_\_\_] (the "Participant"). Capitalized terms not defined herein shall have the meaning ascribed to them in the Amended and Restated OneMain Holdings, Inc. 2013 Omnibus Incentive Plan (as may be amended from time to time, the "Plan"). Where the context permits, references to the Company shall include any successor to the Company.

1. Grant of Award. The Company hereby grants to the Participant an award with respect to [\_\_\_\_] shares of Common Stock and with a per share "Base Calculation Price" of \$[\_\_\_], subject to adjustment as provided in the Plan and as set forth below (the "Award"), subject to all of the terms and conditions of Exhibits A and B hereto, this Award Agreement and the Plan.

2. Vesting of Award. The Award shall become vested in accordance with the vesting schedule set forth in Exhibit A hereto (the "Vesting Schedule"). Except as otherwise provided under the terms of the Plan or in Exhibit A hereto, if the Participant's employment is terminated for any reason (the "Termination"), this Award Agreement shall terminate and all rights of the Participant with respect to the Award that has not vested shall immediately terminate.

3. Base Calculation Price. With respect to each cash dividend payable to holders of shares of Common Stock which is declared and has a record date after the date of this Award Agreement and during the period that the Award is outstanding and unvested and at a time when the Participant remains continuously employed by the Company or one of its Affiliates (each such dividend at such time, calculated on a per share basis, a "Dividend"), the Base Calculation Price of each share of Common Stock subject to the unvested portion of the Award shall be decreased on the record date in an amount equal to fifty percent (50%) of such Dividend. With respect to each Dividend which is declared and has a record date during any period beginning on the Participant's termination of employment while the Award remains outstanding and unvested, the Exercise Price of each share of Common Stock subject to the unvested portion of the Award shall be decreased on the record date in an amount equal to one hundred percent (100%) of such Dividend.

4. Other Rights. The Participant shall have no rights of a stockholder (including the right to distributions or dividends) with respect to the Award; provided, that with respect to each Dividend which is declared and has a record date during the period while the Award remains outstanding and unvested and the Participant remains continuously employed by the Company or one of its Affiliates, the Participant shall be eligible to receive an amount equal to the product of (i) the number of shares of Common Stock subject to the unvested portion of the Award on the record date of any such Dividend, and (ii) fifty percent (50%) of the amount of the Dividend, which amount shall be paid to the Participant as soon as practicable following the date such Dividend is paid to holders of shares of Common Stock, but no later than forty-five (45) days following the end of the

quarter during which any such record date occurs. No interest or other earnings will be credited with respect to such payment. For avoidance of doubt, the Participant will not be eligible to receive any payments with respect to a Dividend after termination of employment.

5. Settlement. The Award, to the extent it becomes vested pursuant to Section 2, shall be settled on the day following the Tranche I Sell-Down Date or the Tranche II Sell-Down Date, as applicable (as defined in Exhibit A) and the Company shall deliver to the Participant (or the Participant's personal representative) as soon as practical thereafter, but in no event later than 30 days following such applicable date, cash in an amount equal to (i) the product of (A) the number of shares of Common Stock with respect to which the Award became vested on the Tranche I Sell-Down Date or the Tranche II Sell-Down Date, as applicable, and (B) the Fair Market Value of a share of Common Stock (determined as of the date following the Tranche I Sell-Down Date or the Tranche II Sell-Down Date, as applicable) less the Base Calculation Price, less (ii) any withholding pursuant to Section 10.

6. Termination of Award. The Award shall terminate, to the extent not earlier terminated pursuant to Section 2 or settled pursuant to Section 5, on the ten-year anniversary of the Date of Grant (the "Expiration Date"). Upon the termination of the Award, the Award and all rights hereunder shall immediately become null and void.

7. No Rights as Stockholder. The Participant shall not be entitled to any privileges of ownership with respect to shares of Common Stock subject to the Award.

8. Award Agreement Subject to Plan. This Award Agreement shall be interpreted as though it were made pursuant to the provisions of the Plan, which is incorporated herein by this reference, and is intended, and shall be interpreted in a manner, to comply therewith. In the event of any conflict between the provisions of this Award Agreement and the provisions of the Plan, the provisions of the Plan shall govern. The Participant hereby acknowledges receipt of a copy of the Plan.

9. No Rights to Continuation of Employment. Nothing in the Plan or this Award Agreement shall confer upon the Participant any right to continue in the employ of the Company or any Affiliate thereof or shall interfere with or restrict the right of the Company or its Affiliates to terminate the Participant's employment any time for any reason whatsoever, with or without cause.

10. Tax Withholding. The Company shall have the right to deduct from all amounts paid in cash any sums required or permitted by federal, state or local tax law to be withheld with respect to the settlement of any portion of the Award.

11. Section 409A Compliance. The intent of the parties is that the payments and benefits under this Award Agreement be exempt from Section 409A of the Code as short-term deferrals pursuant to Treasury Regulation Section 1.409A-1(b)(4), and this Award Agreement shall be interpreted and administered consistent with such intent; provided, however, that to the extent this payments and benefits under this Award Agreement are subject to Section 409A of the Code, the intent of the parties is that such payments and benefits comply with Section 409A of the Code and to the maximum extent permitted, this Award Agreement shall be interpreted and administered to be in compliance therewith. Each payment and benefit hereunder shall constitute a "separately identified" amount within the meaning of Treasury regulation §1.409A-2(b)(2). The Company makes no representation that any or all of the payments and benefits under this Award Agreement comply with or are exempt from Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to any such payments or benefits. The Participant shall be solely responsible for the payment of any taxes and penalties incurred under Section 409A of the Code.

12. Governing Law. This Award Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the internal laws, and not the laws pertaining to conflicts or

choices of laws, of the State of Delaware applicable to agreements made and to be performed wholly within the State of Delaware.

13. Award Agreement Binding on Successors. The terms of this Award Agreement shall be binding upon the Participant and upon the Participant's heirs, executors, administrators, personal representatives, transferees, assignees and successors in interest, and upon the Company and its successors and assignees, subject to the terms of the Plan.

14. No Assignment. Notwithstanding anything to the contrary in this Award Agreement, neither this Award Agreement nor any rights granted herein shall be assignable by the Participant.

15. Necessary Acts. The Participant hereby agrees to perform all acts, and to execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Award Agreement, including but not limited to all acts and documents related to compliance with federal and/or state securities and/or tax laws.

16. Severability. Should any provision of this Award Agreement be held by a court of competent jurisdiction to be unenforceable, or enforceable only if modified, such holding shall not affect the validity of the remainder of this Award Agreement, the balance of which shall continue to be binding upon the parties hereto with any such modification (if any) to become a part hereof and treated as though contained in this original Award Agreement. Moreover, if one or more of the provisions contained in this Award Agreement shall for any reason be held to be excessively broad as to scope, activity, subject or otherwise so as to be unenforceable, in lieu of severing such unenforceable provision, such provision or provisions shall be construed by the appropriate judicial body by limiting or reducing it or them, so as to be enforceable to the maximum extent compatible with the applicable law as it shall then appear, and such determination by such judicial body shall not affect the enforceability of such provisions or provisions in any other jurisdiction.

17. Entire Agreement. This Award Agreement, including Exhibits A and B hereto, and the Plan contain the entire agreement and understanding among the parties as to the subject matter hereof, and supersedes any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof.

18. Headings. Headings are used solely for the convenience of the parties and shall not be deemed to be a limitation upon or descriptive of the contents of any such Section.

19. Counterparts; Electronic Signature. This Award Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Your electronic signature of this Award Agreement shall have the same validity and effect as a signature affixed by your hand.

20. Amendment. No amendment or modification hereof shall be valid unless it shall be in writing and signed by all parties hereto.

21. Set-Off. The Participant hereby acknowledges and agrees, without limiting rights of the Company or any Affiliate thereof otherwise available at law or in equity, that, to the extent permitted by law, the payments due to the Participant under this Award Agreement may be reduced by, and set-off against, any or all amounts or other consideration payable by the Participant to the Company or any of its Affiliates under any other agreement or arrangement between the Participant and the Company or any of its Affiliates; provided that any such set-off does not result in a penalty under Section 409A of the Code.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Award Agreement as of the date set forth above.

**ONEMAIN HOLDINGS, INC.**

By \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

[Company's Signature Page to Award Agreement]

The undersigned hereby accepts and agrees to all the terms and provisions of the foregoing Award Agreement.

**PARTICIPANT**

Signature \_\_\_\_\_

[\_\_\_\_\_]

Address: \_\_\_\_\_

\_\_\_\_\_

[Participant's Signature Page to Award Agreement]

**EXHIBIT A**

*[Intentionally left blank]*

## **EXHIBIT B**

*[Intentionally left blank]*

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### **Section 6: EX-10.5 (EXHIBIT 10.5)**

#### **Exhibit 10.5**

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#### **AMENDED AND RESTATED CASH-SETTLED OPTION AWARD AGREEMENT ONEMAIN HOLDINGS, INC.**

This Amended and Restated Award Agreement (this “Option Award Agreement”), dated as of July 26, 2019 (the “Amended Date”), is made by and between OneMain Holdings, Inc., a Delaware corporation (the “Company”), and Douglas H. Shulman (the “Participant”).

The Company and the Participant entered into an Award Agreement (the “Original Award Agreement”), dated as of July 12, 2018 (the “Date of Grant”), pursuant to which the Participant was granted the Option (as defined below). The Option was not, and was not granted under or pursuant to, an “equity-compensation plan” (as such term is defined in NYSE Rule 303A.08) because it provides for a payment of cash rather than the delivery of equity securities. Although the Option is not granted under the Amended and Restated OneMain Holdings, Inc. 2013 Omnibus Incentive Plan (as may be amended from time to time, the “Plan”), except as expressly provided otherwise, the Option will be governed in a manner consistent with the terms and conditions of the Plan.

Capitalized terms not defined herein shall have the meaning ascribed to them in the Plan. Where the context permits, references to the Company shall include any successor to the Company.

1. Grant of Option. The Company granted to the Participant an option with respect to 650,000 shares of Common Stock at the price per share of \$33.40 as of the Date of Grant, subject to adjustment as provided in the Plan and as set forth below (the “Exercise Price”) (the “Option”), subject to all of the terms and conditions of **Exhibit A** hereto, this Option Award Agreement and the Plan. In no event shall the Exercise Price be below Fair Market Value of a share of Common Stock on the Date of Grant and, if such Exercise Price is below Fair Market Value of a share of Common Stock on the Date of Grant, the Exercise Price shall automatically be adjusted to reflect the Fair Market Value of a share of Common Stock on the Date of Grant.

2. Vesting of Option. The Option shall become vested in accordance with the vesting schedule set forth in **Exhibit A** hereto (the “Vesting Schedule”). Except as otherwise provided under the terms of the Plan or in **Exhibit A** hereto, if the Participant’s employment is terminated for any reason (the “Termination”), this Option Award Agreement shall terminate and all rights of the Participant with respect to Options that have not vested shall immediately terminate.

3. Exercise Price. Prior to the Amended Date, the Exercise Price was decreased in connection with each cash

dividend declared and paid to holders of shares of Common Stock in an amount equal to the per share cash dividend and at the time that such dividends were paid to such holders. On and after the Amended Date, with respect to each cash dividend payable to holders of shares of Common Stock (each such dividend, calculated on a per share basis, a "Dividend") which is declared and has a record date during the period beginning on the Amended Date while the Option remains outstanding and unvested and the Participant remains continuously employed by the Company or one of its Affiliates, the Exercise Price of each share of Common Stock subject to the unvested portion of the Option shall be decreased on the record date in an amount equal to fifty percent (50%) of such Dividend. On and after the Amended Date, with respect to each Dividend which is declared and has a record date during any period beginning on the Participant's termination of employment while the Option remains outstanding and unvested, the Exercise

Price of each share of Common Stock subject to the unvested portion of the Option shall be decreased on the record date in an amount equal to one hundred percent (100%) of such Dividend.

4. Other Rights. The Participant shall have no rights of a stockholder (including the right to distributions or dividends) with respect to the Option; provided, that with respect to each Dividend which is declared and has a record date during the period beginning on the Amended Date while the Option remains outstanding and unvested and the Participant remains continuously employed by the Company or one of its Affiliates, the Participant shall be eligible to receive an amount equal to the product of (i) the number of shares of Common Stock subject to the unvested portion of the Option on the record date of any such Dividend, and (ii) fifty percent (50%) of the amount of the Dividend, subject to the Participant remaining continuously employed by the Company or one of its Affiliates through such record date, which amount shall be paid to the Participant as soon as practicable following the date such Dividend is paid to holders of shares of Common Stock, but no later than forty-five (45) days following the end of the quarter during which any such record date occurs. No interest or other earnings will be credited with respect to such payment.

5. Method of Exercise; Settlement. The Option, to the extent it becomes vested pursuant to Section 2, shall be automatically exercised by means of a cashless exercise procedure on the day following the Tranche I Sell-Down Date or the Tranche II Sell-Down Date, as applicable (as defined in **Exhibit A**) and the Company shall deliver to the Participant (or the Participant's personal representative) as soon as practical thereafter, but in no event later than 30 days following such applicable date, cash in an amount equal to (i) the product of (A) the number of shares of Common Stock the Participant would have otherwise been entitled to receive upon such exercise pursuant to such cashless exercise procedure, multiplied by (B) the Fair Market Value of share of Common Stock (determined as of the date following the Tranche I Sell-Down Date or the Tranche II Sell-Down Date, as applicable) less the Exercise Price, less (ii) any withholding pursuant to Section 9.

6. Termination of Option. The Option shall terminate, to the extent not earlier terminated pursuant to Section 2 or exercised pursuant to Section 5, on the ten-year anniversary of the Date of Grant (the "Expiration Date"). Upon the termination of the Option, the Option and all rights hereunder shall immediately become null and void.

7. Option Award Agreement Subject to Plan. This Option Award Agreement shall be interpreted as though it were made pursuant to the provisions of the Plan, which is incorporated herein by this reference, and is intended, and shall be interpreted in a manner, to comply therewith. In the event of any conflict between the provisions of this Option Award Agreement and the provisions of the Plan, the provisions of the Option Award Agreement shall govern. The Participant hereby acknowledges receipt of a copy of the Plan.

8. No Rights to Continuation of Employment. Nothing in the Plan or this Option Award Agreement shall confer upon the Participant any right to continue in the employ of the Company or any Affiliate thereof or shall interfere with or restrict the right of the Company or its Affiliates to terminate the Participant's employment any time for any reason whatsoever, with or without cause.

9. Tax Withholding. The Company shall have the right to deduct from all amounts paid in cash any sums required or permitted by federal, state or local tax law to be withheld with respect to the exercise of any Options.

10. Section 409A Compliance. The intent of the parties is that the payments and benefits under this Option Award Agreement be exempt from Section 409A of the Code as short-term deferrals pursuant to Treasury Regulation Section 1.409A-1 (b)(4), and this Option Award Agreement shall be interpreted and administered consistent with such intent; provided, however, that to the extent this payments and benefits

under this Option Award Agreement are subject to Section 409A of the Code, the intent of the parties is that such payments and benefits comply with Section 409A of the Code and to the maximum extent permitted, this Option Award Agreement shall be interpreted and administered to be in compliance therewith. Each payment and benefit hereunder shall constitute a “separately identified” amount within the meaning of Treasury regulation §1.409A-2(b)(2). The Company makes no representation that any or all of the payments and benefits under this Option Award Agreement comply with or are exempt from Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to any such payments or benefits. The Participant shall be solely responsible for the payment of any taxes and penalties incurred under Section 409A of the Code.

11. Governing Law. This Option Award Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the internal laws, and not the laws pertaining to conflicts or choices of laws, of the State of Delaware applicable to agreements made and to be performed wholly within the State of Delaware.

12. Option Award Agreement Binding on Successors. The terms of this Option Award Agreement shall be binding upon the Participant and upon the Participant’s heirs, executors, administrators, personal representatives, transferees, assignees and successors in interest, and upon the Company and its successors and assignees, subject to the terms of the Plan.

13. No Assignment. Notwithstanding anything to the contrary in this Option Award Agreement, neither this Option Award Agreement nor any rights granted herein shall be assignable by the Participant.

14. Necessary Acts. The Participant hereby agrees to perform all acts, and to execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Option Award Agreement, including but not limited to all acts and documents related to compliance with federal and/or state securities and/or tax laws.

15. Severability. Should any provision of this Option Award Agreement be held by a court of competent jurisdiction to be unenforceable, or enforceable only if modified, such holding shall not affect the validity of the remainder of this Option Award Agreement, the balance of which shall continue to be binding upon the parties hereto with any such modification (if any) to become a part hereof and treated as though contained in this original Option Award Agreement. Moreover, if one or more of the provisions contained in this Option Award Agreement shall for any reason be held to be excessively broad as to scope, activity, subject or otherwise so as to be unenforceable, in lieu of severing such unenforceable provision, such provision or provisions shall be construed by the appropriate judicial body by limiting or reducing it or them, so as to be enforceable to the maximum extent compatible with the applicable law as it shall then appear, and such determination by such judicial body shall not affect the enforceability of such provisions or provisions in any other jurisdiction.

16. Entire Agreement. This Option Award Agreement, including Exhibit A hereto, and the Plan, along with the Participant’s employment agreement to the extent it is not inconsistent with this Agreement and the Plan, contain the entire agreement and understanding among the parties as to the subject matter hereof, and supersedes any other agreements (including the Original Award Agreement) or representations, oral or otherwise, express or implied, with respect to the subject matter hereof.

17. Headings. Headings are used solely for the convenience of the parties and shall not be deemed to be a limitation upon or descriptive of the contents of any such Section.

18. Counterparts; Electronic Signature. This Option Award Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Your electronic signature of this Option Award Agreement shall have the same validity and effect as a signature affixed by your hand.

19. Amendment. No amendment or modification hereof shall be valid unless it shall be in writing and signed by all parties hereto.

20. Set-Off. The Participant hereby acknowledges and agrees, without limiting rights of the Company or any Affiliate thereof otherwise available at law or in equity, that, to the extent permitted by law, the payments due to the Participant under this Option Award Agreement may be reduced by, and set-off against, any or all amounts or other consideration payable by the Participant to the Company or any of its Affiliates under any other agreement or arrangement between the Participant and the Company or any of its Affiliates; provided that any such set-off does not result in a penalty under Section 409A of the Code.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Option Award Agreement as of the date set forth above.

**ONEMAIN HOLDINGS, INC.**

By \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

[Company's Signature Page to Option Award Agreement]

The undersigned hereby accepts and agrees to all the terms and provisions of the foregoing Option Award Agreement.

**PARTICIPANT**

Signature \_\_\_\_\_

DOUGLAS H. SHULMAN

Address: \_\_\_\_\_

\_\_\_\_\_

## EXHIBIT A

### Vesting of Options:

The number of Options granted hereunder will vest as follows, conditioned, in each case, on the Participant's continued employment with the Company or one of its Affiliates as of the applicable vesting date:

- The Options granted hereunder will be divided into three (3) tranches;
  - 300,000 "Tranche I Options";
  - 225,000 "Tranche II Options"; and
  - 125,000 "Tranche III Options".

Subject to the Participant remaining continuously employed by the Company or one of its Affiliates through the applicable Vesting Date (as defined below):

- The Tranche I Options vest if on or prior to the date on which at least 75% of the Company's issued and outstanding shares of Common Stock are owned by stockholders other than OMH Holdings, L.P. and its Affiliates (such date, the "Tranche I Sell-Down Date"), the Company achieves a \$55 per share ("Tranche I Price Trigger") volume-weighted average trading price ("VWAP") as of the Date of Grant over a consecutive 6-month period; provided, however, that, notwithstanding whether the Tranche I Price Trigger has been achieved as of the Tranche I Sell-Down Date, if, on the day following the Tranche I Sell-Down Date, the Fair Market Value of a share of Common Stock is not lower than 10% below the Tranche I Price Trigger, then the Tranche I Options shall vest on the Tranche I Sell-Down Date;
- The Tranche II Options (and, to the extent not previously vested, the Tranche I Options) vest if on or prior to the date on which at least 90% of the Company's issued and outstanding shares of Common Stock are owned by stockholders other than OMH Holdings, L.P. and its Affiliates (such date, the "Tranche II Sell-Down Date" and each of the Tranche I Sell-Down Date and the Tranche II Sell-Down Date, the "Vesting Date"), the Company achieves a \$70 per share ("Tranche II Price Trigger") VWAP as of the Date of Grant over a consecutive 6-month period; provided, however, that, notwithstanding whether the Tranche II Price Trigger has been achieved as of the Tranche II Sell-Down Date, if, on the day following the Tranche II Sell-Down Date, the Fair Market Value of a share of Common Stock is not lower than 10% below the Tranche II Price Trigger, then the Tranche II Options shall vest on the Tranche II Sell-Down Date; and
- The Tranche III Options (and, to the extent not previously vested, the Tranche I Options and the Tranche II Options) vest if on or prior to the Tranche II Sell-Down Date, the Company achieves a \$85 per share ("Tranche III Price Trigger") VWAP as of the Date of Grant over a consecutive 6-month period; provided, however, that, notwithstanding whether the Tranche III Price Trigger has been achieved as of the Tranche II Sell-Down Date, if, the day following the Tranche II Sell-Down Date, the Fair Market Value of a share of Common Stock is not

lower than 10% below the Tranche III Price Trigger, then the Tranche III Options shall vest on the Tranche II Sell-Down Date;

provided, however, that if the Participant's employment terminates as a result of death or Disability or the Participant's employment is terminated without Cause or the Participant resigns for Good Reason, the Options shall remain outstanding for up to twelve (12) months following such date of termination during which the Options will remain eligible to vest based on satisfaction of the conditions set forth in this **Exhibit A**; provided, further, that if the Tranche I Price Trigger, the Tranche II Price Trigger and/or the Tranche III Price Trigger has been achieved during Participant's employment, and if the Participant's employment terminates as a result of death or Disability or the Participant's employment is terminated without Cause or if Participant resigns for Good Reason, the Tranche I Options, the Tranche II Options or the Tranche III Options, as applicable, shall remain outstanding for up to twenty-four (24) months following such date of termination during which such Options will remain eligible to vest based on satisfaction of the conditions set forth in this **Exhibit A** including the occurrence of the Tranche I Sell-Down Date or the Tranche II Sell-Down Date, as applicable, occurring during such time period.

Notwithstanding the foregoing, (i) upon a Change in Control, if the conditions set forth in this **Exhibit A** have not been satisfied, the Options subject to vesting conditions shall terminate and be forfeited, and (ii) any Options that have not vested on or prior to the day following the Tranche II Sell-Down Date shall be forfeited immediately following the day following the Tranche II Sell-Down Date.

As used in this Exhibit A, "volume-weighted average trading price per share" shall be determined by the Committee and will be adjusted for the payment of Dividends as appropriate. Prior to the Amended Date, the VWAP shall be decreased in connection with each cash dividend declared and paid to holders of shares of Common Stock in an amount equal to the per share cash dividend at the time that such dividends are paid to such holders. On and after the Amended Date, the VWAP (i) shall be decreased on the record date of each Dividend which is declared and has a record date during the period beginning on the Amended Date while the Option remains outstanding and unvested and the Participant remains continuously employed by the Company or one of its Affiliates in an amount equal to fifty percent (50%) of the Dividend, and (ii) shall be decreased on the record date of each Dividend which is declared and has a record date during any period beginning on the Participant's termination of employment while the Option remains outstanding and unvested in an amount equal to one hundred percent (100%) of such Dividend.

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## Section 7: EX-31.1 (EXHIBIT 31.1)

### Exhibit 31.1

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#### Certifications

I, Douglas H. Shulman, President and Chief Executive Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OneMain Holdings, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2019

/s/ Douglas H. Shulman

Douglas H. Shulman

President and Chief Executive Officer

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## Section 8: EX-31.2 (EXHIBIT 31.2)

### **Exhibit 31.2**

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#### **Certifications**

I, Micah R. Conrad, Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OneMain Holdings, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2019

/s/ Micah R. Conrad

Micah R. Conrad

Executive Vice President and Chief Financial Officer  
(Duly Authorized Officer and Principal Financial Officer)

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## Section 9: EX-32.1 (EXHIBIT 32.1)

### Exhibit 32.1

#### **Certifications**

In connection with the Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 of OneMain Holdings, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of Douglas H. Shulman, President and Chief Executive Officer of the Company, and Micah R. Conrad, Executive Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Douglas H. Shulman

Douglas H. Shulman

President and Chief Executive Officer

/s/ Micah R. Conrad

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Micah R. Conrad  
Executive Vice President and Chief Financial Officer

Date: November 1, 2019

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