Section 1: 10-K (10-K)

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2017

OR

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

For the transition period from to

Commission file number 1-06155

SPRINGLEAF FINANCE CORPORATION

(Exact name of registrant as specified in its charter)

Indiana	**35-0416090**
(State of incorporation)	(I.R.S. Employer Identification No.)
601 N.W. Second Street, Evansville, IN	**47708**
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☑ (Do not check if a smaller reporting company)	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 ☑

All of the registrant's common stock is held by Springleaf Finance, Inc. The registrant is indirectly owned by OneMain Holdings, Inc.

At February 14, 2018, there were 10,160,021 shares of the registrant's common stock, $0.50 par value, outstanding.

The registrant meets the conditions set forth in General Instructions I(1)(a) and (b) of Form 10-K as, among other things, all of the registrant's equity securities are owned indirectly by OneMain Holdings, Inc., which is a reporting company under the Securities Exchange Act of 1934 and which has filed with the SEC on February 21, 2018 all of the material required to be filed pursuant to Section 13, 14 or 15(d) thereof and the registrant is therefore filing this Form 10-K with a reduced disclosure format, which omits the information otherwise required by Items 10, 11, 12 and 13 as permitted under General Instruction I(2)(c) on Form 10-K.

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GLOSSARY

Terms and abbreviations used in this report are defined below.

Term or Abbreviation	Definition
2013 Omnibus Incentive Plan	incentive plan under which equity-based awards are granted to selected management employees, non-employee directors, independent contractors, and consultants
2014-A Notes	asset-backed notes issued in March 2014 by the Springleaf Funding Trust 2014-A
2016 Annual Report on Form 10-K	Annual Report on Form 10-K for the fiscal year ended December 31, 2016
2022 SFC Notes	$500 million of 6.125% Senior Notes due 2022 issued by SFC on May 15, 2017 and guaranteed by OMH
2023 SFC Notes	$875 million of 5.615% Senior Notes due 2023 issued by SFC on December 8, 2017 and guaranteed by OMH.
30-89 Delinquency ratio	net finance receivables 30-89 days past due as a percentage of net finance receivables
5.25% SFC Notes	$700 million of 5.25% Senior Notes due 2019 issued by SFC on December 3, 2014 and guaranteed by OMH
6.125% SFC Notes	collectively, the 2022 SFC Notes and the Additional SFC Notes
8.25% SFC Notes	$1.0 billion of 8.25% Senior Notes due 2020 issued by SFC on April 11, 2016 and guaranteed by OMH
ABO	accumulated benefit obligation
ABS	asset-backed securities
Accretable yield	the excess of the cash flows expected to be collected on the purchased credit impaired finance receivables over the discounted cash flows
Additional SFC Notes	$500 million of 6.125% Senior Notes due 2022 issued by SFC on May 30, 2017 and guaranteed by OMH
Adjusted pretax income (loss)	a non-GAAP financial measure; income (loss) before income tax expense (benefit) on a Segment Accounting Basis, excluding acquisition-related transaction and integration expenses, net gain (loss) on sales of personal and real estate loans, net gain on sale of SpringCastle interests, SpringCastle transaction costs, losses resulting from repurchases and repayments of debt, debt refinance costs, net loss on liquidation of our United Kingdom subsidiary, and income attributable to non-controlling interests
AHL	American Health and Life Insurance Company
Apollo	Apollo Global Management, LLC and its consolidated subsidiaries
Apollo-Värde Transaction	the proposed purchase by the Apollo-Värde Group of 54,937,500 shares of OMH common stock from the Initial Stockholder pursuant to the Share Purchase Agreement entered into among OMH, the Initial Stockholder and the Apollo-Värde Group on January 3, 2018
Apollo-Värde Group	an investor group led by funds managed by Apollo and Värde
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
August 2016 Real Estate Loan Sale	SFC and certain of its subsidiaries sold a portfolio of second lien mortgage loans for aggregate cash proceeds of $246 million on August 3, 2016
Average debt	average of debt for each day in the period
Average net receivables	average of monthly average net finance receivables (net finance receivables at the beginning and end of each month divided by two) in the period
BP	basis point
Blackstone	collectively, BTO Willow Holdings II, L.P. and Blackstone Family Tactical Opportunities Investment Partnership—NQ—ESC L.P.
Cash Services Note	new intercompany demand note issued to CSI in exchange for the Independence Demand Note in connection with the Note Assignment
CDO	collateralized debt obligations
CFPB	Consumer Financial Protection Bureau
CMBS	commercial mortgage-backed securities
CRA	Congressional Review Act
CSI	Springleaf Financial Cash Services, Inc.
December 2016 Real Estate Loan Sale	SFC and certain of its subsidiaries sold a portfolio of first and second lien mortgage loans for aggregate cash proceeds of $58 million on December 19, 2016

Term or Abbreviation	Definition
Dodd-Frank Act	the Dodd-Frank Wall Street Reform and Consumer Protection Act
DOJ	U.S. Department of Justice
ERISA	Employee Retirement Income Security Act of 1974
Exchange Act	Securities Exchange Act of 1934, as amended
FA Loans	purchased credit impaired finance receivables related to the Fortress Acquisition
FASB	Financial Accounting Standards Board
FHLB	Federal Home Loan Bank
FICO score	a credit score created by Fair Isaac Corporation
Fitch	Fitch, Inc.
Fixed charge ratio	earnings less income taxes, interest expense, extraordinary items, goodwill impairment, and any amounts related to discontinued operations, divided by the sum of interest expense and any preferred dividends
Fortress	Fortress Investment Group LLC
Fortress Acquisition	transaction by which FCFI Acquisition LLC, an affiliate of Fortress, acquired an 80% economic interest of the sole stockholder of SFC for a cash purchase price of $119 million, effective November 30, 2010
Fourth Avenue Auto Funding LSA	Loan and Security Agreement, dated September 29, 2017, among Fourth Avenue Auto Funding, LLC, certain third party lenders and other third parties pursuant to which Fourth Avenue Auto Funding, LLC may borrow up to $250 million
GAAP	generally accepted accounting principles in the United States of America
GAP	guaranteed asset protection
Gross charge-off ratio	annualized gross charge-offs as a percentage of average net receivables
HAMP	Home Affordable Modification Program
Indenture	the SFC Base Indenture, together with all subsequent Supplemental Indentures
Independence	Independence Holdings, LLC
Independence Demand Note	a revolving demand note entered into on November 12, 2015 whereby CSI agreed to make advances to Independence from time to time
Indiana DOI	Indiana Department of Insurance
Initial Stockholder	Springleaf Financial Holdings, LLC
Investment Company Act	Investment Company Act of 1940
IRS	Internal Revenue Service
Junior Subordinated Debenture	$350 million aggregate principal amount of 60-year junior subordinated debt issued by SFC under an indenture dated January 22, 2007, by and between SFC and Deutsche Bank Trust Company, as trustee, and guaranteed by OMH
Lendmark Sale	the sale of 127 Springleaf branches to Lendmark Financial Service, LLC, effective April 30, 2016
LIBOR	London Interbank Offered Rate
Logan Circle	Logan Circle Partners, L.P.
Loss ratio	annualized net charge-offs, net writedowns on real estate owned, net gain (loss) on sales of real estate owned, and operating expenses related to real estate owned as a percentage of average real estate loans
Merit	Merit Life Insurance Co.
MetLife	MetLife, Inc.
Military Lending Act	governs certain consumer lending to active-duty service members and covered dependents and limits, among other things, the interest rate that may be charged
Moody’s	Moody’s Investors Service, Inc.
Mystic River Funding LSA	Loan and Security Agreement, dated September 28, 2017, among Mystic River Funding, LLC, certain third party lenders and other third parties pursuant to which Mystic River Funding, LLC may borrow up to $850 million
Nationstar	Nationstar Mortgage LLC, dba “Mr. Cooper”

Term or Abbreviation	Definition
Net charge-off ratio	annualized net charge-offs as a percentage of average net receivables
Net interest income	interest income less interest expense
Note Assignment	an assignment of an intercompany demand note entered into on July 19, 2016 whereby CSI sold and assigned to OMFH, and OMFH purchased and assumed from CSI, an interest in and to CSI's right to receive $150 million principal amount outstanding under the Independence Demand Note
NRZ	New Residential Investment Corp.
OCLI	OneMain Consumer Loan, Inc.
ODART	OneMain Direct Auto Receivables Trust
OGSC	OneMain General Services Corporation, successor to SGSC and SFMC
OMAS	OneMain Assurance Services, LLC
OMFH	OneMain Financial Holdings, LLC
OMFH Note	new intercompany demand note issued to OMFH in exchange for the Independence Demand Note (in addition to the Cash Services Note) in connection with the Note Assignment
OMH	OneMain Holdings, Inc.
OneMain Acquisition	Acquisition of OneMain from CitiFinancial Credit Company, effective November 1, 2015
OneMain Demand Note	a revolving demand note entered into on November 15, 2015 whereby SFC agreed to make advances to OMFH from time to time
Other SFC Notes	collectively, approximately $5.2 billion aggregate principal amount of senior notes, on a senior unsecured basis, and the Junior Subordinated Debenture, on a junior subordinated basis, issued by SFC and guaranteed by OMH
PBO	projected benefit obligation
PRSUs	performance-based RSUs
Recovery ratio	annualized recoveries on net charge-offs as a percentage of average net receivables
Retail sales finance	collectively, retail sales contracts and revolving retail accounts
RMBS	residential mortgage-backed securities
RSAs	restricted stock awards
RSUs	restricted stock units
SAC	Springleaf Acquisition Corporation
SCP Loans	purchased credit impaired loans acquired through the SpringCastle Joint Venture
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933
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
S&P	Standard & Poor's Ratings Services
SFC	Springleaf Finance Corporation
SFC Base Indenture	Indenture dated as of December 3, 2014
SFC First Supplemental Indenture	First Supplemental Indenture dated as of December 3, 2014, to the SFC Base Indenture
SFC Fourth Supplemental Indenture	Fourth Supplemental Indenture dated as of December 8, 2017, to the SFC Base Indenture
SFC Guaranty Agreements	agreements entered into on December 30, 2013 by OMH whereby it agreed to fully and unconditionally guarantee the payments of principal, premium (if any) and interest on the Other SFC Notes
SFC Second Supplemental Indenture	Second Supplemental Indenture dated as of April 11, 2016, to the SFC Base Indenture
SFC Third Supplemental Indenture	Third Supplemental Indenture dated as of May 15, 2017, to the SFC Base Indenture
SFC Trust Guaranty Agreement	agreement entered into on December 30, 2013 by OMH whereby it agreed to fully and unconditionally guarantee the related payment obligations under the trust preferred securities in connection with the Junior Subordinated Debenture

Term or Abbreviation	Definition
SFI	Springleaf Finance, Inc.
SFMC	Springleaf Finance Management Corporation
SGSC	Springleaf General Services Corporation
Share Purchase Agreement	Share Purchase Agreement entered into on January 3, 2018, among the Apollo-Värde Group, the Initial Stockholder and OMH to acquire from the Initial Stockholder 54,937,500 shares of OMH's common stock that was issued and outstanding as of such date, representing the entire holdings of OMH's stock beneficially owned by Fortress
SLFT	Springleaf Funding Trust
SoftBank	SoftBank Group Corporation
SpringCastle Interests Sale	the March 31, 2016 sale by SpringCastle Holdings, LLC and Springleaf Acquisition Corporation of the equity interest in the SpringCastle Joint Venture
SpringCastle Joint Venture	joint venture among SpringCastle America, LLC, SpringCastle Credit, LLC, SpringCastle Finance, LLC, and SpringCastle Acquisition LLC in which SpringCastle Holdings, LLC previously owned a 47% equity interest in each of SpringCastle America, LLC, SpringCastle Credit, LLC and SpringCastle Finance, LLC and Springleaf Acquisition Corporation previously owned a 47% equity interest in SpringCastle Acquisition LLC
SpringCastle Portfolio	loans acquired through the SpringCastle Joint Venture
Tangible equity	total equity less accumulated other comprehensive income or loss
Tangible managed assets	total assets less goodwill and other intangible assets
Tax Act	Public Law 115-97 amending the Internal Revenue Code of 1986
TDR finance receivables	troubled debt restructured finance receivables
Thur River Funding LSA	Loan and Security Agreement, dated June 29, 2017, among Thur River Funding, LLC, certain third party lenders and other third parties pursuant to which Thur River Funding, LLC may borrow up to $350 million
Trust preferred securities	capital securities classified as debt for accounting purposes but due to their terms are afforded, at least in part, equity capital treatment in the calculation of effective leverage by rating agencies
TILA	Truth-In-Lending-Act
UPB	unpaid principal balance
Värde	Värde Partners, Inc.
VOBA	value of business acquired
VFN	variable funding notes
VIEs	variable interest entities
Weighted average interest rate	annualized interest expense as a percentage of average debt
Wilmington	Wilmington Trust, National Association
Yield	annualized finance charges as a percentage of average net receivables

Forward-Looking Statements

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

- various uncertainties and risks in connection with the OneMain Acquisition or Apollo-Värde Transaction which may result in an adverse impact on us;
- the impact of the Apollo-Värde Transaction on our relationships with employees and third parties;
- various risks relating to continued compliance with the Settlement Agreement;
- changes in general economic conditions, including the interest rate environment in which we conduct business and the financial markets through which we can access capital and also invest cash flows from our Consumer and Insurance segment;
- levels of unemployment and personal bankruptcies;
- natural or accidental events such as earthquakes, hurricanes, tornadoes, fires, or floods affecting our customers, collateral, or branches or other operating facilities;
- war, acts of terrorism, riots, civil disruption, pandemics, disruptions in the operation of our information systems, cyber-attacks or other security breaches, or other events disrupting business or commerce;
- changes in the rate at which we can collect or potentially sell our finance receivables portfolio;
- the effectiveness of our credit risk scoring models in assessing the risk of customer unwillingness or lack of capacity to repay;
- changes in our ability to attract and retain employees or key executives to support our businesses;
- changes in the competitive environment in which we operate, including the demand for our products, customer responsiveness to our distribution channels, our ability to make technological improvements, and the strength and ability of our competitors to operate independently or to enter into business combinations that result in a more attractive range of customer products or provide greater financial resources;
- risks related to the acquisition or sale of assets or businesses or the formation, termination or operation of joint ventures or other strategic alliances or arrangements, including loan delinquencies or net charge-offs, integration or migration issues, increased costs of servicing, incomplete records, and retention of customers;
- risks associated with our insurance operations, including insurance claims that exceed our expectations or insurance losses that exceed our reserves;
- the inability to successfully implement our growth strategy for our consumer lending business as well as various risks associated with successfully acquiring portfolios of consumer loans, pursuing acquisitions, and/or establishing joint ventures;

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

- changes in federal, state or local laws, regulations, or regulatory policies and practices, including the Dodd-Frank Act (which, among other things, established the CFPB, which has broad authority to regulate and examine financial institutions, including us), that affect our ability to conduct business or the manner in which we conduct business, such as licensing requirements, pricing limitations or restrictions on the method of offering products, as well as changes that may result from increased regulatory scrutiny of the sub-prime lending industry, our use of third-party vendors and real estate loan servicing, or changes in corporate or individual income tax laws or regulations, including effects of the enactment of Public Law 115-97 amending the Internal Revenue Code of 1986;

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

- the costs and effects of any actual or alleged violations of any federal, state or local laws, rules or regulations, including any litigation associated therewith, any impact to our business operations, reputation, financial position, results of operations or cash flows arising therefrom, any impact to our relationships with lenders, investors or other third parties attributable thereto, and the costs and effects of any breach of any representation, warranty or covenant under any of our contractual arrangements, including indentures or other financing arrangements or contracts, as a result of any such violation;

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

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

- our ability to comply with our debt covenants;

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

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

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

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

- the impacts of our securitizations and borrowings;

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

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

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

- effects of the acquisition of Fortress by an affiliate of SoftBank Group Corp.;

- effects, if any, of the contemplated acquisition by an investor group of shares of our common stock beneficially owned by Fortress and its affiliates;

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

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

We also direct readers to the other risks and uncertainties discussed in “Risk Factors” in Part I - Item 1A of this report and in other documents filed with the SEC.

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

PART I

Item 1. Business.

BUSINESS OVERVIEW

Springleaf Finance Corporation is referred to in this report as "SFC" or, collectively with its subsidiaries, whether directly or indirectly owned, "Springleaf," "the Company," "we," "us," or "our."

As a leading consumer finance company, we:

- provide responsible personal loan products;
- offer credit and non-credit insurance;
- service loans owned by us and service or subservice loans owned by third-parties;
- pursue strategic acquisitions and dispositions of assets and businesses, including loan portfolios or other financial assets; and
- may establish joint ventures or enter into other strategic alliances or arrangements from time to time.

Springleaf provides origination, underwriting and servicing of personal loans, primarily to non-prime customers. We believe we are well positioned for future growth, with an experienced management team, proven access to the capital markets, and strong demand for consumer credit. At December 31, 2017, we had $5.3 billion of personal loans due from over 900,000 customer accounts across 28 states.

Our network of over 600 branches as of December 31, 2017 and expert personnel is complemented by our online consumer loan origination business and centralized operations, which allows us to reach customers located outside our branch footprint. Our digital platform provides our current and prospective customers the option of obtaining a personal loan via our website, *www.onemainfinancial.com*.

In connection with our personal loan business, our two insurance subsidiaries offer our customers credit and non-credit insurance, which are described below.

SFC was incorporated in Indiana in 1927 as successor to a business started in 1920. All of the common stock of SFC is owned by Springleaf Finance, Inc. (SFI). SFI is a wholly owned subsidiary of OMH, formerly Springleaf Holdings, Inc. On November, 15, 2015, OMH, through its wholly owned subsidiary, Independence, completed the acquisition of OMFH from CitiFinancial Credit Company for $4.5 billion in cash (the "OneMain Acquisition"). OMFH, collectively with its subsidiaries, is referred to in this report as OneMain. OMH and its subsidiaries (other than OneMain) is referred to in this report as Springleaf.

We also pursue strategic acquisitions and dispositions of assets and businesses, including loan portfolios and other financial assets, as well as fee-based opportunities in servicing loans for others in connection with potential strategic portfolio acquisitions through our centralized operations. See "Centralized Operations" below for further information on our centralized servicing centers. We service the loans acquired through a joint venture in which we previously owned a 47% equity interest in the SpringCastle Portfolio. On March 31, 2016, the SpringCastle Portfolio was sold in connection with the SpringCastle Interests Sale.

At December 31, 2017, the Initial Stockholder owned approximately 44% of OMH's common stock. The Initial Stockholder is owned primarily by a private equity fund managed by an affiliate of Fortress. On December 27, 2017, SoftBank acquired Fortress and Fortress now operates within SoftBank as an independent business headquartered in New York.

On January 3, 2018, an investor group, led by funds managed by affiliates of Apollo Global Management, LLC (together with its consolidated subsidiaries, "Apollo") and Värde Partners, Inc. ("Värde" and together with Apollo, collectively, the "Apollo-Värde Group") entered into a definitive agreement with the Initial Stockholder and OMH to acquire from the Initial Stockholder 54,937,500 shares or approximately 40.6% of OMH common stock that was issued and outstanding as of such date, representing the entire holdings of OMH stock beneficially owned by Fortress (the "Apollo-Värde Transaction") The Apollo-Värde Transaction is expected to close in the second quarter of 2018 and is subject to regulatory approvals and other customary closing conditions.

Upon closing of the Apollo-Värde Transaction, OMH expects to enter into an Amended and Restated Stockholders' Agreement, the expected terms of which were previously disclosed in OMH's Current Report on Form 8-K filed with the SEC

on January 4, 2018. Such Current Report on Form 8-K, including the Share Purchase Agreement filed as Exhibit 10.1 thereto, is incorporated by reference herein in its entirety.

INDUSTRY AND MARKET OVERVIEW

We operate in the consumer finance industry serving non-prime customers, a large and growing population of consumers who have limited access to credit from banks, credit card companies and other lenders. According to Experian, as of June 2017, non-prime borrowers in the U.S. had approximately $1.4 trillion of outstanding borrowings in the form of personal loans, vehicle loans and leases, and credit cards.

Our industry's traditional lenders have undergone fundamental changes, forcing many to retrench and in some cases to exit the market altogether. In addition, we believe that the current regulatory environment creates a disincentive for these lenders to resume or support lending to non-prime borrowers. As a result, while the number of non-prime consumers in the United States has grown in recent years, the supply of consumer credit to this demographic has contracted. We believe this large and growing number of potential customers in our target market, combined with the decline in available consumer credit, provides an attractive market opportunity for our business model. See also "Competition" included in this report.

We are one of the few remaining national participants in the consumer installment lending industry still serving this large and growing population of non-prime customers. Our centralized operations, combined with the capabilities resident in our national branch system, provide an effective nationwide platform to efficiently and responsibly address this growing market of consumers. We believe we are well-positioned to capitalize on the significant growth and expansion opportunity within our industry.

SEGMENTS

Our segments coincide with how our businesses are managed. At December 31, 2017, our two segments include:

- Consumer and Insurance; and
- Acquisitions and Servicing.

Beginning in 2017, we include Real Estate, which was previously presented as a distinct reporting segment, in "Other." See Note 22 of the Notes to Consolidated Financial Statements included in this report for further information on this change in our segment alignment and for more information about our segments. To conform to the new alignment of our new segments, we have revised our prior period segment disclosures.

Consumer and Insurance

We originate and service secured and unsecured personal loans and offer voluntary credit and non-credit insurance and related products through our branch network, our digital platform, and our centralized operations. Personal loan origination and servicing, along with our insurance products, forms the core of our operations. Our branch operations included nearly 600 branch offices in 28 states as of December 31, 2017. In addition, our centralized support operations provide underwriting and servicing support to branch operations.

Our insurance business is conducted through our subsidiaries, Merit and Yosemite, and OneMain's insurance subsidiaries, AHL and Triton. Merit and AHL are life and health insurance companies licensed to write credit life, credit disability, and non-credit insurance. Merit is licensed in 46 states, the District of Columbia, and the U.S. Virgin Islands, and AHL is licensed in 49 states, the District of Columbia, and Canada. Yosemite and Triton are property and casualty insurance companies licensed to write credit involuntary unemployment and collateral protection insurance. Yosemite is licensed in 46 states, and Triton is licensed in 50 states, the District of Columbia, and Canada.

Products and Services. Our personal loan portfolio is comprised of assets that have performed well through both strong and weak market conditions. Our personal loans are non-revolving, fixed rate, fixed term of three to six years, and secured by consumer goods, automobiles, or other personal property, or unsecured. Our loans have no pre-payment penalties.

Since mid-2014, our direct auto loan program has further expanded our lending options by offering a customized personal loan solution for our current and prospective customers. Direct auto lending is similar in nature to our traditional secured personal loans, but direct auto loans are typically larger in size based on the collateral of newer cars with higher values. Proceeds are typically used to pay-off an existing auto loan with another lender, make home improvements, or finance the purchase of a new

or used vehicle. Our direct auto loans are reported in our personal loans, which are included in our Consumer and Insurance segment. At December 31, 2017, we had over $1.1 billion of direct auto loans.

We offer the following optional credit insurance products to our customers:

- *Credit life insurance* — Insures the life of the borrower in an amount typically equal to the unpaid balance of the finance receivable and provides for payment to the lender of the finance receivable in the event of the borrower's death.

- *Credit disability insurance* — Provides scheduled monthly loan payments to the lender during borrower's disability due to illness or injury.

- *Credit involuntary unemployment insurance* — Provides scheduled monthly loan payments to the lender during borrower's involuntary unemployment.

We offer optional, non-credit insurance policies, which are primarily traditional level-term life policies with very limited underwriting.

We offer optional membership plans for home and auto from an unaffiliated company. We have no risk of loss on these membership plans, and these plans are not considered insurance products. We recognize income from this product in other revenues — other. The unaffiliated company providing these membership plans is responsible for any required reimbursement to the customer.

We also offer a Guaranteed Asset Protection (GAP) waiver product. GAP waiver is a non-insurance product offered by auto lenders to cover, in the event of a total loss to the auto, all or part of the difference between what the customer owes on their auto loan and the payment amount made by the customer's primary auto insurance.

Should a customer fail to maintain required insurance on property pledged as collateral for the finance receivable, we obtain collateral protection insurance, at the customer's expense, that protects the value of that collateral.

Customer Development. We staff each of our branch offices with local, well-trained personnel who have significant experience in the industry. Our business model revolves around an origination, underwriting, and servicing process that leverages each branch office's local community presence, and helps us develop personal relationships with our customers. Our customers often develop a relationship with their local office representatives, which we believe not only improves the credit performance of our personal loans but also leads to additional lending opportunities.

We solicit prospective customers, as well as current and former customers, through a variety of direct mail offers, targeted online advertising, and local marketing. We use proprietary modeling and targeting, along with data purchased from credit bureaus, alternative data providers, and our existing data/experience to acquire and develop new and profitable customer relationships.

Our digital platform allows current and prospective customers the ability to apply for a personal loan online, at *onemainfinancial.com*. Many of our new customer applications are sourced online, delivered via targeted marketing, search engine tools, banner advertisements, e-mail, internet loan aggregators, and affiliates. Most online applications are closed in a branch, however we do close a small portion of our loans remotely outside the branch.

Our iLoan brand is a separate offering which is tailored toward customers who prefer an end-to-end online and centrally serviced product. iLoan is a stand-alone platform which leverages our expertise in analytics, marketing and technology to create an efficient online borrowing experience. We use learnings from the development of iLoan across the OneMain enterprise to enhance our digital capabilities.

Credit Risk. Credit quality is driven by our long-standing underwriting philosophy, which takes into account each prospective customer's household budget, and his or her willingness and capacity to repay the loan. We use credit risk scoring models at the time of the credit application to assess the applicant's expected willingness and capacity to repay. We develop these models using numerous factors, including past customer credit repayment experience and application data, and periodically revalidate these models based on recent portfolio performance. Our underwriting process in the branches and for loan applications received through our website that are not automatically approved also includes the development of a budget (net of taxes and monthly expenses) for the applicant. We may obtain a security interest in either titled personal property or consumer household goods.

Our customers are primarily considered non-prime and require significantly higher levels of servicing than prime or near-prime customers. As a result, we tend to charge these customers higher interest rates to compensate us for the related credit risks and servicing.

Account Servicing. The account servicing and collection processing for personal loans are generally handled at the branch office where the personal loans were originated, or in our centralized service centers. All servicing and collection activity is conducted and documented on proprietary systems which log and maintain, within our centralized information systems, a permanent record of all transactions and notations made with respect to the servicing and/or collection of a personal loan and are also used to assess a personal loan application. The proprietary systems permit all levels of branch office management to review on a daily basis the individual and collective performance of all branch offices for which they are responsible.

Acquisitions and Servicing

SFI services the SpringCastle Portfolio that was acquired by an indirect subsidiary of OMH through a joint venture in which SFC previously owned a 47% equity interest. On March 31, 2016, we sold our interest in the SpringCastle Portfolio in connection with the SpringCastle Interests Sale. These loans consisted of unsecured loans and loans secured by subordinate residential real estate mortgages and included both closed-end accounts and open-end lines of credit. These loans were in a liquidating status and varied in substance and form from our originated loans. Unless SFI is terminated, SFI will continue to provide the servicing for these loans pursuant to a servicing agreement, which SFI services as unsecured loans due to the fact that the liens are subordinated to superior ranking security interests.

Other

"Other" consists of our non-originating legacy operations, which include our liquidating real estate loan portfolio as discussed below and our liquidating retail sale finance portfolio (including retail sales finance accounts from our legacy auto finance operation).

Beginning in 2017, management no longer views or manages our liquidating real estate assets as a separate operating segment. Therefore, we are now including Real Estate, which was previously presented as a distinct reporting segment, in "Other."

During 2016, we sold $308 million real estate loans held for sale. At December 31, 2017, our real estate loans held for investment totaled $128 million and comprised less than 3% of our net finance receivables. Real estate loans held for sale totaled $132 million at December 31, 2017.

CENTRALIZED OPERATIONS

We continually seek to identify functions that could be more effective if centralized to achieve reduced costs or free our lending specialists to service our customers and market our products. Our centralized operational functions support the following:

- mail and telephone solicitations;
- payment processing;
- originating "out of footprint" loans;
- servicing of delinquent real estate loans and certain personal loans;
- bankruptcy process for Chapter 7, 11, 12 and 13 loans;
- litigation requests for wage garnishments and other actions against borrowers;
- collateral protection insurance tracking;
- repossessing and re-marketing of titled collateral; and
- charge-off recovery operations.

We currently have servicing facilities in Mendota Heights, Minnesota; Tempe, Arizona; London, Kentucky; and Evansville, Indiana. We believe these facilities position us for additional portfolio purchases or fee-based servicing, as well as additional flexibility in the servicing of our lending products.

OPERATIONAL CONTROLS

We control and monitor our businesses through a variety of methods including the following:

- Our operational policies and procedures standardize various aspects of lending and collections.
- Our branch finance receivable systems control amounts, rates, terms, and fees of our customers' accounts; create loan documents specific to the state in which the branch office operates or to the customer's location if the loan is made electronically through our centralized operations; and control cash receipts and disbursements.
- Our accounting personnel reconcile bank accounts, investigate discrepancies, and resolve differences.
- Our credit risk management system reports allow us to track individual branch office performance and to monitor lending and collection activities.
- Our executive information system is available to headquarters and field operations management to review the status of activity through the close of business of the prior day.
- Our branch field operations management structure, Regional Quality Coordinators and Compliance Field Examination team are designed to control a large, decentralized organization with succeeding levels of supervision staffed with more experienced personnel.
- Our field operations compensation plan aligns our operating activities and goals with corporate strategies by basing the incentive portion of field personnel compensation on profitability and credit quality.
- Our compliance department assesses our compliance with federal and state laws and regulations, as well as our compliance with our internal policies and procedures; oversees compliance training to ensure team members have a sufficient level of understanding of the laws and regulations that impact their job responsibilities; and manages our regulatory examination process.
- Our executive office of customer care maintains our consumer complaint resolution and reporting process.
- Our internal audit department audits our business for adherence to operational policy and procedure and compliance with federal and state laws and regulations.

REGULATION

Federal Laws

Various federal laws and regulations govern loan origination, servicing and collections, including:

- the Dodd-Frank Act;
- the Equal Credit Opportunity Act (prohibits discrimination against creditworthy applicants) and the CFPB's Regulation B, which implements this statute;
- the Fair Credit Reporting Act (which, among other things, governs the accuracy and use of credit bureau reports);
- the Truth in Lending Act (which, among other things, governs disclosure of applicable charges and other finance receivable terms) and the CFPB's Regulation Z, which implements this statute;
- the Fair Debt Collection Practices Act;
- the Gramm-Leach-Bliley Act (which governs the handling of personal financial information) and the CFPB's Regulation P, which implements this statute;
- the Military Lending Act (which governs certain consumer lending to active-duty servicemembers and covered dependents and limits, among other things, the interest rate that may be charged);
- the Servicemembers Civil Relief Act, which can impose limitations on the servicer's ability to collect on a loan originated with an obligor who is on active duty status and up to nine months thereafter;
- the Real Estate Settlement Procedures Act and the CFPB's Regulation X (both of which regulate the making and servicing of closed end residential mortgage loans);
- the Federal Trade Commission's Consumer Claims and Defenses Rule, also known as the "Holder in Due Course" Rule; and
- the Federal Trade Commission Act.

The Dodd-Frank Act and the regulations promulgated thereunder have affected and are likely in the future to affect our operations in terms of increased oversight of financial services products by the CFPB and the imposition of restrictions on the terms of certain loans. Among regulations the CFPB has promulgated are mortgage servicing regulations that became effective January 10, 2014 and are applicable to the remaining real estate loan portfolio serviced by or for Springleaf. Amendments to some sections of these mortgage servicing regulations became effective on October 19, 2017 some become effective on April 19, 2018. The CFPB has significant authority to implement and enforce federal consumer finance laws, including the new protections established in the Dodd-Frank Act, as well as the authority to identify and prohibit unfair, deceptive, and abusive acts and practices. In addition, under the Dodd-Frank Act, securitizations of loan portfolios are subject to certain restrictions

and additional requirements, including requirements that the originator retain a portion of the credit risk of the securities sold and the reporting of buyback requests from investors. We also utilize third-party debt collectors and will continue to be responsible for oversight of their procedures and controls.

The CFPB has supervisory, examination and enforcement authority with respect to various federal consumer protection laws for some providers of consumer financial products and services, such as any nonbank that it has reasonable cause to determine has engaged or is engaging in conduct that poses risks to consumers with regard to consumer financial products or services. In addition to the authority to bring nonbanks under the CFPB's supervisory authority based on risk determinations, the CFPB also has authority under the Dodd-Frank Act to supervise nonbanks, regardless of size, in certain specific markets, such as mortgage companies (including mortgage originators, brokers and servicers) and payday lenders. Currently, the CFPB has supervisory authority over us with respect to mortgage servicing and mortgage origination, which allows the CFPB to conduct an examination of our mortgage servicing practices and our prior mortgage origination practices.

The Dodd-Frank Act also gives the CFPB supervisory authority over entities that are designated as "larger participants" in certain financial services markets, including the auto financing market and the consumer installment lending market. On June 30, 2015, the CFPB published its final rule for designating "larger participants" in the auto financing market. With the adoption of this regulation, we are a larger participant in the auto financing market and are subject to supervision and examination by the CFPB for our auto loan business, including loans that are secured by autos and refinances of loans secured by autos that were for the purchase of autos. In its Fall 2016 rulemaking agenda, the CFPB advised that its "next" larger-participant rulemaking would focus on the markets for "consumer installment loans and vehicle title loans." We expect to eventually be designated a "larger participant" for this market and to become subject to supervision and examination by the CFPB for our consumer loan business, although the acting director appointed by President Trump, Mick Mulvaney, has announced a 30 day freeze on all new regulations.

On October 5, 2017, the CFPB issued its final rule for Payday, Vehicle Title, and Certain High-Cost Installment Loans (the "small-dollar rule"). The final small-dollar rule does not apply to any loan made by the Company because our loans have a term of 46+ days, no balloon payment, and an APR limit of 36%. The proposed rule, published in 2016, had covered a relatively small segment of our loans because it calculated the 36% high-cost coverage threshold as an "all-in" APR, a term that included the cost of insurance and other ancillary products purchased within 3 days of the loan closing date. The final rule calculates the 36% figure under the traditional method prescribed by the Truth-In-Lending Act (TILA). Because the final rule replaced the proposed rule's "all-in" APR calculation with a TILA APR calculation - a change that the Company advocated in the public comment letter it submitted to the CFPB - the final rule covers no loan made by the Company, even if the loan is both sold with insurance and secured by a vehicle or recurring ACH authorization.

The CFPB also has enforcement authority and is authorized to conduct investigations to determine whether any person is engaging in, or has engaged in, conduct that violates federal consumer financial protection laws, and to initiate enforcement actions for such violations, regardless of its direct supervisory authority. Investigations may be conducted jointly with other regulators. In furtherance of its regulatory and supervisory powers, the CFPB has the authority to impose monetary penalties for violations of applicable federal consumer financial laws, require remediation of practices and pursue administrative proceedings or litigation for violations of applicable federal consumer financial laws (including the CFPB's own rules). The CFPB has the authority to obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief) and monetary penalties ranging from $5,000 per day for ordinary violations of federal consumer financial laws to $25,000 per day for reckless violations and $1 million per day for knowing violations. In addition, the CFPB can assess civil penalties for Tier 1, 2, and 3 penalties set forth in Section 1055 of the Dodd-Frank Act ranging from over $5,000 to over $1 million per violation.

Also, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations implemented thereunder, the Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions to remedy violations of state law. If the CFPB or one or more states attorneys general or state regulators believe that we have violated any of the applicable laws or regulations, they could exercise their enforcement powers in ways that could have a material adverse effect on us or our business. The CFPB has actively utilized this enforcement authority against financial institutions and financial service providers by imposing significant monetary penalties; and ordering (i) restitution, (ii) mandatory changes to compliance policies and procedures, (iii) enhanced oversight and control over affiliate and third-party vendor agreements and services and (iv) mandatory review of business practices, policies and procedures by third-party auditors and consultants. If, as a result of an examination, the CFPB were to conclude that our loan origination or servicing activities violate applicable law or regulations, we could be subject to a formal or informal enforcement action. Formal enforcement actions are generally made public, which carries reputational risk. We have not been notified of any planned examinations or enforcement actions by the CFPB.

The Dodd-Frank Act also may adversely affect the securitization market because it requires, among other things, that a securitizer generally retain not less than 5% of the credit risk for certain types of securitized assets that are created, transferred, sold, or conveyed through issuance of asset-backed securities with an exception for securitizations that are wholly composed of "qualified residential mortgages." The final rules implementing the risk retention requirements of Section 941 of the Dodd-Frank Act became effective on February 23, 2015. Compliance with the rule with respect to asset-backed securities collateralized by residential mortgages was required beginning on December 24, 2015. Compliance with the rule with regard to all other classes of asset-backed securities was required beginning on December 24, 2016. The risk retention requirement may limit our ability to securitize loans and impose on us additional compliance requirements to meet origination and servicing criteria for qualified residential mortgages. The impact of the risk retention rule on the asset-backed securities market remains uncertain. Furthermore, the Securities and Exchange Commission (the SEC) adopted significant revisions to Regulation AB, imposing new requirements for asset-level disclosures for asset-backed securities backed by real estate related assets, auto related assets, or backed by debt securities. This could result in sweeping changes to the commercial and residential mortgage loan securitization markets, as well as to the market for the re-securitization of mortgage-backed securities.

State Laws

Various state laws and regulations also govern personal loans and real estate secured loans. Many states have laws and regulations that are similar to the federal laws referred to above, but the degree and nature of such laws and regulations vary from state to state. While federal law preempts state law in the event of certain conflicts, compliance with state laws and regulations is still required in the absence of conflicts.

In general, these additional state laws and regulations, under which we conduct a substantial amount of our lending business:

- provide for state licensing and periodic examination of lenders and loan originators, including state laws adopted or amended to comply with licensing requirements of the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (which, in some states, requires licensing of individuals who perform real estate loan modifications);
- require the filing of reports with regulators and compliance with state regulatory capital requirements;
- impose maximum term, amount, interest rate, and other charge limitations;
- regulate whether and under what circumstances we may offer insurance and other ancillary products in connection with a lending transaction; and
- provide for additional consumer protections.

There is a clear trend of increased state regulation on loan origination, servicing and collection, as well as more detailed reporting, more detailed examinations, and coordination of examinations among the states.

State authorities also regulate and supervise our insurance business. The extent of such regulation varies by product and by state, but relates primarily to the following:

- licensing;
- conduct of business, including marketing and sales practices;
- periodic financial and market conduct examination of the affairs of insurers;
- form and content of required financial reports;
- standards of solvency;
- limitations on the payment of dividends and other affiliate transactions;
- types of products offered;
- approval of policy forms and premium rates;
- formulas used to calculate any unearned premium refund due to an insured customer;
- permissible investments;
- reserve requirements for unearned premiums, losses, and other purposes; and
- claims processing.

COMPETITION

We operate primarily in the consumer installment lending industry, focusing on the non-prime customer. As of December 31, 2017, Springleaf maintained a national footprint (defined as 500 or more branches and receivables over $2 billion) of brick and mortar branches. At December 31, 2017, we had over 919,000 customer accounts and nearly 600 branch offices.

There are a large number of local, regional and internet competitors in the consumer installment lending industry serving the large population of non-prime customers. We also compete with a large number of other types of financial institutions within our geographic footprint and over the Internet, including community banks and credit unions, that offer similar products and services. We believe that competition between consumer installment lenders occurs primarily on the basis of price, speed of service, flexibility of loan terms offered, and the quality of customer service provided.

We believe that we possess several competitive strengths that position us to capitalize on the significant growth and expansion opportunity created by the large supply-demand imbalance within our industry, and to compete effectively with other lenders in our industry. The capabilities resident in our national branch system provide us with a proven distribution channel for our personal loan and insurance products, allowing us to provide same-day fulfillment to approved customers and giving us a distinct competitive advantage over many industry participants who do not have—and cannot replicate without significant investment—a similar footprint. Our digital platform and our centralized operations also enhance our nationwide footprint by allowing us to serve customers who reside outside of our branch footprint. We believe our deep understanding of local markets and customers, together with our proprietary underwriting process, data analytics, and decisioning tools allow us to price, manage and monitor risk effectively through changing economic conditions. In addition, our high-touch relationship-based servicing model is a major contributor to our superior loan performance, and distinguishes us from our competitors.

SEASONALITY

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Seasonality” included in this report for discussion of our seasonal trends.

EMPLOYEES

As of December 31, 2017, we had over 2,500 employees.

AVAILABLE INFORMATION

SFC files annual, quarterly, and current reports, and other information with the SEC. The SEC’s website, *www.sec.gov*, contains these reports and other information that registrants (including SFC) file electronically with the SEC. Readers may also read and copy any document that OMH files at the SEC’s Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549, U.S.A. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room.

These reports are also available free of charge through our website, *www.onemainfinancial.com* under “Investor Relations,” as soon as reasonably practicable after we file them with, or furnish them to, the SEC.

The information on our website is not incorporated by reference into this report. The website addresses listed above are provided for the information of the reader and are not intended to be active links.

Item 1A. Risk Factors.

We face a variety of risks that are inherent in our business. Accordingly, you should carefully consider the following discussion of risks in addition to the other information regarding our business provided in this report and in other documents we file with the SEC. These risks are subject to contingencies which may or may not occur, and we are not able to express a view on the likelihood of any such contingency occurring. New risks may emerge at any time, and we cannot predict those risks or estimate the extent to which they may affect our business or financial performance.

RISKS RELATED TO OUR BUSINESS

Our consolidated results of operations and financial condition and our borrowers' ability to make payments on their loans have been, and may in the future be, adversely affected by economic conditions and other factors that we cannot control.

Uncertainty and negative trends in general economic conditions in the United States and abroad, including significant tightening of credit markets and a general decline in the value of real property, historically have created a difficult operating environment for our businesses and other companies in our industries. Many factors, including factors that are beyond our control, may impact our consolidated results of operations or financial condition and/or affect our borrowers' willingness or capacity to make payments on their loans. These factors include: unemployment levels, housing markets, energy costs and interest rates; events such as natural disasters, acts of war, terrorism, catastrophes, major medical expenses, divorce or death that affect our borrowers; and the quality of the collateral underlying our receivables. If we experience an economic downturn or if the U.S. economy is unable to continue or sustain its recovery from the most recent economic downturn, or if we become affected by other events beyond our control, we may experience a significant reduction in revenues, earnings and cash flows, difficulties accessing capital and a deterioration in the value of our investments. We may also become exposed to increased credit risk from our customers and third parties who have obligations to us.

Moreover, our customers are primarily non-prime borrowers. Accordingly, such borrowers have historically been, and may in the future become, more likely to be affected, or more severely affected, by adverse macroeconomic conditions. If our borrowers default under a finance receivable held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral, if any, and the outstanding principal and accrued but unpaid interest of the finance receivable, which could adversely affect our cash flow from operations. In addition, foreclosure of a real estate loan (part of our legacy real estate loan portfolio) is an expensive and lengthy process that can negatively affect our anticipated return on the foreclosed loan. The cost to service our loans may also increase without a corresponding increase in our finance charge income.

Also, certain geographic concentrations of our loan portfolio may occur or increase as we adjust our risk and loss tolerance and strategy to achieve our profitability goals. Any geographic concentration may expose us to an increased risk of loss if that geographic region experiences higher unemployment rates than average, natural disasters, weak economic conditions, or other adverse economic factors that disproportionately affect that region. See Note 5 of the Notes to Consolidated Financial Statements included in this report for quantification of our largest concentrations of net finance receivables.

If aspects of our business, including the quality of our finance receivables portfolio or our borrowers, are significantly affected by economic changes or any other conditions in the future, we cannot be certain that our policies and procedures for underwriting, processing and servicing loans will adequately adapt to such changes. If we fail to adapt to changing economic conditions or other factors, or if such changes affect our borrowers' willingness or capacity to repay their loans, our results of operations, financial condition and liquidity would be materially adversely affected.

There are risks associated with the acquisition or sale of assets or businesses or the formation, termination or operation of joint ventures or other strategic alliances or arrangements, including the possibility of increased delinquencies and losses, difficulties with integrating loans into our servicing platform and disruption to our ongoing business, which could have a material adverse effect on our results of operations, financial condition and liquidity.

We have previously acquired, and in the future may acquire, assets or businesses, including large portfolios of finance receivables, either through the direct purchase of such assets or the purchase of the equity of a company with such a portfolio. Since we will not have originated or serviced the loans we acquire, we may not be aware of legal or other deficiencies related to origination or servicing, and our review of the portfolio prior to purchase may not uncover those deficiencies. Further, we may have limited recourse against the seller of the portfolio.

The ability to integrate and successfully service newly acquired loan portfolios will depend in large part on the success of our development and integration of expanded servicing capabilities, including additional personnel. We may fail to realize some or

all of the anticipated benefits of the transaction if the integration process takes longer, or is more costly, than expected. Our failure to meet the challenges involved in successfully integrating the acquired portfolios with our current business or otherwise to realize any of the anticipated benefits of the transaction could impair our operations. In addition, the integration of future large portfolio or other asset or business acquisitions and the formation, termination or operation of joint ventures or other strategic alliances or arrangements are complex, time-consuming and expensive processes that, without proper planning and effective and timely implementation, could significantly disrupt our business.

Potential difficulties we may encounter in connection with these transactions and arrangements include, but are not limited to, the following:

- the integration of the assets or business into our information technology platforms and servicing systems;
- the quality of servicing during any interim servicing period after we purchase a portfolio but before we assume servicing obligations from the seller or its agents;
- the disruption to our ongoing businesses and distraction of our management teams from ongoing business concerns;
- incomplete or inaccurate files and records;
- the retention of existing customers;
- the creation of uniform standards, controls, procedures, policies and information systems;
- the occurrence of unanticipated expenses; and
- potential unknown liabilities associated with the transactions, including legal liability related to origination and servicing prior to the acquisition.

For example, in some cases loan files and other information (including servicing records) may be incomplete or inaccurate. If our employees are unable to access customer information easily, or if we are unable to produce originals or copies of documents or accurate information about the loans, collections could be affected significantly, and we may not be able to enforce our right to collect in some cases. Similarly, collections could be affected by any changes to our collection practices, the restructuring of any key servicing functions, transfer of files and other changes that would result from our assumption of the servicing of the acquired portfolios.

The anticipated benefits and synergies of our future acquisitions will assume a successful integration, and will be based on projections, which are inherently uncertain, as well as other assumptions. Even if integration is successful, anticipated benefits and synergies may not be achieved.

Our recent underwriting changes and strategy of increasing the proportion of secured loan originations within our loan portfolio may lead to declines in, or slower growth than anticipated of, our personal loan net finance receivables and yield, which could have a material adverse effect on our business, results of operations and growth prospects.

Secured loans typically carry lower yields relative to unsecured personal loans. If we are unable to successfully convert lower credit tier customers to our secured loan products or otherwise increase new originations of secured personal loans, this will adversely affect our ability to grow personal loan net finance receivables. In addition, as secured loans continue to represent a larger proportion of our loan portfolio, our yields may be lower than our historical yields in prior periods.

If our estimates of allowance for finance receivable losses are not adequate to absorb actual losses, our provision for finance receivable losses would increase, which would adversely affect our results of operations.

We maintain an allowance for finance receivable losses. To estimate the appropriate level of allowance for finance receivable losses, we consider known and relevant internal and external factors that affect finance receivable collectability, including the total amount of finance receivables outstanding, historical finance receivable charge-offs, our current collection patterns, and economic trends. Our methodology for establishing our allowance for finance receivable losses is based on the guidance in Accounting Standards Codification ("ASC") 450, *Contingencies*, and, in part, on our historic loss experience. If customer behavior changes as a result of economic conditions and if we are unable to predict how the unemployment rate, housing foreclosures, and general economic uncertainty may affect our allowance for finance receivable losses, our allowance for

finance receivable losses may be inadequate. Our allowance for finance receivable losses is an estimate, and if actual finance receivable losses are materially greater than our allowance for finance receivable losses, our results of operations could be adversely affected. Neither state regulators nor federal regulators regulate our allowance for finance receivable losses.

In June of 2016, the Financial Accounting Standards Board issued Accounting Standard Update ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* This ASU significantly changes the way that entities will be required to measure credit losses. The new standard requires that the estimated credit loss be based upon an "expected credit loss" approach rather than the "incurred loss" approach currently required. The new approach will require entities to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable forecasts of collectability. It is anticipated that the expected credit loss model may require earlier recognition of credit losses than the incurred loss approach. This 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. We believe the adoption of this ASU will have a material effect on our consolidated financial statements. See Note 4 of the Notes to Consolidated Financial Statements included in this report for more information on this new accounting standard.

Our risk management efforts may not be effective.

We could incur substantial losses and our business operations could be disrupted if we are unable to effectively identify, manage, monitor, and mitigate financial risks, such as credit risk, interest rate risk, prepayment risk, liquidity risk, and other market-related risks, as well as operational risks related to our business, assets and liabilities. To the extent our models used to assess the creditworthiness of potential borrowers do not adequately identify potential risks, the valuations produced would not adequately represent the risk profile of the borrower and could result in a riskier finance receivable profile than originally identified. Our risk management policies, procedures, and techniques, including our scoring technology, may not be sufficient to identify all of the risks we are exposed to, mitigate the risks we have identified or identify concentrations of risk or additional risks to which we may become subject in the future.

Our branch loan approval process is decentralized, which may result in variability of loan structures, and could adversely affect our results of operations, financial condition and liquidity.

Our branch finance receivable origination process is decentralized. We train our employees individually on-site in the branch to make loans that conform to our underwriting standards. Such training includes critical aspects of state and federal regulatory compliance, cash handling, account management and customer relations. In certain circumstances, subject to approval by district managers and/or directors of operations in certain cases, our branch officers have some authority to approve and structure loans within broadly written underwriting guidelines rather than having all loan terms approved centrally. As a result, there may be variability in finance receivable structure (e.g., whether or not collateral is taken for the loan) and loan portfolios among branch offices or regions, even when underwriting policies are followed. Moreover, we cannot be certain that every loan is made in accordance with our underwriting standards and rules, and we have in the past experienced some instances of loans extended that varied from our underwriting standards. The nature of our approval process could adversely affect our operating results and variances in underwriting standards and lack of supervision could expose us to greater delinquencies and charge-offs than we have historically experienced, which could adversely affect our results of operations, financial condition and liquidity.

Changes in market conditions, including rising interest rates, could adversely affect the rate at which our borrowers prepay their loans and the value of our finance receivables portfolio, as well as increase our financing cost, which could negatively affect our results of operations, financial condition and liquidity.

Changing market conditions, including but not limited to, changes in interest rates, the availability of credit, the relative economic vitality of the area in which our borrowers and their assets are located, changes in tax laws, other opportunities for investment available to our customers, homeowner mobility, and other economic, social, geographic, demographic, and legal factors beyond our control, may affect the rates at which our borrowers prepay their loans. Generally, in situations where prepayment rates have slowed, the weighted-average life of our finance receivables has increased. Any increase in interest rates may further slow the rate of prepayment for our finance receivables, which could adversely affect our liquidity by reducing the cash flows from, and the value of, the finance receivables we hold for sale or utilize as collateral in our secured funding transactions.

Moreover, the vast majority of our finance receivables are fixed-rate finance receivables, which generally decline in value if interest rates increase. As such, if changing market conditions cause interest rates to increase substantially, the value of our fixed-rate finance receivables could decline. Recent increases in market interest rates could negatively impact our net interest income and further increases in market interest rates could continue to negatively impact such net interest income, as well as

our cash flow from operations and results of operations. Our consumer loans generally bear interest at a fixed rate and, accordingly, we are generally unable to increase the interest rate on such loans to offset any increases in our cost of funds as market interest rates increase. Additionally, because we are subject to applicable legal and regulatory restrictions in certain jurisdictions that limit the maximum interest rate that we may charge on certain of our consumer loans, our yield, as well as our cash flows from operations and results of operations, could be materially and adversely affected if we are unable to increase the interest rates charged on newly originated loans to offset any increases in our cost of funds as market interest rates increase. Accordingly, any increase in interest rates could negatively affect our results of operations, financial condition and liquidity.

We may be required to indemnify, or repurchase finance receivables from, purchasers of finance receivables that we have sold or securitized, or which we will sell or securitize in the future, if our finance receivables fail to meet certain criteria or characteristics or under other circumstances, which could adversely affect our results of operations, financial condition and liquidity.

In 2016, we sold our interests in the SpringCastle Portfolio as a result of the SpringCastle Interests Sale, $602 million of personal loans in connection with the Lendmark Sale, and $308 million of our legacy real estate loan portfolio. We securitized $3.3 billion of our consumer loan portfolio as of December 31, 2017. In addition, we sold $6.4 billion of our legacy real estate loan portfolio in 2014. The documents governing our finance receivable sales and securitizations contain provisions that require us to indemnify the purchasers of securitized finance receivables, or to repurchase the affected finance receivables, under certain circumstances. While our sale and securitization documents vary, they generally contain customary provisions that may require us to repurchase finance receivables if:

- our representations and warranties concerning the quality and characteristics of the finance receivable are inaccurate;
- there is borrower fraud; or
- we fail to comply, at the individual finance receivable level or otherwise, with regulatory requirements in connection with the origination and servicing of the finance receivables.

As a result of the current market environment, we believe that many purchasers of real estate loans (including through securitizations) are particularly aware of the conditions under which originators must indemnify purchasers or repurchase finance receivables, and would benefit from enforcing any repurchase remedies that they may have. At its extreme, our exposure to repurchases or our indemnification obligations under our representations and warranties could include the current unpaid balance of all finance receivables that we have sold or securitized and which are not subject to settlement agreements with purchasers.

The risk of loss on the finance receivables that we have securitized is recognized in our allowance for finance receivable losses since all of our consumer loan securitizations are recorded on-balance sheet. If we are required to indemnify purchasers or repurchase finance receivables that we sell that result in losses that exceed our reserve for sales recourse, or recognize losses on securitized finance receivables that exceed our recorded allowance for finance receivable losses associated with our securitizations, this could adversely affect our results of operations, financial condition and liquidity.

Our insurance operations are subject to a number of risks and uncertainties, including claims, catastrophic events, underwriting risks and dependence on a primary distribution channel.

Insurance claims and policyholder liabilities are difficult to predict and may exceed the related reserves set aside for claims (losses) and associated expenses for claims adjudication (loss adjustment expenses). Additionally, events such as hurricanes, tornados, earthquakes, pandemic disease, cyber security breaches and other types of catastrophes, and prolonged economic downturns, could adversely affect our financial condition or results of operations. Other risks relating to our insurance operations include changes to laws and regulations applicable to us, as well as changes to the regulatory environment. Examples include changes to laws or regulations affecting capital and reserve requirements; frequency and type of regulatory monitoring and reporting; consumer privacy, use of customer data and data security; benefits or loss ratio requirements; insurance producer licensing or appointment requirements; required disclosures to consumers; and collateral protection insurance (i.e., insurance some of our lender companies purchase, at the customer's expense, on that customer's loan collateral for the periods of time the customer fails to adequately, as required by his loan, insure his collateral). Because our customers do not affirmatively consent to collateral protection insurance at the time it is purchased, and hence do not directly agree to the amount charged for it, regulators may in the future prohibit our insurance companies from providing this insurance to our lending operations. Moreover, our insurance companies are predominately dependent on our lending operations as the primary source of business and product distribution. If our lending operations discontinue offering insurance products, including as a result of regulatory requirements, our insurance operations would need to find an alternate distribution partner for their products.

We are a party to various lawsuits and proceedings and may become a party to various lawsuits and proceedings in the future which, if resolved in a manner adverse to us, could materially adversely affect our results of operations, financial condition and liquidity.

In the normal course of business, from time to time, we have been named and may be named in the future as a defendant in various legal actions, including governmental investigations, examinations or other proceedings, arbitrations, class actions and other litigation, arising in connection with our business activities. Certain of the legal actions include claims for substantial compensatory and/or punitive damages, or claims for indeterminate amounts of damages. Some of these proceedings are pending in jurisdictions that permit damage awards disproportionate to the actual economic damages alleged to have been incurred. The continued occurrences of large damage awards in general in the United States, including large punitive damage awards in certain jurisdictions that bear little or no relation to actual economic damages incurred by plaintiffs, create the potential for an unpredictable result in any given proceeding. A large judgment that is adverse to us could cause our reputation to suffer, encourage additional lawsuits against us and have a material adverse effect on our results of operations, financial condition and liquidity. For additional information regarding pending legal proceedings and other contingencies, see Note 19 of the Notes to Consolidated Financial Statements included in this report.

If we lose the services of any of our key management personnel, our business could suffer.

Our future success significantly depends on the continued service and performance of our key management personnel. Competition for these employees is intense and we may not be able to attract and retain key personnel. We do not maintain any “key man” or other related insurance. The loss of the service of members of our senior management or key team members, or the inability to attract additional qualified personnel as needed, could materially harm our business.

Employee misconduct could harm us by subjecting us to monetary loss, significant legal liability, regulatory scrutiny and reputational harm.

Our reputation is critical to maintaining and developing relationships with our existing and potential customers and third parties with whom we do business. There is a risk that our employees could engage in misconduct that adversely affects our business. For example, if an employee were to engage—or be accused of engaging—in illegal or suspicious activities including fraud or theft, we could suffer direct losses from the activity, and in addition we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial condition, customer relationships, and ability to attract future customers or employees. Employee misconduct could prompt regulators to allege or to determine based upon such misconduct that we have not established adequate supervisory systems and procedures to inform employees of applicable rules or to detect and deter violations of such rules. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent misconduct may not be effective in all cases. Misconduct by our employees, or even unsubstantiated allegations of misconduct, could result in a material adverse effect on our reputation and our business.

Current and proposed regulations relating to consumer privacy, data protection and information security could increase our costs.

We are subject to a number of federal and state consumer privacy, data protection, and information security laws and regulations. For example, we are subject to the federal Gramm-Leach-Bliley Act, which governs the use of personal financial information by financial institutions. Moreover, various federal and state regulatory agencies require us to notify customers in the event of a security breach. Federal and state legislators and regulators are increasingly pursuing new guidance, laws, and regulation. Compliance with current or future customer privacy, data protection, and information security laws and regulations could result in higher compliance, technology or other operating costs. Any violations of these laws and regulations may require us to change our business practices or operational structure, and could subject us to legal claims, monetary penalties, sanctions, and the obligation to indemnify and/or notify customers or take other remedial actions.

Significant disruptions in the operation of our information systems could have a material adverse effect on our business.

Our business relies heavily on information systems to deliver products and services to our customers, and to manage our ongoing operations. These systems may encounter service disruptions due to system, network or software failure, security breaches, computer viruses, natural disasters or other reasons. There can be no assurance that our policies and procedures addressing these issues will adequately address the disruption. A disruption could impair our ability to offer and process consumer loans, provide customer service, perform collections activities or perform other necessary business activities, which could result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability.

Security breaches in our information systems, in the information systems of third parties or in our branches, central servicing facilities, or our internet lending platform or our proprietary company data held by third parties could adversely affect our reputation and could subject us to significant costs and regulatory penalties.

Our operations rely heavily on the secure processing, storage and transmission of confidential customer and other information in our computer systems and networks. Our branch offices and centralized servicing centers, as well as our administrative and executive offices, are part of an electronic information network that is designed to permit us to originate and track finance receivables and collections, and perform several other tasks that are part of our everyday operations. Our computer systems, software, and networks may be vulnerable to breaches, unauthorized access, misuse, computer viruses, or other malicious code that could result in disruption to our business, or the loss or theft of confidential information, including customer information. Any failure, interruption, or breach in our cyber security, including through employee misconduct or any failure of our back-up systems or failure to maintain adequate security surrounding customer information, could result in reputational harm, disruption in the management of our customer relationships, or the inability to originate, process and service our finance receivable products. Further, any of these cyber security and operational risks could result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to lawsuits by customers for identity theft or other damages resulting from the misuse of their personal information and possible financial liability, any of which could have a material adverse effect on our results of operations, financial condition and liquidity. In addition, regulators may impose penalties or require remedial action if they identify weaknesses in our security systems, and we may be required to incur significant costs to increase our cyber security to address any vulnerabilities that may be discovered or to remediate the harm caused by any security breaches. As part of our business, we may share confidential customer information and proprietary information with clients, vendors, service providers, and business partners. The information systems of these third parties may be vulnerable to security breaches and we may not be able to ensure that these third parties have appropriate security controls in place to protect the information we share with them. If our confidential information is intercepted, stolen, misused, or mishandled while in possession of a third party, it could result in reputational harm to us, loss of customer business, and additional regulatory scrutiny, and it could expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our results of operations, financial condition and liquidity. Although we have insurance that is intended to cover certain losses from such events, there can be no assurance that such insurance will be adequate or available.

Our branch offices and centralized servicing centers have physical customer records necessary for day-to-day operations that contain extensive confidential information about our customers, including financial and personally identifiable information. We also retain physical records in various storage locations outside of these locations. The loss or theft of customer information and data from our branch offices, central servicing facilities, or other storage locations could subject us to additional regulatory scrutiny and penalties, and could expose us to civil litigation and possible financial liability, which could have a material adverse effect on our results of operations, financial condition and liquidity. In addition, if we cannot locate original documents (or copies, in some cases), we may not be able to collect on the finance receivables for which we do not have documents.

We may not be able to make technological improvements as quickly as some of our competitors, which could harm our ability to compete with our competitors and adversely affect our results of operations, financial condition and liquidity.

The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial and lending institutions to better serve customers and reduce costs. Our future success and, in particular, the success of our centralized operations, will depend, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience, as well as to create additional efficiencies in our operations. We may not be able to effectively implement new technology-driven products and services as quickly as some of our competitors or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could harm our ability to compete with our competitors and adversely affect our results of operations, financial condition and liquidity.

We could face environmental liability and costs for damage caused by hazardous waste (including the cost of cleaning up contaminated property) if we foreclose upon or otherwise take title to real estate pledged as collateral.

If a real estate loan goes into default, we may start foreclosure proceedings in appropriate circumstances, which could result in our taking title to the mortgaged real estate. We also consider alternatives to foreclosure, such as “short sales,” where we do not take title to mortgaged real estate. There is a risk that toxic or hazardous substances could be found on property after we take title. In addition, we own certain properties through which we operate our business, such as the buildings at our headquarters and certain servicing facilities. As the owner of any property where hazardous waste is present, we could be held liable for clean-up and remediation costs, as well as damages for any personal injuries or property damage caused by the condition of the property. We may also be responsible for these costs if we are in the chain of title for the property, even if we were not

responsible for the contamination and even if the contamination is not discovered until after we have sold the property. Costs related to these activities and damages could be substantial. Although we have policies and procedures in place to investigate properties for potential hazardous substances before taking title to properties, these reviews may not always uncover potential environmental hazards.

We ceased real estate lending and the purchase of retail finance contracts in 2012 and are in the process of liquidating these portfolios, which subjects us to certain risks which could adversely affect our results of operations, financial condition and liquidity if we do not effectively manage such risks.

In connection with our plan for strategic growth and new focus on consumer lending, we have engaged in a number of restructuring initiatives, including, but not limited to, ceasing real estate lending, ceasing purchasing retail sales contracts and revolving retail accounts from the sale of consumer goods and services by retail merchants, closing certain of our branches and reducing our workforce.

In 2014, we entered into a series of transactions relating to the sales of our beneficial interests in our real estate loans, the related servicing of these loans, and the sales of certain performing and non-performing real estate loans, which substantially completed our plan to liquidate our real estate loans. Consequently, as of December 31, 2017, our real estate loans held for investment and held for sale totaled $128 million and $132 million, respectively.

Moreover, if we fail to realize the anticipated benefits of the restructuring of our business and associated liquidation of our legacy portfolios or are subjected to litigation or claims for indemnification for breaches of representations or warranties made in connection with our previous real estate loan sales, we may experience an adverse effect on our results of operations, financial condition and liquidity.

As part of our growth strategy, we have committed to building our consumer lending business. If we are unable to successfully implement our growth strategy, our results of operations, financial condition and liquidity may be materially adversely affected.

We believe that our future success depends on our ability to implement our growth strategy, the key feature of which has been to shift our primary focus to originating consumer loans as well as acquiring portfolios of consumer loans, pursuing acquisitions of companies, and/or establishing joint ventures or other strategic alliances or arrangements. We have also expanded into internet lending through our centralized operations.

We may not be able to implement our new strategy successfully, and our success depends on a number of factors, including, but not limited to, our ability to:

- address the risks associated with our focus on personal loans (including direct auto loans), including, but not limited to consumer demand for finance receivables, and changes in economic conditions and interest rates;

- address the risks associated with the new centralized method of originating and servicing our internet loans through our centralized operations, which represents a departure from our traditional high-touch branch-based servicing function and includes the potential for higher default and delinquency rates;

- integrate, and develop the expertise required to capitalize on, our centralized operations;
- obtain regulatory approval in connection with the acquisition of consumer loan portfolios and/or companies in the business of selling consumer loans or related products;

- comply with regulations in connection with doing business and offering loan products over the Internet, including various state and federal e-signature rules mandating that certain disclosures be made and certain steps be followed in order to obtain and authenticate e-signatures, with which we have limited experience;

- finance future growth; and

- successfully source, underwrite and integrate new acquisitions of loan portfolios and other businesses.

In order for us to realize the benefits associated with our new focus on originating and servicing consumer loans and growing our business, we must implement our strategic objectives in a timely and cost-effective manner as well as anticipate and address any risks to which we may become subject. In any event, we may not realize these benefits for many years, or our

competitors may introduce more compelling products, services or enhancements. If we are not able to realize the benefits, or if we do not do so in a timely manner, our results of operations, financial condition and liquidity could be negatively affected which would have a material adverse effect on business.

RISKS RELATED TO OUR INDUSTRY AND REGULATION

We operate in a highly competitive market, and we cannot ensure that the competitive pressures we face will not have a material adverse effect on our results of operations, financial condition and liquidity.

The consumer finance industry is highly competitive. Our profitability depends, in large part, on our ability to originate finance receivables. We compete with other consumer finance companies as well as other types of financial institutions that offer similar products and services in originating finance receivables. Some of these competitors may have greater financial, technical and marketing resources than we possess. Some competitors may also have a lower cost of funds and access to funding sources that may not be available to us. While banks and credit card companies have decreased their lending to non-prime customers in recent years, there is no assurance that such lenders will not resume those lending activities. Further, because of increased regulatory pressure on payday lenders, many of those lenders are starting to make more traditional installment consumer loans in order to reduce regulatory scrutiny of their practices, which could increase competition in markets in which we operate. In addition, in July 2013, the Dodd-Frank Act's three-year moratorium on banks affiliated with non-financial businesses expired. When the Dodd-Frank Act was enacted in 2010, a moratorium was imposed that prohibited the Federal Deposit Insurance Corporation from approving deposit insurance for certain banks controlled by non-financial commercial enterprises. The expiration of the moratorium could result in an increase of traditionally non-financial enterprises entering the banking space, which could increase the number of our competitors. There can be no assurance that the competitive pressures we face will not have a material adverse effect on our results of operations, financial condition and liquidity.

Our businesses are subject to regulation in the jurisdictions in which we conduct our business.

Our businesses are subject to numerous federal, state and local laws and regulations, and various state authorities regulate and supervise our insurance operations. The laws under which a substantial amount of our consumer and real estate businesses are conducted generally: provide for state licensing of lenders and, in some cases, licensing of employees involved in real estate loan modifications; impose limits on the term of a finance receivable, amounts, interest rates and charges on the finance receivables; regulate whether and under what circumstances insurance and other ancillary products may be offered to consumers in connection with a lending transaction; regulate the manner in which we use personal data; and provide for other consumer protections. We are also subject to extensive servicing regulations which we must comply with when servicing our legacy real estate loans and the SpringCastle Portfolio, and which we will have to comply with if we acquire loan portfolios in the future and assume the servicing obligations for the acquired loans or other financial assets. The extent of state regulation of our insurance business varies by product and by jurisdiction, but relates primarily to the following: licensing; conduct of business; periodic examination of the affairs of insurers; form and content of required financial reports; standards of solvency; limitations on dividend payments and other related party transactions; types of products offered; approval of policy forms and premium rates; permissible investments; deposits of securities for the benefit of policyholders; reserve requirements for unearned premiums, losses and other purposes; and claims processing.

All of our operations are subject to regular examination by state and federal regulators, and as a whole, our entities are subject to several hundred regulatory examinations in a given year. These examinations may result in requirements to change our policies or practices, and in some cases, we are required to pay monetary fines or make reimbursements to customers. Many state regulators and some federal regulators have indicated an intention to pool their resources in order to conduct examinations of licensed entities, including us, at the same time (referred to as a "multi-state" examination). This could result in more in-depth examinations, which could be more costly and lead to more significant enforcement actions.

The CFPB has outlined several proposals under consideration for the purpose of requiring lenders to take steps to ensure consumers have the financial ability to repay their loans. The proposals under consideration would require lenders to determine at the outset of each loan whether a consumer can afford to borrow from the lender and would require that lenders comply with various restrictions designed to ensure that consumers can affordably repay their debt to the lender. To date, the proposals under consideration by the CFPB have not been adopted. If adopted, the proposals outlined by the CFPB may require the Company to make significant changes to its lending practices to develop compliant procedures.

We are also subject to potential enforcement, supervisions and other actions that may be brought by state attorneys general or other state enforcement authorities and other governmental agencies. Any such actions could subject us to civil money

penalties, customer remediation and increased compliance costs, as well as damage our reputation and brand and could limit or prohibit our ability to offer certain products and services or engage in certain business practices.

State attorneys general have stated their intention to fill any void left by diminished CFPB enforcement and have a variety of tools at their disposal to enforce state and federal consumer financial laws. First, Section 1042 of the Dodd-Frank Act grants state attorneys general the ability to enforce the Dodd-Frank Act and regulations promulgated under the Dodd-Frank Act's authority and to secure remedies provided in the Dodd-Frank Act against entities within their jurisdiction. Even if an overhaul of the Dodd-Frank Act eliminates Section 1042, state attorneys general will retain their enforcement authority under state law with respect to unfair or deceptive practices. Under these statutes, state attorneys general may generally conduct investigations, bring actions, and recover civil penalties or obtain injunctive relief against entities engaging in unfair, deceptive, or fraudulent acts. Attorneys general may also coordinate among themselves to enter into multi-state actions or settlements. Finally, several consumer financial laws like the Truth in Lending Act and Fair Credit Reporting Act grant enforcement or litigation authority to state attorneys general. Should the CFPB decrease its enforcement activity under the Trump administration, we expect to see an increase in actions brought by state attorneys general.

The Department of Defense has made changes to the regulations that have been promulgated as a result of the Military Lending Act. Effective October 3, 2016, we are subject to the limitations of the Military Lending Act, which places a 36% limitation on all fees, charges, interest rate and credit and non-credit insurance premiums for loans made to members of the military or their dependents. We are also no longer able to make non-purchase money loans secured by motor vehicles to service members and their dependents.

We are also subject to potential changes in state law, which could lower the interest-rate limit that non-depository financial institutions may charge for consumer loans or could expand the definition of interest under state law to include the cost of ancillary products, such as insurance.

We believe that we maintain all material licenses and permits required for our current operations and are in substantial compliance with all applicable federal, state and local regulations, but we may not be able to maintain all requisite licenses and permits, and the failure to satisfy those and other regulatory requirements could have a material adverse effect on our operations. In addition, changes in laws or regulations applicable to us could subject us to additional licensing, registration and other regulatory requirements in the future or could adversely affect our ability to operate or the manner in which we conduct business.

A material failure to comply with applicable laws and regulations could result in regulatory actions, including substantial fines or penalties, lawsuits and damage to our reputation, which could have a material adverse effect on our results of operations, financial condition and liquidity.

The Apollo-Värde Transaction, may be deemed a change of control for purposes of certain of our state lending and insurance licenses pursuant to which we operate our lending and insurance businesses. Accordingly, we may be required to obtain approvals for the change of control from some state lending or insurance regulators.

For more information with respect to the regulatory framework affecting our businesses, see "Business—Regulation" included in this report.

The enactment of the Dodd-Frank Act and the creation of the CFPB significantly increases our regulatory costs and burdens.

The Dodd-Frank Act was adopted in 2010. This law and the related regulations affect our operations in terms of increased oversight of financial services products by the CFPB, and the imposition of restrictions on the allowable terms for certain consumer credit transactions. The CFPB has significant authority to implement and enforce federal consumer finance laws, including the Truth in Lending Act, the Equal Credit Opportunity Act, the Fair Credit Billing Act and new requirements for financial services products provided for in the Dodd-Frank Act, as well as the authority to identify and prohibit unfair, deceptive, or abusive acts and practices. In addition, the Dodd-Frank Act provides the CFPB with broad supervisory, examination and enforcement authority over various consumer financial products and services, including the ability to require reimbursements and other payments to customers for alleged legal violations, and to impose significant penalties, as well as injunctive relief that prohibits lenders from engaging in allegedly unlawful practices. Further, state attorneys general and state regulators are authorized to bring civil actions to enforce certain consumer protection provisions of the Dodd-Frank Act. The Dodd-Frank Act and accompanying regulations are being phased in over time, and while some regulations have been promulgated, many others have not yet been proposed or finalized. We cannot predict the terms of all of the final regulations, their intended consequences or how such regulations will affect us or our industry.

The CFPB currently has supervisory authority over our real estate servicing activities, and likely will have supervisory authority over our consumer lending business. It also has the authority to bring enforcement actions for violations of laws over which it has jurisdiction regardless of whether it has supervisory authority for a given product or service. Effective in January 2014, the CFPB finalized mortgage servicing regulations, which makes it more difficult and expensive to service mortgages. The Dodd-Frank Act also gives the CFPB supervisory authority over entities that are designated as “larger participants” in certain financial services markets, including consumer installment loans and related products. The CFPB has not yet promulgated regulations that designate “larger participants” for consumer finance companies. If we are designated as a “larger participant” for this market, we also will be subject to supervision and examination by the CFPB with respect to our consumer loan business. The CFPB has published regulations for “larger participants” in the market of auto finance, and we have been designated as a larger participant in this market. The CFPB’s broad supervisory and enforcement powers could affect our business and operations significantly in terms of increased operating and regulatory compliance costs, and limits on the types of products we offer and the manner in which they are offered, among other things. See “Business—Regulation” included in this report for further information on the CFPB.

The CFPB and certain state regulators have taken action against select lenders regarding the marketing of products offered by the lenders in connection with their loans. The products included debt cancellation/suspension products written by the lenders which forgave a borrower’s debt or monthly minimum payment upon the occurrence of certain events in the life of the borrower (e.g., death, disability, marriage, divorce, birth of a child, etc.). We sell insurance and non-insurance products in connection with our loans. While insurance products are actively regulated by state insurance departments, sales of insurance and non-insurance products could be challenged in a similar manner by the CFPB or state consumer lending regulators.

Our use of third-party vendors is subject to increasing regulatory attention.

Recently, the CFPB and other regulators have issued regulatory guidance that has focused on the need for financial institutions to perform increased due diligence and ongoing monitoring of third-party vendor relationships, thus increasing the scope of management involvement and decreasing the benefit that we receive from using third-party vendors. Moreover, if our regulators conclude that we have not met the heightened standards for oversight of our third-party vendors, we could be subject to enforcement actions, civil monetary penalties, supervisory orders to cease and desist or other remedial actions, which could have an adverse effect on our business, financial condition and operating results.

Changes in federal, state or local tax laws could have a material adverse impact on our financial position, results of operations and cash flows.

On December 22, 2017, the President signed Public Law 115-97 (the “Tax Act”) into law. The Tax Act contains substantial changes to the U.S federal income tax code effective January 1, 2018, including a reduction in our federal corporate tax rate from 35% to 21%. In the long-term, we anticipate that we will have an overall benefit from the reduction in the tax rate slightly offset by potential deductions disallowed under the current law. However, we recognized a $23 million tax charge in 2017. This charge is primarily the result of the lower corporate tax rate, which required us to remeasure our net deferred tax asset to reflect the lower corporate tax rate. Although we are not aware of any provision in the Tax Act or any other pending tax legislation that would have a material adverse impact on our financial performance, the ultimate impact of the Tax Act may differ from our current assessment due to changes in interpretations and assumptions made by us as well as the issuance of any further regulations or guidance that may alter the operation of the U.S. federal income tax code. At this time, it is unclear how many U.S. states will incorporate these federal law changes, or portions thereof, into their tax codes. Further, the long-term impact of the Tax Act on the overall economy and our customers cannot be predicted so soon after the implementation of the Tax Act. Our customers are likely to experience varying effects from the provisions of the Tax Act both positive and negative. Consequently, there can be no assurance that the Tax Act will not negatively impact our operating results, financial condition, and future business operations.

We purchase and sell finance receivables, including charged off receivables and receivables where the borrower is in default. This practice could subject us to heightened regulatory scrutiny, which may expose us to legal action, cause us to incur losses and/or limit or impede our collection activity.

As part of our business model, we purchase and sell finance receivables. Although the borrowers for some of these finance receivables are current on their payments, other borrowers may be in default (including in bankruptcy) or the debt may have been charged off as uncollectible. The CFPB and other regulators have recently significantly increased their scrutiny of the purchase and sale of debt, and collections practices undertaken by purchasers of debt, especially delinquent and charged off debt. The CFPB has scrutinized sellers of debt for not maintaining sufficient documentation to support and verify the validity or amount of the debt. It has also scrutinized debt collectors for, among other things, their collection tactics, attempting to collect debts that no longer are valid, misrepresenting the amount of the debt and not having sufficient documentation to verify the

validity or amount of the debt. Our purchases or sales of receivables could expose us to lawsuits or fines by regulators if we do not have sufficient documentation to support and verify the validity and amount of the finance receivables underlying these transactions, or if we or purchasers of our finance receivables use collection methods that are viewed as unfair or abusive. In addition, our collections could suffer and we may incur additional expenses if we are required to change collection practices or stop collecting on certain debts as a result of a lawsuit or action on the part of regulators.

The Dodd-Frank Act also may adversely affect the securitization market because it requires, among other things, that a securitizer must retain at least a 5% economic interest in the credit risk of the securitized assets. Furthermore, sponsors are prohibited from diluting the required risk retention by dividing the economic interest among multiple parties, or hedging or transferring the credit risk the sponsor is required to maintain. Moreover, the SEC's significant changes to Regulation AB could result in sweeping changes to the commercial and residential mortgage loan securitization markets, as well as to the market for the re-securitization of mortgage-backed securities.

Rules relating to securitizations rated by nationally-recognized statistical rating agencies require that the findings of any third-party due diligence service providers be made publicly available at least five (5) business days prior to the first sale of securities, which has led and will continue to lead us to incur additional costs in connection with each securitization.

A certain amount of the rule-making under the Dodd-Frank Act remains to be done. As a result, the complete impact of the Dodd-Frank Act remains uncertain. It is not clear what form some of these remaining regulations will ultimately take, or how our business will be affected. No assurance can be given that the Dodd-Frank Act and related regulations or any other new legislative changes enacted will not have a significant impact on our business.

For more information with respect to the regulatory framework affecting our businesses, see "Business—Regulation" included in this report.

Investment Company Act considerations could affect our method of doing business.

We intend to continue conducting our business operations so that neither we nor any of our subsidiaries are required to register as an investment company under the Investment Company Act of 1940 (the "Investment Company Act"). We are a holding company that conducts its businesses primarily through wholly owned subsidiaries and are not an investment company because our subsidiaries are primarily engaged in the non-investment company business of consumer finance. Certain of our subsidiaries rely on exemptions from registration as an investment company, including pursuant to Sections 3(c)(4) and 3(c)(5) of the Investment Company Act. We rely on guidance published by the SEC staff or on our analyses of such guidance to determine our subsidiaries' qualification under these and other exemptions. To the extent that the SEC staff publishes new or different guidance with respect to these matters, we may be required to adjust our business operations accordingly. Any additional guidance from the SEC staff could provide additional flexibility to us, or it could inhibit our ability to conduct our business operations. There can be no assurance that the laws and regulations governing the Investment Company Act status of real estate or real estate related assets or SEC guidance regarding Investment Company Act exemptions for real estate assets will not change in a manner that adversely affects our operations. If we fail to qualify for an exemption or exception from the Investment Company Act in the future, we could be required to restructure our activities or the activities of our subsidiaries, which could negatively affect us. In addition, if we or one or more of our subsidiaries fail to maintain compliance with the applicable exemptions or exceptions and we do not have another basis available to us on which we may avoid registration, and we were therefore required to register as an investment company under the Investment Company Act, we would become subject to substantial regulation with respect to our capital structure, management, operations, transactions with affiliated persons, holdings, and other matters, which could have an adverse effect on us.

Real estate loan servicing and loan modifications have come under increased scrutiny from government officials and others, which could make servicing our legacy real estate loan portfolio more costly and difficult.

Real estate loan servicers are under increased scrutiny. In addition, some states and municipalities have passed laws that impose additional duties on foreclosing lenders and real estate loan servicers, such as mandatory mediation or extensive requirements for maintenance of vacant properties, which, in some cases, begin even before a lender has taken title to property. These additional requirements can delay foreclosures, make it uneconomical to foreclose on mortgaged real estate or result in significant additional costs, which could materially adversely affect the value of our portfolio. The CFPB finalized mortgage servicing regulations that became effective in January 2014, which makes it more difficult and expensive to service real estate loans.

The U.S. Government implemented a number of federal programs to assist homeowners, including the Home Affordable Modification Program (HAMP), which expired on December 31, 2017. Loans subserviced for us by Nationstar Mortgage LLC

and Select Portfolio Servicing, Inc. were subject to HAMP and were eligible for modification pursuant to HAMP guidelines. We have also implemented proprietary real estate loan modification programs in order to help real estate secured customers remain current on their loans. HAMP, our proprietary loan modification programs and other existing or future legislative or regulatory actions which result in the modification of outstanding real estate loans, may adversely affect the value of, and the returns on, our existing portfolio.

RISKS RELATED TO THE APOLLO-VÄRDE TRANSACTION

Failure to complete the Apollo-Värde Transaction could negatively affect our future business and financial results.

Completion of the Apollo-Värde Transaction is not assured and is subject to risks, including the risks that necessary regulatory approvals and clearances will not be obtained or that other closing conditions will not be satisfied. If the Apollo-Värde Transaction is not completed, our ongoing business and financial results may be adversely affected and we will be subject to several risks, including, that we may be subject to litigation related to any failure to complete the Apollo-Värde Transaction.

We will be subject to various uncertainties and contractual restrictions while the Apollo-Värde Transaction is pending that could adversely affect our financial results.

Uncertainty about the effect of the Apollo-Värde Transaction on counterparties to contracts, employees and other parties may have an adverse effect on us. These uncertainties could cause contract counterparties and others who deal with us to seek to change existing business relationships with us, and may impair our ability to attract, retain and motivate key personnel until the Apollo-Värde Transaction is completed and for a period of time thereafter. Employee retention and recruitment may be particularly challenging prior to completion of the Apollo-Värde Transaction, as our employees and prospective employees may experience uncertainty about their future roles with us following the Apollo-Värde Transaction.

The pursuit of the Apollo-Värde Transaction and the preparation involved may place a significant burden on management and internal resources. Any significant diversion of management attention away from ongoing business and any difficulties encountered in the transition and integration process could affect our financial results prior to and/or following the completion of the Apollo-Värde Transaction and could limit us from pursuing attractive business opportunities and making other changes to our business prior to completion of the Apollo-Värde Transaction.

In addition, the Share Purchase Agreement entered into in connection with the Apollo-Värde Transaction imposes certain restrictions on us. Without the consent of the Apollo-Värde Group, we are restricted from making certain acquisitions and divestitures, entering into certain contracts, incurring certain indebtedness and expenditures, paying certain dividends, repurchasing or issuing securities outside of existing share repurchase and equity award programs, and taking other specified actions until the earlier of the completion of the Apollo-Värde Transaction or the termination of the Share Purchase Agreement. These restrictions may prevent or delay pursuit of strategic corporate or business opportunities that may arise prior to the consummation of the Apollo-Värde Transaction. Adverse effects arising during the pendency of the Apollo-Värde Transaction could be exacerbated by any delays in consummation of the Apollo-Värde Transaction or termination of the related Share Purchase Agreement.

RISKS RELATED TO OUR INDEBTEDNESS

An inability to access adequate sources of liquidity may adversely affect our ability to fund operational requirements and satisfy financial obligations.

Our ability to access capital and credit may be significantly affected by disruption in the U.S. credit markets and the associated credit rating downgrades on our debt. In addition, the risk of volatility surrounding the global economic system and uncertainty surrounding regulatory reforms, such as the Dodd-Frank Act, continue to create uncertainty around access to the capital markets. Historically, we funded our operations and repaid our debt and other obligations using funds collected from our finance receivable portfolio and new debt issuances. Although market conditions have improved since the financial crisis, our traditional borrowing sources, including our ability to cost-effectively issue large amounts of unsecured debt in the capital markets, particularly issuances of commercial paper, have generally not been available to us. We have primarily raised capital through securitization transactions and, although there can be no assurances that we will be able to complete additional securitizations, we currently expect our near-term sources of capital markets funding to continue to derive from securitization transactions and unsecured debt offerings.

If we are unable to complete additional securitization transactions on a timely basis or upon terms acceptable to us or otherwise access adequate sources of liquidity, our ability to fund our own operational requirements and satisfy financial obligations may be adversely affected.

Our indebtedness is significant, which could affect our ability to meet our obligations under our debt instruments and could materially and adversely affect our business and ability to react to changes in the economy or our industry.

We currently have a significant amount of indebtedness. As of December 31, 2017, we had $7.9 billion of indebtedness outstanding. Interest expense on our indebtedness totaled $517 million in 2017.

The amount of indebtedness could have important consequences, including the following:

- it may require us to dedicate a significant portion of our cash flow from operations to the payment of the principal of, and interest on, our indebtedness, which reduces the funds available for other purposes, including finance receivable originations;
- it could limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing regulatory, business and economic conditions;
- it may limit our ability to incur additional borrowings or securitizations for working capital, capital expenditures, business development, debt service requirements, acquisitions or general corporate or other purposes, or to refinance our indebtedness;
- it may require us to seek to change the maturity, interest rate and other terms of our existing debt;
- it may place us at a competitive disadvantage to competitors that are proportionately not as highly leveraged;
- it may cause a downgrade of our debt and long-term corporate ratings; and
- it may cause us to be more vulnerable to periods of negative or slow growth in the general economy or in our business.

In addition, meeting our anticipated liquidity requirements is contingent upon our continued compliance with our existing debt agreements. An event of default or declaration of acceleration under one of our existing debt agreements could also result in an event of default and declaration of acceleration under certain of our other existing debt agreements. Such an acceleration of our debt would have a material adverse effect on our liquidity and our ability to continue as a going concern. If our debt obligations increase, whether due to the increased cost of existing indebtedness or the incurrence of additional indebtedness, the consequences described above could be magnified.

There can be no assurance that we will be able to repay or refinance our debt in the future.

Certain of our outstanding notes contain covenants that restrict our operations and may inhibit our ability to grow our business and increase revenues.

SFC’s indenture and certain of SFC’s notes contain a covenant that limits SFC’s and its subsidiaries’ ability to create or incur liens. The restrictions may interfere with our ability to obtain new or additional financing or may affect the manner in which we structure such new or additional financing or engage in other business activities, which may significantly limit or harm our results of operations, financial condition and liquidity. A default and resulting acceleration of obligations could also result in an event of default and declaration of acceleration under certain of our other existing debt agreements. Such an acceleration of our debt would have a material adverse effect on our liquidity and our ability to continue as a going concern. A default could also significantly limit our alternatives to refinance both the debt under which the default occurred and other indebtedness. This limitation may significantly restrict our financing options during times of either market distress or our financial distress, which are precisely the times when having financing options is most important.

The assessment of our liquidity is based upon significant judgments and estimates that could prove to be materially incorrect.

In assessing our current financial position and developing operating plans for the future, management has made significant judgments and estimates with respect to our liquidity, including but not limited to:

- our ability to generate sufficient cash to service all of our outstanding debt;
- our continued ability to access debt and securitization markets and other sources of funding on favorable terms;
- our ability to complete on favorable terms, as needed, additional borrowings, securitizations, finance receivable portfolio sales, or other transactions to support liquidity, and the costs associated with these funding sources, including sales at less than carrying value and limits on the types of assets that can be securitized or sold, which would affect profitability;
- the potential for downgrade of our debt by rating agencies, which would have a negative impact on our cost of, and access to, capital;
- our ability to comply with our debt covenants;
- the amount of cash expected to be received from our finance receivable portfolio through collections (including prepayments) and receipt of finance charges, which could be materially different than our estimates;
- the potential for declining financial flexibility and reduced income should we use more of our assets for securitizations and finance receivable portfolio sales; and
- the potential for reduced income due to the possible deterioration of the credit quality of our finance receivable portfolios.

Additionally, there are numerous risks to our financial results, liquidity, and capital raising and debt refinancing plans that are not quantified in our current liquidity forecasts. These risks include, but are not limited, to the following:

- our inability to grow our personal loan portfolio with adequate profitability to fund operations, loan losses, and other expenses;
- our inability to monetize assets including, but not limited to, our access to debt and securitization markets;
- our inability to obtain the additional necessary funding to finance our operations;
- the effect of federal, state and local laws, regulations, or regulatory policies and practices, including the Dodd-Frank Act (which, among other things, established the CFPB with broad authority to regulate and examine financial institutions), on our ability to conduct business or the manner in which we conduct business, such as licensing requirements, pricing limitations or restrictions on the method of offering products, as well as changes that may result from increased regulatory scrutiny of the sub-prime lending industry;
- potential liability relating to real estate and personal loans which we have sold or may sell in the future, or relating to securitized loans, if it is determined that there was a non-curable breach of a warranty made in connection with the transaction;
- the potential for increasing costs and difficulty in servicing our loan portfolio as a result of heightened nationwide regulatory scrutiny of loan servicing and foreclosure practices in the industry generally, and related costs that could be passed on to us in connection with the subservicing of our real estate loans that were originated or acquired centrally;
- reduced cash receipts as a result of the liquidation of our real estate loan portfolio;
- the potential for additional unforeseen cash demands or accelerations of obligations;
- reduced income due to loan modifications where the borrower's interest rate is reduced, principal payments are deferred, or other concessions are made;
- the potential for declines or volatility in bond and equity markets; and
- the potential effect on us if the capital levels of our regulated and unregulated subsidiaries prove inadequate to support current business plans.

We intend to repay indebtedness with one or more of the following activities, among others: finance receivable collections, cash on hand, additional debt financings (particularly new securitizations and possible new issuances and/or debt refinancing transactions), finance receivable portfolio sales, or a combination of the foregoing. There can be no assurance that we will be successful in undertaking any of these activities to support our operations and repay our obligations.
The actual outcome of one or more of our plans could be materially different than expected or one or more of our significant judgments or estimates about the potential effects of these risks and uncertainties could prove to be materially incorrect. In the event of such an occurrence, if third-party financing is not available, our liquidity could be substantially and materially affected, and as a result, substantial doubt could exist about our ability to continue as a going concern.

Current ratings could adversely affect our ability to raise capital in the debt markets at attractive rates, which could negatively affect our results of operations, financial condition and liquidity.

Each of S&P, Moody's, and Fitch rates SFC's debt. Ratings reflect the rating agencies' opinions of a company's financial strength, operating performance, strategic position and ability to meet our obligations. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

The table below outlines SFC's long-term corporate debt ratings and outlook by rating agencies:

As of December 31, 2017	Rating	Outlook
SFC:		
S&P	B	Stable
Moody's	B2	Positive
Fitch	B	Positive

Currently, no other Springleaf entity has a corporate debt rating, though they may be rated in the future.

If SFC's current ratings continue in effect or our ratings are downgraded, it will likely increase the interest rate that we would have to pay to raise money in the capital markets, making it more expensive for us to borrow money and adversely impacting our access to capital. As a result, our ratings could negatively impact our results of operations, financial condition and liquidity.

Our securitizations may expose us to financing and other risks, and there can be no assurance that we will be able to access the securitization market in the future, which may require us to seek more costly financing.

We have securitized, and may in the future securitize, certain of our finance receivables to generate cash to originate or purchase new finance receivables or pay our outstanding indebtedness. In such transactions, we typically convey a pool of finance receivables to a special purpose entity, which, in turn, conveys the finance receivables to a trust (the issuing entity). Concurrently, the trust typically issues non-recourse notes or certificates pursuant to the terms of an indenture or pooling and servicing agreement, which then are transferred to the special purpose entity in exchange for the finance receivables. The securities issued by the trust are secured by the pool of finance receivables. In exchange for the transfer of finance receivables to the issuing entity, we typically receive the cash proceeds from the sale of the trust securities, all residual interests, if any, in the cash flows from the finance receivables after payment of the trust securities, and a 100% beneficial interest in the issuing entity.

Although we have successfully completed a number of securitizations since 2012, we can give no assurances that we will be able to complete additional securitizations if the securitization markets become constrained. In addition, the value of any subordinated securities that we may retain in our securitizations might be reduced or, in some cases, eliminated as a result of an adverse change in economic conditions.

We currently act as the servicer with respect to our consumer loan securitization trusts and related series of asset-backed securities. If we default in our servicing obligations, an early amortization event could occur with respect to the relevant asset-backed securities and we could be replaced as servicer. Servicer defaults include, for example, the failure of the servicer to make any payment, transfer or deposit in accordance with the securitization documents, a breach of representations, warranties or agreements made by the servicer under the securitization documents and the occurrence of certain insolvency events with respect to the servicer. Such an early amortization event could have materially adverse consequences on our liquidity and cost of funds.

Rating agencies may also affect our ability to execute a securitization transaction, or increase the costs we expect to incur from executing securitization transactions, not only by deciding not to issue ratings for our securitization transactions, but also by altering the criteria and process they follow in issuing ratings. Rating agencies could alter their ratings processes or criteria after we have accumulated finance receivables for securitization in a manner that effectively reduces the value of those finance receivables by increasing our financing costs or otherwise requiring that we incur additional costs to comply with those processes and criteria. We have no ability to control or predict what actions the rating agencies may take.

Further, other matters, such as (i) accounting standards applicable to securitization transactions and (ii) capital and leverage requirements applicable to banks and other regulated financial institutions holding residential mortgage-backed securities or other asset-backed securities, could result in decreased investor demand for securities issued through our securitization transactions, or increased competition from other institutions that undertake securitization transactions. In addition, compliance with certain regulatory requirements, including the Dodd-Frank Act and the Investment Company Act, may affect the type of securitizations that we are able to complete.

If it is not possible or economical for us to securitize our finance receivables in the future, we would need to seek alternative financing to support our operations and to meet our existing debt obligations, which may be less efficient and more expensive than raising capital via securitizations and may have a material adverse effect on our results of operations, financial condition and liquidity.

RISKS RELATED TO OUR ORGANIZATION AND STRUCTURE

Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business.

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Effective internal control over financial reporting is necessary for us to provide reliable reports and prevent fraud.

We believe that a control system, no matter how well designed and managed, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. We may not be able to identify all significant deficiencies and/or material weaknesses in our internal control in the future, and our failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are a holding company with no operations and rely on our operating subsidiaries to provide us with funds necessary to meet our financial obligations.

We are a holding company with no material direct operations. Our principal assets are the equity interests we directly or indirectly hold in our operating subsidiaries, which own our operating assets. As a result, we are dependent on loans, dividends and other payments from our subsidiaries to generate the funds necessary to meet our financial obligations. Our subsidiaries are legally distinct from us and certain of our subsidiaries are prohibited or restricted from paying dividends or otherwise making funds available to us under certain conditions. For example, our insurance subsidiaries are subject to regulations that limit their ability to pay dividends or make loans or advances to us, principally to protect policyholders, and certain of our debt agreements limit the ability of certain of our subsidiaries to pay dividends. If we are unable to obtain funds from our subsidiaries, we may be unable to, or our board may exercise its discretion not to, pay dividends.

Item 1B. Unresolved Staff Comments.

None

Item 2. Properties.

We generally conduct branch office operations, which consisted of over 600 branch offices at December 31, 2017, through leased properties with lease terms generally ranging from three to five years.

Our non-subsidiary affiliate, OneMain General Services Corporation, successor to SGSC and SFMC ("OGSC"), holds the leasehold interests for certain of our leases and, pursuant to intercompany arrangements, such properties are used by us for our:

(i) branch office administration and centralized operations, including our servicing facilities in Mendota Heights, Minnesota and Tempe, Arizona (ii) administrative offices in Chicago, Illinois and Wilmington, Delaware, which have seven year leases that expire in 2021 and 2022, respectively, (iii) an administrative office in Irving, Texas under an eight year lease that expires in 2025 and (iv) office space in Stamford, Connecticut, which has a six year lease that expires in 2022.Our investment in real estate and tangible property is not significant in relation to our total assets due to the nature of our business. At December 31, 2017, OGSC owned a loan servicing facility in London, Kentucky and six buildings in Evansville, Indiana that are also utilized by us for our operations. The Evansville buildings house our administrative offices and our centralized operations for our Consumer and Insurance, and Acquisitions and Servicing segments.

See also Note 11 for Related Party Transactions.

Item 3. Legal Proceedings.

See Note 19 of the Notes to Consolidated Financial Statements included in this report.

Item 4. Mine Safety Disclosures.

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

No trading market exists for SFC's common stock. All of SFC's common stock is held by SFI. SFC did not pay any cash dividends on its common stock in 2017, 2016, or 2015.

Because SFC is a holding company and has no direct operations, SFC will only be able to pay cash dividends on its common stock from the available cash on hand and any funds SFC receives from its subsidiaries. Our insurance subsidiaries are subject to regulations that limit their ability to pay dividends or make loans or advances to us, principally to protect policyholders, and certain of our debt agreements limit the ability of certain of our subsidiaries to pay dividends. See Note 14 of the Notes to Consolidated Financial Statements included in this report for further information on insurance subsidiary dividends and Note 12 of the Notes to Consolidated Financial Statements included in this report for more information about our debt agreements.

On January 11, 2016, SFC issued one share of SFC common stock to SFI for $10.5 million per transaction to satisfy interest payments required by SFC's junior subordinated debenture. Each share of SFC common stock was issued in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended. See "Liquidity and Capital Resources — Our Debt Agreements" included in this report for further information on SFC's junior subordinated debenture.

Item 6. Selected Financial Data.

The following table presents our selected historical consolidated financial data and other operating data. The consolidated statement of operations data for the years ended December 31, 2017, 2016, and 2015 and the consolidated balance sheet data as of December 31, 2017 and 2016 have been derived from our audited consolidated financial statements included elsewhere herein. The statement of operations data for the years ended December 31, 2014 and 2013 and the consolidated balance sheet data as of December 31, 2015, 2014 and 2013 have been derived from our consolidated financial statements not included elsewhere herein.

The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this report and our audited consolidated financial statements and related notes included in this report.

	At or for the Years Ended December 31,				
(dollars in millions)	2017	2016	2015	2014	2013
Consolidated Statements of Operations Data:					
Interest income	**$ 1,241**	$ 1,350	$ 1,657	$ 1,625	$ 1,637
Interest expense	**517**	556	667	683	843
Provision for finance receivable losses	**324**	329	339	352	371
Other revenues	**407**	574	243	745	161
Other expenses	**614**	693	735	657	709
Income (loss) before income tax expense (benefit)	**193**	346	159	678	(125)
Net income (loss)	**94**	233	141	445	(76)
Net income attributable to non-controlling interests	**—**	28	127	48	—
Net income (loss) attributable to Springleaf Finance Corporation	**94**	205	14	397	(76)
Consolidated Balance Sheet Data:					
Net finance receivables, less unearned insurance premium and claim reserves and allowance for finance receivable losses	**$ 5,094**	$ 4,543	$ 6,090	$ 6,181	$ 10,730
Total assets	**10,824**	9,719	12,188	10,998	12,612
Long-term debt	**7,865**	6,837	9,582	8,356	10,602
Total liabilities	**8,418**	7,376	10,156	9,021	11,227
Springleaf Finance Corporation shareholder's equity	**2,406**	2,343	2,111	2,106	1,385
Non-controlling interests	**—**	—	(79)	(129)	—
Total shareholder's equity	**2,406**	2,343	2,032	1,977	1,385
Other Operating Data:					
Ratio of earnings to fixed charges	**1.37**	1.61	1.24	1.98	*

* Earnings did not cover total fixed charges by $125 million in 2013.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read together with the audited consolidated financial statements and related notes included in this report. This discussion and analysis contains forward-looking statements that involve risk, uncertainties, and assumptions. See "Forward-Looking Statements" included in this report for more information. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including those discussed in "Risk Factors" included in this report.

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

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Liquidity and Capital Resources	54
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Overview

We are a leading provider of responsible personal loan products, primarily to non-prime customers. Our network of over 600 branch offices in 28 states as of December 31, 2017,is staffed with highly trained personnel and is complemented by our online personal loan origination capabilities and centralized operations, which allows us to reach customers located outside our branch footprint. Our digital platform provides current and prospective customers the option of obtaining an unsecured personal loan via our website, *www.onemainfinancial.com.* (The information on our website is not incorporated by reference into this report.) In connection with our personal loan business, we offer our customers credit and non-credit insurance.

In addition, we 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 or arrangements from time to time.

OUR PRODUCTS

Our product offerings include:

- ***Personal Loans*** — We offer personal loans through our branch network and over the Internet through our centralized operations to customers who generally need timely access to cash. Our personal loans are typically non-revolving with a fixed-rate and a fixed, original term of three to six years and are secured by consumer goods, automobiles, or other personal property or are unsecured. At December 31, 2017, we had nearly 920,000 personal loans, representing $5.3 billion of net finance receivables compared to 928,000 personal loans totaling $4.8 billion at December 31, 2016.

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

Our non-originating legacy products include:

- ***Real Estate Loans*** — In 2012, we ceased originating real estate loans and the portfolio is in a liquidating status. During 2016, we sold $308 million real estate loans held for sale. At December 31, 2017, we had $128 million of real estate loans held for investment, of which 91% were secured by first mortgages, compared to $144 million at December 31, 2016, of which 93% were secured by first mortgages. Real estate loans held for sale totaled $132 million and $153 million at December 31, 2017 and 2016, respectively.

- ***Retail Sales Finance*** — We ceased purchasing retail sales contracts and revolving retail accounts in January of 2013. We continue to service the liquidating retail sales contracts and will provide revolving retail sales financing services on our revolving retail accounts.

OUR SEGMENTS

At December 31, 2017, we had two operating segments:

- Consumer and Insurance; and
- Acquisitions and Servicing.

Beginning in 2017, we include Real Estate, which was previously presented as a distinct reporting segment, in “Other.” See Note 22 of the Notes to Consolidated Financial Statements included in this report for further information on this change in our segment alignment and for more information about our segments. To conform to the new alignment of our segments, we have revised our prior period segment disclosures.

HOW WE ASSESS OUR BUSINESS PERFORMANCE

We closely monitor the primary drivers of pretax operating income, which consist of the following:

Net Interest Income

We track the spread between the interest income earned on our finance receivables and the interest expense incurred on our debt, and continually monitor the components of our yield and our cost of funds.

Net Credit Losses

The credit quality of our loans is driven by our long-standing underwriting philosophy, which takes into account the prospective customer’s household budget, and his or her willingness and capacity to repay the proposed loan. We closely analyze credit performance because the profitability of our loan portfolio is directly connected to net credit losses. We define net credit losses as gross charge-offs minus recoveries in the portfolio. Additionally, because delinquencies are an early indicator of future net credit losses, we analyze delinquency trends, adjusting for seasonality, to determine whether or not our loans are performing in line with our original estimates. We also monitor recovery rates because of their contribution to the reduction in the severity of our charge-offs.

Operating Expenses

We assess our operational efficiency using various metrics and conduct extensive analysis to determine whether fluctuations in cost and expense levels indicate operational trends that need to be addressed. Our operating expense analysis also includes a review of origination and servicing costs to assist us in managing overall profitability.

Because loan volume and portfolio size determine the magnitude of the impact of each of the above factors on our earnings, we also closely monitor origination volume and annual percentage rate.

Recent Developments and Outlook

APOLLO-VÄRDE TRANSACTION

On January 3, 2018, the Apollo-Värde Group entered into a Share Purchase Agreement with the Initial Stockholder and OMH to acquire from the Initial Stockholder 54,937, 500 shares (representing approximately 40.6% of OMH'S common stock that was issued and outstanding as of such date), representing the entire holdings of OMH'S stock beneficially owned by Fortress. The Apollo-Värde Transaction is expected to close in the second quarter of 2018 and is subject to regulatory approvals and other customary closing conditions. Further, upon closing of the Apollo-Värde Transaction, we expect to recognize non-cash incentive compensation expense of approximately $108 million along with a capital contribution offset such that the overall impact to our shareholders' equity will be neutral.

DIVIDEND OF SFMC

On April 10, 2017, SFMC, a former subsidiary of SFC, was contributed to SFI in the form of a dividend. SFI then contributed SFMC and SGSC to OMH, and SFMC merged into SGSC, which was renamed and is now OGSC. As a result of the dividend, the Company's total shareholder equity and total assets were reduced by $38 million and $65 million, respectively, on the contribution date.

The contribution was the result of the continuing integration process, and part of a series of corporate consolidation transactions surrounding the OneMain Acquisition.

SFC's MEDIUM-TERM NOTE ISSUANCES

6.125% SFC Notes

On May 15, 2017, SFC issued $500 million aggregate principal amount of 6.125% Senior Notes due 2022 (the "2022 SFC Notes") under an Indenture dated as of December 3, 2014 (the "SFC Base Indenture"), as supplemented by a Third Supplemental Indenture, dated as of May 15, 2017 (the "SFC Third Supplemental Indenture"), pursuant to which OMH provided a guarantee of the 2022 SFC Notes on an unsecured basis.

On May 30, 2017, SFC issued and sold $500 million aggregate principal amount of additional 2022 SFC Notes (the "Additional SFC Notes") in an add-on offering. The initial 2022 SFC Notes and the Additional SFC Notes (collectively, the "6.125% SFC Notes"), are treated as a single class of debt securities and have the same terms, other than the issue date and the issue price.

SFC used a portion of these net proceeds to repurchase approximately $466 million aggregate principal amount of its existing 6.90% Senior Notes due 2017 at a premium to par. SFC used the remaining net proceeds for general corporate purposes.

5.625% SFC Notes

On December 8, 2017, SFC issued $875 million aggregate principal amount of 5.625% Senior Notes due 2023 (the ''5.625% SFC Notes'') under the SFC Base Indenture, as supplemented by a Fourth Supplemental Indenture dated as of December 8, 2017 (the "SFC Fourth Supplemental Indenture"), pursuant to which OMH provided a guarantee of the 5.625% SFC Notes on an unsecured basis. SFC used a portion of these net proceeds to repay at maturity approximately $557 million aggregate principal amount of its existing 6.90% Medium-Term Notes. SFC intends to use the remaining net proceeds for general corporate purposes, which may include additional debt repurchases and repayments.

See Note 2 and 12 of the Notes to Consolidated Financial Statements included in this report for further information on the SFC Offerings.

MATURITY OF SFC'S 6.90% MEDIUM-TERM NOTES

On December 15, 2017, the $557 million outstanding principal amount of SFC's 6.90% Medium-Term Notes, Series J became due and payable.

See Note 12 of the Notes to Consolidated Financial Statements included in this report for further information on the maturity of SFC's 6.90% medium-term notes.

THE TAX ACT

On December 22, 2017, the President signed into law the Tax Act, which contains substantial changes to the Internal Revenue Code effective January 1, 2018, including a reduction in the federal corporate tax rate from 35% to 21%. In the long-term, we anticipate that we will have an overall benefit from the reduction in the tax rate slightly offset by potential deductions disallowed under the current law. However, we recognized a $23 million tax charge in 2017. This charge is primarily the result of the lower corporate tax rate, which required us to remeasure our net deferred tax asset to reflect the lower corporate tax rate. For further information see Note 18 of the Notes to Consolidated Financial Statements included in this report.

IMPACT OF HURRICANES HARVEY, IRMA AND MARIA

In August and September of 2017, our customers in certain areas of the United States and Puerto Rico were impacted by hurricanes Harvey, Irma and Maria. The estimated total hurricane-related impact recorded during 2017 was approximately $10 million, consisting primarily of increases in our loan loss reserve and borrower-related assistance programs. See additional discussion under “Results of Operations” and “Segment Results” below.

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 by (i) continuing the growth in receivables through enhanced marketing strategies and customer product options, (ii) increasing tangible equity and reducing leverage, and (iii) maintaining a strong liquidity level with diversified funding sources.

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

Results of Operations

CONSOLIDATED RESULTS

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

(dollars in millions)

Years Ended December 31,	2017	2016	2015
Interest income	**$ 1,241**	$ 1,350	$ 1,657
Interest expense	**517**	556	667
Provision for finance receivable losses	**324**	329	339
Net interest income after provision for finance receivable losses	**400**	465	651
Net gain on sale of SpringCastle interests	**—**	167	—
Other revenues	**407**	407	243
Other expenses	**614**	693	735
Income before income tax expense	**193**	346	159
Income tax expense	**99**	113	18
Net income	**94**	233	141
Net income attributable to non-controlling interests	**—**	28	127
Net income attributable to SFC	**$ 94**	$ 205	$ 14
Selected Financial Statistics (a)			
Finance receivables held for investment:			
Net finance receivables	**$ 5,442**	$ 4,959	$ 6,564
Number of accounts	**924,619**	934,618	1,151,289
Finance receivables held for sale:			
Net finance receivables	**$ 132**	$ 153	$ 793
Number of accounts	**2,460**	2,800	148,932
Finance receivables held for investment and held for sale: (b)			
Average net receivables	**$ 5,105**	$ 5,587	$ 6,776
Yield	**24.06 %**	23.83 %	24.20 %
Gross charge-off ratio	**6.90 %**	6.61 %	5.18 %
Recovery ratio	**(1.27)%**	(0.97)%	(0.82)%
Net charge-off ratio	**5.63 %**	5.64 %	4.36 %
30-89 Delinquency ratio	**2.61 %**	2.47 %	3.24 %
Origination volume	**$ 4,152**	$ 3,813	$ 4,522
Number of accounts originated	**590,570**	627,561	818,758

(a) See "Glossary" at the beginning of this report for formulas and definitions of our key performance ratios.

(b) Includes personal loans held for sale, but excludes real estate loans held for sale in order to be comparable with our segment statistics disclosed in "Segment Results."

Comparison of Consolidated Results for 2017 and 2016

Interest income decreased $109 million in 2017 when compared to 2016 due to the net of the following:

- ***Interest income on finance receivables held for sale*** decreased $61 million primarily due to (i) personal loans sold in the Lendmark Sale in May 2016, and (ii) the real estate loans in finance receivables held for sale during 2016 period, which were sold in the fourth quarter of 2016.

- ***Finance charges*** decreased $48 million primarily due to the net of the following:

  - ***Average net receivables held for investment*** decreased primarily due to (i) the SpringCastle Interests Sale and (ii) our liquidating real estate loan portfolio, including transfers of $307 million of real estate loans to finance receivables held for sale during 2016. This decrease was partially offset by the continued growth in our personal loan portfolio.

  - ***Yield on finance receivables held for investment*** increased primarily due to our liquidating real estate portfolio and the sale of our SpringCastle portfolio in 2016 which have lower yields than our personal loan portfolio. This increase was partially offset by the continued shift of the personal loan portfolio towards higher credit quality loans with higher balances which tend to have loans with lower yields.

Interest expense decreased $39 million in 2017 when compared to 2016 due to the net of the following:

- ***Average debt*** decreased primarily due to debt elimination associated with the SpringCastle Interests Sale and net debt issuance and repayment activity in 2017. This decrease was partially offset by net debt issuances during the past 12 months relating to SFC's offerings of the 6.125% SFC Notes in May of 2017 and our securitization transactions. See Notes 12 and 13 of the Notes to Consolidated Financial Statements included in this report for further information on our long-term debt, securitization transactions and our conduit facilities.

- ***Weighted average interest rate on our debt*** decreased primarily due to the (i) repurchase of $600 million of unsecured notes, which had a higher interest rate relative to our other indebtedness, and (ii) the issuance of securitizations at a lower interest rate relative to our other indebtedness. This decrease was partially offset by (i) SFC's offering of the 8.25% SFC Notes in April of 2016 and (ii) the debt elimination associated with the SpringCastle Interests Sale, which generally had a lower interest rate relative to our other indebtedness.

- ***Interest expense on note payable to affiliate*** of $7 million resulting from a revolving demand note agreement between SFC and OMFH, entered into on December 1, 2015 and which was paid off in 2016. See Note 11 of the Notes to Consolidated Financial Statements included in this report for further information on this note.

Provision for finance receivable losses decreased $5 million in 2017 when compared to 2016 primarily due to (i) the alignment of pricing and credit strategies, which have driven originations toward higher quality customers who tend to have lower delinquencies and provision and (ii) the absence of net charge-offs on the previously owned SpringCastle Portfolio. This decrease was partially offset by (i) the growth in our personal loan portfolio and (ii) the estimated impacts of hurricanes Harvey, Irma and Maria. Based on information currently available, we estimate the impact to net charge-offs attributable to these hurricanes to be $8 million and have increased our provision for finance receivable losses accordingly.

Net gain on sale of SpringCastle interests of $167 million in 2016 reflected the net gain associated with the sale of our equity interests in the SpringCastle Joint Venture on March 31, 2016.

Other revenues remained flat in 2017 when compared to 2016. Comparable year activity within other revenues included a $41 million increase in interest income on notes receivable from parent and affiliates in the 2017 period, as discussed in Note 11 of the Notes to Consolidated Financial Statements of this report. This increase was largely offset by a decrease in insurance revenues of $20 million during 2017 primarily due to lower volume of loans with insurance products sold and a decrease in runoff business and $18 million net gain on sales of personal and real estate loans in the 2016 period.

Other expenses decreased $79 million in 2017 when compared to 2016 due to the following:

- ***Salaries and benefits*** decreased $40 million primarily due to a decrease in average staffing as a result of our integration of the two legacy companies.

- ***Other operating expenses*** decreased $40 million primarily due to lower allocated expenses to SFC resulting from efficiencies gained from our continued integration efforts, which resulted in a greater absorption of corporate expenses by other OMH subsidiaries.

- ***Insurance policy benefits and claims*** increased $1 million primarily due to unfavorable variances in credit claim and benefit reserves.

Income taxes totaled $99 million for 2017 compared to $113 million for 2016. The effective tax rate for 2017 was 51.2% compared to 32.8% for 2016. The effective tax rate for 2017 differed from the federal statutory rate primarily due to the recognition of the impact of the Tax Act and effects of state income taxes. As a result of the Tax Act we recognized a $23 million tax charge in 2017. This charge is primarily the result of the lower corporate tax rate, which required us to remeasure our net deferred tax asset to reflect the lower corporate tax rate. The effective tax rate for 2016 differed from the federal statutory rate primarily due to the effects of the non-controlling interest in the previously owned SpringCastle Portfolio and effects of state income taxes. See Note 18 of the Notes to Consolidated Financial Statements included in this report for further information on the effective tax rates.

Comparison of Consolidated Results for 2016 and 2015

Interest income decreased $307 million in 2016 when compared to 2015 due to the net of the following:

- ***Finance charges*** decreased $321 million primarily due to the following:

    - ***Average net receivables held for investment*** decreased primarily due to (i) the SpringCastle Interests Sale, (ii) the transfer of $608 million of our personal loans to finance receivables held for sale on September 30, 2015, and (iii) our liquidating real estate loan portfolio, including the transfers of $257 million and $50 million of real estate loans to finance receivables held for sale on June 30, 2016 and November 30, 2016, respectively. This decrease was partially offset by the continued growth of our personal loan portfolio (primarily of our secured personal loans).

    - ***Yield on finance receivables held for investment*** decreased primarily due to the continued growth of secured personal loans, which generally have lower yields relative to our unsecured personal loans.

- ***Interest income on finance receivables held for sale*** increased $14 million primarily due to (i) the transfer of $608 million of our personal loans to held for sale on September 30, 2015, which were sold in the Lendmark Sale on May 2, 2016, and (ii) the transfers of $307 million of real estate loans to finance receivables held for sale during 2016, which were sold in the August 2016 Real Estate Loan Sale and December 2016 Real Estate Loan Sale.

Interest expense decreased $111 million in 2016 when compared to 2015 due to the net of the following:

- ***Average debt*** decreased primarily due to (i) the elimination of the debt associated with the SpringCastle Interests Sale and (ii) net debt repurchases and repayments during 2016 relating to our consumer securitization transactions and conduit facilities. This decrease was partially offset by net unsecured debt issued during 2016. See Notes 12 and 13 of the Notes to Consolidated Financial Statements included in this report for further information on our long-term debt, consumer loan securitization transactions, and our conduit facilities.

- ***Weighted average interest rate on our debt*** increased primarily due to (i) SFC's offering of the 8.25% SFC Notes in April of 2016, as defined in "Liquidity and Capital Resources" included in this report and (ii) the elimination of debt associated with the SpringCastle Interests Sale, which generally had a lower interest rate relative to our other indebtedness. The increase was partially offset by the repurchase of $600 million unsecured notes, which had a higher interest rate relative to our other indebtedness, in connection with SFC's offering of the 8.25% SFC Notes.

- ***Interest expense on note payable to affiliate*** of $7 million resulting from a revolving demand note agreement between SFC and OMFH, entered into on December 1, 2015. See Note 11 of the Notes to Consolidated Financial Statements included in this report for further information on this note.

Provision for finance receivable losses decreased $10 million in 2016 when compared to 2015 primarily due to (i) lower allowance requirements on our personal loans due to improved performance of our remaining portfolio following the Lendmark Sale, (ii) lower net charge-offs on the previously owned SpringCastle Portfolio reflecting the SpringCastle Interests Sale and the improved central servicing performance as the acquired portfolio matured under our ownership, and (iii) lower net charge-offs on our real estate loans reflecting the liquidating status of the real estate loan portfolio and the transfers of $307 million of real estate loans to finance receivables held for sale during 2016. This decrease was partially offset by higher net charge-offs on our personal loans reflecting growth during the past 12 months.

Net gain on sale of SpringCastle interests of $167 million in 2016 reflected the net gain associated with the sale of our equity interest in the SpringCastle Joint Venture on March 31, 2016. See Note 2 of the Notes to Consolidated Financial Statements included in this report for further information on the sale.

Other revenues increased $164 million in 2016 when compared to 2015 primarily due to (i) increase in interest income on notes receivable from parent and affiliates of $172 million primarily reflecting interest income on the Cash Services Note during 2016, (ii) net gain on sales of personal and real estate loans of $18 million in 2016, (iii) servicing charge income for the receivables related to the Lendmark Sale of $6 million in 2016, and (iv) foreign currency translation adjustment gain of $4 million in 2016 resulting from the liquidation of our United Kingdom subsidiary. This increase was partially offset by (i) a decrease in investment revenues of $18 million during 2016 primarily due to a decrease in invested assets and lower realized gains on the sale of investment securities and (ii) net loss on repurchases and repayments of debt of $17 million in 2016.

Other expenses decreased $42 million in 2016 when compared to 2015 due to the following:

- ***Salaries and benefits*** decreased $17 million primarily due to (i) non-cash incentive compensation expense of $15 million recorded in 2015 relating to the rights of certain executives to receive a portion of the cash proceeds from the sale of OMH's common stock by the Initial Stockholder and (ii) a decrease in average staffing during 2016.

- ***Other operating expenses*** decreased $8 million primarily due to the net of (i) nine additional months of servicing expenses for the SpringCastle Portfolio totaling $38 million during 2015, (ii) a decrease in deferred origination costs of $12 million during 2016, (iii) an increase in information technology expenses of $9 million during 2016, and (iv) an increase in professional fees of $8 million during 2016 primarily reflecting debt refinance costs.

- ***Insurance policy benefits and claims*** decreased $17 million primarily due to favorable variances in benefit reserves during 2016, which partially resulted from a $9 million write-down of benefit reserves recorded during 2016.

Income taxes totaled $113 million for 2016 compared to $18 million for 2015. The effective tax rate for 2016 was 32.8% compared to 11.1% for 2015. The effective tax rate for 2016 and 2015 differed from the federal statutory rate primarily due to the effect of the non-controlling interest in the previously owned SpringCastle Portfolio, partially offset by the effect of state income taxes. On March 31, 2016, the Company sold its equity interest in the SpringCastle Portfolio. See Note 18 of the Notes to Consolidated Financial Statements included in this report for further information on the effective rates.

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 gain (loss) on sales of personal and real estate loans, net gain on sale of SpringCastle interests, SpringCastle transaction costs, losses resulting from repurchases and repayments of debt, debt refinance costs, net loss on liquidation of our United Kingdom subsidiary, and income attributable to non-controlling interests. Management believes adjusted pretax income (loss) is useful in assessing the profitability of our segments and uses adjusted pretax income (loss) in evaluating our operating performance. 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 taxes attributable to SFC on a Segment Accounting Basis to adjusted pretax income (loss) attributable to SFC (non-GAAP) by segment were as follows:

(dollars in millions) **Years Ended December 31,**	**2017**	**2016**	**2015**
Consumer and Insurance			
Income before income taxes - Segment Accounting Basis	**$ 26**	$ 56	$ 260
Adjustments:			
Net gain on sale of personal loans	**—**	(22)	—
Net loss on repurchases and repayments of debt	**17**	8	—
Debt refinance costs	**—**	4	—
Adjusted pretax income (non-GAAP)	**$ 43**	$ 46	$ 260
Acquisitions and Servicing			
Income (loss) before income taxes - Segment Accounting Basis	**$ (2)**	$ 219	$ 244
Adjustments:			
Net gain on sale of SpringCastle interests	**—**	(167)	—
SpringCastle transaction costs	**—**	1	—
Income attributable to non-controlling interests	**—**	(28)	(127)
Adjusted pretax income (loss) (non-GAAP)	**$ (2)**	$ 25	$ 117
Other			
Income (loss) before income taxes - Segment Accounting Basis	**$ 240**	$ 143	$ (195)
Adjustments:			
Net loss on sale of real estate loans	**—**	12	—
Net loss on liquidation of United Kingdom subsidiary	**—**	6	—
Net loss on repurchases and repayments of debt	**—**	1	—
Debt refinance costs	**—**	1	—
Adjusted pretax income (loss) (non-GAAP)	**$ 240**	$ 163	$ (195)

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Segment Results

See Note 22 of the Notes to Consolidated Financial Statements included in this report for (i) a description of our segments, (ii) reconciliations of segment totals to consolidated financial statement amounts, (iii) methodologies used to allocate revenues and expenses to each segment, and (iv) further discussion of the differences in our Segment Accounting Basis and GAAP.

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 Years Ended December 31,	2017	2016	2015
Interest income	**$ 1,213**	$ 1,192	$ 1,115
Interest expense	**439**	402	190
Provision for finance receivable losses	**316**	305	255
Net interest income after provision for finance receivable losses	**458**	485	670
Other revenues	**186**	205	212
Other expenses	**601**	644	622
Adjusted pretax income (non-GAAP)	**$ 43**	$ 46	$ 260
Selected Financial Statistics (a)			
Finance receivables held for investment:			
Net finance receivables	**$ 5,308**	$ 4,794	$ 4,286
Number of accounts	**919,697**	926,308	887,523
Finance receivables held for sale:			
Net finance receivables	**$ —**	$ —	$ 617
Number of accounts	**—**	—	145,736
Finance receivables held for investment and held for sale: (b)			
Average net receivables	**$ 4,958**	$ 4,790	$ 4,250
Yield	**24.46 %**	24.91 %	26.23 %
Gross charge-off ratio	**7.00 %**	7.07 %	5.92 %
Recovery ratio	**(1.23)%**	(0.95)%	(0.86)%
Net charge-off ratio	**5.77 %**	6.12 %	5.06 %
30-89 Delinquency ratio	**2.46 %**	2.26 %	2.53 %
Origination volume	**$ 4,152**	$ 3,793	$ 4,434
Number of accounts originated	**590,570**	627,561	818,758

(a) See “Glossary” at the beginning of this report for formulas and definitions of our key performance ratios.

(b) Includes personal loans held for sale for the 2016 and 2015 periods in connection with the Lendmark Sale.

Comparison of Adjusted Pretax Income for 2017 and 2016

Interest income increased $21 million in 2017 when compared to 2016 due to the net of the following:

- ***Interest income on finance receivables held for sale*** decreased $56 million in 2017 due to the transfer of our personal loans to finance receivables held for sale in the 2015 period that were sold in the Lendmark Sale in May of 2016.

- ***Finance charges*** increased $77 million primarily due to the net of the following:

    - ***Average net receivables held for investment*** increased primarily due to the continued growth in our personal loan portfolio.

    - ***Yield on finance receivables held for investment*** decreased primarily due to the continued shift of the portfolio towards higher quality customers with higher average balances which have lower yields.

Interest expense increased $37 million in 2017 when compared to 2016 primarily due to an increase in the utilization of financing from unsecured notes which generally have higher interest rates relative to our other indebtedness.

Provision for finance receivable losses increased $11 million in 2017 when compared to 2016 primarily due to (i) the growth in our personal loan portfolio and (ii) the estimated impacts of hurricanes Harvey and Irma. Based on information currently available, we estimate the impact to net charge-offs attributable to these hurricanes to be $3 million and have increased our provision for finance receivable losses accordingly.

Other expenses decreased $43 million in 2017 when compared to 2016 due to the net of the following:

- ***Salaries and benefits*** decreased $25 million primarily due to a decrease in average staffing as a result of our integration of the two legacy companies.

- ***Other operating expenses*** decreased $19 million primarily due to lower allocated expenses to SFC resulting from efficiencies gained from our continued integration efforts, which resulted in a greater absorption of corporate expenses by other OMH subsidiaries.

- ***Insurance policy benefits and claims*** increased $1 million primarily due to unfavorable variances in credit claim and benefit reserves.

Comparison of Adjusted Pretax Income for 2016 and 2015

Interest income increased $77 million in 2016 when compared to 2015 due to the following:

- ***Finance charges*** increased $64 million primarily due to the net of the following:

    - ***Average net receivables*** increased primarily due to the continued growth of our loan portfolio (primarily of our secured personal loans). This increase was partially offset by the transfer of $608 million of our personal loans to finance receivables held for sale on September 30, 2015.

    - ***Yield*** decreased primarily due to the continued growth of secured personal loans, which generally have lower yields relative to our unsecured personal loans.

- ***Interest income on finance receivables held for sale*** of $56 million and $43 million in 2016 and 2015, respectively, resulted from the transfer of personal loans to finance receivables held for sale on September 30, 2015 and sold in the Lendmark Sale on May 2, 2016.

Interest expense increased $212 million in 2016 when compared to 2015 primarily due to a change in the methodology of allocating interest expense. See Note 22 of the Notes to Consolidated Financial Statements included in this report for the allocation methodologies.

Provision for finance receivable losses increased $50 million in 2016 when compared to 2015 primarily due to higher net charge-offs on our personal loans reflecting growth during 2016.

Other revenues decreased $7 million in 2016 when compared to 2015 primarily due to the net of (i) a decrease in investment revenues of $10 million during 2016 resulting from a decrease in invested assets and lower realized gains on the sale of investment securities and (ii) an increase in insurance revenues of $2 million during 2016 reflecting higher earned credit premiums, partially offset by lower earned non-credit premiums.

Other expenses increased $22 million in 2016 when compared to 2015 due to the net of the following:

- ***Other operating expenses*** increased $39 million primarily due to (i) an increase in credit and collection related costs of $13 million during 2016 reflecting growth in our loan portfolio, (ii) a decrease in deferred origination costs of $12 million during 2016, and (iii) an increase in information technology expenses of $10 million during 2016.

- ***Insurance policy benefits and claims*** decreased $17 million primarily due to favorable variances in benefit reserves, which partially resulted from a $9 million write-down of benefit reserves recorded during 2016.

ACQUISITIONS AND SERVICING

Adjusted pretax income (loss) attributable to SFC and selected financial statistics for Acquisitions and Servicing (which are reported on an adjusted Segment Accounting Basis) were as follows:

(dollars in millions) **At or for the Years Ended December 31,**	**2017**	**2016**	**2015**
Interest income	**$ —**	$ 102	$ 455
Interest expense	**—**	20	87
Provision for finance receivable losses	**—**	14	68
Net interest income after provision for finance receivable losses	**—**	68	300
Other revenues	**—**	—	5
Other expenses	**2**	15	61
Adjusted pretax income (loss) (non-GAAP)	**(2)**	53	244
Pretax income attributable to non-controlling interests	**—**	28	127
Adjusted pretax income (loss) attributable to SFC (non-GAAP)	**$ (2)**	$ 25	$ 117
Selected Financial Statistics *			
Finance receivables held for investment:			
Net finance receivables	**$ —**	$ —	$ 1,703
Number of accounts	**—**	—	232,383
Average net receivables	**$ —**	$ 414	$ 1,887
Yield	**—%**	24.19%	24.14%
Net charge-off ratio	**—%**	3.48%	3.49%
30-89 Delinquency ratio	**—%**	—%	4.40%

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

On March 31, 2016, we sold our equity interest in the SpringCastle Joint Venture, the primary component of our Acquisitions and Servicing segment.

OTHER

"Other" consist of our non-originating legacy operations, which include (i) our liquidating real estate loan portfolio as discussed below and (ii) our liquidating retail sales finance portfolio (including retail sales finance accounts from our legacy auto finance operation).

Beginning in 2017, management no longer views or manages our real estate assets as a separate operating segment. Therefore, we are now including Real Estate, which was previously presented as a distinct reporting segment, in "Other." To conform to this new alignment of our segments, we have revised our prior period segment disclosures.

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

(dollars in millions) **Years Ended December 31,**	**2017**	2016	2015
Interest income	**$ 23**	$ 51	$ 76
Interest expense (a)	**21**	52	268
Provision for finance receivable losses (b)	**7**	6	(1)
Net interest income (loss) after provision for finance receivable losses	**(5)**	(7)	(191)
Other revenues (c)	**256**	198	46
Other expenses (d)	**11**	28	50
Adjusted pretax income (loss) (non-GAAP)	**$ 240**	$ 163	$ (195)

(a) ***Interest expense*** for 2016 when compared to 2015 reflected a change in the methodology of allocating interest expense. See Note 22 of the Notes to Consolidated Financial Statements included in this report for the allocation methodologies table.

(b) ***Provision for finance receivable losses*** includes a $5 million increase due to estimated net charge-offs attributable to the impact of hurricanes Harvey and Maria.

(c) ***Other revenues*** reported in "Other" primarily includes interest income on the Cash Services Note (previously referred to as the "Independence Demand Note") and on SFC's note receivable from SFI. See Note 11 of the Notes to Consolidated Financial Statements included in this report for further information on the notes receivable from parent and affiliates.

(d) ***Other expenses*** for 2015 reflected non-cash incentive compensation relating to the rights of certain executives to receive a portion of the cash proceeds received by the Initial Stockholder.

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

(dollars in millions) **December 31,**	**2017**	2016	2015
Net finance receivables:			
Personal loans	**$ —**	$ 11	$ 17
Real estate loans	**136**	153	565
Retail sales finance	**6**	12	24
Total	**$ 142**	$ 176	$ 606

Credit Quality

FINANCE RECEIVABLE COMPOSITION

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

(dollars in millions)	Consumer and Insurance	Other	Segment to GAAP Adjustment	Consolidated Total
December 31, 2017				
Personal loans	**$ 5,308**	**$ —**	**$ —**	**$ 5,308**
Real estate loans	**—**	**136**	**(8)**	**128**
Retail sales finance	**—**	**6**	**—**	**6**
Total	**$ 5,308**	**$ 142**	**$ (8)**	**$ 5,442**
December 31, 2016				
Personal loans	$ 4,794	$ 11	$ (1)	$ 4,804
Real estate loans	—	153	(9)	144
Retail sales finance	—	12	(1)	11
Total	$ 4,794	$ 176	$ (11)	$ 4,959

The largest component of our finance receivables and primary source of our interest income is our personal loan portfolio. Our personal loans are typically non-revolving with a fixed-rate and a fixed, original term of three to six years and are secured by consumer goods, automobiles, or other personal property or are unsecured. At December 31, 2017, 57% of our personal loans were secured by titled collateral, compared to 58% at December 31, 2016.

Distribution of Finance Receivables by FICO Score

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

We group FICO scores into the following credit strength categories:

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

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

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

(dollars in millions)	Personal Loans	Real Estate Loans	Retail Sales Finance	Total
December 31, 2017 *				
FICO scores				
660 or higher	**$ 1,233**	**$ 42**	**$ 3**	**$ 1,278**
620-659	**1,397**	**21**	**1**	**1,419**
619 or below	**2,678**	**65**	**2**	**2,745**
Total	**$ 5,308**	**$ 128**	**$ 6**	**$ 5,442**
December 31, 2016				
FICO scores				
660 or higher	$ 888	$ 41	$ 5	$ 934
620-659	1,079	23	2	1,104
619 or below	2,814	77	4	2,895
Unavailable	23	3	—	26
Total	$ 4,804	$ 144	$ 11	$ 4,959

* The shift in FICO distribution includes the alignment in FICO versions across OMH. Effective March 31, 2017, the legacy Springleaf FICO scores were refreshed to FICO 08 version, which is comparable with the legacy OneMain FICO version.

DELINQUENCY

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

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

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

(dollars in millions)	Consumer and Insurance	Other	Segment to GAAP Adjustment	Consolidated Total
December 31, 2017				
Current	**$ 5,064**	**$ 109**	**$ (6)**	**$ 5,167**
30-59 days past due	**75**	**9**	**(1)**	**83**
Delinquent (60-89 days past due)	**54**	**4**	**—**	**58**
Performing	**5,193**	**122**	**(7)**	**5,308**
Nonperforming (90+ days past due)	**115**	**20**	**(1)**	**134**
Total net finance receivables	**$ 5,308**	**$ 142**	**$ (8)**	**$ 5,442**
Delinquency ratio				
30-89 days past due	**2.46%**	**8.60%**	*	**2.61%**
30+ days past due	**4.61%**	**22.75%**	*	**5.06%**
60+ days past due	**3.20%**	**16.66%**	*	**3.54%**
90+ days past due	**2.16%**	**14.15%**	*	**2.46%**
December 31, 2016				
Current	$ 4,570	$ 131	$ (9)	$ 4,692
30-59 days past due	64	10	(1)	73
Delinquent (60-89 days past due)	45	4	—	49
Performing	4,679	145	(10)	4,814
Nonperforming (90+ days past due)	115	31	(1)	145
Total net finance receivables	$ 4,794	$ 176	$ (11)	$ 4,959
Delinquency ratio				
30-89 days past due	2.26%	8.32%	*	2.47%
30+ days past due	4.67%	25.88%	*	5.38%
60+ days past due	3.33%	20.16%	*	3.90%
90+ days past due	2.40%	17.56%	*	2.91%

* 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 credit quality of the finance receivable portfolios and changes in economic conditions.

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

(dollars in millions)	Consumer and Insurance	Acquisitions and Servicing	Other	Segment to GAAP Adjustment	Consolidated Total
Year Ended December 31, 2017					
Balance at beginning of period	**$ 185**	**$ —**	**$ 31**	**$ (12)**	**$ 204**
Provision for finance receivable losses	**316**	**—**	**7**	**1**	**324**
Charge-offs	**(347)**	**—**	**(7)**	**1**	**(353)**
Recoveries	**61**	**—**	**4**	**—**	**65**
Balance at end of period	**$ 215**	**$ —**	**$ 35**	**$ (10)**	**$ 240**
Allowance ratio	**4.07%**	**—%**	**24.28%**	**(a)**	**4.41%**
Year Ended December 31, 2016					
Balance at beginning of period	$ 174	$ 4	$ 70	$ (24)	$ 224
Provision for finance receivable losses	305	14	6	4	329
Charge-offs	(338)	(17)	(18)	4	(369)
Recoveries	44	3	8	(1)	54
Other (b)	—	(4)	(35)	5	(34)
Balance at end of period	$ 185	$ —	$ 31	$ (12)	$ 204
Allowance ratio	3.87%	—%	17.51%	(a)	4.12%
Year Ended December 31, 2015					
Balance at beginning of period	$ 132	$ 3	$ 91	$ (46)	$ 180
Provision for finance receivable losses	255	68	(1)	17	339
Charge-offs	(248)	(79)	(28)	6	(349)
Recoveries	36	12	8	(1)	55
Other (c)	(1)	—	—	—	(1)
Balance at end of period	$ 174	$ 4	$ 70	$ (24)	$ 224
Allowance ratio	4.05%	0.25%	11.57%	(a)	3.42%

(a) Not applicable.

(b) Other consists of:

- the elimination of allowance for finance receivable losses due to the sale of the SpringCastle Portfolio on March 31, 2016, in connection with the sale of our equity interest in the SpringCastle Joint Venture. See Note 2 of the Notes to Consolidated Financial Statements included in this report for more information about the sale; and

- the elimination of allowance for finance receivable losses due to the transfers of real estate loans held for investment to finance receivable held for sale during 2016.

(c) Other consists of the elimination of allowance for finance receivable losses due to the transfer of personal loans held for investment to finance receivable held for sale during 2015.

The current delinquency status of our finance receivable portfolio, inclusive of recent borrower performance, along with the volume of our TDR activity, 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.

In aggregate, our Consumer and Insurance allowance for finance receivable losses increased by $30 million during 2017, inclusive of $3 million related to estimates of impacts to charge-offs resulting from hurricanes Harvey and Irma.

See Notes 4 and 6 of the Notes to Consolidated Financial Statements included in this report for more information about changes in the allowance for finance receivable losses.

TDR FINANCE RECEIVABLES

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

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

(dollars in millions)	Consumer and Insurance	Other	Segment to GAAP Adjustment	Consolidated Total
December 31, 2017				
TDR net finance receivables	**$ 111**	**$ 74**	**$ (25)**	**$ 160**
Allowance for TDR finance receivable losses	**44**	**26**	**(14)**	**56**
December 31, 2016				
TDR net finance receivables	$ 47	$ 71	$ (27)	$ 91
Allowance for TDR finance receivable losses	20	23	(12)	31

Upon the completion of our branch integration in the first quarter of 2017, we continued the alignment and enhancement of our collection processes, which in the second quarter of 2017 resulted in an increase in the loans now classified as TDRs and accordingly, we reclassified the associated allowance for finance receivable losses. The allowance for non-TDR finance receivable losses continues to reflect our historical loss coverage.

Liquidity and Capital Resources

SOURCES OF FUNDS

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

SFC Issuance of 5.625% Senior Notes Due 2023

On December 8, 2017, SFC issued $875 million aggregate principal amount of the 5.625% SFC Notes under the SFC Fourth Supplemental Indenture, pursuant to which OMH provided a guarantee of the 5.625% SFC Notes on an unsecured basis. SFC used a portion of the net proceeds from the sale of the 5.625% SFC Notes to repay at maturity approximately $557 million aggregate principal amount of SFC's existing 6.90% Medium-Term Notes and for general corporate purposes. See Note 12 of the Notes to Consolidated Financial Statements included in this report for further information on the issuance.

SFC Issuance of 6.125% Senior Notes Due 2022

On May 15, 2017, SFC issued $500 million aggregate principal amount of the 6.125% SFC Notes under the SFC Third Supplemental Indenture, pursuant to which OMH provided a guarantee of the 6.125% SFC Notes on an unsecured basis. On May 30, 2017, SFC issued and sold $500 million aggregate principal amount of the Additional SFC Notes in an add-on offering. SFC used a portion of the net proceeds from the sale of the Additional SFC Notes to repurchase approximately $466 million aggregate principal amount of its existing 6.90% Senior Notes due 2017 at a premium to par. SFC used the remaining net proceeds from the sale of the 6.125% SFC Notes for general corporate purposes. See Note 12 of the Notes to Consolidated Financial Statements included in this report for further information on the issuance.

Securitizations and Borrowings from Revolving Conduit Facilities

During 2017, we (i) completed one consumer loan securitization and one auto securitization, and (ii) exercised our right to redeem the 2014-A Notes. At December 31, 2017, we had $3.4 billion in UPB of finance receivables pledged as collateral for our securitization transactions.

We are also party to various transaction agreements entered into on (i) September 6, 2017, in connection with the closing of the OneMain Financial Issuance Trust 2017-1 ("OMFIT 2017-1") revolving pool consumer loan securitization and (ii) December 11, 2017, in connection with the closing of the OneMain Direct Auto Receivables Trust 2017-2 ("ODART 2017-2") revolving pool direct auto loan securitization. The terms of each of the OMFIT 2017-1 and ODART 2017-2 securitization transaction agreements permit us to sell, upon customary terms and conditions, including indemnification and repurchase provisions for breaches of representations and warranties, eligible consumer loans during the revolving period of the OMFIT 2017-1 and ODART 2017-2 securitization. At December 31, 2017, we have not sold any consumer loans pursuant to the OMFIT 2017-1 securitization or direct auto loans pursuant to the ODART 2017-2 securitization.

During 2017, we (i) terminated five revolving conduit agreements and (ii) entered into three new conduit facilities. At December 31, 2017, we had access to five conduit facilities with a total borrowing capacity of $2.2 billion. At December 31, 2017, no amounts were drawn under these facilities.

See Notes 12 and 13 of the Notes to Consolidated Financial Statements included in this report for further information on our long-term debt, loan securitization transactions and conduit facilities.

Subsequent to December 31, 2017, we have drawn a net amount of $365 million under our various revolving conduit facilities.

USES OF FUNDS

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

At December 31, 2017, we had $244 million of cash and cash equivalents, which included $62 million of cash and cash equivalents held at our regulated insurance subsidiaries or for other operating activities that is unavailable for general corporate purposes. During 2017, we generated net income of $94 million. Our net cash outflow from operating and investing activities totaled $955 million in 2017. At December 31, 2017, our scheduled principal and interest payments for 2018 on our existing debt (excluding securitizations) totaled $324 million. As of December 31, 2017, we had $2.0 billion UPB of unencumbered personal loans and $328 million UPB of unencumbered real estate loans (including $193 million held for sale).

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

See Notes 12 and 13 of the Notes to Consolidated Financial Statements included in this report for further information on our long-term debt, loan securitization transactions and conduit facilities.

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

LIQUIDITY

Operating Activities

Net cash provided by operations of $438 million for 2017 reflected net income of $94 million, the impact of non-cash items, and an unfavorable change in working capital of $70 million. Net cash provided by operations of $475 million for 2016 reflected a net income of $233 million, the impact of non-cash items, and a favorable change in working capital of $17 million. Net cash provided by operations of $608 million for 2015 reflected a net income of $141 million, the impact of non-cash items, and a favorable change in working capital of $72 million.

Investing Activities

Net cash used for investing activities of $1.4 billion for 2017 was primarily due to net cash advances on intercompany notes receivable and net principal originations of finance receivables held for investment and held for sale. Net cash provided by investing activities of $451 million for 2016 was primarily due to the SpringCastle Interests Sale, the Lendmark Sale, the August 2016 Real Estate Loan Sale, and the December 2016 Real Estate Loan Sale, partially offset by net principal collections and originations of finance receivables held for investment and held for sale. Net cash used for investing activities of $2.0 billion for 2015 was primarily due to the OneMain Acquisition.

Financing Activities

Net cash provided by financing activities of $901 million for 2017 was primarily due to net issuances of long-term debt, including SFC's offerings of the 6.125% SFC Notes in May of 2017 and the 5.625% SFC Notes in December of 2017; offset primarily by the repayment at maturity of existing 6.90% Medium-Term Notes and the repurchase of existing 6.90% Medium-Term Notes. Net cash used for financing activities of $1.1 billion for 2016 was primarily due to net repayments of long-term debt. Net cash provided by financing activities of $992 million for 2015 reflected the debt issuances associated with the 2015-A and 2015-B securitizations.

Liquidity Risks and Strategies

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

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

- our inability to grow or maintain our personal loan portfolio with adequate profitability;
- any inability to repay or default in the repayment of intercompany indebtedness owed to us by our affiliates or owed by us to our affiliates;
- the effect of federal, state and local laws, regulations, or regulatory policies and practices;
- potential liability relating to real estate and personal loans which we have sold or may sell in the future, or relating to securitized loans; and
- the potential for disruptions in the debt and equity markets.

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

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

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

OUR INSURANCE SUBSIDIARIES

Our insurance subsidiaries are subject to state regulations that limit their ability to pay dividends. See Note 14 of the Notes to Consolidated Financial Statements included in this report for further information on these restrictions and the dividends paid by our insurance subsidiaries during 2015 through 2017.

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 Consolidated Financial Statements included in this report for further information on the restrictive covenants under SFC's debt agreements, as well as the guarantees of SFC's long-term debt.

Contractual Obligations

At December 31, 2017, our material contractual obligations were as follows:

(dollars in millions)	2018	2019-2020	2021-2022	2023+	Securitizations	Total
Principal maturities on long-term debt:						
Securitization debt (a)	$ —	$ —	$ —	$ —	$ 3,052	$ 3,052
Medium-term notes	—	2,000	1,650	1,175	—	4,825
Junior subordinated debt	—	—	—	350	—	350
Total principal maturities	—	2,000	1,650	1,525	3,052	8,227
Interest payments on debt (b)	324	624	314	580	208	2,050
Operating leases (c)	16	20	7	—	—	43
Total	$ 340	$ 2,644	$ 1,971	$ 2,105	$ 3,260	$ 10,320

(a) On-balance sheet securitizations and borrowings under revolving conduit facilities are not included in maturities by period due to their variable monthly payments. At December 31, 2017, there were no amounts drawn under our revolving conduit facilities.

(b) Future interest payments on floating-rate debt are estimated based upon floating rates in effect at December 31, 2017.

(c) Operating leases include annual rental commitments for leased office space, automobiles, and information technology and related equipment.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements as defined by SEC rules. We had no off-balance sheet exposure to losses associated with unconsolidated variable interest entities at December 31, 2017 or 2016, other than certain representations and warranties associated with the sales of the mortgage-backed retained certificates during 2014. As of December 31, 2017, we had no repurchase activity related to these sales.

Critical Accounting Policies and Estimates

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

We estimate the allowance for finance receivable losses primarily on historical loss experience using a roll rate-based model applied to our finance receivable portfolios. In our roll rate-based model, our finance receivable types are stratified by contractual delinquency stages (i.e., current, 1-29 days past due, 30-59 days past due, etc.) and projected forward in one-month increments using historical roll rates. In each month of the simulation, losses on our finance receivable types are captured, and the ending delinquency stratification serves as the beginning point of the next iteration. No new volume is assumed. This process is repeated until the number of iterations equals the loss emergence period (the interval of time between the event which causes a borrower to default on a finance receivable and our recording of the charge-off) for our finance receivable types. As delinquency is a primary input into our roll rate-based model, we inherently consider nonaccrual loans in our estimate of the allowance for finance receivable losses.

Management exercises its judgment, based on quantitative analyses, qualitative factors, such as recent delinquency and other credit trends, and experience in the consumer finance industry, when determining the amount of the allowance for finance receivable losses. We adjust the amounts determined by the roll rate-based model for management's estimate of the effects of model imprecision which include but are not limited to, any changes to underwriting criteria, portfolio seasoning, and current economic conditions, including levels of unemployment and personal bankruptcies.

PURCHASED CREDIT IMPAIRED FINANCE RECEIVABLES

As part of each of our acquisitions, we identify a population of finance receivables for which it is determined that it is probable that we will be unable to collect all contractually required payments. We accrete the excess of the cash flows expected to be collected on the purchased credit impaired finance receivables over the discounted cash flows (the "accretable yield") into interest income at a level rate of return over the expected lives of the underlying pools of the purchased credit impaired finance receivables. We update our estimates for cash flows on a quarterly basis incorporating current assumptions regarding default rates, loss severities, the amounts and timing of prepayments and other factors that are reflective of current market conditions. If expected cash flows increase significantly, we adjust the yield prospectively; conversely, if expected cash flows decrease, we record an impairment.

TDR FINANCE RECEIVABLES

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. When we modify an account we primarily use a combination of the following to reduce the borrower's monthly payment: reduce interest rate, extend the term, capitalize or forgive past due interest or forgive principal. Account modifications that are deemed to be a TDR finance receivable are measured for impairment in accordance with the authoritative guidance for the accounting for impaired loans.

The allowance for finance receivable losses related to our TDR finance receivables represents loan-specific reserves based on an analysis of the present value of expected future cash flows. We establish our allowance for finance receivable losses related to our TDR finance receivables by calculating the present value (discounted at the loan's effective interest rate prior to modification) of all expected cash flows less the recorded investment in the aggregated pool. We use certain assumptions to estimate the expected cash flows from our TDR finance receivables. The primary assumptions for our model are prepayment speeds, default rates, and severity rates.

FAIR VALUE MEASUREMENTS

Management is responsible for the determination of the fair value of our financial assets and financial liabilities and the supporting methodologies and assumptions. We employ widely used financial techniques or utilize third-party valuation service providers to gather, analyze, and interpret market information and derive fair values based upon relevant methodologies and assumptions for individual instruments or pools of finance receivables. When our valuation service providers are unable to obtain sufficient market observable information upon which to estimate the fair value for a particular security, we determine fair value either by requesting brokers who are knowledgeable about these securities to provide a quote, which is generally non-binding, or by employing widely used financial techniques.

OTHER INTANGIBLE ASSETS

For indefinite lived intangible assets, we first complete an annual qualitative assessment to determine whether it is necessary to perform a quantitative impairment test. If the qualitative assessment indicates that the assets are more likely than not to have been impaired, we proceed with the fair value calculation of the assets. For those net intangible assets with a finite useful life, we review such intangibles for impairment at least annually and whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Recent Accounting Pronouncements

See Note 4 of the Notes to Consolidated Financial Statements included in this report for discussion of recently issued accounting pronouncements.

Seasonality

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The fair values of certain of our assets and liabilities are sensitive to changes in market interest rates. The impact of changes in interest rates would be reduced by the fact that increases (decreases) in fair values of assets would be partially offset by corresponding changes in fair values of liabilities. In aggregate, the estimated impact of an immediate and sustained 100 bp increase or decrease in interest rates on the fair values of our interest rate-sensitive financial instruments would not be material to our financial position.

The estimated increases (decreases) in fair values of interest rate-sensitive financial instruments were as follows:

December 31,	**2017**		**2016**	
(dollars in millions)	**+100 bp**	**-100 bp**	**+100 bp**	**-100 bp**
Assets				
Net finance receivables, less allowance for finance receivable losses	**$ (75)**	**$ 78**	$ (70)	$ 72
Finance receivables held for sale	**(10)**	**12**	(11)	13
Fixed-maturity investment securities	**(22)**	**26**	(30)	30
Liabilities				
Long-term debt	**$ (243)**	**$ 224**	$ (166)	$ 150

We derived the changes in fair values by modeling estimated cash flows of certain of our assets and liabilities. We adjusted the cash flows to reflect changes in prepayments and calls, but did not consider loan originations, debt issuances, or new investment purchases.

We did not enter into interest rate-sensitive financial instruments for trading or speculative purposes.

Readers should exercise care in drawing conclusions based on the above analysis. While these changes in fair values provide a measure of interest rate sensitivity, they do not represent our expectations about the impact of interest rate changes on our financial results. This analysis is also based on our exposure at a particular point in time and incorporates numerous assumptions and estimates. It also assumes an immediate change in interest rates, without regard to the impact of certain business decisions or initiatives that we would likely undertake to mitigate or eliminate some or all of the adverse effects of the modeled scenarios.

Item 8. Financial Statements and Supplementary Data.

An index to our financial statements and supplementary data follows:

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholder of Springleaf Finance Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Springleaf Finance Corporation and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), shareholder's equity, and cash flows for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Dallas, Texas
February 21, 2018

We have served as the Company's auditor since 2002.

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SPRINGLEAF FINANCE CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets

(dollars in millions, except par value amount) **December 31,**	**2017**	**2016**
Assets		
Cash and cash equivalents	**$ 244**	$ 240
Investment securities	**536**	582
Net finance receivables:		
Personal loans (includes loans of consolidated VIEs of $3.3 billion in 2017 and $2.9 billion in 2016)	**5,308**	4,804
Real estate loans	**128**	144
Retail sales finance	**6**	11
Net finance receivables	**5,442**	4,959
Unearned insurance premium and claim reserves	**(108)**	(212)
Allowance for finance receivable losses (includes allowance of consolidated VIEs of $141 million in 2017 and $94 million in 2016)	**(240)**	(204)
Net finance receivables, less unearned insurance premium and claim reserves and allowance for finance receivable losses	**5,094**	4,543
Finance receivables held for sale	**132**	153
Notes receivable from parent and affiliates	**4,488**	3,723
Restricted cash and restricted cash equivalents (includes restricted cash and restricted cash equivalents of consolidated VIEs of $158 million in 2017 and $211 million in 2016)	**169**	227
Other assets	**161**	251
Total assets	**$ 10,824**	$ 9,719
Liabilities and Shareholder's Equity		
Long-term debt (includes debt of consolidated VIEs of $3.0 billion in 2017 and $2.7 billion in 2016)	**$ 7,865**	$ 6,837
Insurance claims and policyholder liabilities	**261**	248
Deferred and accrued taxes	**78**	106
Other liabilities (includes other liabilities of consolidated VIEs of $5 million in 2017 and 2016)	**214**	185
Total liabilities	**8,418**	7,376
Commitments and contingent liabilities (Note 19)		
Shareholder's equity:		
Common stock, par value $.50 per share; 25,000,000 shares authorized, 10,160,021 shares issued and outstanding at December 31, 2017 and 2016	**5**	5
Additional paid-in capital	**799**	799
Accumulated other comprehensive income (loss)	**—**	(7)
Retained earnings	**1,602**	1,546
Total shareholder's equity	**2,406**	2,343
Total liabilities and shareholder's equity	**$ 10,824**	$ 9,719

See Notes to Consolidated Financial Statements.

SPRINGLEAF FINANCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations

(dollars in millions) **Years Ended December 31,**	**2017**	**2016**	**2015**
Interest income:			
Finance charges	**$ 1,228**	$ 1,276	$ 1,597
Finance receivables held for sale originated as held for investment	**13**	74	60
Total interest income	**1,241**	1,350	1,657
Interest expense	**517**	556	667
Net interest income	**724**	794	990
Provision for finance receivable losses	**324**	329	339
Net interest income after provision for finance receivable losses	**400**	465	651
Other revenues:			
Insurance	**140**	160	158
Investment	**28**	31	49
Interest income on notes receivable from parent and affiliates	**255**	214	42
Net loss on repurchases and repayments of debt	**(28)**	(17)	—
Net gain on sale of SpringCastle interests	**—**	167	—
Net gain on sales of personal and real estate loans and related trust assets	**—**	18	—
Other	**12**	1	(6)
Total other revenues	**407**	574	243
Other expenses:			
Operating expenses:			
Salaries and benefits	**307**	347	364
Other operating expenses	**251**	291	299
Insurance policy benefits and claims	**56**	55	72
Total other expenses	**614**	693	735
Income before income tax expense	**193**	346	159
Income tax expense	**99**	113	18
Net income	**94**	233	141
Net income attributable to non-controlling interests	**—**	28	127
Net income attributable to Springleaf Finance Corporation	**$ 94**	$ 205	$ 14

See Notes to Consolidated Financial Statements.

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SPRINGLEAF FINANCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)

(dollars in millions) **Years Ended December 31,**	**2017**	**2016**	**2015**
Net income	**$ 94**	$ 233	$ 141
Other comprehensive income (loss):			
Net change in unrealized gains (losses) on non-credit impaired available-for-sale securities	**13**	17	(17)
Retirement plan liabilities adjustments	**4**	22	(9)
Income tax effect:			
Net unrealized (gains) losses on non-credit impaired available-for-sale securities	**(5)**	(6)	5
Retirement plan liabilities adjustments	**(1)**	(7)	3
Other comprehensive income (loss), net of tax, before reclassification adjustments	**11**	26	(18)
Reclassification adjustments included in net income:			
Net realized gains on available-for-sale securities	**(7)**	(8)	(14)
Net realized gain on foreign currency translation adjustments	**—**	(4)	—
Income tax effect:			
Net realized gains on available-for-sale securities	**3**	3	5
Reclassification adjustments included in net income, net of tax	**(4)**	(9)	(9)
Other comprehensive income (loss), net of tax	**7**	17	(27)
Comprehensive income	**101**	250	114
Comprehensive income attributable to non-controlling interests	**—**	28	127
Comprehensive income (loss) attributable to Springleaf Finance Corporation	**$ 101**	$ 222	$ (13)

See Notes to Consolidated Financial Statements.

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SPRINGLEAF FINANCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Shareholder's Equity

	Springleaf Finance Corporation Shareholder's Equity						
(dollars in millions)	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Springleaf Finance Corporation Shareholder's Equity	Non-controlling Interests	Total Shareholder's Equity
Balance, January 1, 2017	**$ 5**	**$ 799**	**$ (7)**	**$ 1,546**	**$ 2,343**	**$ —**	**$ 2,343**
Other comprehensive income	**—**	**—**	**7**	**—**	**7**	**—**	**7**
Dividend of SFMC to SFI	**—**	**—**	**—**	**(38)**	**(38)**	**—**	**(38)**
Net income	**—**	**—**	**—**	**94**	**94**	**—**	**94**
Balance, December 31, 2017	**$ 5**	**$ 799**	**$ —**	**$ 1,602**	**$ 2,406**	**$ —**	**$ 2,406**
Balance, January 1, 2016	$ 5	$ 789	$ (24)	$ 1,341	$ 2,111	$ (79)	$ 2,032
Capital contributions from parent	—	10	—	—	10	—	10
Share-based compensation expense, net of forfeitures	—	1	—	—	1	—	1
Withholding tax on share-based compensation	—	(1)	—	—	(1)	—	(1)
Change in non-controlling interests:							
Distributions declared to joint venture partners	—	—	—	—	—	(18)	(18)
Sale of equity interests in SpringCastle joint venture	—	—	—	—	—	69	69
Other comprehensive income	—	—	17	—	17	—	17
Net income	—	—	—	205	205	28	233
Balance, December 31, 2016	$ 5	$ 799	$ (7)	$ 1,546	$ 2,343	$ —	$ 2,343
Balance, January 1, 2015	$ 5	$ 771	$ 3	$ 1,327	$ 2,106	$ (129)	$ 1,977
Non-cash incentive compensation from Initial Stockholder	—	15	—	—	15	—	15
Share-based compensation expense, net of forfeitures	—	2	—	—	2	—	2
Excess tax benefit from share-based compensation	—	1	—	—	1	—	1
Change in non-controlling interests:							
Distributions declared to joint venture partners	—	—	—	—	—	(77)	(77)
Other comprehensive loss	—	—	(27)	—	(27)	—	(27)
Net income	—	—	—	14	14	127	141
Balance, December 31, 2015	$ 5	$ 789	$ (24)	$ 1,341	$ 2,111	$ (79)	$ 2,032

See Notes to Consolidated Financial Statements.

SPRINGLEAF FINANCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

(dollars in millions) Years Ended December 31,	2017	2016	2015
Cash flows from operating activities			
Net income	$ **94**	$ 233	$ 141
Reconciling adjustments:			
Provision for finance receivable losses	**324**	329	339
Depreciation and amortization	**143**	144	92
Deferred income tax benefit	**(82)**	(83)	(50)
Non-cash incentive compensation from Initial Stockholder	**—**	—	15
Net gain on liquidation of United Kingdom subsidiary	**—**	(4)	—
Net gain on sales of personal and real estate loans and related trust assets	**—**	(18)	—
Net loss on repurchases and repayments of debt	**28**	17	—
Share-based compensation expense, net of forfeitures	**—**	1	2
Net gain on sale of SpringCastle interests	**—**	(167)	—
Other	**1**	6	(3)
Cash flows due to changes in:			
Other assets and other liabilities	**107**	(37)	(48)
Insurance claims and policyholder liabilities	**(92)**	(19)	34
Taxes receivable and payable	**13**	56	111
Accrued interest and finance charges	**(95)**	14	(23)
Other, net	**(3)**	3	(2)
Net cash provided by operating activities	**438**	475	608
Cash flows from investing activities			
Net principal originations of finance receivables held for investment and held for sale	**(783)**	(557)	(799)
Proceeds on sales of finance receivables held for sale originated as held for investment	**—**	930	78
Proceeds from sale of SpringCastle interests, net of restricted cash released	**—**	26	—
Cash advances on intercompany notes receivable	**(1,837)**	(1,042)	(3,720)
Proceeds from repayments of principal and assignment of intercompany notes receivable	**1,154**	1,023	189
Available-for-sale securities purchased	**(245)**	(353)	(476)
Trading and other securities purchased	**—**	(10)	(1,474)
Available-for-sale securities called, sold, and matured	**301**	380	470
Trading and other securities called, sold, and matured	**1**	20	3,779
Proceeds from sale of real estate owned	**4**	8	14
Other, net	**12**	26	(12)
Net cash provided by (used for) investing activities	**(1,393)**	451	(1,951)
Cash flows from financing activities			
Proceeds from issuance of long-term debt, net of commissions	**3,456**	3,854	3,028
Proceeds from intercompany note payable	**—**	670	—
Repayments of long-term debt	**(2,544)**	(4,920)	(1,960)
Distributions to joint venture partners	**—**	(18)	(77)
Payments on note payable to affiliate	**—**	(670)	—
Excess tax benefit from share-based compensation	**—**	—	1
Withholding tax on vested RSUs and PRSUs	**(1)**	(1)	—
Cash dividend of SFMC	**(10)**	—	—
Capital contributions from parent	**—**	10	—
Net cash provided by (used for) financing activities	**901**	(1,075)	992

Consolidated Statements of Cash Flows (Continued)

(dollars in millions) **Years Ended December 31,**	**2017**	**2016**	**2015**
Net change in cash and cash equivalents and restricted cash and restricted cash equivalents	**(54)**	(149)	(351)
Cash and cash equivalents and restricted cash and restricted cash equivalents at beginning of period	**467**	616	967
Cash and cash equivalents and restricted cash and restricted cash equivalents at end of period	**$ 413**	$ 467	$ 616
Supplemental cash flow information			
Cash and cash equivalents	**$ 244**	$ 240	$ 321
Restricted cash and restricted cash equivalents	**169**	227	295
Total cash and cash equivalents and restricted cash and restricted cash equivalents	**$ 413**	$ 467	$ 616
Interest paid	**$ (436)**	$ (451)	$ (511)
Income taxes received (paid)	**(71)**	(140)	45
Supplemental non-cash activities			
Transfer of finance receivables held for investment to finance receivables held for sale (prior to deducting allowance for finance receivable losses)	**$ —**	$ 1,945	$ 617
Increase in finance receivables held for investment financed with intercompany payable	**—**	89	—
Transfer of finance receivables to real estate owned	**9**	8	11
Non-cash dividend of SFMC	**(28)**	—	—

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 Consolidated Financial Statements.

SPRINGLEAF FINANCE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2017

1. Nature of Operations

Springleaf Finance Corporation is referred to in this report as SFC or, collectively with its subsidiaries, whether directly or indirectly owned, "Springleaf," the "Company," "we," "us," or "our" is a wholly owned subsidiary of SFI. SFI is a wholly owned subsidiary of OMH.

At December 31, 2017, the Initial Stockholder owned approximately 44% of OMH's common stock. The Initial Stockholder is owned primarily by a private equity fund managed by an affiliate of Fortress.

On December 27, 2017, SoftBank acquired Fortress and Fortress now operates within SoftBank as an independent business headquartered in New York.

See Note 24 regarding a definitive agreement entered into on January 3, 2018, among OMH, an investor group led by funds managed by affiliates of Apollo Global Management, LLC (together with its consolidated subsidiaries, "Apollo") and Värde Partners, Inc. ("Värde" and together with Apollo, collectively, the "Apollo-Värde Group") and the Initial Stockholder.

2. Significant Transactions

OMH'S ACQUISITION OF ONEMAIN FINANCIAL HOLDINGS, LLC

On November 15, 2015, OMH, through its wholly owned subsidiary, Independence, completed its acquisition of OMFH from Citigroup for approximately $4.5 billion in cash (the "OneMain Acquisition"). As a result of the OneMain Acquisition, OMFH became a wholly owned, indirect subsidiary of OMH. OMFH is not a subsidiary of SFC and SFC is not a subsidiary of OMFH.

In connection with the closing of the OneMain Acquisition, on November 13, 2015, OMH and certain subsidiaries of SFC entered into an Asset Preservation Stipulation and Order and agreed to a Proposed Final Judgment (collectively, the "Settlement Agreement") with the U.S. Department of Justice (the "DOJ"), as well as the state attorneys general for Colorado, Idaho, Pennsylvania, Texas, Virginia, Washington and West Virginia. The Settlement Agreement resolved the inquiries of the DOJ and such attorneys general with respect to the OneMain Acquisition and allowed OMH to proceed with the closing. Pursuant to the Settlement Agreement, OMH agreed to divest 127 branches of SFC subsidiaries across 11 states as a condition for approval of the OneMain Acquisition. The Settlement Agreement required certain of OMH's subsidiaries (the "Branch Sellers") to operate these 127 branches as an ongoing, economically viable and competitive business until sold to the divestiture purchaser. The court overseeing the settlement appointed a third-party monitor to oversee management of the divestiture branches and ensure the Company's compliance with the terms of the Settlement Agreement. The sale contemplated under the terms of the Settlement Agreement was consummated through the Lendmark Sale described below.

LENDMARK SALE

On November 12, 2015, OMH and the Branch Sellers entered into a purchase and sale agreement with Lendmark Financial Services, LLC ("Lendmark") to sell 127 Springleaf branches and, subject to certain exclusions, the associated personal loans issued to customers of such branches, fixed non-information technology assets and certain other tangible personal property located in such branches to Lendmark (the "Lendmark Sale") for a purchase price equal to the sum of (i) the aggregate unpaid balance as of closing of the purchased loans multiplied by 103%, plus (ii) for each interest-bearing purchased loan, an amount equal to all unpaid interest that had accrued on the unpaid balance at the applicable note rate from the most recent interest payment date through the closing, plus (iii) the sum of all prepaid charges and fees and security deposits of the Branch Sellers to the extent arising under the purchased contracts as reflected on the books and records of the Branch Sellers as of closing, subject to certain limitations if the purchase price would exceed $695 million and Lendmark would be unable to obtain financing on certain specified terms. In anticipation of the sale of these branches, we transferred $608 million of personal loans from held for investment to held for sale on September 30, 2015.

Pursuant to the Settlement Agreement, we were required to dispose of the branches to be sold in connection with the Lendmark Sale within 120 days following November 13, 2015, subject to such extensions as the DOJ may approve. As we did not believe we would be able to consummate the Lendmark Sale prior to April 1, 2016, we requested two extensions of the closing deadline set forth in the Settlement Agreement. The DOJ granted our requests through May 13, 2016.

Notes to Consolidated Financial Statements, Continued

On May 2, 2016, we completed the Lendmark Sale for an aggregate cash purchase price of $624 million. Such sale was effective as of April 30, 2016, and included the sale to Lendmark of personal loans with an unpaid principal balance ("UPB") as of March 31, 2016 of $600 million. OMH entered into a transition services agreement with Lendmark dated as of May 2, 2016 (the "Transition Services Agreement"), and OMH's and our activities remained subject to the oversight of the Monitoring Trustee appointed by the court pursuant to the Settlement Agreement until the expiration of the Transition Services Agreement. The Transition Services Agreement expired on May 1, 2017.

On May 2, 2016, SFC used a portion of the proceeds from the Lendmark Sale to repay, in full, its revolving demand note with OMFH, which totaled $376 million (including interest payable of $6 million).

SPRINGCASTLE INTERESTS SALE

On March 31, 2016, SFI, SpringCastle Holdings, LLC ("SpringCastle Holdings") and Springleaf Acquisition Corporation ("Springleaf Acquisition" and, together with SpringCastle Holdings, the "SpringCastle Sellers"), wholly owned subsidiaries of OMH, entered into a purchase agreement with certain subsidiaries of New Residential Investment Corp. ("NRZ" and such subsidiaries, the "NRZ Buyers") and BTO Willow Holdings II, L.P. and Blackstone Family Tactical Opportunities Investment Partnership—NQ—ESC L.P. (collectively, the "Blackstone Buyers" and together with the NRZ Buyers, the "SpringCastle Buyers"). Pursuant to the purchase agreement, on March 31, 2016, SpringCastle Holdings sold its 47% limited liability company interest in each of SpringCastle America, LLC, SpringCastle Credit, LLC and SpringCastle Finance, LLC, and Springleaf Acquisition sold its 47% limited liability company interest in SpringCastle Acquisition LLC, to the SpringCastle Buyers for an aggregate purchase price of approximately $112 million (the "SpringCastle Interests Sale"). SpringCastle America, LLC, SpringCastle Credit, LLC, SpringCastle Finance, LLC and SpringCastle Acquisition LLC are collectively referred to herein as the "SpringCastle Joint Venture."

In connection with the SpringCastle Interests Sale, the SpringCastle Buyers paid $101 million of the aggregate purchase price to the SpringCastle Sellers on March 31, 2016, with the remaining $11 million paid into an escrow account on July 29, 2016. Such escrowed funds are expected to be held in escrow for a period of up to five years following March 31, 2016, and, subject to the terms of the purchase agreement and assuming certain portfolio performance requirements are satisfied, paid to the SpringCastle Sellers at the end of such five-year period. In connection with the SpringCastle Interests Sale, we recorded a net gain in other revenues at the time of sale of $167 million.

As a result of this sale, SpringCastle Acquisition and SpringCastle Holdings no longer hold any ownership interests of the SpringCastle Joint Venture. However, unless SFI is terminated, SFI will remain as servicer of the SpringCastle Portfolio under the servicing agreement for the SpringCastle Funding Trust. In addition, we deconsolidated the underlying loans of the SpringCastle Portfolio and previously issued securitized interests, which were reported in long-term debt, as we no longer were considered the primary beneficiary.

Prior to the SpringCastle Interests Sale, affiliates of the NRZ Buyers owned a 30% limited liability company interest in the SpringCastle Joint Venture, and affiliates of the Blackstone Buyers owned a 23% limited liability company interest in the SpringCastle Joint Venture (together, the "Other Members"). The Other Members are parties to the purchase agreement for purposes of certain limited indemnification obligations and post-closing expense reimbursement obligations of the SpringCastle Joint Venture to the SpringCastle Sellers.

The NRZ Buyers are subsidiaries of NRZ, which is externally managed by an affiliate of Fortress. The Initial Stockholder, which owned approximately 58% of OMH's common stock as of March 31, 2016, the date of sale, was owned primarily by a private equity fund managed by an affiliate of Fortress. Wesley Edens, Chairman of the Board of Directors of OMH, also serves as Chairman of the Board of Directors of NRZ. Mr. Edens is also a principal of Fortress and serves as Co-Chairman of the Board of Directors of Fortress. Douglas Jacobs, a member of the Board of Directors of OMH, also serves as a member of NRZ's Board of Directors and Fortress' Board of Directors.

The purchase agreement included customary representations, warranties, covenants and indemnities. We did not record a sales recourse obligation related to the SpringCastle Interests Sale.

Notes to Consolidated Financial Statements, Continued

REAL ESTATE LOAN SALES

August 2016 Real Estate Loan Sale

On August 3, 2016, SFC and certain of its subsidiaries sold a portfolio of second lien mortgage loans for aggregate cash proceeds of $246 million (the "August 2016 Real Estate Loan Sale"). In connection with this sale, we recorded a net loss in other revenues at the time of sale of $4 million. Unless we are terminated or we resign as servicer, we will continue to service the loans included in this sale pursuant to a servicing agreement. The purchase and sale agreement and the servicing agreement include customary representations and warranties and indemnification provisions.

December 2016 Real Estate Loan Sale

On December 19, 2016, SFC and certain of its subsidiaries sold a portfolio of first and second lien mortgage loans for aggregate cash proceeds of $58 million (the "December 2016 Real Estate Loan Sale"). In connection with this sale, we recorded a net loss in other revenues at the time of sale of less than $1 million.

SFC's MEDIUM-TERM NOTE ISSUANCES

8.25% Senior Notes Due 2020

On April 11, 2016, SFC issued $1.0 billion aggregate principal amount of 8.25% Senior Notes due 2020 (the "8.25% SFC Notes") under an Indenture dated as of December 3, 2014 (the "SFC Base Indenture"), as supplemented by a First Supplemental Indenture, dated as of December 3, 2014 (the "SFC First Supplemental Indenture") and a Second Supplemental Indenture, dated as of April 11, 2016 (the "SFC Second Supplemental Indenture"), pursuant to which OMH provided a guarantee of the notes on an unsecured basis.

6.125% Senior Notes Due 2022

On May 15, 2017, SFC issued $500 million aggregate principal amount of 6.125% Senior Notes due 2022 (the "2022 SFC Notes") under the SFC Base Indenture, as supplemented by a Third Supplemental Indenture, dated as of May 15, 2017 (the "SFC Third Supplemental Indenture"), pursuant to which OMH provided a guarantee of the 2022 SFC Notes on an unsecured basis.

On May 30, 2017, SFC issued and sold $500 million aggregate principal amount of additional 2022 SFC Notes (the "Additional SFC Notes") in an add-on offering. The initial 2022 SFC Notes and the Additional SFC Notes (collectively, the "6.125% SFC Notes"), are treated as a single class of debt securities and have the same terms, other than the issue date and the issue price.

5.625% Senior Notes Due 2023

On December 8, 2017, SFC issued $875 million aggregate principal amount of 5.625% Senior Notes due 2023 (the ‘‘5.625% SFC Notes’’) under the SFC Base Indenture, as supplemented by a Fourth Supplemental Indenture dated as of December 8, 2017 (the "SFC Fourth Supplemental Indenture" and, collectively with the SFC Base Indenture, the SFC First Supplemental Indenture, the SFC Second Supplemental Indenture, and the SFC Third Supplemental Indenture, the "Indenture"), pursuant to which OMH provided a guarantee of the 5.625% SFC Notes on an unsecured basis.

See Note 12 for further information regarding our debt issuances.

Notes to Consolidated Financial Statements, Continued

3. Summary of Significant Accounting Policies

BASIS OF PRESENTATION

We prepared our consolidated financial statements using GAAP. The statements include the accounts of SFC, its subsidiaries (all of which are wholly owned, except for certain subsidiaries associated with a joint venture in which we owned a 47% equity interest prior to March 31, 2016), 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 consolidated financial statements and disclosures of contingent assets and liabilities. In management's opinion, the consolidated financial statements include the normal, recurring adjustments necessary for a fair statement of results. Ultimate results could differ from our estimates. We evaluated the effects of and the need to disclose events that occurred subsequent to the balance sheet date. To conform to the 2017 presentation, we reclassified certain items in prior periods of our consolidated financial statements. Also, to conform to the new alignment of our segments, as further discussed in Note 22, we have revised our prior period segment disclosures.

ACCOUNTING POLICIES

Operating Segments

Our segments coincide with how our businesses are managed. At December 31, 2017, our two segments include:

- 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: (i) our liquidating real estate portfolio; (ii) our liquidating retail sales finance portfolio (including retail sales finance accounts from our legacy auto finance operation); (iii) our lending operations in Puerto Rico and the U.S. Virgin Islands; and (iv) the operations of the United Kingdom subsidiary, prior to its liquidation on August 16, 2016.

Beginning in 2017, management no longer views or manages our real estate assets as a separate operating segment. Therefore, we are now including Real Estate, which was previously presented as a distinct reporting segment, in "Other." To conform to this new alignment of our segments, we have revised our prior period segment disclosures.

Finance Receivables

Generally, we classify finance receivables as held for investment based on management's intent at the time of origination. We determine classification on a loan-by-loan basis. We classify finance receivables as held for investment due to our ability and intent to hold them until their contractual maturities. We carry finance receivables at amortized cost which includes accrued finance charges, net unamortized deferred origination costs and unamortized points and fees, unamortized net premiums and discounts on purchased finance receivables, and unamortized finance charges on precomputed receivables.

We include the cash flows from finance receivables held for investment in the consolidated statements of cash flows as investing activities, except for collections of interest, which we include as cash flows from operating activities. We may finance certain insurance products offered to our customers as part of finance receivables. In such cases, the insurance premium is included as an operating cash inflow and the financing of the insurance premium is included as part of the finance receivable as an investing cash flow in the consolidated statements of cash flows.

Finance Receivable Revenue Recognition

We recognize finance charges as revenue on the accrual basis using the interest method, which we report in interest income. We amortize premiums or accrete discounts on finance receivables as an adjustment to finance charge income using the interest method and contractual cash flows. We defer the costs to originate certain finance receivables and the revenue from nonrefundable points and fees on loans and amortize them as an adjustment to finance charge income using the interest method.

We stop accruing finance charges when four contractual payments become past due for personal loans and retail sales contracts and when the sixth contractual payment becomes past due for revolving retail accounts. For finance receivables serviced externally, including real estate loans, we stop accruing finance charges when the third or fourth contractual payment becomes past due depending on the type of receivable and respective third party servicer. We reverse finance charge amounts previously accrued upon suspension of accrual of finance charges.

For certain finance receivables that had a carrying value that included a purchase premium or discount, we stop accreting the premium or discount at the time we stop accruing finance charges. We do not reverse accretion of premium or discount that was previously recognized.

We recognize the contractual interest portion of payments received on nonaccrual finance receivables as finance charges at the time of receipt. We resume the accrual of interest on a nonaccrual finance receivable when the past due status on the individual finance receivable improves to the point that the finance receivable no longer meets our policy for nonaccrual. At that time we also resume accretion of any unamortized premium or discount resulting from a previous purchase premium or discount.

We accrete the amount required to adjust the initial fair value of our finance receivables to their contractual amounts over the life of the related finance receivable for non-credit impaired finance receivables and over the life of a pool of finance receivables for purchased credit impaired finance receivables as described in our policy for purchase credit impaired finance receivables.

Purchased Credit Impaired Finance Receivables

As part of each of our acquisitions, we identify a population of finance receivables for which it is determined that it is probable that we will be unable to collect all contractually required payments. The population of accounts identified generally consists of those finance receivables that are (i) 60 days or more past due at acquisition, (ii) which had been classified as TDR finance receivables as of the acquisition date, (iii) may have been previously modified, or (iv) had other indications of credit deterioration as of the acquisition date.

We accrete the excess of the cash flows expected to be collected on the purchased credit impaired finance receivables over the discounted cash flows (the “accretable yield”) into interest income at a level rate of return over the expected lives of the underlying pools of the purchased credit impaired finance receivables. The underlying pools are based on finance receivables with common risk characteristics. We have established policies and procedures to update on a quarterly basis the amount of cash flows we expect to collect, which incorporates assumptions regarding default rates, loss severities, the amounts and timing of prepayments and other factors that are reflective of then current market conditions. Probable decreases in expected finance receivable cash flows result in the recognition of impairment, which is recognized through the provision for finance receivable losses. Probable significant increases in expected cash flows to be collected would first reverse any previously recorded allowance for finance receivable losses; any remaining increases are recognized prospectively as adjustments to the respective pool’s yield.

Our purchased credit impaired finance receivables remain in our purchased credit impaired pools until liquidation or write-off. We do not reclassify modified purchased credit impaired finance receivables as TDR finance receivables.

We have additionally established policies and procedures related to maintaining the integrity of these pools. A finance receivable will not be removed from a pool unless we sell, foreclose, or otherwise receive assets in satisfaction of a particular finance receivable or a finance receivable is written-off. If a finance receivable is renewed and additional funds are lent and terms are adjusted to current market conditions, we consider this a new finance receivable and the previous finance receivable is removed from the pool. If the facts and circumstances indicate that a finance receivable should be removed from a pool, that finance receivable will be removed at its allocated carrying amount, and such removal will not affect the yield used to recognize accretable yield of the pool.

Notes to Consolidated Financial Statements, Continued

Troubled Debt Restructured Finance Receivables

We make modifications to our personal loans to assist borrowers who are experiencing financial difficulty, are in bankruptcy or are participating in a consumer credit counseling arrangement. We make modifications to our real estate loans to assist borrowers in avoiding foreclosure. 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. We restructure finance receivables only if we believe the customer has the ability to pay under the restructured terms for the foreseeable future. We establish reserves on our TDR finance receivables by discounting the estimated cash flows associated with the respective receivables at the interest rate prior to the modification to the account and record any difference between the discounted cash flows and the carrying value as an allowance adjustment.

We may modify the terms of existing accounts in certain circumstances, such as certain bankruptcy or other catastrophic situations or for economic or other reasons related to a borrower’s financial difficulties that justify modification. When we modify an account, we primarily use a combination of the following to reduce the borrower’s monthly payment: reduce interest rate, extend the term, capitalize past due interest or forgive principal or interest. Additionally, as part of the modification, we may require trial payments. If the account is delinquent at the time of modification, the account is brought current for delinquency reporting. Account modifications that are deemed to be a TDR finance receivable are measured for impairment. Account modifications that are not classified as a TDR finance receivable are measured for impairment in accordance with our policy for allowance for finance receivable losses.

Finance charges for TDR finance receivables require the application of judgment. We recognize the contractual interest portion of payments received on nonaccrual finance receivables as finance charges at the time of receipt. TDR finance receivables that are placed on nonaccrual status remain on nonaccrual status until the past due status on the individual finance receivable improves to the point that the finance receivable no longer meets our policy for nonaccrual.

Allowance for Finance Receivable Losses

We establish the allowance for finance receivable losses through the provision for finance receivable losses. We evaluate our finance receivable portfolio by finance receivable type. Our finance receivable types (personal loans, real estate loans, and retail sales finance) consist of a large number of relatively small, homogeneous accounts. We evaluate our finance receivable types for impairment as pools. None of our accounts are large enough to warrant individual evaluation for impairment.

Management considers numerous internal and external factors in estimating probable incurred losses in our finance receivable portfolio, including the following:

- prior finance receivable loss and delinquency experience;
- the composition of our finance receivable portfolio; and
- current economic conditions, including the levels of unemployment and personal bankruptcies.

We base the allowance for finance receivable losses primarily on historical loss experience using a roll rate-based model applied to our finance receivable portfolios. In our roll rate-based model, our finance receivable types are stratified by contractual delinquency stages (i.e., current, 1-29 days past due, 30-59 days past due, etc.) and projected forward in one-month increments using historical roll rates. In each month of the simulation, losses on our finance receivable types are captured, and the ending delinquency stratification serves as the beginning point of the next iteration. No new volume is assumed. This process is repeated until the number of iterations equals the loss emergence period (the interval of time between the event which causes a borrower to default on a finance receivable and our recording of the charge-off) for our finance receivable types. As delinquency is a primary input into our roll rate-based model, we inherently consider nonaccrual loans in our estimate of the allowance for finance receivable losses.

Management exercises its judgment, based on quantitative analyses, qualitative factors, such as recent delinquency and other credit trends, and experience in the consumer finance industry, when determining the amount of the allowance for finance receivable losses. We adjust the amounts determined by the roll rate-based model for management’s estimate of the effects of model imprecision, any changes to underwriting criteria, portfolio seasoning, and current economic conditions, including levels of unemployment and personal bankruptcies. We charge or credit this adjustment to expense through the provision for finance receivable losses.

Notes to Consolidated Financial Statements, Continued

We generally charge off to the allowance for finance receivable losses personal loans that are beyond 180 days past due.
To avoid unnecessary real estate loan foreclosures, we may refer borrowers to counseling services, as well as consider a cure agreement, loan modification, voluntary sale (including a short sale), or deed in lieu of foreclosure. When two payments are past due on a collateral dependent real estate loan and it appears that foreclosure may be necessary, we inspect the property as part of assessing the costs, risks, and benefits associated with foreclosure. Generally, we start foreclosure proceedings on real estate loans when four monthly installments are past due. When foreclosure is completed and we have obtained title to the property, we obtain a third-party's valuation of the property, which is either a full appraisal or a real estate broker's or appraiser's estimate of the property sale value without the benefit of a full interior and exterior appraisal and lacking sales comparisons. Such appraisals or real estate brokers' or appraisers' estimate of value are one factor considered in establishing an appropriate valuation; however, we are ultimately responsible for the valuation established. We reduce finance receivables by the amount of the real estate loan, establish a real estate owned asset, and charge off any loan amount in excess of that value to the allowance for finance receivable losses.

We infrequently extend the charge-off period for individual personal and real estate loan accounts when, in our opinion, such treatment is warranted and consistent with our credit risk policies.

We may renew a delinquent account if the customer meets current underwriting criteria and it does not appear that the cause of past delinquency will affect the customer's ability to repay the new loan. We subject all renewals to the same credit risk underwriting process as we would a new application for credit.

For our personal loans and retail sales finance receivables, we may offer those customers whose accounts are in good standing the opportunity of a deferment, which extends the term of an account. We may extend this offer to customers when they are experiencing higher than normal personal expenses. Generally, this offer is not extended to customers who are delinquent. However, we may offer a deferment to a delinquent customer who is experiencing a temporary financial problem. The account is considered current upon granting the deferment. To evaluate whether a borrower's financial difficulties are temporary or other than temporary we review the terms of each deferment to ensure that the borrower has the financial ability to repay the outstanding principal and associated interest in full following the deferment and after the customer is brought current. If, following this analysis, we believe a borrower's financial difficulties are other than temporary, we will not grant deferment, and the loans may continue to age until they are charged off. We generally limit a customer to two deferments in a rolling twelve month period unless we determine that an exception is warranted and is consistent with our credit risk policies.

For our real estate loans, we may offer a deferment to a delinquent customer who is experiencing a temporary financial problem, which extends the term of an account. Prior to granting the deferment, we may require a partial payment. We forebear the remaining past due interest when the deferment is granted for real estate loans that were originated or acquired centrally. The account is considered current upon granting the deferment. We generally limit a customer to two deferments in a rolling twelve month period for real estate loans that were originated at our branch offices (one deferment for real estate loans that were originated or acquired centrally) unless we determine that an exception is warranted and is consistent with our credit risk policies.

Accounts that are granted a deferment are not classified as troubled debt restructurings. We do not consider deferments granted as a troubled debt restructuring because the customer is not experiencing an other than temporary financial difficulty, and we are not granting a concession to the customer or the concession granted is immaterial to the contractual cash flows. We pool accounts that have been granted a deferment together with accounts that have not been granted a deferment for measuring impairment in accordance with the authoritative guidance for the accounting for contingencies.

The allowance for finance receivable losses related to our purchased credit impaired finance receivables is calculated using updated cash flows expected to be collected, incorporating assumptions regarding default rates, loss severities, the amounts and timing of prepayments and other factors that are reflective of current market conditions. Probable decreases in expected finance receivable cash flows result in the recognition of impairment. Probable and significant increases in expected cash flows to be collected would first reverse any previously recorded allowance for finance receivable losses.

We also establish reserves for TDR finance receivables, which are included in our allowance for finance receivable losses. The allowance for finance receivable losses related to our TDR finance receivables represents loan-specific reserves based on an analysis of the present value of expected future cash flows. We establish our allowance for finance receivable losses related to our TDR finance receivables by calculating the present value (discounted at the loan's effective interest rate prior to modification) of all expected cash flows less the recorded investment in the aggregated pool. We use certain assumptions to

estimate the expected cash flows from our TDR finance receivables. The primary assumptions for our model are prepayment speeds, default rates, and severity rates.

Finance Receivables Held for Sale

Depending on market conditions or certain of management's capital sourcing strategies, which may impact our ability and/or intent to hold our finance receivables until maturity or for the foreseeable future, we may decide to sell finance receivables originally intended for investment. Our ability to hold finance receivables for the foreseeable future is subject to a number of factors, including economic and liquidity conditions, and therefore may change. As of each reporting period, management determines our ability to hold finance receivables for the foreseeable future based on assumptions for liquidity requirements or other strategic goals. When it is probable that management's intent or ability is to no longer hold finance receivables for the foreseeable future and we subsequently decide to sell specifically identified finance receivables that were originally classified as held for investment, the net finance receivables, less allowance for finance receivable losses, are reclassified as finance receivables held for sale and are carried at the lower of cost or fair value. Any amount by which cost exceeds fair value is accounted for as a valuation allowance and is recognized in other revenues in the consolidated statements of operations. We base the fair value estimates on negotiations with prospective purchasers (if any) or by using a discounted cash flows approach. We base cash flows on contractual payment terms adjusted for estimates of prepayments and credit related losses. Cash flows resulting from the sale of the finance receivables that were originally classified as held for investment are recorded as an investing activity in the consolidated statements of cash flows. When sold, we record the sales price we receive less our carrying value of these finance receivables held for sale in other revenues.

When it is determined that management no longer intends to sell finance receivables which had previously been classified as finance receivables held for sale and we have the ability to hold the finance receivables for the foreseeable future, we reclassify the finance receivables to finance receivables held for investment at the lower of cost or fair value and we accrete any fair value adjustment over the remaining life of the related finance receivables.

Reserve for Sales Recourse Obligations

When we sell finance receivables, we may establish a reserve for sales recourse in other liabilities, which represents our estimate of losses to be: (a) incurred by us on the repurchase of certain finance receivables that we previously sold; and (b) incurred by us for the indemnification of losses incurred by purchasers. Certain sale contracts include provisions requiring us to repurchase a finance receivable or indemnify the purchaser for losses it sustains with respect to a finance receivable if a borrower fails to make initial loan payments to the purchaser or if the accompanying mortgage loan breaches certain customary representations and warranties. These representations and warranties are made to the purchaser with respect to various characteristics of the finance receivable, such as the manner of origination, the nature and extent of underwriting standards applied, the types of documentation being provided, and, in limited instances, reaching certain defined delinquency limits. Although the representations and warranties are typically in place for the life of the finance receivable, we believe that most repurchase requests occur within the first five years of the sale of a finance receivable. In addition, an investor may request that we refund a portion of the premium paid on the sale of mortgage loans if a loan is prepaid within a certain amount of time from the date of sale. At the time of the sale of each finance receivable (exclusive of finance receivables included in our on-balance sheet securitizations), we record a provision for recourse obligations for estimated repurchases, loss indemnification and premium recapture on finance receivables sold, which is charged to other revenues. Any subsequent adjustments resulting from changes in estimated recourse exposure are recorded in other revenues.

Other Intangible Assets

At the time we initially recognize intangible assets, a determination is made with regard to each asset as it relates to its useful life. We have determined that each of our intangible assets has a finite useful life with the exception of the insurance licenses and certain domain names, which we have determined to have indefinite lives.

For intangible assets with a finite useful life, we review for impairment at least annually and whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Impairment is indicated if the sum of undiscounted estimated future cash flows is less than the carrying value of the respective asset. Impairment is permanently recognized by writing down the asset to the extent that the carrying value exceeds the estimated fair value. The VOBA is the PVFP of purchased insurance contracts. The PVFP is dynamically amortized over the lifetime of the block of business and is subject to premium deficiency testing in accordance with Accounting Standards Codification ("ASC") Topic 944, *Financial Services — Insurance*.

For indefinite lived intangible assets, we first complete an annual qualitative assessment to determine whether it is necessary to perform a quantitative impairment test. If the qualitative assessment indicates that the assets are more likely than not to have been impaired, we proceed with the fair value calculation of the assets. The fair value is determined in accordance with our fair value measurement policy. If the fair value is less than the carrying value, an impairment loss will be recognized in an amount equal to the difference and the indefinite life classification will be evaluated to determine whether such classification remains appropriate.

Insurance Premiums

We recognize revenue for short-duration contracts over the related contract period. Short-duration contracts primarily include credit life, credit disability, credit involuntary unemployment insurance, and collateral protection policies. We defer single premium credit insurance premiums from affiliates in unearned premium reserves which we include as a reduction to net finance receivables. We recognize unearned premiums on credit life, credit disability, credit involuntary unemployment insurance and collateral protection insurance as revenue using the sum-of-the-digits, straight-line or other appropriate methods over the terms of the policies. Premiums from reinsurance assumed are earned over the related contract period.

We recognize revenue on long-duration contracts when due from policyholders. Long-duration contracts include term life, accidental death and dismemberment, and disability income protection. For single premium long-duration contracts a liability is accrued, that represents the present value of estimated future policy benefits to be paid to or on behalf of policyholders and related expenses, when premium revenue is recognized. The effects of changes in such estimated future policy benefit reserves are classified in insurance policy benefits and claims in the consolidated statements of operations.

We recognize commissions on ancillary products as other revenue when earned.

We may finance certain insurance products offered to our customers as part of finance receivables. In such cases, unearned premiums and certain unpaid claim liabilities related to our borrowers are netted and classified as contra-assets in the net finance receivables in the consolidated balance sheets, and the insurance premium is included as an operating cash inflow and the financing of the insurance premium is included as part of the finance receivable as an investing cash flow in the consolidated statements of cash flows.

Policy and Claim Reserves

Policy reserves for credit life, credit disability, credit involuntary unemployment, and collateral protection insurance equal related unearned premiums. Reserves for losses and loss adjustment expenses are based on claims experience, actual claims reported, and estimates of claims incurred but not reported. Assumptions utilized in determining appropriate reserves are based on historical experience, adjusted to provide for possible adverse deviation. These estimates are periodically reviewed and compared with actual experience and industry standards, and revised if it is determined that future experience will differ substantially from that previously assumed. Since reserves are based on estimates, the ultimate liability may be more or less than such reserves. The effects of changes in such estimated reserves are classified in insurance policy benefits and claims in the consolidated statements of operations in the period in which the estimates are changed.

We accrue liabilities for future life insurance policy benefits associated with non-credit life contracts and base the amounts on assumptions as to investment yields, mortality, and surrenders. We base annuity reserves on assumptions as to investment yields and mortality. Ceded insurance reserves are included in other assets and include estimates of the amounts expected to be recovered from reinsurers on insurance claims and policyholder liabilities.

Insurance Policy Acquisition Costs

We defer insurance policy acquisition costs (primarily commissions, reinsurance fees, and premium taxes). We include deferred policy acquisition costs in other assets and amortize these costs over the terms of the related policies, whether directly written or reinsured.

Notes to Consolidated Financial Statements, Continued

Investment Securities

We generally classify our investment securities as available-for-sale or trading and other, depending on management's intent. Our investment securities classified as available-for-sale are recorded at fair value. We adjust related balance sheet accounts to reflect the current fair value of investment securities and record the adjustment, net of tax, in accumulated other comprehensive income or loss in shareholder's equity. We record interest receivable on investment securities in other assets.

Under the fair value option, we may elect to measure at fair value, financial assets that are not otherwise required to be carried at fair value. We elect the fair value option for available-for-sale securities that are deemed to incorporate an embedded derivative and for which it is impracticable for us to isolate and/or value the derivative. We recognize any changes in fair value in investment revenues.

We classify our investment securities in the fair value hierarchy framework based on the observability of inputs. Inputs to the valuation techniques are described as being either observable (Level 1 or 2) or unobservable (Level 3) assumptions (as further described in "Fair Value Measurements" below) that market participants would use in pricing an asset or liability.

Impairments on Investment Securities

Available-for-sale. We evaluate our available-for-sale securities on an individual basis to identify any instances where the fair value of the investment security is below its amortized cost. For these securities, we then evaluate whether an other-than-temporary impairment exists if any of the following conditions are present:

- we intend to sell the security;
- it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis; or
- we do not expect to recover the security's entire amortized cost basis (even if we do not intend to sell the security).

If we intend to sell an impaired investment security or we will likely be required to sell the security before recovery of its amortized cost basis less any current period credit loss, we recognize an other-than-temporary impairment in investment revenues equal to the difference between the investment security's amortized cost and its fair value at the balance sheet date.

In determining whether a credit loss exists, we compare our best estimate of the present value of the cash flows expected to be collected from the security to the amortized cost basis of the security. Any shortfall in this comparison represents a credit loss. The cash flows expected to be collected are determined by assessing all available information, including length and severity of unrealized loss, issuer default rate, ratings changes and adverse conditions related to the industry sector, financial condition of issuer, credit enhancements, collateral default rates, and other relevant criteria. Management considers factors such as our investment strategy, liquidity requirements, overall business plans, and recovery periods for securities in previous periods of broad market declines.

If a credit loss exists with respect to an investment in a security (i.e., we do not expect to recover the entire amortized cost basis of the security), we would be unable to assert that we will recover our amortized cost basis even if we do not intend to sell the security. Therefore, in these situations, an other-than-temporary impairment is considered to have occurred.

If a credit loss exists, but we do not intend to sell the security and we will likely not be required to sell the security before recovery of its amortized cost basis less any current period credit loss, the impairment is classified as: (i) the estimated amount relating to credit loss; and (ii) the amount relating to all other factors. We recognize the estimated credit loss in investment revenues, and the non-credit loss amount in accumulated other comprehensive income or loss.

Once a credit loss is recognized, we adjust the investment security to a new amortized cost basis equal to the previous amortized cost basis less the credit losses recognized in investment revenues. For investment securities for which other-than-temporary impairments were recognized in investment revenues, the difference between the new amortized cost basis and the cash flows expected to be collected is accreted to investment income.

We recognize subsequent increases and decreases in the fair value of our available-for-sale securities in accumulated other comprehensive income or loss, unless the decrease is considered other than temporary.

Notes to Consolidated Financial Statements, Continued

Investment Revenue Recognition

We recognize interest on interest bearing fixed-maturity investment securities as revenue on the accrual basis. We amortize any premiums or accrete any discounts as a revenue adjustment using the interest method. We stop accruing interest revenue when the collection of interest becomes uncertain. We record dividends on equity securities as revenue on ex-dividend dates. We recognize income on mortgage-backed and asset-backed securities as revenue using an effective yield based on estimated prepayments of the underlying collateral. If actual prepayments differ from estimated prepayments, we calculate a new effective yield and adjust the net investment in the security accordingly. We record the adjustment, along with all investment securities revenue, in investment revenues. We specifically identify realized gains and losses on investment securities and include them in investment revenues.

Variable Interest Entities

An entity is a VIE if the entity does not have sufficient equity at risk for the entity to finance its activities without additional financial support or has equity investors who lack the characteristics of a controlling financial interest. A VIE is consolidated into the financial statements of its primary beneficiary. When we have a variable interest in a VIE, we qualitatively assess whether we have a controlling financial interest in the entity and, if so, whether we are the primary beneficiary. In applying the qualitative assessment to identify the primary beneficiary of a VIE, we are determined to have a controlling financial interest if we have (i) the power to direct the activities that most significantly impact the economic performance of the VIE, and (ii) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. We consider the VIE’s purpose and design, including the risks that the entity was designed to create and pass through to its variable interest holders. We continually reassess the VIE’s primary beneficiary and whether we have acquired or divested the power to direct the activities of the VIE through changes in governing documents or other circumstances.

Other Invested Assets

Commercial mortgage loans and insurance policy loans are part of our investment portfolio and we include them in other assets at amortized cost. We recognize interest on commercial mortgage loans and insurance policy loans as revenue on the accrual basis using the interest method. We stop accruing revenue when collection of interest becomes uncertain. We include other invested asset revenue in investment revenues. We record accrued other invested asset revenue receivable in other assets.

Cash and Cash Equivalents

We consider unrestricted cash on hand and short-term investments having maturity dates within three months of their date of acquisition to be cash and cash equivalents.

We typically maintain cash in financial institutions in excess of the Federal Deposit Insurance Corporation’s insurance limits. We evaluate the creditworthiness of these financial institutions in determining the risk associated with these cash balances. We do not believe that the Company is exposed to any significant credit risk on these accounts and have not experienced any losses in such accounts.

Restricted Cash and Cash Equivalents

We include funds to be used for future debt payments relating to our securitization transactions and escrow deposits in restricted cash and cash equivalents.

Long-term Debt

We generally report our long-term debt issuances at the face value of the debt instrument, which we adjust for any unaccreted discount, unamortized premium, or unamortized debt issuance costs associated with the debt. Other than securitized products, we generally accrete discounts, premiums, and debt issuance costs over the contractual life of the security using contractual payment terms. With respect to securitized products, we have elected to amortize deferred costs over the contractual life of the security. Accretion of discounts and premiums are recorded to interest expense.

Notes to Consolidated Financial Statements, Continued

Income Taxes

We recognize income taxes using the asset and liability method. We establish deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of assets and liabilities, using the tax rates expected to be in effect when the temporary differences reverse. Deferred tax assets are also recognized for tax attributes such as net operating loss carryforwards.

Realization of our gross deferred tax asset depends on our ability to generate sufficient taxable income of the appropriate character within the carryforward periods of the jurisdictions in which the net operating and capital losses, deductible temporary differences and credits were generated. When we assess our ability to realize deferred tax assets, we consider all available evidence and we record valuation allowances to reduce deferred tax assets to the amounts that management conclude are more-likely-than-not to be realized.

We recognize income tax benefits associated with uncertain tax positions, when, in our judgment, it is more likely than not that the position will be sustained upon examination by a taxing authority. For a tax position that meets the more likely than not recognition threshold, we initially and subsequently measure the tax benefit as the largest amount that we judge to have a greater than 50% likelihood of being realized upon ultimate settlement with the taxing authority.

The Tax Act was enacted on December 22, 2017 and we must reflect the changes associated with its provisions in 2017. The law is complex and has extensive implications for our federal and state current and deferred taxes and income tax expense. We recorded and reported the effects of the Tax Act in our financial statements in 2017. For further information, see Note 18 of the Notes to Consolidated Financial Statements included in this report.

Benefit Plans

We have funded and unfunded noncontributory defined pension plans. We recognize the net pension asset or liability, also referred to herein as the funded status of the benefit plans, in other assets or other liabilities, depending on the funded status at the end of each reporting period. We recognize the net actuarial gains or losses and prior service cost or credit that arise during the period in other comprehensive income or loss.

Many of our employees are participants in our 401(k) plan. Our contributions to the plan are charged to salaries and benefits within operating expenses.

Share-based Compensation Plans

We measure compensation cost for service-based and performance-based awards at estimated fair value and recognize compensation expense over the requisite service period for awards expected to vest. The estimation of awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from current estimates, such amounts will be recorded as a cumulative adjustment to salaries and benefits in the period estimates are revised. For service-based awards subject to graded vesting, expense is recognized under the straight-line method. Expense for performance-based awards with graded vesting is recognized under the accelerated method, whereby each vesting is treated as a separate award with expense for each vesting recognized ratably over the requisite service period.

Fair Value Measurements

Management is responsible for the determination of the fair value of our financial assets and financial liabilities and the supporting methodologies and assumptions. We employ widely accepted internal valuation models or utilize third-party valuation service providers to gather, analyze, and interpret market information and derive fair values based upon relevant methodologies and assumptions for individual instruments or pools of finance receivables. When our valuation service providers are unable to obtain sufficient market observable information upon which to estimate the fair value for a particular security, we determine fair value either by requesting brokers who are knowledgeable about these securities to provide a quote, which is generally non-binding, or by employing widely accepted internal valuation models.

Our valuation process typically requires obtaining data about market transactions and other key valuation model inputs from internal or external sources and, through the use of widely accepted valuation models, provides a single fair value measurement for individual securities or pools of finance receivables. The inputs used in this process include, but are not limited to, market prices from recently completed transactions and transactions of comparable securities, interest rate yield curves, credit spreads,

bid-ask spreads, currency rates, and other market-observable information as of the measurement date as well as the specific attributes of the security being valued, including its term, interest rate, credit rating, industry sector, and other issue or issuer-specific information. When market transactions or other market observable data is limited, the extent to which judgment is applied in determining fair value is greatly increased. We assess the reasonableness of individual security values received from our valuation service providers through various analytical techniques. As part of our internal price reviews, assets that fall outside a price change tolerance are sent to our third-party investment manager for further review. In addition, we may validate the reasonableness of fair values by comparing information obtained from our valuation service providers to other third-party valuation sources for selected securities.

We measure and classify assets and liabilities in the consolidated balance sheets in a hierarchy for disclosure purposes consisting of three "Levels" based on the observability of inputs available in the market place used to measure the fair values. In general, we determine the fair value measurements classified as Level 1 based on inputs utilizing quoted prices in active markets for identical assets or liabilities that we have the ability to access. We generally obtain market price data from exchange or dealer markets. We do not adjust the quoted price for such instruments.

We determine the fair value measurements classified as Level 2 based on inputs utilizing other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The use of observable and unobservable inputs is further discussed in Note 23.

In certain cases, the inputs we use to measure the fair value of an asset may fall into different levels of the fair value hierarchy. In such cases, we determine the level in the fair value hierarchy within which the fair value measurement in its entirety falls based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

We recognize transfers into and out of each level of the fair value hierarchy as of the end of the reporting period.

Our fair value processes include controls that are designed to ensure that fair values are appropriate. Such controls include model validation, review of key model inputs, analysis of period-over-period fluctuations, and reviews by senior management.

PRIOR PERIOD REVISIONS

During the second quarter of 2015, we discovered that we had not charged-off certain bankrupt accounts in our SpringCastle Portfolio and we identified an error in the calculation of the allowance for our TDR personal loans. As a result of these findings, we recorded an out-of-period adjustment in the second quarter of 2015 related to prior periods, which increased provision for finance receivable losses by $8 million and decreased provision for income taxes by $3 million. The adjustment was not material to our results of operations for 2015.

Notes to Consolidated Financial Statements, Continued

4. Recent Accounting Pronouncements

ACCOUNTING PRONOUNCEMENTS RECENTLY ADOPTED

Investments

In March of 2016, the FASB issued ASU 2016-07, *Simplifying the Transition to the Equity Method of Accounting,* which eliminates the requirement that, when an investment qualifies for use of the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method of accounting had been in effect during all previous periods that the investment had been held. The ASU requires that an entity that has available-for-sale securities recognize, through earnings, the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method of accounting. The amendment in this ASU became effective prospectively for the Company for fiscal periods beginning January 1, 2017. We have adopted this ASU as of January 1, 2017 and concluded that it does not have an impact on our consolidated financial statements.

Statement of Cash Flows

In November of 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows*, which simplifies the presentation of restricted cash on the statement of cash flows by requiring entities to include restricted cash and restricted cash equivalents in the reconciliation of cash and cash equivalents. The amendments in this ASU become effective for the Company for fiscal years beginning January 1, 2018. We elected to early adopt this ASU as of January 1, 2017 and presented this change on a retrospective basis for all periods presented. We concluded that this ASU does not have a material impact on our consolidated financial statements.

Technical Corrections and Improvements

In January of 2017, the FASB issued ASU 2017-03, *Accounting Changes and Error Corrections*, to enhance the footnote disclosure guidelines for ASUs 2014-09, 2016-02, and 2016-13. The amendments to this transition guidance became effective for the Company for fiscal years beginning January 1, 2017. We have adopted this ASU as of January 1, 2017 on a prospective basis. We concluded that this ASU does not have a material impact on our consolidated financial statements.

Business Combinations

In January of 2017, the FASB issued ASU 2017-01, *Business Combinations*, to clarify the definition of a business, which establishes a process to determine when an integrated set of assets and activities can be deemed a business combination. The amendments in this ASU became effective for the Company for annual periods beginning January 1, 2018. We elected to early adopt this ASU as of April 1, 2017 on a prospective basis. We concluded that the adoption of this ASU does not have a material impact on our consolidated financial statements.

ACCOUNTING PRONOUNCEMENTS TO BE ADOPTED

Revenue Recognition

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

Financial Instruments

In January of 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which simplifies the impairment assessment of equity investments. The update requires equity investments to be

measured at fair value with changes recognized in net income. This ASU eliminates the requirement to disclose the methods and assumptions to estimate fair value for financial instruments, requires the use of the exit price for disclosure purposes, requires the change in liability due to a change in credit risk to be presented in other comprehensive income, requires separate presentation of financial assets and liabilities by measurement category and form of asset (securities and loans), and clarifies the need for a valuation allowance on a deferred tax asset related to available-for-sale securities. The amendments in this ASU become effective for fiscal periods beginning January 1, 2018 using a cumulative-effect adjustment to the balance sheet. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) shall be applied prospectively to equity investments that exist as of the date of adoption of this update. We concluded the adoption of this ASU will not have a material impact on our consolidated financial statements.

In March of 2017, the FASB issued ASU 2017-08, *Receivables - Nonrefundable Fees and Other Costs*, which amends the amortization period for certain purchased callable debt securities held at a premium. This ASU shortens the amortization period for the premium from the adjustment of yield over the contractual life of the instrument to the earliest call date. The amendments in this ASU become effective for the Company for fiscal years beginning January 1, 2019. We believe the adoption of this ASU will not have a material impact on our consolidated financial statements.

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. The amendments in this ASU become effective for the Company for fiscal periods beginning January 1, 2019. The Company's cross-functional implementation team has developed a project plan to ensure we comply with all updates from this ASU at the time of adoption. We are currently in the process of importing all identified leases into a new leasing system that will allow us to better account for the leases in accordance with the new guidance. We are assessing new system updates to ensure both qualitative and quantitative data requirements will be met at the time of adoption. The Company's leases primarily consist of leased office space, automobiles and information technology equipment. At December 31, 2017, the Company had $43 million of minimum lease commitments from these operating leases (refer to Note 19). We believe the adoption of this ASU will have a material effect on our consolidated financial statements, and we are in the process of quantifying the expected impact.

Allowance for Finance Receivables Losses

In June of 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments, w*hich significantly changes the way that entities will be required to measure credit losses. The new standard requires that the estimated credit loss be based upon an "expected credit loss" approach rather than the "incurred loss" approach currently required. The new approach will require entities to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable forecasts of collectability. It is anticipated that the expected credit loss model will require earlier recognition of credit losses than the incurred loss approach.

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

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

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

The ASU will become effective for the Company for fiscal years beginning January 1, 2020. Early adoption is permitted for fiscal years beginning January 1, 2019. The Company's cross-functional implementation team has developed a project plan to ensure we comply with all updates from this ASU at the time of adoption. We continue to make progress in developing an acceptable model to estimate the expected credit losses. After the model has been reviewed and validated in accordance with

our governance policies, the Company will provide further disclosure regarding the estimated impact on our allowance for finance receivables losses. In addition to the development of the model, we are assessing the additional disclosure requirements from this update. We believe the adoption of this ASU will have a material effect on our consolidated financial statements, and we are in the process of quantifying the expected impacts.

Statement of Cash Flows

In August of 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*, which clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments in this ASU will become effective for the Company for fiscal years beginning January 1, 2018. We concluded the adoption of this ASU will not have a material impact on our consolidated financial statements.

Income Taxes

In October of 2016, the FASB issued ASU 2016-16, *Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory*, which requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments in this ASU will become effective for the Company for annual reporting periods beginning January 1, 2018. We concluded the adoption of this ASU will not have a material impact on our consolidated financial statements.

Compensation and Benefits

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

In May of 2017, the FASB issued ASU 2017-09, *Compensation-Stock Compensation: Scope of Modification Accounting*, which provides guidance on which changes to the terms or conditions of a share-based payment award requires an entity to apply modification accounting. The amendments in this ASU become effective for the Company for annual periods beginning January 1, 2018. We concluded the adoption of this ASU will not have a material impact on our consolidated financial statements.

We do not believe that any other accounting pronouncements issued during 2017, but not yet effective, would have a material impact on our consolidated financial statements or disclosures, if adopted.

5. Finance Receivables

Our finance receivable types include personal loans, real estate loans, and retail sales finance as defined below:

- ***Personal loans*** — are secured by consumer goods, automobiles, or other personal property or are unsecured, typically non-revolving with a fixed-rate and a fixed, original term of three to six years. At December 31, 2017, we had approximately 920,000 personal loans representing $5.3 billion of net finance receivables, compared to 928,000 personal loans totaling $4.8 billion at December 31, 2016.

- ***Real estate loans*** — are secured by first or second mortgages on residential real estate, generally have maximum original terms of 360 months, and are considered non-conforming. Real estate loans may be closed-end accounts or open-end home equity lines of credit and are primarily fixed-rate products. In 2012, we ceased originating real estate loans and the portfolio is in a liquidating status.

- ***Retail sales finance*** —include retail sales contracts and revolving retail accounts. Retail sales contracts are closed-end accounts that represent a single purchase transaction, are secured by the personal property designated in the contract and generally have maximum original terms of 60 months. Revolving retail accounts are open-end accounts that can be used for financing repeated purchases from the same merchant, are secured by the goods purchased and generally require minimum monthly payments based on the amount financed calculated after the most recent purchase or outstanding balances. Our retail sales finance portfolio is in a liquidating status.

Notes to Consolidated Financial Statements, Continued

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

(dollars in millions)	Personal Loans	Real Estate Loans	Retail Sales Finance	Total
December 31, 2017				
Gross receivables *	**$ 5,858**	**$ 127**	**$ 7**	**$ 5,992**
Unearned finance charges and points and fees	**(676)**	**—**	**(1)**	**(677)**
Accrued finance charges	**78**	**1**	**—**	**79**
Deferred origination costs	**48**	**—**	**—**	**48**
Total	**$ 5,308**	**$ 128**	**$ 6**	**$ 5,442**
December 31, 2016				
Gross receivables *	$ 5,449	$ 142	$ 12	$ 5,603
Unearned finance charges and points and fees	(754)	1	(1)	(754)
Accrued finance charges	63	1	—	64
Deferred origination costs	46	—	—	46
Total	$ 4,804	$ 144	$ 11	$ 4,959

* Gross receivables are defined as follows:

- ***Finance receivables purchased as a performing receivable*** — gross finance receivables equal the UPB for interest bearing accounts and the gross remaining contractual payments for precompute accounts. Additionally, the remaining unearned premium, net of discount established at the time of purchase, is included in both interest bearing and precompute accounts to reflect the finance receivable balance at its initial fair value;

- ***Finance receivables originated subsequent to the Fortress Acquisition*** — gross finance receivables equal the UPB for interest bearing accounts and the gross remaining contractual payments for precompute accounts;

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

- ***TDR finance receivables*** —gross finance receivables equal the UPB for interest bearing accounts and the gross remaining contractual payments for precompute accounts. Additionally, the remaining unearned premium, net of discount established at the time of purchase, is included in both interest bearing and precompute accounts previously purchased as a performing receivable.

At December 31, 2017 and 2016, unused lines of credit extended to customers by the Company were immaterial.

Notes to Consolidated Financial Statements, Continued

GEOGRAPHIC DIVERSIFICATION

Geographic diversification of finance receivables reduces the concentration of credit risk associated with economic stresses in any one region. The largest concentrations of net finance receivables were as follows:

December 31,	2017		2016 *	
(dollars in millions)	Amount	Percent	Amount	Percent
Illinois	**$ 481**	**9%**	$ 400	8%
Indiana	**428**	**8**	360	7
North Carolina	**426**	**8**	398	8
California	**323**	**6**	298	6
Georgia	**304**	**6**	276	6
Florida	**301**	**6**	254	5
Texas	**295**	**5**	288	6
Ohio	**294**	**5**	266	5
Virginia	**284**	**5**	266	5
South Carolina	**275**	**5**	254	5
Pennsylvania	**252**	**5**	255	5
Other	**1,779**	**32**	1,644	34
Total	**$ 5,442**	**100%**	$ 4,959	100%

* December 31, 2016 concentrations of net finance receivables are presented in the order of December 31, 2017 state concentrations.

CREDIT QUALITY INDICATOR

We consider the delinquency status of our finance receivables as our primary credit quality indicator. We monitor delinquency trends to manage our exposure to credit risk. When finance receivables are contractually 60 days past due, we consider them delinquent and transfer collection of these accounts to our centralized operations, as these accounts are considered to be at increased risk for loss. At 90 days or more past due, we consider our finance receivables to be nonperforming.

Notes to Consolidated Financial Statements, Continued

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

(dollars in millions)	Personal Loans	Real Estate Loans	Retail Sales Finance	Total
December 31, 2017				
Performing:				
Current	**$ 5,063**	**$ 98**	**$ 6**	**$ 5,167**
30-59 days past due	**75**	**8**	**—**	**83**
60-89 days past due	**55**	**3**	**—**	**58**
Total performing	**5,193**	**109**	**6**	**5,308**
Nonperforming:				
90-179 days past due	**112**	**4**	**—**	**116**
180 days or more past due	**3**	**15**	**—**	**18**
Total nonperforming	**115**	**19**	**—**	**134**
Total	**$ 5,308**	**$ 128**	**$ 6**	**$ 5,442**
December 31, 2016				
Performing:				
Current	$ 4,579	$ 102	$ 11	$ 4,692
30-59 days past due	64	9	—	73
60-89 days past due	45	4	—	49
Total performing	4,688	115	11	4,814
Nonperforming:				
90-179 days past due	112	8	—	120
180 days or more past due	4	21	—	25
Total nonperforming	116	29	—	145
Total	$ 4,804	$ 144	$ 11	$ 4,959

We accrue finance charges on revolving retail finance receivables up to the date of charge-off at 180 days past due. Our revolving retail finance receivables that were more than 90 days past due and still accruing finance charges at December 31, 2017 and at December 31, 2016 were immaterial.

PURCHASED CREDIT IMPAIRED FINANCE RECEIVABLES

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

Prior to March 31, 2016, our purchased credit impaired finance receivables also included the SpringCastle Portfolio, which was purchased in connection with the joint venture acquisition of the SpringCastle Portfolio. On March 31, 2016, we sold our interest in the SpringCastle Portfolio in connection with the SpringCastle Interests Sale.

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

At December 31, 2017 and 2016, finance receivables held for sale totaled $132 million and $153 million, respectively, which include purchased credit impaired finance receivables, as well as TDR finance receivables. Therefore, we are presenting the financial information for our purchased credit impaired finance receivables and TDR finance receivables combined for finance receivables held for investment and finance receivables held for sale in the tables below. See Note 7 for further information on our finance receivables held for sale.

Notes to Consolidated Financial Statements, Continued

Information regarding our purchased credit impaired FA Loans held for investment and held for sale were as follows:

(dollars in millions) **December 31,**	**2017**	**2016**
FA Loans (a)		
Carrying amount, net of allowance	**$ 57**	**$ 70**
Outstanding balance (b)	**94**	**107**
Allowance for purchased credit impaired finance receivable losses	**9**	**8**

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

(dollars in millions) **December 31,**	**2017**	**2016**
Carrying amount	**$ 44**	$ 54
Outstanding balance	**72**	83

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

The allowance for purchased credit impaired finance receivable losses at December 31, 2017 and 2016, reflected the carrying value of the purchased credit impaired loans held for investment being higher than the present value of the expected cash flows.

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

(dollars in millions)	**SCP Loans**	**FA Loans**	**Total**
Year Ended December 31, 2017			
Balance at beginning of period	**$ —**	**$ 60**	**$ 60**
Accretion (a)	**—**	**(5)**	**(5)**
Reclassifications to nonaccretable difference (b)	**—**	**(2)**	**(2)**
Balance at end of period	**$ —**	**$ 53**	**$ 53**
Year Ended December 31, 2016			
Balance at beginning of period	$ 375	$ 66	$ 441
Accretion (a)	(16)	(7)	(23)
Reclassifications from nonaccretable difference (b)	—	12	12
Transfers due to finance receivables sold	(359)	(11)	(370)
Balance at end of period	$ —	$ 60	$ 60
Year Ended December 31, 2015			
Balance at beginning of period	$ 452	$ 54	$ 506
Accretion (a)	(77)	(8)	(85)
Reclassifications from nonaccretable difference (b)	—	20	20
Balance at end of period	$ 375	$ 66	$ 441

(a) Accretion on our purchased credit impaired FA Loans held for sale included in the table above were as follows:

Notes to Consolidated Financial Statements, Continued

(dollars in millions) Years Ended December 31,	2017	2016	2015
Accretion	**$ 4**	$ 5	$ 6

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

TROUBLED DEBT RESTRUCTURED FINANCE RECEIVABLES

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

(dollars in millions)	Personal Loans	Real Estate Loans (a)	Total
December 31, 2017			
TDR gross finance receivables	**$ 112**	**$ 139**	**$ 251**
TDR net finance receivables	**111**	**140**	**251**
Allowance for TDR finance receivable losses	**44**	**12**	**56**
December 31, 2016			
TDR gross finance receivables	$ 47	$ 133	$ 180
TDR net finance receivables	47	134	181
Allowance for TDR finance receivable losses	20	11	31

(a) TDR real estate loans held for sale included in the table above were as follows:

(dollars in millions) December 31,	2017	2016
TDR gross finance receivables	**$ 90**	$ 89
TDR net finance receivables	**91**	90

(b) As defined earlier in this Note.

As of December 31, 2017, we had no commitments to lend additional funds on our TDR finance receivables.

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

(dollars in millions)	Personal Loans (a)	SpringCastle Portfolio	Real Estate Loans (b)	Total
Year Ended December 31, 2017				
TDR average net receivables	**$ 79**	**$ —**	**$ 140**	**$ 219**
TDR finance charges recognized	**8**	**—**	**9**	**17**
Year Ended December 31, 2016				
TDR average net receivables	$ 36	$ —	$ 175	$ 211
TDR finance charges recognized	3	—	11	14
Year Ended December 31, 2015				
TDR average net receivables	$ 29	$ 12	$ 198	$ 239
TDR finance charges recognized	3	1	11	15

Notes to Consolidated Financial Statements, Continued

(a) TDR personal loans held for sale included in the table above were immaterial.

(b) TDR real estate loans held for sale included in the table above were as follows:

(dollars in millions)	Real Estate Loans
Year Ended December 31, 2017	
TDR average net receivables	**$ 91**
TDR finance charges recognized	**6**
Year Ended December 31, 2016	
TDR average net receivables	$ 102
TDR finance charges recognized	6
Year Ended December 31, 2015	
TDR average net receivables	$ 91
TDR finance charges recognized	5

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

(dollars in millions)	Personal Loans (a)	SpringCastle Portfolio	Real Estate Loans (b)	Total
Year Ended December 31, 2017				
Pre-modification TDR net finance receivables	**$ 124**	**$ —**	**$ 16**	**$ 140**
Post-modification TDR net finance receivables:				
Rate reduction	**$ 93**	**$ —**	**$ 16**	**$ 109**
Other (c)	**30**	**—**	**—**	**30**
Total post-modification TDR net finance receivables	**$ 123**	**$ —**	**$ 16**	**$ 139**
Number of TDR accounts	**22,500**	**—**	**510**	**23,010**
Year Ended December 31, 2016				
Pre-modification TDR net finance receivables	$ 49	$ 1	$ 16	$ 66
Post-modification TDR net finance receivables:				
Rate reduction	$ 31	$ 1	$ 16	$ 48
Other (c)	12	—	1	13
Total post-modification TDR net finance receivables	$ 43	$ 1	$ 17	$ 61
Number of TDR accounts	9,517	157	364	10,038
Year Ended December 31, 2015				
Pre-modification TDR net finance receivables	$ 33	$ 7	$ 21	$ 61
Post-modification TDR net finance receivables:				
Rate reduction	$ 15	$ 6	$ 17	$ 38
Other (c)	12	—	5	17
Total post-modification TDR net finance receivables	$ 27	$ 6	$ 22	$ 55
Number of TDR accounts	6,515	721	385	7,621

Notes to Consolidated Financial Statements, Continued

(a) TDR personal loans held for sale included in the table above were immaterial.

(b) TDR real estate loans held for sale included in the table above were as follows:

(dollars in millions)		Real Estate Loans
Year Ended December 31, 2017		
Pre-modification TDR net finance receivables	**$**	**6**
Post-modification TDR net finance receivables	**$**	**7**
Number of TDR accounts		**232**
Year Ended December 31, 2016		
Pre-modification TDR net finance receivables	$	5
Post-modification TDR net finance receivables	$	5
Number of TDR accounts		122
Year Ended December 31, 2015		
Pre-modification TDR net finance receivables	$	6
Post-modification TDR net finance receivables	$	7
Number of TDR accounts		113

(c) "Other" modifications primarily include forgiveness of principal or interest.

Net finance receivables held for investment and held for sale 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) were as follows:

(dollars in millions)		Personal Loans		SpringCastle Portfolio		Real Estate Loans (a)		Total
Year Ended December 31, 2017								
TDR net finance receivables (b)	**$**	**37**	**$**	**—**	**$**	**4**	**$**	**41**
Number of TDR accounts		**8,113**		**—**		**101**		**8,214**
Year Ended December 31, 2016								
TDR net finance receivables (b) (c)	$	6	$	—	$	3	$	9
Number of TDR accounts		1,409		19		61		1,489
Year Ended December 31, 2015								
TDR net finance receivables (b)	$	5	$	2	$	3	$	10
Number of TDR accounts		1,221		147		46		1,414

(a) TDR finance receivables held for sale included in the table above were as follows:

(dollars in millions)		Real Estate Loans
Year Ended December 31, 2017		
TDR net finance receivables	**$**	**2**
Number of TDR accounts		**53**
Year Ended December 31, 2016		
TDR net finance receivables	$	2
Number of TDR accounts		30
Year Ended December 31, 2015		
TDR net finance receivables	$	1
Number of TDR accounts		17

(b) Represents the corresponding balance of TDR net finance receivables at the end of the month in which they defaulted.

(c) TDR SpringCastle Portfolio loans for the year ended December 31, 2016 that defaulted during the previous 12-month period were less than $1 million and, therefore, are not quantified in the combined table above.

Notes to Consolidated Financial Statements, Continued

6. Allowance for Finance Receivable Losses

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

(dollars in millions)	Personal Loans	SpringCastle Portfolio	Real Estate Loans	Retail Sales Finance	Consolidated Total
Year Ended December 31, 2017					
Balance at beginning of period	**$ 184**	**$ —**	**$ 19**	**$ 1**	**$ 204**
Provision for finance receivable losses	**318**	**—**	**6**	**—**	**324**
Charge-offs	**(347)**	**—**	**(5)**	**(1)**	**(353)**
Recoveries	**61**	**—**	**3**	**1**	**65**
Balance at end of period	**$ 216**	**$ —**	**$ 23**	**$ 1**	**$ 240**
Year Ended December 31, 2016					
Balance at beginning of period	$ 173	$ 4	$ 46	$ 1	$ 224
Provision for finance receivable losses	306	14	9	—	329
Charge-offs	(340)	(17)	(11)	(1)	(369)
Recoveries	45	3	5	1	54
Other (a)	—	(4)	(30)	—	(34)
Balance at end of period	$ 184	$ —	$ 19	$ 1	$ 204
Year Ended December 31, 2015					
Balance at beginning of period	$ 130	$ 3	$ 46	$ 1	$ 180
Provision for finance receivable losses	257	67	13	2	339
Charge-offs	(250)	(78)	(18)	(3)	(349)
Recoveries	37	12	5	1	55
Other (b)	(1)	—	—	—	(1)
Balance at end of period	$ 173	$ 4	$ 46	$ 1	$ 224

(a) Other consists of:

- the elimination of allowance for finance receivable losses due to the sale of the SpringCastle Portfolio on March 31, 2016, in connection with the sale of our equity interest in the SpringCastle Joint Venture; and
- the elimination of allowance for finance receivable losses due to the transfers of real estate loans held for investment to finance receivable held for sale during 2016.

(b) Other consists of the elimination of allowance for finance receivable losses due to the transfer of personal loans held for investment to finance receivable held for sale during 2015.

Notes to Consolidated Financial Statements, Continued

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

(dollars in millions)	Personal Loans	Real Estate Loans	Retail Sales Finance	Total
December 31, 2017				
Allowance for finance receivable losses:				
Collectively evaluated for impairment	**$ 172**	**$ 2**	**$ 1**	**$ 175**
Purchased credit impaired finance receivables	**—**	**9**	**—**	**9**
TDR finance receivables	**44**	**12**	**—**	**56**
Total	**$ 216**	**$ 23**	**$ 1**	**$ 240**
Finance receivables:				
Collectively evaluated for impairment	**$ 5,197**	**$ 57**	**$ 6**	**$ 5,260**
Purchased credit impaired finance receivables	**—**	**22**	**—**	**22**
TDR finance receivables	**111**	**49**	**—**	**160**
Total	**$ 5,308**	**$ 128**	**$ 6**	**$ 5,442**
Allowance for finance receivable losses as a percentage of finance receivables	**4.06%**	**18.66%**	**9.91%**	**4.41%**
December 31, 2016				
Allowance for finance receivable losses:				
Collectively evaluated for impairment	$ 164	$ —	$ 1	$ 165
Purchased credit impaired finance receivables	—	8	—	8
TDR finance receivables	20	11	—	31
Total	$ 184	$ 19	$ 1	$ 204
Finance receivables:				
Collectively evaluated for impairment	$ 4,757	$ 76	$ 11	$ 4,844
Purchased credit impaired finance receivables	—	24	—	24
TDR finance receivables	47	44	—	91
Total	$ 4,804	$ 144	$ 11	$ 4,959
Allowance for finance receivable losses as a percentage of finance receivables	3.84%	13.31%	4.42%	4.12%

See Note 3 for additional information on the determination of the allowance for finance receivable losses.

Notes to Consolidated Financial Statements, Continued

7. Finance Receivables Held for Sale

We report finance receivables held for sale of $132 million at December 31, 2017 and $153 million at December 31, 2016, which are carried at the lower of cost or fair value and consist entirely of real estate loans. At December 31, 2017 and 2016, the fair value of our finance receivables held for sale exceeded the cost. We used the aggregate basis to determine the lower of cost or fair value of finance receivables held for sale.

See Note 3 for more information regarding our accounting policy for finance receivables held for sale.

SPRINGCASTLE PORTFOLIO

During March of 2016, we transferred $1.6 billion of loans of the SpringCastle Portfolio from held for investment to held for sale and simultaneously sold our interests in these finance receivables held for sale on March 31, 2016 in the SpringCastle Interests Sale and recorded a net gain in other revenues at the time of sale of $167 million.

PERSONAL LOANS

During 2015, we transferred $608 million of personal loans from held for investment to held for sale. On May 2, 2016, we sold personal loans held for sale with a carrying value of $602 million and recorded a net gain in other revenues at the time of sale of $22 million.

REAL ESTATE LOANS

On November 30, 2016, we transferred $50 million of real estate loans from held for investment to held for sale. In connection with the December 2016 Real Estate Loan Sale, we sold a portfolio of first and second lien mortgage loans with a carrying value of $58 million and recorded a net loss in other revenues of less than $1 million.

On June 30, 2016, we transferred $257 million of real estate loans from held for investment to held for sale. In connection with the August 2016 Real Estate Loan Sale, we sold a portfolio of second lien mortgage loans with a carrying value of $250 million and recorded a net loss in other revenues of $4 million.

We did not have any other material transfer activity to or from finance receivables held for sale during 2017, 2016 or 2015.

Notes to Consolidated Financial Statements, Continued

8. Investment Securities

AVAILABLE-FOR-SALE SECURITIES

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

(dollars in millions)	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2017				
Fixed maturity available-for-sale securities:				
Bonds				
U.S. government and government sponsored entities	**$ 17**	**$ —**	**$ —**	**$ 17**
Obligations of states, municipalities, and political subdivisions	**70**	**—**	**—**	**70**
Non-U.S. government and government sponsored entities	**4**	**—**	**—**	**4**
Corporate debt	**322**	**4**	**(2)**	**324**
Mortgage-backed, asset-backed, and collateralized:				
RMBS	**35**	**—**	**—**	**35**
CMBS	**23**	**—**	**—**	**23**
CDO/ABS	**53**	**—**	**—**	**53**
Total bonds	**524**	**4**	**(2)**	**526**
Preferred stock (a)	**6**	**—**	**(1)**	**5**
Other long-term investments	**1**	**—**	**—**	**1**
Total (b)	**$ 531**	**$ 4**	**$ (3)**	**$ 532**
December 31, 2016				
Fixed maturity available-for-sale securities:				
Bonds				
U.S. government and government sponsored entities	$ 13	$ —	$ —	$ 13
Obligations of states, municipalities, and political subdivisions	83	—	(1)	82
Non-U.S. government and government sponsored entities	5	—	—	5
Corporate debt	356	2	(5)	353
Mortgage-backed, asset-backed, and collateralized:				
RMBS	39	—	—	39
CMBS	33	—	—	33
CDO/ABS	46	—	—	46
Total bonds	575	2	(6)	571
Preferred stock (a)	6	—	—	6
Other long-term investments	1	—	—	1
Total (b)	$ 582	$ 2	$ (6)	$ 578

(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.

(b) Excludes an immaterial interest in a limited partnership that we account for using the equity method and FHLB common stock of $1 million at December 31, 2017 and 2016, which is classified as a restricted investment and carried at cost.

Notes to Consolidated Financial Statements, Continued

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:

	Less Than 12 Months		12 Months or Longer		Total	
(dollars in millions)	Fair Value	Unrealized Losses *	Fair Value	Unrealized Losses *	Fair Value	Unrealized Losses
December 31, 2017						
Bonds:						
U.S. government and government sponsored entities	**$ 13**	**$ —**	**$ 1**	**$ —**	**$ 14**	**$ —**
Obligations of states, municipalities, and political subdivisions	**35**	**—**	**12**	**—**	**47**	**—**
Corporate debt	**120**	**(1)**	**69**	**(1)**	**189**	**(2)**
RMBS	**14**	**—**	**12**	**—**	**26**	**—**
CMBS	**6**	**—**	**15**	**—**	**21**	**—**
CDO/ABS	**30**	**—**	**10**	**—**	**40**	**—**
Total bonds	**218**	**(1)**	**119**	**(1)**	**337**	**(2)**
Preferred stock	**—**	**—**	**5**	**(1)**	**5**	**(1)**
Other long-term investments	**1**	**—**	**—**	**—**	**1**	**—**
Total	**$ 219**	**$ (1)**	**$ 124**	**$ (2)**	**$ 343**	**$ (3)**
December 31, 2016						
Bonds:						
U.S. government and government sponsored entities	$ 9	$ —	$ —	$ —	$ 9	$ —
Obligations of states, municipalities, and political subdivisions	57	(1)	2	—	59	(1)
Non-U.S. government and government sponsored entities	3	—	—	—	3	—
Corporate debt	171	(5)	5	—	176	(5)
RMBS	33	—	—	—	33	—
CMBS	22	—	—	—	22	—
CDO/ABS	25	—	—	—	25	—
Total bonds	320	(6)	7	—	327	(6)
Preferred stock	—	—	6	—	6	—
Total	$ 320	$ (6)	$ 13	$ —	$ 333	$ (6)

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

On a lot basis, we had 217 investment securities in an unrealized loss position at December 31, 2017 and 2016. 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 December 31, 2017, we had no plans to sell any investment securities with unrealized losses, and we believe it is more likely than not that we would not be required to sell such investment securities before recovery of their amortized cost.

We continue to monitor unrealized loss positions for potential impairments. During 2017, 2016 and 2015 periods, we did not recognize any other-than-temporary impairment credit losses on available-for-sale securities in investment revenues.

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 for the 2017, 2016, and 2015 periods.

Notes to Consolidated Financial Statements, Continued

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

(dollars in millions) **Years Ended December 31,**	**2017**	2016	2015
Proceeds from sales and redemptions	**$ 283**	$ 308	$ 416
Realized gains	**$ 7**	$ 9	$ 15
Realized losses	**—**	(1)	(1)
Net realized gains	**$ 7**	$ 8	$ 14

Contractual maturities of fixed-maturity available-for-sale securities at December 31, 2017 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	$ 78	$ 78
Due after 1 year through 5 years	178	180
Due after 5 years through 10 years	36	36
Due after 10 years	123	119
Mortgage-backed, asset-backed, and collateralized securities	111	111
Total	$ 526	$ 524

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 $8 million and $11 million at December 31, 2017 and 2016, respectively.

TRADING AND OTHER SECURITIES

Our trading securities were sold in the first quarter of 2016; other securities are those securities for which the fair value option was elected:

- The fair value of fixed maturity trading and other securities totaled $3 million at December 31, 2017 and 2016, and consisted primarily of corporate debt.
- Net unrealized gains (losses) on trading and other securities held at December 31, 2017 and December 31, 2016 were immaterial. Net unrealized gains were $4 million on securities held at December 31, 2015.
- Net realized gains (losses) during 2017 and 2016 were immaterial. Net realized losses during 2015 were $3 million.

Notes to Consolidated Financial Statements, Continued

9. Other Assets

Components of other assets were as follows:

(dollars in millions) **December 31,**	**2017**	**2016**
Prepaid expenses and deferred charges	**$ 26**	$ 38
Fixed assets, net *	**25**	70
Deferred tax assets	**24**	2
Ceded insurance reserves	**20**	22
Other intangible assets	**15**	15
Cost basis investments	**11**	11
Receivables from parent and affiliates	**11**	40
Other investments	**9**	30
Other	**20**	23
Total	**$ 161**	$ 251

* Fixed assets were net of accumulated depreciation of $96 million at December 31, 2017 and $180 million at December 31, 2016. The decrease in fixed assets is primarily related to the contribution of SFMC. See Note 11 for more information regarding this transaction.

OTHER INTANGIBLE ASSETS

The gross carrying amount and accumulated amortization, in total and by major intangible asset class were as follows:

(dollars in millions)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Other Intangible Assets**
December 31, 2017			
VOBA	**$ 36**	**$ (33)**	**$ 3**
Customer relationships	**18**	**(18)**	**—**
Licenses	**12**	**—**	**12**
Customer lists	**9**	**(9)**	**—**
Total	**$ 75**	**$ (60)**	**$ 15**
December 31, 2016			
VOBA	$ 36	$ (33)	$ 3
Customer relationships	18	(18)	—
Licenses	12	—	12
Customer lists	9	(9)	—
Total	$ 75	$ (60)	$ 15

Amortization expense totaled less than $1 million in 2017 and 2016, and $4 million in 2015. The estimated aggregate amortization of other intangible assets for each of the next five years is less than $1 million.

Notes to Consolidated Financial Statements, Continued

10. Transactions with Affiliates

SUBSERVICING AGREEMENT

Nationstar subservices the real estate loans of certain of our indirect subsidiaries. Investment funds managed by affiliates of Fortress indirectly own a majority interest in Nationstar. The subservicing fees paid to Nationstar were immaterial in 2017, 2016, and 2015.

INVESTMENT MANAGEMENT AGREEMENT

Logan Circle provides investment management services for our investments. Logan Circle was a wholly owned subsidiary of Fortress. On September 15, 2017, Fortress sold its interest in Logan Circle to MetLife, and Logan Circle is no longer an affiliate of Fortress. Costs and fees incurred for these investment management services were immaterial in 2017, 2016, and 2015.

SALE OF EQUITY INTEREST IN SPRINGCASTLE JOINT VENTURE

On March 31, 2016, we sold our 47% equity interest in the SpringCastle Joint Venture, which owns the SpringCastle Portfolio, to certain subsidiaries of NRZ and Blackstone. NRZ is managed by an affiliate of Fortress.

See Note 2 for more information regarding this transaction.

11. Related Party Transactions

AFFILIATE LENDING

Notes Receivable from Parent and Affiliates

Note Receivable from SFI. SFC's note receivable from SFI is payable in full on May 31, 2022, and SFC may demand payment at any time prior to May 31, 2022; however, SFC does not anticipate the need for additional liquidity during 2018 and does not expect to demand payment from SFI in 2018. The note receivable from SFI totaled $387 million at December 31, 2017 and $285 million at December 31, 2016. The interest rate for the UPB is the lender's cost of funds rate, which was 5.87% at December 31, 2017. Interest revenue on the note receivable from SFI totaled $23 million during 2017, $19 million during 2016, and $15 million during 2015, which we report in interest income on notes receivable from parent and affiliates.

Independence Demand Note. On November 12, 2015, in connection with the closing of the OneMain Acquisition, CSI, SFC's wholly owned subsidiary, entered into the Independence Demand Note, whereby CSI agreed to make advances to Independence from time to time, with an aggregate amount outstanding not to exceed $3.55 billion. On November 12, 2015, Independence borrowed $3.4 billion under the Independence Demand Note. Under the Independence Demand Note, Independence was required to use the proceeds of any advance to either fund a portion of the purchase price for the OneMain Acquisition or for general corporate purposes. The note is payable in full on December 31, 2019, and CSI may demand payment at any time prior to December 31, 2019. Independence can repay the note in whole or in part at any time without premium or penalty. The interest rate for the UPB is the lender's cost of funds rate.

On July 19, 2016, CSI, Independence, and OMFH entered into the Note Assignment pursuant to which CSI sold and assigned to OMFH, and OMFH purchased and assumed from CSI, an interest in and to CSI's right to receive $150 million principal amount outstanding under the Independence Demand Note for a purchase price of $150 million. On July 20, 2016, OMFH paid the $150 million purchase price to CSI.

Cash Services Note. In connection with the Note Assignment discussed above, Independence exchanged the Independence Demand Note for (i) the Cash Services Note issued to CSI with a maximum borrowing amount not to exceed $3.4 billion and (ii) the OMFH Note issued to OMFH with a maximum borrowing amount not to exceed $150 million. The Cash Services Note and the OMFH Note provide that no advances shall be made to Independence on or after December 31, 2019 and all principal and interest shall be payable in full on December 31, 2019, unless earlier payment is demanded by CSI or OMFH. The interest rate for the UPB is the lender's cost of funds rate, which was 5.87% at December 31, 2017.

At December 31, 2017 and December 31, 2016, the note receivable from Independence relating to the Cash Services Note totaled $2.9 billion, which included compounded interest due to CSI. Interest revenue on the note receivable from

Notes to Consolidated Financial Statements, Continued

Independence relating to the Cash Services Note totaled $173 million during 2017, $185 million during 2016, and $27 million during 2015, which we report in interest income on notes receivable from parent and affiliates.

OneMain Demand Note. On November 15, 2015, in connection with the closing of the OneMain Acquisition, SFC entered into the OneMain Demand Note with OMFH, whereby SFC agreed to make advances to OMFH from time to time, with an aggregate amount outstanding not to exceed $500 million. Under the OneMain Demand Note, OMFH is required to use the proceeds of any advance either (i) exclusively to finance the purchase, origination, pooling, funding or carrying of receivables by OMFH or any of its restricted subsidiaries or (ii) for general corporate purposes. The note is payable in full on December 31, 2024, and SFC may demand payment with five days prior notice. OMFH may repay the note in whole or in part at any time without premium or penalty. The interest rate for the UPB is the lender's cost of funds rate.

SFC has, from time to time, amended the note to increase the maximum amount that may be advanced to OMFH. At December 31, 2017, the maximum amount that may be advanced totaled $1.6 billion. At December 31, 2017 and 2016, the note receivable from OMFH totaled $1.2 billion and $530 million, respectively, which included compounded interest due to SFC. Interest revenue on the note receivable from OMFH totaled $59 million and $10 million for 2017 and 2016, respectively, which we report in interest income on notes receivable from parent and affiliates.

Note Payable to Affiliate

On December 1, 2015, in connection with the closing of the OneMain Acquisition, OMFH entered into a revolving demand note with SFC, whereby OMFH agreed to make advances to SFC from time to time, with an aggregate amount outstanding not to exceed $500 million. Under the note, SFC is required to use the proceeds of any advance for general corporate purposes. The note is payable in full on December 31, 2024, and OMFH may demand payment with five days prior notice. SFC may repay the note in whole or in part at any time without premium or penalty. The interest rate for the UPB is the lender's cost of funds rate.

At December 31, 2017, the maximum amount that may be advanced totaled $750 million. At December 31, 2017 and 2016, no amounts were drawn under the note. We did not incur interest expense on the note payable to OMFH during 2017. Interest expense on the note payable was $7 million in 2016, which was reported in interest expense.

INTERCOMPANY AGREEMENTS

Dividend of SFMC to SFI

On April 10, 2017, SFMC, a former subsidiary of SFC, was contributed to SFI in the form of a dividend. SFI then contributed SFMC and SGSC to OMH, SFMC merged into SGSC, which was renamed and is now OGSC. As a result of the dividend, the Company's total shareholder equity and total assets were reduced by $38 million and $65 million, respectively, on the contribution date.

The contribution was the result of the continuing integration process, and part of a series of corporate consolidation transactions surrounding the OneMain Acquisition.

Agreements with OGSC

OGSC, as successor to SFMC and SGSC, is a party to the following three intercompany agreements:

Services Agreement. OGSC provides the following services to various affiliates under a service agreement: management and administrative services; financial, accounting, treasury, tax, and audit services; facilities support services; capital funding services; legal services; human resources services (including payroll); centralized collections and lending support services; insurance, risk management, and marketing services; and information technology services. The fees payable to OGSC are equal to 100% of the allocated cost of providing the services. We believe these allocations are reasonable among the entities receiving the services. In addition to the services noted above, OGSC assumed the services provided by SFMC, which primarily consist of providing operating staff and field management for our branches. During 2017, 2016, and 2015, we recorded $292 million, $239 million, and $224 million, respectively, of service fee expenses, which are included in other operating expenses.

License Agreement. As a result of the merger of SFMC and SGSC noted above, the license agreement, whereby SFMC leased its information technology systems and software and other related equipment to SGSC, was terminated. The monthly license fee payable by SGSC for its use of the information technology systems and software was 100% of the actual costs incurred by

Notes to Consolidated Financial Statements, Continued

SFMC plus a 7.00% margin. The fee payable by SGSC for its use of the related equipment was 100% of the actual costs incurred by SFMC. Amounts recorded by us under this license agreement totaled $1 million in 2017 and $6 million in 2016 and 2015, respectively, and are included as a contra expense to other operating expenses.

Building Lease Agreement. In contemplation of the merger of SFMC and SGSC noted above, the building lease agreement whereby SFMC leased six of its buildings to SGSC for an annual rental amount of $4 million, plus additional rental amounts to cover other charges, was terminated effective April 5, 2017. As a result, SFMC's rent charged to SGSC was $1 million during 2017 and $4 million during 2016 and 2015, respectively, which is included as a contra expense to other operating expenses.

Agreements with OMFH and OCLI

Loan Servicing Fees. In connection with the branch integration activities during the fourth quarter of 2016, SFC entered into an intercompany service agreement with OMFH relating to the servicing of loans when a legacy OneMain loan is serviced by a legacy Springleaf branch and vice versa. In exchange, a monthly servicing fee is charged based on a percentage of the outstanding principal balance of the designated loans. During 2017, SFC recorded $13 million of service fee expenses for the legacy Springleaf loans serviced by legacy OneMain branches and $15 million, of service fee income for the legacy OneMain loans serviced by legacy Springleaf branches. SFC loan servicing fee income and expense during the 2016 period were immaterial.

Loan Referral Fees. OCLI provides personal loan application processing and credit underwriting services on behalf of SFC for personal loan applications that are submitted online. SFC is charged a fee of $35 for each underwritten approved application processed, as well as any other fees agreed to by the parties. During 2017 and 2016, these fees were $22 million and $16 million, respectively.

Transactions with Insurance Subsidiaries

SFC incurs a payable whenever it finances or collects insurance premiums on policies issued by OMFH insurance subsidiaries or when SFC insurance subsidiaries incur insurance claims on insurance policies issued on OMFH loans. Conversely, SFC records a receivable when insurance claims are incurred on policies issued by insurance subsidiaries of OMFH on SFC loans. As a result of these transactions, at December 31, 2017, SFC had a $22 million payable to and a $4 million receivable from OMFH subsidiaries. At December 31, 2016, SFC insurance subsidiaries had a receivable from OMFH lending subsidiaries of $3 million. SFC's payable to OMFH subsidiaries at December 31, 2016 was immaterial.

Loan Purchase and Sale Agreements

From time to time, OCLI enters into loan purchase and sale agreements with certain subsidiaries of SFC pursuant to which OCLI sells certain personal loans and continues to service the loans.

During the third quarter of 2017, OCLI entered into loan purchase and sale agreements with certain subsidiaries of SFC pursuant to which OCLI sold certain personal loans with an aggregate UPB at the time of sale of $4 million for an aggregate purchase price of $4 million. OCLI does not service these loans.

During the second quarter of 2016, OCLI had sold personal loans with an aggregate UPB at the time of sale of $89 million for an aggregate purchase price of $89 million. OCLI continues to service these loans. During 2017 and 2016, SFC recorded $2 million and $3 million, respectively, of service fee expenses for these personal loans.

See Note 9 and Note 15 regarding receivables and payables from affiliates and parent.

OTHER

OMAS Debt Purchases

As of December 31, 2017, OMAS, a subsidiary of OMFH, purchased a total of $10 million principal amount of SFC's medium-term notes in the open market in three separate purchase transactions for an aggregate purchase price of $10 million. These notes had a carrying value of $9 million.

These purchase transactions did not impact our consolidated financial statements and there are no plans for OMAS to make future purchases of SFC debt.

Notes to Consolidated Financial Statements, Continued

Home and Auto Membership Plans

SFC collects optional home and auto membership plan fees that are payable to subsidiaries of OMFH. SFC's payable to OMFH subsidiaries for these fees was $2 million at December 31, 2017. The amount payable at December 31, 2016 was immaterial.

Capital Contribution to SFC

During 2016, SFC received a capital contribution of $10 million from SFI to satisfy an interest payment required by the Junior Subordinated Debenture.

Notes to Consolidated Financial Statements, Continued

12. Long-term Debt

Carrying value and fair value of long-term debt by type were as follows:

(dollars in millions)	December 31, 2017 Carrying Value	December 31, 2017 Fair Value	December 31, 2016 Carrying Value	December 31, 2016 Fair Value
Senior debt	**$ 7,693**	**$ 8,180**	$ 6,665	$ 7,150
Junior subordinated debt	**172**	**189**	172	158
Total	**$ 7,865**	**$ 8,369**	$ 6,837	$ 7,308

Weighted average effective interest rates on long-term debt by type were as follows:

	Years Ended December 31, 2017	Years Ended December 31, 2016	Years Ended December 31, 2015	At December 31, 2017	At December 31, 2016
Senior debt	**6.99%**	7.18%	6.96%	**6.57%**	7.46%
Junior subordinated debt	**6.41**	12.26	12.26	**6.37**	12.26
Total	**6.98**	7.30	7.05	**6.57**	7.59

Principal maturities of long-term debt (excluding projected repayments on securitizations and revolving conduit facilities by period) by type of debt at December 31, 2017 were as follows:

(dollars in millions)	Senior Debt: Securitizations	Senior Debt: Medium Term Notes	Junior Subordinated Debt	Total
Interest rates (a)	2.04% - 6.50%	5.25% - 8.25%	3.11%	
2018	—	—	—	—
2019	—	700	—	700
2020	—	1,300	—	1,300
2021	—	650	—	650
2022	—	1,000	—	1,000
2023-2067	—	1,175	350	1,525
Securitizations (b)	3,052	—	—	3,052
Total principal maturities	$ 3,052	$ 4,825	$ 350	$ 8,227
Total carrying amount	$ 3,041	$ 4,652	$ 172	$ 7,865
Debt issuance costs (c)	$ (11)	$ (30)	$ —	$ (41)

(a) The interest rates shown are the range of contractual rates in effect at December 31, 2017. Effective January 16, 2017, the interest rate on the UPB of the Junior Subordinated Debenture became a variable floating rate (determined quarterly) equal to 3-month LIBOR plus 1.75%, or 3.11% as of December 31, 2017. Prior to January 16, 2017, the interest rate on the UPB of the Junior Subordinated Debenture was a fixed rate of 6.00%.

(b) 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 December 31, 2017, there were no amounts drawn under our revolving conduit facilities. See Note 13 for further information on our long-term debt associated with securitizations and revolving conduit facilities.

(c) 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 $11 million at December 31, 2017 and are reported in other assets.

Notes to Consolidated Financial Statements, Continued

SFC's Medium-Term Note Issuances

5.625% Senior Notes Due 2023

On December 8, 2017, SFC issued $875 million aggregate principal amount of 5.625% Senior Notes due 2023 (the "5.625% SFC Notes") under an Indenture dated as of December 3, 2014 (the "SFC Base Indenture"), as supplemented by a Fourth Supplemental Indenture dated as of December 8, 2017 (the "SFC Fourth Supplemental Indenture"), pursuant to which OMH provided a guarantee of the 5.625% SFC Notes on an unsecured basis.

SFC used a portion of the net proceeds from the sale of the 5.625% SFC Notes to repay at maturity approximately $557 million aggregate principal amount of its existing 6.90% Medium-Term Notes. SFC intends to use the remaining net proceeds from the sale of the 5.625% SFC Notes for general corporate purposes, which may include additional debt repurchases and repayments.

6.125% Senior Notes Due 2022

On May 15, 2017, SFC issued $500 million aggregate principal amount of 6.125% Senior Notes due 2022 (the "2022 SFC Notes") under the SFC Base Indenture, as supplemented by a Third Supplemental Indenture, dated as of May 15, 2017 (the "SFC Third Supplemental Indenture"), pursuant to which OMH provided a guarantee of the 2022 SFC Notes on an unsecured basis.

On May 30, 2017, SFC issued and sold $500 million aggregate principal amount of additional 2022 SFC Notes (the "Additional SFC Notes") in an add-on offering. The initial 2022 SFC Notes and the Additional SFC Notes (collectively, the "6.125% SFC Notes"), are treated as a single class of debt securities and have the same terms, other than the issue date and the issue price.

SFC used a portion of the net proceeds from the sale of the Additional SFC Notes to repurchase approximately $466 million aggregate principal amount of its existing 6.90% Senior Notes due 2017 at a premium to par. SFC used the remaining net proceeds from the sale of the 6.125% SFC Notes for general corporate purposes.

8.25% Senior Notes Due 2020

On April 11, 2016, SFC issued $1.0 billion aggregate principal amount of 8.25% Senior Notes due 2020 (the "8.25% SFC Notes") under the SFC Base Indenture, as supplemented by a Second Supplemental Indenture, dated as of April 11, 2016 (the "SFC Second Supplemental Indenture" and, collectively with the SFC Base Indenture and the SFC First Supplemental Indenture, the SFC Third Supplemental Indenture, and the SFC Fourth Supplemental Indenture thereto, the "Indenture"), pursuant to which OMH provided a guarantee of the 8.25% SFC notes on an unsecured basis.

SFC used a portion of the proceeds from the sale of the 8.25% SFC Notes to repurchase approximately $600 million aggregate principal amount of its existing senior notes that were scheduled to mature in 2017, at a premium to principal amount from certain beneficial owners, and certain of those beneficial owners purchased new 8.25% SFC Notes in the offering. SFC used the remaining net proceeds for general corporate purposes.

The 5.625% SFC Notes, 6.125% SFC Notes and 8.25% SFC Notes are SFC's senior unsecured obligations and rank equally in right of payment to all of SFC's other existing and future unsubordinated indebtedness from time to time outstanding. The notes are effectively subordinated to all of SFC's secured obligations to the extent of the value of the assets securing such obligations and structurally subordinated to any existing and future obligations of SFC's subsidiaries with respect to claims against the assets of such subsidiaries.

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

The Indenture contain covenants that, among other things, (i) limit SFC's ability to create liens on assets and (ii) restrict SFC's ability to consolidate, merge or sell its assets. The Indenture also provides for events of default which, if any of them were to occur, would permit or require the principal of and accrued interest on the SFC Notes to become, or to be declared, due and payable.

Notes to Consolidated Financial Statements, Continued

GUARANTY AGREEMENTS

5.625% SFC Notes

On December 8, 2017, OMH entered into the SFC Fourth Supplemental Indenture, pursuant to which it agreed to fully and unconditionally guarantee, on a senior unsecured basis, the payments of principal, premium (if any) and interest on the 5.625% SFC Notes. As of December 31, 2017, $875 million aggregate principal amount of the 5.625% SFC Notes were outstanding.

6.125% SFC Notes

On May 15, 2017, OMH entered into the SFC Third Supplemental Indenture, pursuant to which it agreed to fully and unconditionally guarantee, on a senior unsecured basis, the payments of principal, premium (if any) and interest on the 6.125% SFC Notes. As of December 31, 2017, $1.0 billion aggregate principal amount of the 6.125% SFC Notes were outstanding.

8.25% SFC Notes

On April 11, 2016, OMH entered into the SFC Second Supplemental Indenture, pursuant to which it agreed to fully and unconditionally guarantee, on a senior unsecured basis, the payments of principal, premium (if any) and interest on the 8.25% SFC Notes. As of December 31, 2017, $1.0 billion aggregate principal amount of the 8.25% SFC Notes were outstanding.

5.25% SFC Notes

On December 3, 2014, OMH entered into the SFC Base Indenture and the SFC First Supplemental Indenture, pursuant to which it agreed to fully and unconditionally guarantee, on a senior unsecured basis, the payments of principal, premium (if any) and interest on the 5.25% SFC Notes. As of December 31, 2017, $700 million aggregate principal amount of the 5.25% SFC Notes were outstanding.

Other SFC Notes

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

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

The Junior Subordinated Debenture underlies the trust preferred securities sold by a trust sponsored by SFC. On December 30, 2013, OMH entered into the SFC Trust Guaranty Agreement whereby it agreed to fully and unconditionally guarantee the related payment obligations under the trust preferred securities. As of December 31, 2017, approximately $1.6 billion aggregate principal amount of the Other SFC Notes were outstanding.

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

DEBT COVENANTS

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

With the exception of SFC’s junior subordinated debenture, none of SFC’s debt agreements require SFC or any of its subsidiaries to meet or maintain any specific financial targets or ratios. However, certain events, including non-payment of principal or interest, bankruptcy or insolvency, or a breach of a covenant or a representation or warranty, may constitute an

event of default and trigger an acceleration of payments. In some cases, an event of default or acceleration of payments under one debt agreement may constitute a cross-default under other debt agreements resulting in an acceleration of payments under the other agreements.

As of December 31, 2017, SFC was in compliance with all of the covenants under its debt agreements.

Junior Subordinated Debenture

In January of 2007, SFC issued the Junior Subordinated Debenture, consisting of $350 million aggregate principal amount of 60-year junior subordinated debt. The Junior Subordinated Debenture underlies the trust preferred securities sold by a trust sponsored by SFC. SFC can redeem the Junior Subordinated Debenture at par beginning in January of 2017. Effective January 16, 2017, the interest rate on the UPB of the Junior Subordinated Debenture became a variable floating rate (determined quarterly) equal to 3-month LIBOR plus 1.75%, or 3.11% as of December 31, 2017. Prior to January 16, 2017, the interest rate on the UPB of the Junior Subordinated Debenture was a fixed rate of 6.00%.

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

Based upon SFC's financial results for the 12 months ended December 31, 2017, a mandatory trigger event did not occur with respect to the interest payment due in January of 2018, as SFC was in compliance with both required ratios discussed above.

Notes to Consolidated Financial Statements, Continued

13. Variable Interest Entities

CONSOLIDATED VIES

As part of our overall funding strategy and as part of our efforts to support our liquidity from sources other than our traditional capital market sources, we have transferred certain finance receivables to VIEs for asset-backed financing transactions, including securitization and conduit transactions. We have determined that we are the primary beneficiary of these VIEs and, as a result, we include each VIE's assets, including any finance receivables securing the VIE's debt obligations, and related liabilities in our consolidated financial statements and each VIE's asset-backed debt obligations are accounted for as secured borrowings. We are deemed to be the primary beneficiary of each VIE because we have the ability to direct the activities of the VIE that most significantly impact its economic performance, including the losses it absorbs and its right to receive economic benefits that are potentially significant. Such ability arises from SFC's and its affiliates' contractual right to service the finance receivables securing the VIEs' debt obligations. To the extent we retain any debt obligation or residual interest in an asset-backed financing facility, we are exposed to potentially significant losses and potentially significant returns.

The asset-backed debt obligations issued by the VIEs are supported by the expected cash flows from the underlying finance receivables securing such debt obligations. Cash inflows from these finance receivables are distributed to repay the debt obligations and related service providers in accordance with each transaction's contractual priority of payments, referred to as the "waterfall." The holders of the asset-backed debt obligations have no recourse to the Company if the cash flows from the underlying finance receivables securing such debt obligations are not sufficient to pay all principal and interest on the asset-backed debt obligations. With respect to any asset-backed financing transaction that has multiple classes of debt obligations, substantially all cash inflows will be directed to the senior debt obligations until fully repaid and, thereafter, to the subordinate debt obligations on a sequential basis. We retain an interest and credit risk in these financing transactions through our ownership of the residual interest in each VIE and, in some cases, the most subordinate class of debt obligations issued by the VIE, which are the first to absorb credit losses on the finance receivables securing the debt obligations. In addition, with respect to each financing transaction that is subject to the risk retention requirements of Section 941 of the Dodd-Frank Act, we retain at least 5% of the balance of each class of debt obligations and at least 5% of the residual interest in each VIE which, collectively, represents 5% of the economic interest in the credit risk of the securitized assets in satisfaction of the risk retention requirements. We expect that any credit losses in the pools of finance receivables securing the asset-backed debt obligations will likely be limited to our retained interests described above. We have no obligation to repurchase or replace qualified finance receivables that subsequently become delinquent or are otherwise in default.

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

(dollars in millions)

December 31,	2017	2016
Assets		
Cash and cash equivalents	**$ 2**	$ 2
Finance receivables:		
Personal loans	**3,334**	2,943
Allowance for finance receivable losses	**141**	94
Restricted cash and restricted cash equivalents	**158**	211
Other assets	**11**	9
Liabilities		
Long-term debt	**$ 3,041**	$ 2,675
Other liabilities	**6**	7

Notes to Consolidated Financial Statements, Continued

SECURITIZED BORROWINGS

Each of our securitizations contains a revolving period ranging from one to five years during which no principal payments are required to be made on the related asset-backed notes, except for the ODART 2016-1 securitization which has no revolving period. The indentures governing our securitization borrowings contain early amortization events and events of default, that, if triggered, may result in the acceleration of the obligation to pay principal and interest on the related asset-backed notes.

Our securitized borrowings at December 31, 2017 consisted of the following:

(dollars in millions)	Issue Amount *	Current Note Amounts Outstanding *	Current Weighted Average Interest Rate	Original Revolving Period	Issue Date	Maturity Date
Consumer Securitizations:						
SLFT 2015-A	$ 1,163	$ 1,163	3.47%	3 years	02/26/2015	11/2024
SLFT 2015-B	314	314	3.78%	5 years	04/07/2015	05/2028
SLFT 2016-A (a)	532	500	3.10%	2 years	12/14/2016	11/2029
SLFT 2017-A (b)	652	619	2.98%	3 years	06/28/2017	07/2030
Total consumer securitizations		2,596				
Auto Securitization:						
ODART 2016-1 (c)	754	188	2.91%	—	07/19/2016	Various
ODART 2017-1 (d)	300	268	2.61%	1 year	02/01/2017	Various
Total auto securitizations		456				
Total secured structured financings		$ 3,052				

* Issue Amount includes the retained interest amounts as detailed below while the Current Note Amounts Outstanding balances include pay-downs subsequent to note issuance and exclude retained interest amounts.

(a) **SLFT 2016-A Securitization.** We initially retained $32 million of the asset-backed notes.

(b) **SLFT 2017-A Securitization.** We initially retained $26 million of the Class A notes, $2 million of the Class B notes, $2 million of the Class C notes and $3 million of the Class D notes.

(c) **ODART 2016-1 Securitization.** The maturity dates of the notes occur in January 2021 for the Class A notes, May 2021 for the Class B notes, September 2021 for the Class C notes and February 2023 for the Class D notes. We initially retained $54 million of the Class D notes.

(d) **ODART 2017-1 Securitization.** The maturity dates of the notes occur in October 2020 for the Class A notes, June 2021 for the Class B notes, August 2021 for the Class C notes, December 2021 for the Class D notes, and January 2025 for the Class E notes. We initially retained $11 million of the Class A notes, $1 million of each of the Class B, Class C, and Class D notes, and the entire $18 million of the Class E notes.

Call of 2014-A Notes. On February 15, 2017, we exercised our right to redeem the 2014-A Notes for a redemption price of $188 million, which excluded $33 million for the Class D Notes owned by Twenty First Street, a wholly owned subsidiary of SFC, on February 15, 2017, the date of the optional redemption. The outstanding principal balance of the asset-backed notes was $221 million on the date of the optional redemption.

Notes to Consolidated Financial Statements, Continued

REVOLVING CONDUIT FACILITIES

As of December 31, 2017, our borrowings under conduit facilities consisted of the following:

(dollar in millions)	Note Maximum Balance	Amount Drawn	Revolving Period End	Backed by Loans Acquired from Subsidiaries of	Due and Payable (a)
First Avenue Funding LLC	$ 250	$ —	June 2018	SFC - auto loans	(b)
Seine River Funding, LLC	500	—	December 2019	SFC - personal loans	December 2022
Thur River Funding, LLC	350	—	June 2020	SFC - personal loans	February 2027
Mystic River Funding, LLC	850	—	September 2020	SFC - personal loans	October 2023
Fourth Avenue Auto Funding, LLC	250	—	September 2020	SFC - auto loans	October 2021
Total	$ 2,200	$ —			

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

(b) For First Avenue Funding, LLC, principal amount of the notes, if any, will be reduced as cash payments are received on the underlying direct auto loans and will be due and payable in full 12 months following the maturity of the last direct auto loan held by First Avenue Funding, LLC.

During the 2017 period we voluntarily terminated the following conduit facilities concurrently with the execution of certain conduit facilities set forth in the table above:

	Termination Date
Midbrook 2013-VFN1 Trust	04/13/2017
Sumner Brook 2013-VFN1 Trust	06/29/2017
Whitford Brook 2014-VFN1 Trust	07/14/2017
Springleaf 2013-VFN1 Trust	09/28/2017
Second Avenue Funding LLC	09/29/2017

VIE INTEREST EXPENSE

Other than our retained interest in certain debt obligations issued by VIEs and residual interests in the remaining consolidated VIEs, we are under no obligation, either contractually or implicitly, to provide financial support to these entities. Consolidated interest expense related to our VIEs totaled $113 million in 2017, $122 million in 2016, and $184 million in 2015.

DECONSOLIDATED VIES

As a result of the SpringCastle Interests Sale on March 31, 2016, we deconsolidated the securitization trust holding the underlying loans of the SpringCastle Portfolio and previously issued securitized interests, which were reported in long-term debt.

Notes to Consolidated Financial Statements, Continued

14. Insurance

INSURANCE RESERVES

Components of unearned insurance premium reserves, claim reserves and benefit reserves were as follows:

(dollars in millions)

December 31,	2017	2016
Finance receivable related:		
Payable to SFC:		
Unearned premium reserves	**$ 92**	$ 189
Claim reserves	**16**	23
Subtotal (a)	**108**	212
Payable to OMH:		
Unearned premium reserves (b)	**42**	6
Claim reserves	**5**	—
Subtotal (b)	**47**	6
Payable to third-party beneficiaries:		
Unearned premium reserves	**10**	25
Benefit reserves	**98**	105
Claim reserves	**3**	6
Subtotal (b)	**111**	136
Non-finance receivable related:		
Benefit reserves	**61**	65
Claim reserves	**42**	41
Subtotal (b)	**103**	106
Total	**$ 369**	$ 460

(a) Reported as a contra-asset to net finance receivables.

(b) Reported in insurance claims and policyholder liabilities.

Our insurance subsidiaries enter into reinsurance agreements with other insurers. Reserves related to unearned premiums, claims and benefits assumed from non-affiliated insurance companies totaled $50 million and $52 million at December 31, 2017 and 2016, respectively.

Reserves related to unearned premiums, claims and benefits ceded to non-affiliated insurance companies totaled $20 million at December 31, 2017 and $22 million in 2016.

Notes to Consolidated Financial Statements, Continued

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

(dollars in millions) **At or for the Years Ended December 31,**	**2017**	**2016**	**2015**
Balance at beginning of period	**$ 70**	$ 73	$ 70
Less reinsurance recoverables	**(22)**	(22)	(22)
Net balance at beginning of period	**48**	51	48
Additions for losses and loss adjustment expenses incurred to:			
Current year	**60**	65	64
Prior years *	**3**	—	—
Total	**63**	65	64
Reductions for losses and loss adjustment expenses paid related to:			
Current year	**(43)**	(44)	(40)
Prior years	**(22)**	(24)	(21)
Total	**(65)**	(68)	(61)
Net balance at end of period	**46**	48	51
Plus reinsurance recoverables	**20**	22	22
Balance at end of period	**$ 66**	$ 70	$ 73

* Reflects a shortfall in the prior years' net reserves of $3 million at December 31, 2017 due to an unfavorable development on previously disclosed property and casualty policies.

Incurred claims and allocated claim adjustment expenses, net of reinsurance, as of December 31, 2017, were as follows:

	Years Ended December 31,					**At December 31, 2017**		
(dollars in millions)	**2013 (a)**	**2014 (a)**	**2015 (a)**	**2016 (a)**	**2017**	**Incurred-but-not-reported Liabilities (b)**	**Cumulative Number of Reported Claims**	**Cumulative Frequency (c)**
Credit Insurance								
Accident Year								
2013	42	38	38	38	**38**	—	22,068	2.8%
2014	—	50	46	46	**46**	—	24,902	2.8%
2015	—	—	54	50	**50**	1	25,874	2.8%
2016	—	—	—	55	**55**	6	25,291	2.7%
2017	—	—	—	—	**53**	16	19,114	2.3%
Total					**$ 242**			

(a) Unaudited.

(b) Includes expected development on reported claims.

(c) Frequency for each accident year is calculated as the ratio of all reported claims incurred to the total exposures in force.

Notes to Consolidated Financial Statements, Continued

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance, as of December 31, 2017, were as follows:

	Years Ended December 31,				
(dollars in millions)	2013 *	2014 *	2015 *	2016 *	2017
Credit Insurance					
Accident Year					
2013	23	34	37	38	**38**
2014	—	28	41	45	**46**
2015	—	—	31	45	**49**
2016	—	—	—	36	**49**
2017	—	—	—	—	**37**
Total					**$ 219**
All outstanding liabilities before 2013, net of reinsurance					**—**
Liabilities for claims and claim adjustment expenses, net of reinsurance					**$ 23**

* Unaudited.

The reconciliations of the net incurred and paid claims development to the liability for claims and claim adjustment expenses were as follows:

(dollars in millions) **December 31,**	**2017**	**2016 ***	**2015 ***
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance:			
Credit insurance	**$ 23**	$ 26	$ 29
Other short-duration insurance lines	**20**	19	19
Total	**43**	45	48
Reinsurance recoverable on unpaid claims:			
Other short-duration insurance lines	**20**	22	22
Insurance lines other than short-duration	**3**	3	3
Total gross liability for unpaid claims and claim adjustment expense	**$ 66**	$ 70	$ 73

* Unaudited.

We use completion factors to estimate the unpaid claim liability for credit insurance and most other short-duration products. For some products, the unpaid claim liability is estimated as a percent of exposure. For the long-tailed Excess & Surplus products, which have a longer period of time before claims are paid, unpaid claim liabilities are estimated by a third party and reviewed by our appointed actuary using statistical analyses, including analysis of trends in loss severity and frequency.

There have been no significant changes in methodologies or assumptions during 2017.

Our average annual percentage payout of incurred claims by age, net of reinsurance, as of December 31, 2017, were as follows:

Years	**1**	**2**	**3**	**4**	**5**
Credit insurance	63.9%	26.8%	8.3%	2.3%	0.2%

Notes to Consolidated Financial Statements, Continued

STATUTORY ACCOUNTING

Our insurance subsidiaries file financial statements prepared using statutory accounting practices prescribed or permitted by the Indiana DOI, which is a comprehensive basis of accounting other than GAAP. The primary differences between statutory accounting practices and GAAP are that under statutory accounting, policy acquisition costs are expensed as incurred, policyholder liabilities are generally valued using prescribed actuarial assumptions, and certain investment securities are reported at amortized cost. We are not required and did not apply purchase accounting to the insurance subsidiaries on a statutory basis.

Statutory net income (loss) for our insurance companies by type of insurance was as follows:

(dollars in millions)

Years Ended December 31,	2017	2016	2015
Property and casualty	**$ 19**	$ 11	$ 15
Life and health	**37**	20	(1)

Statutory capital and surplus for our insurance companies by type of insurance were as follows:

(dollars in millions)

December 31,	2017	2016
Property and casualty	**$ 42**	$ 63
Life and health	**79**	133

Our insurance companies are also subject to risk-based capital requirements adopted by the Indiana DOI. Minimum statutory capital and surplus is the risk-based capital level that would trigger regulatory action. At December 31, 2017 and 2016, our insurance subsidiaries' statutory capital and surplus exceeded the risk-based capital minimum required levels.

DIVIDEND RESTRICTIONS

State law restricts the amounts that our insurance subsidiaries, Yosemite and Merit, may pay as dividends without prior notice to the Indiana DOI. The maximum amount of dividends, referred to as "ordinary dividends," for an Indiana domiciled life insurance company that can be paid without prior approval in a 12 month period (measured retrospectively from the date of payment) is the greater of: (i) 10% of policyholders' surplus as of the prior year-end; or (ii) the statutory net gain from operations as of the prior year-end. Any amount greater must be approved by the Indiana DOI prior to its payment. The maximum ordinary dividends for an Indiana domiciled property and casualty insurance company that can be paid without prior approval in a 12 month period (measured retrospectively from the date of payment) is the greater of: (i) 10% of policyholders' surplus as of the prior year-end; or (ii) the statutory net income. Any amount greater must be approved by the Indiana DOI prior to its payment. These approved dividends are called "extraordinary dividends." Our insurance subsidiaries paid extraordinary dividends to SFC totaling $125 million, $63 million, and $100 million during 2017, 2016, and 2015, respectively.

Notes to Consolidated Financial Statements, Continued

15. Other Liabilities

Components of other liabilities were as follows:

(dollars in millions) December 31,	2017	2016
Payables to parent and affiliates *	**$ 110**	$ 13
Accrued interest on debt	**44**	48
Accrued expenses and other liabilities	**23**	39
Loan principal warranty reserve	**7**	13
Retirement plans	**5**	31
Other	**25**	41
Total	**$ 214**	$ 185

* Payables to parent and affiliates at December 31, 2017 consisted of: (i) a $67 million payable under the tax sharing agreement; (ii) a $24 million payable primarily to AHL for insurance premiums collected by legacy Springleaf branches which reflects activity started in 2017; (iii) net payables to OGSC of $13 million for intercompany service agreements; (iv) payable of $4 million to OMFH for Loan Servicing Fees, and (v) a payable of $2 million to OCLI for internet lending referral fees. See Note 11 for further information regarding SFC's intercompany agreements and Note 18 regarding SFC's tax sharing agreement with OMFH.

16. Capital Stock

SFC has two classes of authorized capital stock: special stock and common stock. SFC may issue special stock in series. The SFC board of directors determines the dividend, liquidation, redemption, conversion, voting and other rights prior to issuance.

Par value and shares authorized at December 31, 2017 were as follows:

	Special Stock	Common Stock
Par value	$ —	$ 0.50
Shares authorized	25,000,000	25,000,000

Shares issued and outstanding were as follows:

	Special Stock		Common Stock	
December 31,	2017	2016	2017	2016
Shares issued and outstanding	**—**	—	**10,160,021**	10,160,021

During 2016, SFC received capital contributions from SFI totaling $10 million to satisfy interest payments required by SFC's junior subordinated debenture in respect of SFC's junior subordinated debt.

Notes to Consolidated Financial Statements, Continued

17. Accumulated Other Comprehensive Income (Loss)

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

(dollars in millions)	Unrealized Gains (Losses) Available-for-Sale Securities	Retirement Plan Liabilities Adjustments	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income (Loss)
Year Ended December 31, 2017				
Balance at beginning of period	**$ (3)**	**$ (4)**	**$ —**	**$ (7)**
Other comprehensive income before reclassifications	**8**	**3**	**—**	**11**
Reclassification adjustments from accumulated other comprehensive loss	**(4)**	**—**	**—**	**(4)**
Balance at end of period	**$ 1**	**$ (1)**	**$ —**	**$ —**
Year Ended December 31, 2016				
Balance at beginning of period	$ (9)	$ (19)	$ 4	$ (24)
Other comprehensive income before reclassifications	11	15	—	26
Reclassification adjustments from accumulated other comprehensive loss	(5)	—	(4)	(9)
Balance at end of period	$ (3)	$ (4)	$ —	$ (7)
Year Ended December 31, 2015				
Balance at beginning of period	$ 12	$ (13)	$ 4	$ 3
Other comprehensive loss before reclassifications	(12)	(6)	—	(18)
Reclassification adjustments from accumulated other comprehensive loss	(9)	—	—	(9)
Balance at end of period	$ (9)	$ (19)	$ 4	$ (24)

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

(dollars in millions) **Years Ended December 31,**	**2017**	**2016**	**2015**
Unrealized gains on investment securities:			
Reclassification from accumulated other comprehensive income (loss) to investment revenues, before taxes	**$ 7**	$ 8	$ 14
Income tax effect	**(3)**	(3)	(5)
Reclassification from accumulated other comprehensive income (loss) to investment revenues, net of taxes	**4**	5	9
Unrealized gains on foreign currency translation adjustments:			
Reclassification from accumulated other comprehensive income (loss) to other revenues	**—**	4	—
Total	**$ 4**	$ 9	$ 9

18. Income Taxes

OMH and all of its eligible domestic U.S. subsidiaries, including SFC, file a consolidated life/non-life federal tax return with the IRS. Income taxes from the consolidated federal and state tax returns are allocated to the eligible subsidiaries under a tax sharing agreement with OMH.

The Company's foreign subsidiaries/branches file tax returns in Puerto Rico and the U.S. Virgin Islands. The Company recognizes a deferred tax liability for the undistributed earnings of its foreign operations, if any, as we do not consider the amounts to be permanently reinvested. As of December 31, 2017, the Company had no undistributed foreign earnings.

Components of income (loss) before income tax expense (benefit) were as follows:

(dollars in millions) **Years Ended December 31,**	**2017**	**2016**	**2015**
Income before income tax expense - U.S. operations	**$ 193**	$ 347	$ 152
Income (loss) before income tax expense (benefit) - foreign operations	**—**	(1)	7
Total	**$ 193**	$ 346	$ 159

Components of income tax expense were as follows:

(dollars in millions) **Years Ended December 31,**	**2017**	**2016**	**2015**
Current:			
Federal	**$ 167**	$ 181	$ 63
Foreign *	**—**	—	—
State	**14**	15	5
Total current	**181**	196	68
Deferred:			
Federal	**(77)**	(77)	(46)
Foreign *	**—**	—	—
State	**(5)**	(6)	(4)
Total deferred	**(82)**	(83)	(50)
Total	**$ 99**	$ 113	$ 18

* Deferred foreign income taxes were less than $1 million during the 2017, 2016, and 2015 periods and, therefore, are not quantified in the table above.

Expense from foreign income taxes includes foreign subsidiaries/branches that operate in Puerto Rico and the U.S. Virgin Islands. During the 2016 and 2015 periods, expense from foreign income taxes also included United Kingdom operations.

Notes to Consolidated Financial Statements, Continued

Reconciliations of the statutory federal income tax rate to the effective income tax rate were as follows:

Years Ended December 31,	2017	2016	2015
Statutory federal income tax rate	**35.00 %**	35.00 %	35.00 %
Impact of Tax Act	**11.81**	—	—
State income taxes, net of federal	**2.84**	1.66	0.23
Excess tax benefit on share-based compensation	**(0.03)**	(0.20)	—
Non-controlling interests	—	(2.86)	(27.91)
Tax impact of United Kingdom subsidiary liquidation	—	(0.62)	—
Nondeductible compensation	—	—	3.39
Other, net	**1.61**	(0.22)	0.41
Effective income tax rate	**51.23 %**	32.76 %	11.12 %

The effective income tax rate for 2017, 2016, and 2015 differed from the statutory federal income tax rate primarily due to the recognition of the impact of the Tax Act, effects of the non-controlling interest in the previously owned SpringCastle Portfolio, state income taxes, and discrete expense from the 2016 tax year return-to-provision adjustment. The effective income tax rate is based on income (loss) before taxes, which includes income (loss) attributable to non-controlling interests. The income (loss) attributable to the non-controlling interest is not included in the taxable income in SFC, resulting in variances from the statutory federal income tax rate of (2.86)% and (27.91)% in 2016 and 2015, respectively.

The difference in the effective income tax rate in 2017 as compared to 2016 is primarily due to the recognition of the impact of the Tax Act which increased our 2017 effective income tax rate by 11.81%. As a result of the Tax Act we recognized a $23 million tax charge in 2017. This charge is primarily the result of the lower corporate tax rate, which required us to remeasure our net deferred tax asset to reflect the lower corporate tax rate. The difference in the impact on the effective income tax rate due to non-controlling interest in 2016 as compared to 2015 is due to the fact that the net income attributable to non-controlling interest was a smaller percentage of the total income (loss) in 2016 as compared to 2015.

A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits (all of which would affect the effective income tax rate if recognized) is as follows:

(dollars in millions)

Years Ended December 31,	2017	2016	2015
Balance at beginning of year	**$ 11**	$ 9	$ 4
Increases in tax positions for current years	**1**	2	4
Lapse in statute of limitations	**(1)**	—	—
Increases in tax positions for prior years	—	—	4
Decreases in tax positions for prior years	—	—	(2)
Settlements with tax authorities	—	—	(1)
Balance at end of year	**$ 11**	$ 11	$ 9

Our gross unrecognized tax benefits include related interest and penalties. 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.

We are currently under examination of our U.S. federal tax return for the years 2011 to 2013 by the IRS. We are also under examination of various states for the years 2011 to 2016. Management believes it has adequately provided for taxes for such years.

Notes to Consolidated Financial Statements, Continued

Components of deferred tax assets and liabilities were as follows:

(dollars in millions)

December 31,	2017	2016
Deferred tax assets:		
Allowance for loan losses	**$ 51**	$ 77
Mark-to-market	**55**	55
State taxes, net of federal	**39**	27
Pension/employee benefits	**5**	13
Legal and warranty reserve	**2**	6
Federal and foreign net operating losses and tax attributes	**1**	3
Other	**—**	2
Total	**153**	183
Deferred tax liabilities:		
Debt fair value adjustment	**54**	118
Insurance reserves	**14**	14
Discount - debt exchange	**11**	16
Other intangible assets	**3**	5
Fixed assets	**2**	—
Impact of tax accounting method change	**—**	38
Other	**8**	5
Total	**92**	196
Net deferred tax assets (liabilities) before valuation allowance	**61**	(13)
Valuation allowance	**(37)**	(29)
Net deferred tax assets (liabilities)	**$ 24**	$ (42)

The gross deferred tax liabilities are expected to reverse in time, and projected taxable income is expected to be sufficient to create positive taxable income, which will allow for the realization of all of our gross federal deferred tax assets and a portion of the state deferred tax assets. The increase of our net deferred tax asset is mainly attributable to change of fair market value of our receivables which was partly offset by an adjustment recorded as of December 31, 2017 to reflect the reduction in the U.S. statutory tax rate from 35% to 21% resulting from the Tax Act.

During 2016 we liquidated our United Kingdom operations. As such, there are no net operating loss carryforwards (and no offsetting valuation allowances) related to our United Kingdom operations at December 31, 2016.

At December 31, 2017 we had state net operating loss carryforwards of $630 million, compared to $610 million at December 31, 2016. The state net operating loss carryforwards expire between 2018 and 2037. We had a valuation allowance on our gross state deferred tax assets, net of deferred federal tax benefit of $36 million and $26 million at December 31, 2017 and 2016, respectively. The total valuation allowance was established based on management’s determination that the deferred tax assets are more likely than not to not be realized.

Notes to Consolidated Financial Statements, Continued

19. Lease Commitments, Rent Expense, and Contingent Liabilities

LEASE COMMITMENTS AND RENT EXPENSE

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
2018	$ 16
2019	12
2020	8
2021	5
2022	2
2023+	—
Total	$ 43

In addition to rent, we pay taxes, insurance, and maintenance expenses under certain leases. In the normal course of business, we will renew leases that expire or replace them with leases on other properties. Rental expense totaled $28 million in each of 2017, 2016, and 2015.

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.

SALES RECOURSE OBLIGATIONS

At December 31, 2017, our reserve for sales recourse obligations totaled $7 million, which primarily related to our real estate loan sales in 2014, with a minimal portion of the reserve related to net charge-off sales of our finance receivables. We did not establish an additional reserve for sales recourse obligations associated with the personal loans sold in the Lendmark Sale or our real estate loan sales in 2016 based on the credit quality of the loans sold and the terms of each transaction.

Notes to Consolidated Financial Statements, Continued

The activity in our reserve for sales recourse obligations was as follows:

(dollars in millions) **At or for the Years Ended December 31,**	**2017**	2016	2015
Balance at beginning of period	**$ 13**	$ 15	$ 24
Recourse losses	**—**	—	(2)
Provision for recourse obligations, net of recoveries *	**(6)**	(2)	(7)
Balance at end of period	**$ 7**	$ 13	$ 15

* Reflects the elimination of the reserve associated with other prior sales of finance receivables.

At December 31, 2017, there were no material recourse requests with loss exposure that management believed would not be covered by the reserve. However, we will continue to monitor any repurchase activity in the future and will adjust the reserve accordingly. When recourse losses are reasonably possible or exposure to such losses exists in excess of the liability already accrued, it is not always possible to reasonably estimate the size of the possible recourse losses or range of losses.

20. Benefit Plans

PENSION PLANS

As noted in Note 11 Related Party Transactions, the Company contributed SFMC, a former subsidiary of SFC to SFI in the form of a dividend. All assets and liabilities of SFMC were transferred including the net pension liabilities and any other obligations related to the Springleaf Financial Services Retirement Plan, a noncontributory defined benefit plan, the Springleaf Financial Services Excess Retirement Income Plan, an unfunded defined benefit plan, and the Supplemental Executive Retirement Income Plan, an unfunded defined benefit plan, to OMH. The projected net pension obligation related to these plans as of December 31, 2016 was $25 million.

The CommoLoco Retirement Plan, a noncontributory defined benefit plan, which had a projected net pension obligation as of December 31, 2016 of $6 million, was retained by the Company.

The CommoLoCo Retirement Plan, which is subject to the provisions of the Puerto Rico tax code, was frozen effective December 31, 2012. Puerto Rican residents employed by CommoLoCo, Inc., our Puerto Rican subsidiary, who had attained age 21 and completed one year of service were eligible to participate in the plan. Our current and former employees in Puerto Rico will not lose any vested benefits in the CommoLoCo Retirement Plan that accrued prior to January 1, 2013. The fair value of plan assets net of expense for the CommoLoCo retirement Plan totaled $12 million as of December 31, 2017 and the projected benefit obligation totaled $17 million. The projected net pension obligation related to the CommoLoco Retirement Plan was $5 million.

21. Share-Based Compensation

OMNIBUS INCENTIVE PLAN

In 2013, OMH adopted the 2013 Omnibus Incentive Plan, which was amended and restated effective as of May 25, 2016, under which equity-based awards are granted to selected management employees, non-employee directors, independent contractors, and consultants. The amendment and restatement of the Omnibus Plan (i) extended the term of the Omnibus Plan from October 2023 to May 2026 and (ii) limited the number of cash and equity-based awards under the Omnibus Plan valued at more than $500,000 to non-employee directors during the calendar year.

As of December 31, 2017, 13,199,096 shares of common stock were reserved for issuance under the Omnibus Plan, including 1,411,236 shares subject to outstanding equity awards. The amount of shares reserved is adjusted annually at the beginning of the year by a number of shares equal to the excess of 10% of the number of outstanding shares on the last day of the previous fiscal year over the number of shares reserved and available for issuance as of the last day of the previous fiscal year. The Omnibus Plan allows for issuance of stock options, RSUs and restricted stock awards (“RSAs”), stock appreciation rights, and other stock-based awards and cash awards. SFC participates in stock awards of OMH. Unless specifically noted, the following disclosures are based on all award activity of OMH.

Notes to Consolidated Financial Statements, Continued

Service-based Awards

In connection with the initial public offering on October 16, 2013 and subsequent to the offering, OMH has granted service-based RSUs and RSAs to certain of our executives and employees. The RSUs are subject to a graded vesting period of 4.2 years or less and do not provide the holders with any rights as shareholders, including the right to earn dividends during the vesting period. The RSAs are subject to a graded vesting period of three years or less and provide the holders the right to vote and to earn dividends during the vesting period. The fair value for restricted units and awards is generally the closing market price of OMH's common stock on the date of the award. For awards granted in connection with the initial public offering, the fair value is the offering price. Expense is amortized on a straight line basis over the vesting period, based on the number of awards that are ultimately expected to vest. The weighted-average grant date fair value of service-based awards issued in 2017, 2016, and 2015 was $27.85, $26.14, and $47.44, respectively. The total fair value of service-based awards that vested during 2017, 2016, and 2015 was $18 million, $10 million, and $7 million, respectively.

The following table summarizes the service-based stock activity and related information for the Omnibus Plan for 2017:

	Number of Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Term (in Years)
Unvested as of January 1, 2017	**1,382,920**	**$ 35.86**	
Granted	**407,184**	**27.85**	
Vested	**(575,322)**	**31.86**	
Forfeited	**(73,172)**	**38.10**	
Unvested at December 31, 2017	**1,141,610**	**34.87**	**1.91**

Performance-based Awards

During 2017, 2016 and 2015, OMH awarded PRSUs that may be earned based on the financial performance of OMH. Certain PRSUs are subject to the achievement of performance goals during the period between the grant date and December 31, 2017. These awards are also subject to a graded vesting period of two years after the attainment of the performance goal or December 31, 2017, whichever occurs earlier. The remaining PRSUs are subject to separate and independent performance goals for 2017, 2018, and 2019; therefore, a separate requisite service period exists for each year that begins on January 1 of the respective performance year. Vesting for these awards will occur on the filing date of this Annual Report on Form 10-K that occurs after the performance year or the date the actual performance outcome is determined, whichever is later. All of the PRSUs allow for partial vesting if a minimum level of performance is attained. The PRSUs do not provide the holders with any rights as shareholders, including the right to earn dividends during the vesting period. The fair value for PRSUs is based on the closing market price of our stock on the date of the award.

Expense for performance-based shares is recognized over the requisite service period when it is probable that the performance goals will be achieved and is based on the total number of units expected to vest. Expense for awards with graded vesting is recognized under the accelerated method, whereby each vesting is treated as a separate award with expense for each vesting recognized ratably over the requisite service period. If minimum targets are not achieved by the end of the respective performance periods, all unvested shares related to those targets will be forfeited and canceled, and all expense recognized to that date is reversed.

The weighted average grant date fair value of performance-based awards issued in 2017 and 2015 was $24.98 and $34.45, respectively. No performance shares were granted during 2016. The total fair value of performance-based awards that vested during 2017 and 2016 was $2 million and $4 million, respectively. No performance-based awards vested in 2015.

Notes to Consolidated Financial Statements, Continued

The following table summarizes the performance-based stock activity and related information for the Omnibus Plan for 2017:

	Number of Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Term (in Years)
Unvested as of January 1, 2017	**407,948**	**$ 25.94**	
Granted	**90,072**	**24.98**	
Vested	**(92,000)**	**24.78**	
Forfeited	**(136,394)**	**25.70**	
Unvested at December 31, 2017	**269,626**	**26.14**	**3.78**

Due to the contribution of SFMC to SFI during the 2017 period there was no direct share-based compensation expense or associated income tax benefit recognized. Following the contribution of SFMC to SFI, such expense is incurred by OGSC and subsequently allocated to SFC by OMGS. As of December 31, 2017, there was no unrecognized compensation expense. See Note 11 for information regarding the dividend of SFMC to SFI.

Total share-based compensation expense, net of forfeitures, for all stock-based awards directly incurred by SFC amounted to $2 million during 2016 and 2015. The total income tax benefit recognized for stock-based compensation was $1 million in 2016 and 2015.

OMH Incentive Units

In the fourth quarter of 2015, certain executives of the Company surrendered a portion of their incentive units in the Initial Stockholder and certain additional executives of the Company received a grant of incentive units in the Initial Stockholder. These incentive units are intended to encourage the executives to create sustainable, long-term value for the Company by providing them with interests that are subject to their continued employment with the Company and that only provide benefits (in the form of distributions) if the Initial Stockholder makes distributions to one or more of its common members that exceed specified amounts. The incentive units are entitled to vote together with the holders of common units in the Initial Stockholder as a single class on all matters. The incentive units may not be sold or otherwise transferred and the executives are entitled to receive these distributions only while they are employed with the Company, unless the executive’s termination of employment results from the executive’s death, in which case the executive’s beneficiaries will be entitled to receive any future distributions. Because the incentive units only provide economic benefits in the form of distributions while the holders are employed, and the holder generally does not have the ability to monetize the incentive units due to the transfer restrictions, the substance of the arrangement is that of a profit sharing agreement. These incentive units provide benefits (in the form of distributions) in the event the Initial Stockholder makes distributions to one or more of its members that exceed certain specified amounts. In connection with the sale of our common stock by the Initial Stockholder in 2015, certain of the specified thresholds were satisfied. In accordance with ASC Topic 710, Compensation-General, we recorded non-cash incentive compensation expense of $15 million in 2015 related to the incentive units with a capital contribution offset such that the impact to overall shareholder’s equity was neutral. No expense was recognized for these awards during 2017 or 2016.

22. Segment Information

Our segments coincide with how our businesses are managed. At December 31, 2017, our two segments included:

- ***Consumer and Insurance*** — We originate and service personal loans and offer credit insurance (life insurance, disability insurance, involuntary unemployment insurance, and collateral protection insurance) and non-credit insurance through our branch network and our centralized operations. We also offer auto membership plans of an unaffiliated company. Our branch network conducts business in 28 states. Our centralized operations underwrite and process certain loan applications that we receive from our branch network or through an internet portal. If the applicant is located near an existing branch, our centralized operations make the credit decision regarding the application and then request, but do not require, the customer to visit a nearby branch for closing, funding and servicing. If the applicant is not located near a branch, our centralized operations originate the loan.

- ***Acquisitions and Servicing*** — SFI services the SpringCastle Portfolio. These loans consist of unsecured loans and loans secured by subordinate residential real estate mortgages and include both closed-end accounts and open-end lines of credit. Unless SFI is terminated, SFI will continue to provide the servicing for these loans pursuant to a servicing agreement, which SFI services as unsecured loans because the liens are subordinated to superior ranking security interests. See Note 2 for information regarding the SpringCastle Interest Sale and the acquisition and disposition of the SpringCastle Portfolio.

The remaining components (which we refer to as "Other") consist of our non-originating legacy operations, which include (i) our liquidating real estate loan portfolio as discussed below, (ii) our liquidating retail sales finance portfolio (including retail sales finance accounts from our legacy auto finance operation), (iii) our lending operations in Puerto Rico and the U.S. Virgin Islands; and (iv) the operations of the United Kingdom subsidiary, prior to its liquidation on August 16, 2016.

Beginning in 2017, management no longer views or manages our real estate assets as a separate operating segment. Therefore, we are now including Real Estate, which was previously presented as a distinct reporting segment, in "Other." To conform to this new alignment of our segments, we have revised our prior period segment disclosures.

The accounting policies of the segments are the same as those disclosed in Note 3, except as described below.

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

Notes to Consolidated Financial Statements, Continued

We allocate revenues and expenses (on a Segment Accounting Basis) to each segment using the following methodologies:

Interest income	Directly correlated with a specific segment.
Interest expense	*Acquisitions and Servicing* - This segment includes interest expense specifically identified to the SpringCastle Portfolio. *Consumer and Insurance and Other* - The Company has securitization debt and unsecured debt. The Company first allocates interest expense to its segments based on actual expense for securitizations and secured term debt and using a weighted average for unsecured debt allocated to the segments. Interest expense for unsecured debt is recorded to each of the segments using a weighted average interest rate applied to allocated average unsecured debt. Average unsecured debt allocations for the periods presented are as follows: **Subsequent to the OneMain Acquisition** Total average unsecured debt is allocated as follows: • *Other* - at 100% of asset base. (Asset base represents the average net finance receivables including finance receivables held for sale); and • *Consumer and Insurance* - receives remainder of unallocated average debt. The net effect of the change in debt allocation and asset base methodologies for 2015, had it been in place as of the beginning of the year, would be an increase in interest expense of $208 million for Consumer and Insurance and a decrease in interest expense of $208 million for Other. **For the period first quarter 2015 to the OneMain Acquisition** Total average unsecured debt was allocated to Consumer and Insurance and Other, such that the total debt allocated across each segment equaled 83% of the Consumer and Insurance asset base, and 100% of the Other asset base. Any excess was allocated to Consumer and Insurance. Average unsecured debt was allocated after average securitized debt to achieve the calculated average segment debt. Asset base represented the following: • *Consumer and Insurance* - average net finance receivables, including average net finance receivables held for sale; and • *Other* - average net finance receivables, including average net finance receivables held for sale, investments including proceeds from Real Estate sales, cash and cash equivalents, less proceeds from equity issuance in 2015 and operating cash reserve and cash included in other segments.
Provision for finance receivable losses	Directly correlated with specific segment, except for allocations related to personal loans and retail in Other, which are based on the remaining delinquent accounts as a percentage of total delinquent accounts.
Other revenues	Directly correlated with a specific segment, except for: • *Net gain (loss) on repurchases and repayments of debt* - Allocated to each of the segments based on the interest expense allocation of debt. • *Gains and losses on foreign currency exchange* - Allocated to each of the segments based on the interest expense allocation of debt.
Other expenses	*Salaries and benefits* - Directly correlated with a specific segment. Other salaries and benefits not directly correlated with a specific segment are allocated to each of the segments based on services provided. *Other operating expenses* - Directly correlated with a specific segment. Other operating expenses not directly correlated with a specific segment are allocated to each of the segments based on services provided. *Insurance policy benefits and claims* - Directly correlated with a specific segment.

Notes to Consolidated Financial Statements, Continued

The “Segment to GAAP Adjustment” column in the following tables primarily consists of:

- *Interest income* - reverses the impact of premiums/discounts on purchased finance receivables and the interest income recognition under guidance in ASC 310-20, *Nonrefundable Fees and Other Costs*, and ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*, and reestablishes interest income recognition on a historical cost basis;

- *Interest expense* - reverses the impact of premiums/discounts on acquired long-term debt and reestablishes interest expense recognition on a historical cost basis;

- *Provision for finance receivable losses* - reverses the impact of providing an allowance for finance receivable losses upon acquisition and reestablishes the allowance on a historical cost basis and reverses the impact of recognition of net charge-offs on purchased credit impaired finance receivables and reestablishes the net charge-offs on a historical cost basis;

- *Other revenues* - reestablishes the historical cost basis of mark-to-market adjustments on finance receivables held for sale and on realized gains/losses associated with our investment portfolio;

- *Other expenses* - reestablishes expenses on a historical cost basis by reversing the impact of amortization from acquired intangible assets and including amortization of other historical deferred costs; and

- *Assets* - revalues assets based on their fair values at the effective date of the Fortress Acquisition.

Notes to Consolidated Financial Statements, Continued

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

(dollars in millions)	Consumer and Insurance	Acquisitions and Servicing	Other (a)	Eliminations	Segment to GAAP Adjustment	Consolidated Total
At or for the Year Ended December 31, 2017						
Interest income	**$ 1,213**	**$ —**	**$ 23**	**$ —**	**$ 5**	**$ 1,241**
Interest expense	**439**	**—**	**21**	**—**	**57**	**517**
Provision for finance receivable losses	**316**	**—**	**7**	**—**	**1**	**324**
Net interest income (loss) after provision for finance receivable losses	**458**	**—**	**(5)**	**—**	**(53)**	**400**
Other revenues (b)	**169**	**—**	**256**	**—**	**(18)**	**407**
Other expenses	**601**	**2**	**11**	**—**	**—**	**614**
Income (loss) before income tax expense (benefit)	**$ 26**	**$ (2)**	**$ 240**	**$ —**	**$ (71)**	**$ 193**
Assets (c)	**$ 5,107**	**$ —**	**$ 5,727**	**$ —**	**$ (10)**	**$ 10,824**
At or for the Year Ended December 31, 2016						
Interest income	$ 1,192	$ 102	$ 51	$ —	$ 5	$ 1,350
Interest expense	402	20	52	—	82	556
Provision for finance receivable losses	305	14	6	—	4	329
Net interest income (loss) after provision for finance receivable losses	485	68	(7)	—	(81)	465
Net gain on sale of SpringCastle interests	—	167	—	—	—	167
Other revenues (b)	219	—	179	—	9	407
Other expenses	648	16	29	—	—	693
Income before income taxes	56	219	143	—	(72)	346
Income before income tax attributable to non-controlling interests	—	28	—	—	—	28
Income before income tax expense attributable to Springleaf Finance Corporation	$ 56	$ 191	$ 143	$ —	$ (72)	$ 318
Assets (c)	$ 5,494	$ —	$ 4,293	$ —	$ (68)	$ 9,719
At or for the Year Ended December 31, 2015						
Interest income	$ 1,115	$ 455	$ 76	$ —	$ 11	$ 1,657
Interest expense	190	87	268	(5)	127	667
Provision for finance receivable losses	255	68	(1)	—	17	339
Net interest income (loss) after provision for finance receivable losses	670	300	(191)	5	(133)	651
Other revenues	212	5	46	(5)	(15)	243
Other expenses	622	61	50	—	2	735
Income (loss) before income tax expense (benefit)	260	244	(195)	—	(150)	159
Income before income tax attributable to non-controlling interests	—	127	—	—	—	127
Income (loss) before income tax expense (benefit) attributable to Springleaf Finance Corporation	$ 260	$ 117	$ (195)	$ —	$ (150)	$ 32
Assets	$ 5,632	$ 1,784	$ 4,830	$ —	$ (58)	$ 12,188

(a) Real Estate segment has been combined with "Other" for the prior period.

(b) Other revenues reported in "Other" primarily includes interest income on the Cash Services Note (previously referred to as the "Independence Demand Note") and on SFC's note receivable from SFI. See Note 11 for further information on the notes receivable from parent and affiliates.

(c) Assets reported in "Other" primarily includes notes receivable from parent and affiliates discussed above. See Note 11 for further information on the note receivable from parent and affiliates.

Notes to Consolidated Financial Statements, Continued

23. Fair Value Measurements

The fair value of a financial instrument is the amount that would be expected to be received if an asset were to be sold or the amount that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The degree of judgment used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgment is used in measuring fair value. Conversely, financial instruments traded in other-than-active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment. An other-than-active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or little information is released publicly for the asset or liability being valued. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is listed on an exchange or traded over-the-counter or is new to the market and not yet established, the characteristics specific to the transaction, and general market conditions. See Note 3 for a discussion of the accounting policies related to fair value measurements, which includes the valuation process and the inputs used to develop our fair value measurements.

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 Fair Value	Total Carrying Value
(dollars in millions)	Level 1	Level 2	Level 3		
December 31, 2017					
Assets					
Cash and cash equivalents	**$ 240**	**$ 4**	**$ —**	**$ 244**	**$ 244**
Investment securities	**—**	**534**	**2**	**536**	**536**
Net finance receivables, less allowance for finance receivable losses	**—**	**—**	**5,710**	**5,710**	**5,202**
Finance receivables held for sale	**—**	**—**	**139**	**139**	**132**
Notes receivable from parent and affiliates	**—**	**4,488**	**—**	**4,488**	**4,488**
Restricted cash and restricted cash equivalents	**169**	**—**	**—**	**169**	**169**
Other assets (a)	**—**	**11**	**12**	**23**	**23**
Liabilities					
Long-term debt	**$ —**	**$ 8,369**	**$ —**	**$ 8,369**	**$ 7,865**
Other liabilities (b)	**—**	**110**	**—**	**110**	**110**
December 31, 2016					
Assets					
Cash and cash equivalents	$ 198	$ 42	$ —	$ 240	$ 240
Investment securities	—	580	2	582	582
Net finance receivables, less allowance for finance receivable losses	—	—	5,122	5,122	4,755
Finance receivables held for sale	—	—	159	159	153
Notes receivable from parent and affiliates	—	3,723	—	3,723	3,723
Restricted cash and restricted cash equivalents	227	—	—	227	227
Other assets (a)	—	41	34	75	77
Liabilities					
Long-term debt	$ —	$ 7,308	$ —	$ 7,308	$ 6,837
Other liabilities (b)	—	13	—	13	13

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(a) Other assets includes commercial mortgage loans, escrow advance receivables, and receivables from parent and affiliates at December 31, 2017 and commercial mortgage loans, escrow advance receivables, receivables from parent and affiliates, and receivables related to sales of real estate loans and related trust assets at December 31, 2016.

(b) Consists of payables to parent and affiliates.

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 At Fair Value
	Level 1	Level 2	Level 3 (a)	
December 31, 2017				
Assets				
Cash equivalents in mutual funds	$ 142	$ —	$ —	$ 142
Cash equivalents in securities	—	4	—	4
Investment securities:				
Available-for-sale securities				
Bonds:				
U.S. government and government sponsored entities	—	17	—	17
Obligations of states, municipalities, and political subdivisions	—	70	—	70
Non-U.S. government and government sponsored entities	—	4	—	4
Corporate debt	—	324	—	324
RMBS	—	35	—	35
CMBS	—	23	—	23
CDO/ABS	—	53	—	53
Total bonds	—	526	—	526
Preferred stock	—	5	—	5
Other long-term investments	—	—	1	1
Total available-for-sale securities (b)	—	531	1	532
Other securities				
Bonds:				
Corporate debt	—	3	—	3
Total other securities	—	3	—	3
Total investment securities	—	534	1	535
Restricted cash in mutual funds	159	—	—	159
Total	$ 301	$ 538	$ 1	$ 840

(a)Due to the insignificant activity within the Level 3 assets during 2017, 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.

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

Notes to Consolidated Financial Statements, Continued

(dollars in millions)	Fair Value Measurements Using Level 1	Level 2	Level 3 (a)	Total Carried At Fair Value
December 31, 2016				
Assets				
Cash equivalents in mutual funds	$ 119	$ —	$ —	$ 119
Cash equivalents in securities	—	42	—	42
Investment securities:				
Available-for-sale securities				
Bonds:				
U.S. government and government sponsored entities	—	13	—	13
Obligations of states, municipalities, and political subdivisions	—	82	—	82
Non-U.S. government and government sponsored entities	—	5	—	5
Corporate debt	—	353	—	353
RMBS	—	39	—	39
CMBS	—	33	—	33
CDO/ABS	—	46	—	46
Total bonds	—	571	—	571
Preferred stock	—	6	—	6
Other long-term investments	—	—	1	1
Total available-for-sale securities (b)	—	577	1	578
Other securities				
Bonds:				
Corporate debt	—	2	—	2
CMBS	—	1	—	1
Total other securities	—	3	—	3
Total investment securities	—	580	1	581
Restricted cash in mutual funds	212	—	—	212
Total	$ 331	$ 622	$ 1	$ 954

(a) Due to the insignificant activity within the Level 3 assets during 2016, 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.

(b) Excludes an immaterial interest in a limited partnership that we account for using the equity method and FHLB common stock of $1 million at December 31, 2016, which is carried at cost.

We had no transfers between Level 1 and Level 2 during 2017 and 2016.

Notes to Consolidated Financial Statements, Continued

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.

Assets measured at fair value on a non-recurring basis on which we recorded impairment charges were as follows:

(dollars in millions)	Fair Value Measurements Using * Level 1	Level 2	Level 3	Total	Impairment Charges
At or for the Year Ended December 31, 2017					
Assets					
Real estate owned	**$ —**	**$ —**	**$ 6**	**$ 6**	**$ 3**
At or for the Year Ended December 31, 2016					
Assets					
Finance receivables held for sale	$ —	$ —	$ 159	$ 159	$ 4
Real estate owned	—	—	5	5	2
Total	$ —	$ —	$ 164	$ 164	$ 6

* The fair value information presented in the table is as of the date the fair value adjustment was recorded.

We wrote down certain finance receivables held for sale reported in our Other segment to their fair value during the second quarter of 2016 and recorded the writedowns in other revenues.

We wrote down certain real estate owned reported in our Other segment to their fair value less cost to sell during 2017 and 2016 and recorded the writedowns in other revenues. The fair values of real estate owned disclosed in the table above are unadjusted for transaction costs as required by the authoritative guidance for fair value measurements. The amounts of real estate owned recorded in other assets are net of transaction costs as required by the authoritative guidance for accounting for the impairment of long-lived assets.

The inputs and quantitative data used in our Level 3 valuations for our real estate owned are unobservable primarily due to the unique nature of specific real estate assets. Therefore, we used independent third-party providers, familiar with local markets, to determine the values used for fair value disclosures without adjustment.

Quantitative information about Level 3 inputs for our assets measured at fair value on a non-recurring basis at December 31, 2017 and 2016 was as follows:

	Valuation Technique(s)	Unobservable Input	Range (Weighted Average) December 31, 2017	December 31, 2016
Finance receivables held for sale	Income approach	Market value for similar type loan transactions to obtain a price point	*	*
Real estate owned	Market approach	Third-party valuation	*	*

* We applied the third-party exception which allows us to omit certain quantitative disclosures about unobservable inputs for the assets measured at fair value on a non-recurring basis included in the table above. As a result, the weighted average ranges of the inputs for these assets are not applicable.

Notes to Consolidated Financial Statements, Continued

FAIR VALUE MEASUREMENTS — VALUATION METHODOLOGIES AND ASSUMPTIONS

We use the following methods and assumptions to estimate fair value.

Cash and Cash Equivalents

The carrying amount of cash and cash equivalents, including cash and certain cash equivalents, approximates fair value.

Mutual Funds

The fair value of mutual funds is based on quoted market prices of the underlying shares held in the mutual funds.

Investment Securities

We utilize third-party valuation service providers to measure the fair value of our investment securities, which are classified as available-for-sale or as trading and other and consist primarily of bonds. Whenever available, we obtain quoted prices in active markets for identical assets at the balance sheet date to measure investment securities at fair value. We generally obtain market price data from exchange or dealer markets.

We estimate the fair value of fixed maturity investment securities not traded in active markets by referring to traded securities with similar attributes, using dealer quotations and a matrix pricing methodology, or discounted cash flow analyses. This methodology considers such factors as the issuer's industry, the security's rating and tenor, its coupon rate, its position in the capital structure of the issuer, yield curves, credit curves, composite ratings, bid-ask spreads, prepayment rates and other relevant factors. For fixed maturity investment securities that are not traded in active markets or that are subject to transfer restrictions, we adjust the valuations to reflect illiquidity and/or non-transferability. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

We elect the fair value option for investment securities that are deemed to incorporate an embedded derivative and for which it is impracticable for us to isolate and/or value the derivative.

The fair value of certain investment securities is based on the amortized cost, which is assumed to approximate fair value.

Finance Receivables

The fair value of net finance receivables, less allowance for finance receivable losses, for both non-impaired and purchased credit impaired finance receivables, is determined using discounted cash flow methodologies. The application of these methodologies requires us to make certain judgments and estimates based on our perception of market participant views related to the economic and competitive environment, the characteristics of our finance receivables, and other similar factors. The most significant judgments and estimates made relate to prepayment speeds, default rates, loss severity, and discount rates. The degree of judgment and estimation applied is significant in light of the current capital markets and, more broadly, economic environments. Therefore, the fair value of our finance receivables could not be determined with precision and may not be realized in an actual sale. Additionally, there may be inherent limitations in the valuation methodologies we employed, and changes in the underlying assumptions used could significantly affect the results of current or future values.

Finance Receivables Held for Sale

We determined the fair value of finance receivables held for sale that were originated as held for investment based on negotiations with prospective purchasers (if any) or by using projected cash flows discounted at the weighted-average interest rates offered by us in the market for similar finance receivables. We based cash flows on contractual payment terms adjusted for estimates of prepayments and credit related losses.

Restricted Cash and Restricted Cash Equivalents

The carrying amount of restricted cash and restricted cash equivalents approximates fair value.

Notes Receivable from Parent and Affiliates

The carrying amount of the notes receivable from parent and affiliates approximates the fair value because the notes are payable on a demand basis prior to their due dates and the interest rates on these notes adjust with changing market interest rates.

Commercial Mortgage Loans

Given the short remaining average life of the portfolio, the carrying amount of commercial mortgage loans approximates fair value. The carrying amount includes an estimate for credit related losses, which is based on independent third-party valuations.

Real Estate Owned

We initially base our estimate of the fair value on independent third-party valuations at the time we take title to real estate owned. Subsequent changes in fair value are based upon independent third-party valuations obtained periodically to estimate a price that would be received in a then current transaction to sell the asset.

Escrow Advance Receivable

The carrying amount of escrow advance receivable approximates fair value.

Receivables from Parent and Affiliates

The carrying amount of receivables from parent and affiliates approximates fair value.

Receivables Related to Sales of Real Estate Loans and Related Trust Assets

The carrying amount of receivables related to sales of real estate loans and related trust assets less estimated forfeitures, which are reflected in other liabilities, approximates fair value.

Long-term Debt

We either receive fair value measurements of our long-term debt from market participants and pricing services or we estimate the fair values of long-term debt using projected cash flows discounted at each balance sheet date’s market-observable implicit-credit spread rates for our long-term debt.

We record at fair value long-term debt issuances that are deemed to incorporate an embedded derivative and for which it is impracticable for us to isolate and/or value the derivative. At December 31, 2017, we had no debt carried at fair value under the fair value option.

We estimate the fair values associated with variable rate revolving lines of credit to be equal to par.

Payables to Parent and Affiliates

The fair value of payable to parent and affiliates approximates the carrying value due to its short-term nature.

Notes to Consolidated Financial Statements, Continued

24. Subsequent Events

Apollo-Värde Transaction

On January 3, 2018, the Apollo-Värde Group entered into a Share Purchase Agreement with the Initial Stockholder and OMH to acquire 54,937,500 shares or approximately 40.6% of the outstanding shares of OMH common stock from the Initial Stockholder, representing the entire holdings of OMH stock beneficially owned by Fortress. This transaction is expected to close in the second quarter of 2018 and is subject to regulatory approvals and other customary closing conditions.

25. Selected Quarterly Financial Data (Unaudited)

Our selected quarterly financial data for 2017 was as follows:

(dollars in millions)	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Interest income	**$ 328**	**$ 310**	**$ 306**	**$ 297**
Interest expense	**128**	**133**	**129**	**127**
Provision for finance receivable losses	**92**	**70**	**91**	**71**
Other revenues	**99**	**115**	**87**	**106**
Other expenses	**138**	**154**	**160**	**162**
Income before income taxes	**69**	**68**	**13**	**43**
Income taxes	**48**	**30**	**5**	**16**
Net income	**$ 21**	**$ 38**	**$ 8**	**$ 27**

Our selected quarterly financial data for 2016 was as follows:

(dollars in millions)	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Interest income	$ 303	$ 303	$ 313	$ 431
Interest expense	127	135	138	156
Provision for finance receivable losses	66	87	85	91
Other revenues	105	107	106	256
Other expenses	170	155	177	191
Income before income taxes	45	33	19	249
Income taxes	12	10	6	85
Net income	33	23	13	164
Net income attributable to non-controlling interests	—	—	—	28
Net income attributable to Springleaf Finance Corporation	$ 33	$ 23	$ 13	$ 136

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

As of December 31, 2017, 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 December 31, 2017, to provide the reasonable assurance described above.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, and has conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2017, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in "Internal Control - Integrated Framework" (2013). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2017.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fourth quarter of 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Intentionally omitted in accordance with General Instruction I (2)(c) of Form 10-K.

Item 11. Executive Compensation.

Intentionally omitted in accordance with General Instruction I (2)(c) of Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Intentionally omitted in accordance with General Instruction I (2)(c) of Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Intentionally omitted in accordance with General Instruction I (2)(c) of Form 10-K.

Item 14. Principal Accounting Fees and Services.

OMH's Audit Committee pre-approves all audit and non-audit services provided by our independent accountants, PricewaterhouseCoopers LLP.

During 2017, we recorded $6 million of audit fees and $11 million for 2016, which were primarily for the audit of SFC's Annual Reports on Form 10-K, quarterly review procedures in relation to SFC's Quarterly Reports on Form 10-Q, statutory audits of insurance subsidiaries of SFC, and audits of other subsidiaries of SFC.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) (1) The following consolidated financial statements of Springleaf Finance Corporation and its subsidiaries are included in Part II - Item 8:

Consolidated Balance Sheets, December 31, 2017 and 2016

Consolidated Statements of Operations, years ended December 31, 2017, 2016, and 2015

Consolidated Statements of Comprehensive Income (Loss), years ended December 31, 2017, 2016, and 2015

Consolidated Statements of Shareholder's Equity, years ended December 31, 2017, 2016, and 2015

Consolidated Statements of Cash Flows, years ended December 31, 2017, 2016, and 2015

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules:

The financial statement schedules have been omitted because they are either not required or inapplicable.

(3) Exhibits:

Exhibits are listed in the Exhibit Index below.

(b) Exhibits

The exhibits required to be included in this portion of Part IV - Item 15(b) are listed in the Exhibit Index to this report.

Item 16. Form 10-K Summary.

None.

Exhibit Index

Exhibit	
2.1*	Purchase Agreement, dated as of March 31, 2016, by and among SpringCastle Holdings, LLC, Springleaf Acquisition Corporation, Springleaf Finance, Inc., NRZ Consumer LLC, NRZ SC America LLC, NRZ SC Credit Limited, NRZ SC Finance I LLC, NRZ SC Finance II LLC, NRZ SC Finance III LLC, NRZ SC Finance IV LLC, NRZ SC Finance V LLC, BTO Willow Holdings II, L.P. and Blackstone Family Tactical Opportunities Investment Partnership - NQ - ESC L.P., and solely with respect to Section 11(a) and Section 11(g), NRZ SC America Trust 2015-1, NRZ SC Credit Trust 2015-1, NRZ SC Finance Trust 2015-1, and BTO Willow Holdings, L.P. Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on April 1, 2016.
3.1	Amended and Restated Articles of Incorporation of Springleaf Finance Corporation (formerly American General Finance Corporation), as amended to date. Incorporated by reference to Exhibit 3a. to our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, filed on March 30, 2011.
3.2	Amended and Restated By-laws of Springleaf Finance Corporation (formerly American General Finance Corporation), as amended to date. Incorporated by reference to Exhibit 3b. to our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, filed on March 30, 2011.

Certain instruments defining the rights of holders of long-term debt securities of the Company are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Company hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.

4.1	Junior Subordinated Indenture, dated as of January 22, 2007, from Springleaf Finance Corporation 9 formerly American General Finance Corporation) to Deutsche Bank Trust Company Americas, as Trustee. Incorporated by reference to Exhibit 4.2 to our Annual Report on Form 10-K for the period ended December 31, 2016, filed on February 21, 2017.
4.2	Indenture, dated as of May 29, 2013, between Springleaf Finance Corporation and Wilmington Trust, National Association, as trustee. Incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K filed on May 29, 2013.
4.3	Indenture, dated as of September 24, 2013, between Springleaf Finance Corporation and Wilmington Trust, National Association, as trustee. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on September 25, 2013.
4.4	Indenture, dated as of September 24, 2013, between Springleaf Finance Corporation and Wilmington Trust, National Association, as trustee. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on September 25, 2013.
4.5	Indenture, dated as of December 3, 2014, by Springleaf Finance Corporation, OneMain Holdings, Inc. (formerly Springleaf Holdings, Inc.), as Guarantor, and Wilmington Trust, National Association. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on December 3, 2014.
4.5.1	First Supplemental Indenture, dated as of December 3, 2014, by and among Springleaf Finance Corporation, OneMain Holdings, Inc. (formerly Springleaf Holdings, Inc.), as Guarantor, and Wilmington Trust, National Association, as Trustee. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on December 3, 2014.
4.5.2	Second Supplemental Indenture, dated as of April 11, 2016, by and among Springleaf Finance Corporation, OneMain Holdings, Inc., as Guarantor, and Wilmington Trust, National Association, as Trustee. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on April 11, 2016.
4.5.3	Third Supplemental Indenture, dated as of May 15, 2017, by and among Springleaf Finance Corporation, OneMain Holdings, Inc., as Guarantor, and Wilmington Trust, National Association, as Trustee. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on May 15, 2017.
4.5.4	Fourth Supplemental Indenture, dated as of December 8, 2017, by and among Springleaf Finance Corporation, OneMain Holdings, Inc., as Guarantor, and Wilmington Trust, National Association, as Trustee. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on December 8, 2017.

Exhibit	
10	Guaranty, dated as of December 30, 2013, by OneMain Holdings, Inc. (formerly Springleaf Holdings, Inc.) in respect of Springleaf Finance Corporation's 8.250% Senior Notes due 2023. Incorporated by reference to Exhibit 10.1 to OneMain Holdings, Inc.'s (formerly Springleaf Holdings, Inc.) (File No. 1-36129) Current Report on Form 8-K filed on January 3, 2014.
10.1	Guaranty, dated as of December 30, 2013, by OneMain Holdings, Inc. (formerly Springleaf Holdings, Inc.) in respect of Springleaf Finance Corporation's 7.750% Senior Notes due 2021. Incorporated by reference to Exhibit 10.2 to OneMain Holdings, Inc.'s (formerly Springleaf Holdings, Inc.) (File No. 1-36129) Current Report on Form 8-K filed on January 3, 2014.
10.2	Guaranty, dated as of December 30, 2013, by OneMain Holdings, Inc. (formerly Springleaf Holdings, Inc.) in respect of Springleaf Finance Corporation's 6.00% Senior Notes due 2020. Incorporated by reference to Exhibit 10.3 to OneMain Holdings, Inc.'s (formerly Springleaf Holdings, Inc.) (File No. 1-36129) Current Report on Form 8-K filed on January 3, 2014.
10.3	Guaranty, dated as of December 30, 2013, by OneMain Holdings, Inc. (formerly Springleaf Holdings, Inc.) in respect of Springleaf Finance Corporation's 60-year junior subordinated debentures. Incorporated by reference to Exhibit 10.5 to OneMain Holdings, Inc.'s (formerly Springleaf Holdings, Inc.) (File No. 1-36129) Current Report on Form 8-K filed on January 3, 2014.
10.4	Trust Guaranty, dated as of December 30, 2013, by OneMain Holdings, Inc. (formerly Springleaf Holdings, Inc.) in respect of Springleaf Finance Corporation's trust preferred securities. Incorporated by reference to Exhibit 10.6 to OneMain Holdings, Inc.'s (formerly Springleaf Holdings, Inc.) (File No. 1-36129) Current Report on Form 8-K filed on January 3, 2014.
12.1	Computation of ratio of earnings to fixed charges
23.1	Consent of PricewaterhouseCoopers LLP
31.1	Rule 13a-14(a)/15d-14(a) Certifications of the President and Chief Executive Officer of Springleaf Finance Corporation
31.2	Rule 13a-14(a)/15d-14(a) Certifications of the Executive Vice President and Chief Financial Officer of Springleaf Finance Corporation
32.1	Section 1350 Certifications
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Shareholder's Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.

* Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally a copy of any omitted exhibit or schedule to the SEC upon request.

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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, on February 21, 2018.

SPRINGLEAF FINANCE CORPORATION

By: /s/ Micah R. Conrad
Micah R. Conrad
(Executive Vice President and Chief Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 21, 2018.

/s/ Jay N. Levine
Jay N. Levine
(President, Chief Executive Officer, and Director — Principal Executive Officer)

/s/ Micah R. Conrad
Micah R. Conrad
(Executive Vice President and Chief Financial Officer — Principal Financial Officer)

/s/ Michael A. Hedlund
Michael A. Hedlund
(Senior Vice President and Group Controller — Principal Accounting Officer)

/s/ John C. Anderson
John C. Anderson
(Executive Vice President and Director)

/s/ Scott T. Parker
Scott T. Parker
(Director)

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Section 2: EX-12.1 (EXHIBIT 12.1)

Exhibit 12.1

SPRINGLEAF FINANCE CORPORATION AND SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges

(dollars in millions)

Years Ended December 31,	2017	2016	2015	2014	2013

Earnings:					
Income (loss) before income tax expense (benefit)	**$ 193**	$ 346	$ 159	$ 678	$ (125)
Interest expense	**517**	556	667	683	843
Implicit interest in rents	**9**	10	9	10	9
Total earnings	**$ 719**	$ 912	$ 835	$ 1,371	$ 727
Fixed charges:					
Interest expense	**$ 517**	$ 556	$ 667	$ 683	$ 843
Implicit interest in rents	**9**	10	9	10	9
Total fixed charges	**$ 526**	$ 566	$ 676	$ 693	$ 852
Ratio of earnings to fixed charges	**1.37**	1.61	1.24	1.98	*

* Earnings did not cover total fixed charges by $125 million in 2013.

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Section 3: EX-23.1 (EXHIBIT 23.1)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-221391-01) of Springleaf Finance Corporation of our report dated February 21, 2018 relating to the financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Dallas, TX
February 21, 2018

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Section 4: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

Certifications

I, Jay N. Levine, President and Chief Executive Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Springleaf Finance Corporation (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: February 21, 2018

/s/ Jay N. Levine

Jay N. Levine

President and Chief Executive Officer

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Section 5: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

Certifications

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

1. I have reviewed this Annual Report on Form 10-K of Springleaf Finance Corporation (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: February 21, 2018

/s/ Micah R. Conrad

Micah R. Conrad

Executive Vice President and Chief Financial Officer

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Section 6: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

Certifications

In connection with the Annual Report on Form 10-K for the year ended December 31, 2017 of Springleaf Finance Corporation (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of Jay N. Levine, 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/ Jay N. Levine

Jay N. Levine

President and Chief Executive Officer

/s/ Micah R. Conrad

Micah R. Conrad

Executive Vice President and Chief Financial Officer

Date: February 21, 2018

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