

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

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

For the quarterly period ended September 30, 2019

OR

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

For the transition period from to

001-36560

(Commission File Number)



SYNCHRONY FINANCIAL

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

51-0483352

(I.R.S. Employer
Identification No.)

777 Long Ridge Road

Stamford, Connecticut

(Address of principal executive offices)

06902

(Zip Code)

(Registrant's telephone number, including area code) - (203)585-2400

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.001 per share	SYF	New York Stock Exchange

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

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

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

Large Accelerated Filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

The number of shares of the registrant's common stock, par value \$0.001 per share, outstanding as of October 21, 2019 was 646,192,751.

Synchrony Financial

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Certain Defined Terms

Except as the context may otherwise require in this report, references to:

- “we,” “us,” “our” and the “Company” are to SYNCHRONY FINANCIAL and its subsidiaries;
- “Synchrony” are to SYNCHRONY FINANCIAL only;
- the “Bank” are to Synchrony Bank (a subsidiary of Synchrony);
- the “Board of Directors” or “Board” are to Synchrony’s board of directors;
- “GE” are to General Electric Company and its subsidiaries; and
- “FICO” are to a credit score developed by Fair Isaac & Co., which is widely used as a means of evaluating the likelihood that credit users will pay their obligations.

We provide a range of credit products through programs we have established with a diverse group of national and regional retailers, local merchants, manufacturers, buying groups, industry associations and healthcare service providers, which, in our business and in this report, we refer to as our “partners.” The terms of the programs all require cooperative efforts between us and our partners of varying natures and degrees to establish and operate the programs. Our use of the term “partners” to refer to these entities is not intended to, and does not, describe our legal relationship with them, imply that a legal partnership or other relationship exists between the parties or create any legal partnership or other relationship. The “average length of our relationship” with respect to a specified group of partners or programs is measured on a weighted average basis by interest and fees on loans for the year ended December 31, 2018 for those partners or for all partners participating in a program, based on the date each partner relationship or program, as applicable, started.

Unless otherwise indicated, references to “loan receivables” do not include loan receivables held for sale.

For a description of certain other terms we use, including “active account” and “purchase volume,” see the notes to “*Management’s Discussion and Analysis—Results of Operations—Other Financial and Statistical Data*” in our Annual Report on Form 10-K for the year ended December 31, 2018 (our “2018 Form 10-K”). There is no standard industry definition for many of these terms, and other companies may define them differently than we do.

“Synchrony” and its logos and other trademarks referred to in this report, including CareCredit®, Quickscreen®, Dual Card™, Synchrony Car Care™ and SyPI™, belong to us. Solely for convenience, we refer to our trademarks in this report without the ™ and ® symbols, but such references are not intended to indicate that we will not assert, to the fullest extent under applicable law, our rights to our trademarks. Other service marks, trademarks and trade names referred to in this report are the property of their respective owners.

On our website at www.synchronyfinancial.com, we make available under the “Investors-SEC Filings” menu selection, free of charge, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such reports or amendments are electronically filed with, or furnished to, the SEC. The SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements, and other information that we file electronically with the SEC.

Cautionary Note Regarding Forward-Looking Statements:

Various statements in this Quarterly Report on Form 10-Q may contain “forward-looking statements” as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which are subject to the “safe harbor” created by those sections. Forward-looking statements may be identified by words such as “expects,” “intends,” “anticipates,” “plans,” “believes,” “seeks,” “targets,” “outlook,” “estimates,” “will,” “should,” “may” or words of similar meaning, but these words are not the exclusive means of identifying forward-looking statements.

Forward-looking statements are based on management’s current expectations and assumptions, and are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. As a result, actual results could differ materially from those indicated in these forward-looking statements. Factors that could cause actual results to differ materially include global political, economic, business, competitive, market, regulatory and other factors and risks, such as: the impact of macroeconomic conditions and whether industry trends we have identified develop as anticipated; retaining existing partners and attracting new partners, concentration of our revenue in a small number of Retail Card partners, promotion and support of our products by our partners, and financial performance of our partners; cyber-attacks or other security breaches; higher borrowing costs and adverse financial market conditions impacting our funding and liquidity, and any reduction in our credit ratings; our ability to grow our deposits in the future; our ability to securitize our loan receivables, occurrence of an early amortization of our securitization facilities, loss of the right to service or subservice our securitized loan receivables, and lower payment rates on our securitized loan receivables; changes in market interest rates and the impact of any margin compression; effectiveness of our risk management processes and procedures, reliance on models which may be inaccurate or misinterpreted, our ability to manage our credit risk, the sufficiency of our allowance for loan losses and the accuracy of the assumptions or estimates used in preparing our financial statements; our ability to offset increases in our costs in retailer share arrangements; competition in the consumer finance industry; our concentration in the U.S. consumer credit market; our ability to successfully develop and commercialize new or enhanced products and services; our ability to realize the value of acquisitions and strategic investments; reductions in interchange fees; fraudulent activity; failure of third-parties to provide various services that are important to our operations; disruptions in the operations of our computer systems and data centers; international risks and compliance and regulatory risks and costs associated with international operations; alleged infringement of intellectual property rights of others and our ability to protect our intellectual property; litigation and regulatory actions; damage to our reputation; our ability to attract, retain and motivate key officers and employees; tax legislation initiatives or challenges to our tax positions and/or interpretations, and state sales tax rules and regulations; a material indemnification obligation to GE under the Tax Sharing and Separation Agreement with GE if we cause the split-off from GE or certain preliminary transactions to fail to qualify for tax-free treatment or in the case of certain significant transfers of our stock following the split-off; regulation, supervision, examination and enforcement of our business by governmental authorities, the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) and other legislative and regulatory developments and the impact of the Consumer Financial Protection Bureau’s (the “CFPB”) regulation of our business; impact of capital adequacy rules and liquidity requirements; restrictions that limit our ability to pay dividends and repurchase our common stock, and restrictions that limit the Bank’s ability to pay dividends to us; regulations relating to privacy, information security and data protection; use of third-party vendors and ongoing third-party business relationships; and failure to comply with anti-money laundering and anti-terrorism financing laws.

For the reasons described above, we caution you against relying on any forward-looking statements, which should also be read in conjunction with the other cautionary statements that are included elsewhere in this report and in our public filings, including under the heading “Risk Factors Relating to Our Business” and “Risk Factors Relating to Regulation” in our 2018 Form 10-K. You should not consider any list of such factors to be an exhaustive statement of all of the risks, uncertainties, or potentially inaccurate assumptions that could cause our current expectations or beliefs to change. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as otherwise may be required by law.

ITEM 2. 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 in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this quarterly report and in our 2018 Form 10-K. The discussion below contains forward-looking statements that are based upon current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations. See "Cautionary Note Regarding Forward-Looking Statements."

Introduction and Business Overview

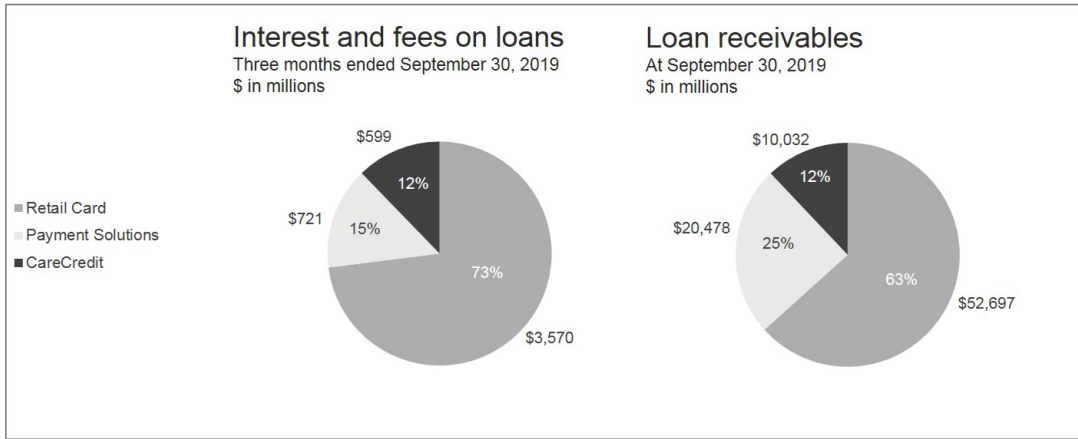
We are a premier consumer financial services company delivering customized financing programs across key industries including retail, health, auto, travel and home, along with award-winning consumer banking products. We provide a range of credit products through our financing programs which we have established with a diverse group of national and regional retailers, local merchants, manufacturers, buying groups, industry associations and healthcare service providers, which we refer to as our "partners." For the three and nine months ended September 30, 2019, we financed \$38.4 billion and \$109.2 billion of purchase volume, respectively, and had 76.7 million average active accounts for both periods, and at September 30, 2019, we had \$83.2 billion of loan receivables.

We offer our credit products primarily through our wholly-owned subsidiary, the Bank. In addition, through the Bank, we offer, directly to retail and commercial customers, a range of deposit products insured by the Federal Deposit Insurance Corporation ("FDIC"), including certificates of deposit, individual retirement accounts ("IRAs"), money market accounts and savings accounts. We also take deposits at the Bank through third-party securities brokerage firms that offer our FDIC-insured deposit products to their customers. We have significantly expanded our online direct banking operations in recent years and our deposit base serves as a source of stable and diversified low cost funding for our credit activities. At September 30, 2019, we had \$66.0 billion in deposits, which represented 76% of our total funding sources.

Our Sales Platforms

We conduct our operations through a single business segment. Profitability and expenses, including funding costs, loan losses and operating expenses, are managed for the business as a whole. Substantially all of our operations are within the United States. We offer our credit products through three sales platforms (Retail Card, Payment Solutions and CareCredit). Those platforms are organized by the types of products we offer and the partners we work with, and are measured on interest and fees on loans, loan receivables, active accounts and other sales metrics.

Beginning in the first quarter of 2019, our oil and gas retail credit programs, previously reported within our Retail Card sales platform, are now reported within our Payment Solutions sales platform. Payment Solutions now includes a broad range of automotive-related credit programs, comprising of these retail partners, our Synchrony Car Care program network and other automotive partners. We have recast all prior-period reported metrics for our Retail Card and Payment Solutions sales platforms to conform to the current-period presentation.



Retail Card

Retail Card is a leading provider of private label credit cards, and also provides Dual Cards, general purpose co-branded credit cards and small- and medium-sized business credit products. We offer one or more of these products primarily through 24 national and regional retailers with which we have ongoing program agreements. The average length of our relationship with these Retail Card partners is 22 years. Retail Card's revenue primarily consists of interest and fees on our loan receivables. Other income primarily consists of interchange fees earned when our Dual Card or general purpose co-branded credit cards are used outside of our partners' sales channels and fees paid to us by customers who purchase our debt cancellation products, less loyalty program payments. In addition, the majority of our retailer share arrangements, which generally provide for payment to our partner if the economic performance of the program exceeds a contractually-defined threshold, are with partners in the Retail Card sales platform. Substantially all of the credit extended in this platform is on standard terms.

Payment Solutions

Payment Solutions is a leading provider of promotional financing for major consumer purchases, offering consumer choice for financing at the point of sale, including primarily private label credit cards, Dual Cards and installment loans. Payment Solutions offers these products through participating partners consisting of national and regional retailers, local merchants, manufacturers, buying groups and industry associations. Substantially all of the credit extended in this platform, other than for our oil and gas retail partners, is promotional financing. Payment Solutions' revenue primarily consists of interest and fees on our loan receivables, including "merchant discounts," which are fees paid to us by our partners in almost all cases to compensate us for all or part of foregone interest income associated with promotional financing.

CareCredit

CareCredit is a leading provider of promotional financing to consumers for health, veterinary and personal care procedures, services or products. We have a network of CareCredit providers and health-focused retailers, the vast majority of which are individual or small groups of independent healthcare providers, through which we offer a CareCredit branded private label credit card and our CareCredit Dual Card offering. Substantially all of the credit extended in this platform is promotional financing. CareCredit's revenue primarily consists of interest and fees on our loan receivables, including merchant discounts.

Our Credit Products

Through our platforms, we offer three principal types of credit products: credit cards, commercial credit products and consumer installment loans. We also offer a debt cancellation product.

The following table sets forth each credit product by type and indicates the percentage of our total loan receivables that are under standard terms only or pursuant to a promotional financing offer at September 30, 2019.

Credit Product	Standard Terms Only	Promotional Offer		Total
		Deferred Interest	Other Promotional	
Credit cards	61.9%	18.8%	15.1%	95.8%
Commercial credit products	1.6	—	—	1.6
Consumer installment loans	—	—	2.5	2.5
Other	0.1	—	—	0.1
Total	63.6%	18.8%	17.6%	100.0%

Credit Cards

We typically offer the following principal types of credit cards:

- **Private Label Credit Cards.** Private label credit cards are partner-branded credit cards (e.g., Lowe's or Amazon) or program-branded credit cards (e.g., Synchrony Car Care or CareCredit) that are used primarily for the purchase of goods and services from the partner or within the program network. In addition, in some cases, cardholders may be permitted to access their credit card accounts for cash advances. In Retail Card, credit under our private label credit cards typically is extended on standard terms only, and in Payment Solutions and CareCredit, credit under our private label credit cards typically is extended pursuant to a promotional financing offer.
- **Dual Cards and General Purpose Co-Brand Cards.** Our patented Dual Cards are credit cards that function as private label credit cards when used to purchase goods and services from our partners, and as general purpose credit cards when used elsewhere. We also offer general purpose co-branded credit cards that do not function as private label cards. Credit extended under our Dual Cards and general purpose co-branded credit cards typically is extended under standard terms only. We offer either Dual Cards or general purpose co-branded credit cards across all of our sales platforms, spanning 21 ongoing credit partners and our CareCredit Dual Card.

Commercial Credit Products

We offer private label cards and Dual Cards for commercial customers that are similar to our consumer offerings. We also offer a commercial pay-in-full accounts receivable product to a wide range of business customers. We offer our commercial credit products primarily through our Retail Card platform to the commercial customers of our Retail Card partners.

Installment Loans

In Payment Solutions, we originate installment loans to consumers (and a limited number of commercial customers) in the United States, primarily in the power products market (motorcycles, ATVs and lawn and garden). Installment loans are closed-end credit accounts where the customer pays down the outstanding balance in installments. Installment loans are assessed periodic finance charges using fixed interest rates.

Business Trends and Conditions

We believe our business and results of operations will be impacted in the future by various trends and conditions. For a discussion of certain trends and conditions, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Business Trends and Conditions*” in our 2018 Form 10-K. For a discussion of how certain trends and conditions impacted the three and nine months ended September 30, 2019, see “—*Results of Operations*.”

Seasonality

In our Retail Card and Payment Solutions platforms, we experience fluctuations in transaction volumes and the level of loan receivables as a result of higher seasonal consumer spending and payment patterns that typically result in an increase of loan receivables from August through a peak in late December, with reductions in loan receivables occurring over the first and second quarters of the following year as customers pay their balances down.

The seasonal impact to transaction volumes and the loan receivables balance typically results in fluctuations in our results of operations, delinquency metrics and the allowance for loan losses as a percentage of total loan receivables between quarterly periods.

In addition to the seasonal variance in loan receivables discussed above, we also experience a seasonal increase in delinquency rates and delinquent loan receivables balances during the third and fourth quarters of each year due to lower customer payment rates resulting in higher net charge-off rates in the first and second quarters. Our delinquency rates and delinquent loan receivables balances typically decrease during the subsequent first and second quarters as customers begin to pay down their loan balances and return to current status resulting in lower net charge-off rates in the third and fourth quarters. Because customers who were delinquent during the fourth quarter of a calendar year have a higher probability of returning to current status when compared to customers who are delinquent at the end of each of our interim reporting periods, we expect that a higher proportion of delinquent accounts outstanding at an interim period end will result in charge-offs, as compared to delinquent accounts outstanding at a year end. Consistent with this historical experience, we generally experience a higher allowance for loan losses as a percentage of total loan receivables at the end of an interim period, as compared to the end of a calendar year. In addition, despite improving credit metrics such as declining past due amounts, we may experience an increase in our allowance for loan losses at an interim period end compared to the prior year end, reflecting these same seasonal trends.

Results of Operations

Highlights for the Three and Nine Months Ended September 30, 2019

Below are highlights of our performance for the three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018, as applicable, except as otherwise noted.

- Net earnings increased 57.4% to \$1,056 million and 50.3% to \$3,016 million for the three and nine months ended September 30, 2019, respectively, which included the impact of reductions in reserves related to the sale of the Walmart consumer portfolio of \$248 million and \$829 million, respectively. The increases in net earnings were also driven primarily by higher net interest income, partially offset by increases in retailer share arrangements, and other expense.
- Loan receivables decreased 4.9% to \$83,207 million at September 30, 2019 compared to September 30, 2018, primarily driven by the reclassification of \$8.2 billion of loan receivables associated with the Walmart portfolio to loan receivables held for sale, partially offset by higher purchase volume and average active account growth.
- Net interest income increased 4.4% to \$4,389 million and 8.4% to \$12,770 million for the three and nine months ended September 30, 2019, respectively, primarily due to higher average loan receivables growth, partially offset by increases in interest expense reflecting higher benchmark interest rates and growth.
- Retailer share arrangements increased 16.6% to \$1,016 million and 26.1% to \$2,829 million for the three and nine months ended September 30, 2019, respectively, primarily due to improved performance of the programs in which we have retailer share arrangements and growth.
- Over-30 day loan delinquencies as a percentage of period-end loan receivables decreased 12 basis points to 4.47% at September 30, 2019, and the net charge-off rate increased 38 basis points to 5.35% and 13 basis points to 5.80% for the three and nine months ended September 30, 2019, respectively.
- Provision for loan losses decreased by \$432 million, or 29.8%, and \$1,017 million, or 24.8%, for the three and nine months ended September 30, 2019, respectively, primarily driven by reductions in reserves for loan losses related to the Walmart consumer portfolio sale which was completed in October 2019. These reductions totaled \$326 million and \$1,095 million for the three and nine months ended September 30, 2019, respectively. Our allowance coverage ratio (allowance for loan losses as a percent of end of period loan receivables) decreased to 6.74% at September 30, 2019, as compared to 7.11% at September 30, 2018.
- Other expense increased by \$10 million, or 0.9%, and \$149 million, or 4.9%, for the three and nine months ended September 30, 2019, respectively. The increase in the three months ended September 30, 2019 was primarily driven by business growth, partially offset by cost savings executed in advance of the Walmart consumer portfolio sale. The increase in the nine months ended September 30, 2019 was primarily driven by the PayPal Credit acquisition and business growth.
- At September 30, 2019, deposits represented 76% of our total funding sources. Total deposits increased 3.1% to \$66.0 billion at September 30, 2019, compared to December 31, 2018. Growth in our direct deposits of 8.7% to \$53.7 billion, was partially offset by lower brokered deposits.
- On May 9, 2019, we announced that our Board approved a share repurchase program of up to \$4.0 billion through June 30, 2020 and plans to increase our quarterly dividend to \$0.22 per common share commencing in the third quarter of 2019. During the nine months ended September 30, 2019, we repurchased \$2.2 billion of our outstanding common stock, and declared and paid cash dividends of \$0.64 per share, or \$440 million.
- In March 2019, we announced our acquisition of Pets Best and entry into the pet health insurance industry as a managing general agent.

2019 Partner Agreements

- In our Retail Card sales platform, we extended and expanded our program with PayPal and will become the exclusive issuer of Venmo co-branded consumer credit card and extended our program agreement with Dick's Sporting Goods.
- On October 11, 2019, we completed our sale and conversion of \$8.2 billion of loan receivables associated with our Retail Card program agreement with Walmart.
- In our Payment Solutions sales platform, we expanded our Synchrony Car Care program acceptance network, announced our new partnerships with Samsung HVAC and Zero Motorcycles, extended our program agreements with CCA Global Partners, Conn's HomePlus, La-Z-Boy, P.C. Richard & Son, Penske, Polaris, Rheem and Suzuki and launched our new program with Fanatics.
- In our CareCredit sales platform, we expanded our network through our new partnerships with Baylor Scott & White Medical Center, Lehigh Valley Physician's Group, Loyale, Simplee and St. Luke's University Health Network, renewed our agreement with Bosley and launched our new program with Lighthouse.

Summary Earnings

The following table sets forth our results of operations for the periods indicated.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Interest income	\$ 4,981	\$ 4,694	\$ 14,505	\$ 13,112
Interest expense	592	488	1,735	1,327
Net interest income	4,389	4,206	12,770	11,785
Retailer share arrangements	(1,016)	(871)	(2,829)	(2,244)
Provision for loan losses	1,019	1,451	3,076	4,093
Net interest income, after retailer share arrangements and provision for loan losses	2,354	1,884	6,865	5,448
Other income	85	63	267	201
Other expense	1,064	1,054	3,166	3,017
Earnings before provision for income taxes	1,375	893	3,966	2,632
Provision for income taxes	319	222	950	625
Net earnings	\$ 1,056	\$ 671	\$ 3,016	\$ 2,007

Other Financial and Statistical Data

The following table sets forth certain other financial and statistical data for the periods indicated.

(\$ in millions)	At and for the Three months ended September 30,		At and for the Nine months ended September 30,	
	2019	2018	2019	2018
Financial Position Data (Average):				
Loan receivables, including held for sale	\$ 90,556	\$ 86,783	\$ 89,752	\$ 81,270
Total assets	\$ 106,413	\$ 100,449	\$ 105,542	\$ 97,474
Deposits	\$ 65,898	\$ 60,398	\$ 64,826	\$ 58,223
Borrowings	\$ 21,117	\$ 21,858	\$ 21,577	\$ 21,334
Total equity	\$ 14,828	\$ 14,421	\$ 14,812	\$ 14,369
Selected Performance Metrics:				
Purchase volume ⁽¹⁾⁽²⁾	\$ 38,395	\$ 36,443	\$ 109,199	\$ 100,337
Retail Card	\$ 29,282	\$ 27,863	\$ 83,472	\$ 75,930
Payment Solutions	\$ 6,281	\$ 6,007	\$ 17,478	\$ 16,773
CareCredit	\$ 2,832	\$ 2,573	\$ 8,249	\$ 7,634
Average active accounts (in thousands) ⁽²⁾⁽³⁾	76,695	75,482	76,653	72,594
Net interest margin ⁽⁴⁾	16.29%	16.41%	16.04%	15.94%
Net charge-offs	\$ 1,221	\$ 1,087	\$ 3,896	\$ 3,444
Net charge-offs as a % of average loan receivables, including held for sale	5.35%	4.97%	5.80%	5.67%
Allowance coverage ratio ⁽⁵⁾	6.74%	7.11%	6.74%	7.11%
Return on assets ⁽⁶⁾	3.9%	2.7%	3.8%	2.8%
Return on equity ⁽⁷⁾	28.3%	18.5%	27.2%	18.7%
Equity to assets ⁽⁸⁾	13.93%	14.36%	14.03%	14.74%
Other expense as a % of average loan receivables, including held for sale	4.66%	4.82%	4.72%	4.96%
Efficiency ratio ⁽⁹⁾	30.8%	31.0%	31.0%	31.0%
Effective income tax rate	23.2%	24.9%	24.0%	23.7%
Selected Period-End Data:				
Loan receivables	\$ 83,207	\$ 87,521	\$ 83,207	\$ 87,521
Allowance for loan losses	\$ 5,607	\$ 6,223	\$ 5,607	\$ 6,223
30+ days past due as a % of period-end loan receivables ⁽¹⁰⁾	4.47%	4.59%	4.47%	4.59%
90+ days past due as a % of period-end loan receivables ⁽¹⁰⁾	2.07%	2.09%	2.07%	2.09%
Total active accounts (in thousands) ⁽²⁾⁽³⁾	77,094	75,457	77,094	75,457

(1) Purchase volume, or net credit sales, represents the aggregate amount of charges incurred on credit cards or other credit product accounts less returns during the period.

(2) Includes activity and accounts associated with loan receivables held for sale.

(3) Active accounts represent credit card or installment loan accounts on which there has been a purchase, payment or outstanding balance in the current month.

(4) Net interest margin represents net interest income divided by average interest-earning assets.

(5) Allowance coverage ratio represents allowance for loan losses divided by total period-end loan receivables.

(6) Return on assets represents net earnings as a percentage of average total assets.

(7) Return on equity represents net earnings as a percentage of average total equity.

(8) Equity to assets represents average equity as a percentage of average total assets.

(9) Efficiency ratio represents (i) other expense, divided by (ii) sum of net interest income, plus other income, less retailer share arrangements.

(10) Based on customer statement-end balances extrapolated to the respective period-end date.

Average Balance Sheet

The following tables set forth information for the periods indicated regarding average balance sheet data, which are used in the discussion of interest income, interest expense and net interest income that follows.

	2019			2018		
	Average Balance	Interest Income / Expense	Average Yield / Rate ⁽¹⁾	Average Balance	Interest Income/ Expense	Average Yield / Rate ⁽¹⁾
<i>Three months ended September 30 (\$ in millions)</i>						
Assets						
Interest-earning assets:						
Interest-earning cash and equivalents ⁽²⁾	\$ 10,947	\$ 59	2.14%	\$ 7,901	\$ 39	1.96%
Securities available for sale	5,389	32	2.36%	7,022	38	2.15%
Loan receivables⁽³⁾:						
Credit cards, including held for sale	87,156	4,807	21.88%	83,609	4,538	21.53%
Consumer installment loans	2,022	48	9.42%	1,753	41	9.28%
Commercial credit products	1,329	35	10.45%	1,355	37	10.83%
Other	49	—	—%	66	1	NM
Total loan receivables	90,556	4,890	21.42%	86,783	4,617	21.11%
Total interest-earning assets	106,892	4,981	18.49%	101,706	4,694	18.31%
Non-interest-earning assets:						
Cash and due from banks	1,374			1,217		
Allowance for loan losses	(5,773)			(5,956)		
Other assets	3,920			3,482		
Total non-interest-earning assets	(479)			(1,257)		
Total assets	\$ 106,413			\$ 100,449		
Liabilities						
Interest-bearing liabilities:						
Interest-bearing deposit accounts	\$ 65,615	\$ 411	2.49%	\$ 60,123	\$ 314	2.07%
Borrowings of consolidated securitization entities	11,770	88	2.97%	12,306	86	2.77%
Senior unsecured notes	9,347	93	3.95%	9,552	88	3.66%
Total interest-bearing liabilities	86,732	592	2.71%	81,981	488	2.36%
Non-interest-bearing liabilities:						
Non-interest-bearing deposit accounts	283			275		
Other liabilities	4,570			3,772		
Total non-interest-bearing liabilities	4,853			4,047		
Total liabilities	91,585			86,028		
Equity						
Total equity	14,828			14,421		
Total liabilities and equity	\$ 106,413			\$ 100,449		
Interest rate spread⁽⁴⁾			15.78%			15.95%
Net interest income		\$ 4,389			\$ 4,206	
Net interest margin⁽⁵⁾			16.29%			16.41%

	2019			2018		
	Average Balance	Interest Income / Expense	Average Yield / Rate ⁽¹⁾	Average Balance	Interest Income/ Expense	Average Yield / Rate ⁽¹⁾
<i>Nine months ended September 30 (\$ in millions)</i>						
Assets						
Interest-earning assets:						
Interest-earning cash and equivalents ⁽²⁾	\$ 10,989	\$ 190	2.31%	\$ 11,128	\$ 145	1.74%
Securities available for sale	5,679	102	2.40%	6,475	97	2.00%
Loan receivables⁽³⁾:						
Credit cards, including held for sale	86,471	13,975	21.61%	78,227	12,647	21.62%
Consumer installment loans	1,931	134	9.28%	1,658	114	9.19%
Commercial credit products	1,304	103	10.56%	1,329	107	10.76%
Other	46	1	2.91%	56	2	4.77%
Total loan receivables	89,752	14,213	21.17%	81,270	12,870	21.17%
Total interest-earning assets	106,420	14,505	18.22%	98,873	13,112	17.73%
Non-interest-earning assets:						
Cash and due from banks	1,327			1,192		
Allowance for loan losses	(6,006)			(5,779)		
Other assets	3,801			3,188		
Total non-interest-earning assets	(878)			(1,399)		
Total assets	\$ 105,542			\$ 97,474		
Liabilities						
Interest-bearing liabilities:						
Interest-bearing deposit accounts	\$ 64,546	\$ 1,183	2.45%	\$ 57,941	\$ 836	1.93%
Borrowings of consolidated securitization entities	12,315	278	3.02%	12,178	240	2.63%
Senior unsecured notes	9,262	274	3.96%	9,156	251	3.67%
Total interest-bearing liabilities	86,123	1,735	2.69%	79,275	1,327	2.24%
Non-interest-bearing liabilities:						
Non-interest-bearing deposit accounts	280			282		
Other liabilities	4,327			3,548		
Total non-interest-bearing liabilities	4,607			3,830		
Total liabilities	90,730			83,105		
Equity						
Total equity	14,812			14,369		
Total liabilities and equity	\$ 105,542			\$ 97,474		
Interest rate spread⁽⁴⁾			15.53%			15.49%
Net interest income		\$ 12,770			\$ 11,785	
Net interest margin⁽⁵⁾			16.04%			15.94%

(1) Average yields/rates are based on total interest income/expense over average balances.

(2) Includes average restricted cash balances of \$1,219 million and \$480 million for the three months ended September 30, 2019 and 2018, respectively and \$879 million and \$538 million for the nine months ended September 30, 2019 and 2018, respectively.

(3) Interest income on loan receivables includes fees on loans of \$737 million and \$732 million for the three months ended September 30, 2019 and 2018, respectively and \$2,091 million and \$1,971 million for the nine months ended September 30, 2019 and 2018, respectively.

(4) Interest rate spread represents the difference between the yield on total interest-earning assets and the rate on total interest-bearing liabilities.

(5) Net interest margin represents net interest income divided by average total interest-earning assets.

For a summary description of the composition of our key line items included in our Statements of Earnings, see *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our 2018 Form 10-K.

Interest Income

Interest income increased by \$287 million, or 6.1%, and \$1,393 million, or 10.6%, for the three and nine months ended September 30, 2019, driven primarily by growth in our average loan receivables.

Average interest-earning assets

Three months ended September 30 (\$ in millions)

	2019	%	2018	%
Loan receivables, including held for sale	\$ 90,556	84.7%	\$ 86,783	85.3%
Liquidity portfolio and other	16,336	15.3%	14,923	14.7%
Total average interest-earning assets	\$ 106,892	100.0%	\$ 101,706	100.0%

Nine months ended September 30 (\$ in millions)

	2019	%	2018	%
Loan receivables, including held for sale	\$ 89,752	84.3%	\$ 81,270	82.2%
Liquidity portfolio and other	16,668	15.7%	17,603	17.8%
Total average interest-earning assets	\$ 106,420	100.0%	\$ 98,873	100.0%

The increase in average loan receivables of 4.3% and 10.4% for the three and nine months ended September 30, 2019, respectively, was driven by higher purchase volume and average active account growth. The increase in the nine months ended September 30, 2019 was also driven by the PayPal Credit acquisition. Purchase volume increased 5.4% and 8.8%, and average active accounts increased 1.6% and 5.6%, for the three and nine months ended September 30, 2019, respectively, including the effects of the PayPal Credit acquisition in the nine months ended September 30, 2019.

Yield on average interest-earning assets

The yield on average interest-earning assets increased for the three and nine months ended September 30, 2019. The increase for the three months ended September 30, 2019 is primarily due to an increase in the yield on our average loan receivables, partially offset by a decrease in the percentage of interest-earning assets attributable to loan receivables. The increase in the nine months ended September 30, 2019 was primarily due to an increase in the percentage of interest-earning assets attributable to loan receivables. The increase in yield was 31 basis points to 21.42% for the three months ended September 30, 2019, which included the purchase accounting impact related to the PayPal Credit program in the prior year and remained flat at 21.17% for the nine months ended September 30, 2019, respectively.

Interest Expense

Interest expense increased by \$104 million, or 21.3%, and \$408 million, or 30.7%, for the three and nine months ended September 30, 2019, respectively, driven primarily by higher benchmark interest rates and growth in our deposit liabilities. Our cost of funds increased to 2.71% and 2.69% for the three and nine months ended September 30, 2019, respectively, compared to 2.36% and 2.24% for the three and nine months ended September 30, 2018, respectively.

Average interest-bearing liabilities

Three months ended September 30 (\$ in millions)

	2019	%	2018	%
Interest-bearing deposit accounts	\$ 65,615	75.6%	\$ 60,123	73.3%
Borrowings of consolidated securitization entities	11,770	13.6%	12,306	15.0%
Senior unsecured notes	9,347	10.8%	9,552	11.7%
Total average interest-bearing liabilities	\$ 86,732	100.0%	\$ 81,981	100.0%

Nine months ended September 30 (\$ in millions)

	2019	%	2018	%
Interest-bearing deposit accounts	\$ 64,546	74.9%	\$ 57,941	73.1%
Borrowings of consolidated securitization entities	12,315	14.3%	12,178	15.4%
Senior unsecured notes	9,262	10.8%	9,156	11.5%
Total average interest-bearing liabilities	\$ 86,123	100.0%	\$ 79,275	100.0%

The increases in average interest-bearing liabilities for the three and nine months ended September 30, 2019 were driven primarily by growth in our direct deposits.

Net Interest Income

Net interest income increased by \$183 million, or 4.4%, and \$985 million, or 8.4%, for the three and nine months ended September 30, 2019, respectively, primarily driven by higher average loan receivables, partially offset by increases in interest expense reflecting higher benchmark interest rates and growth in our deposit liabilities.

Retailer Share Arrangements

Retailer share arrangements increased by \$145 million, or 16.6%, and \$585 million, or 26.1%, for the three and nine months ended September 30, 2019, respectively, primarily due to improved performance of the programs in which we have retailer share arrangements and growth. The increase in the nine months ended September 30, 2019 also included the effects of the PayPal Credit acquisition.

Provision for Loan Losses

Provision for loan losses decreased by \$432 million, or 29.8%, and \$1,017 million, or 24.8%, for the three and nine months ended September 30, 2019, respectively, primarily driven by reductions in reserves for loan losses related to the Walmart consumer portfolio sale which was completed in October 2019. These reductions totaled \$326 million and \$1,095 million for the three and nine months ended September 30, 2019, respectively. The reduction for the nine months ended September 30, 2019 includes a \$522 million reserve release following the reclassification of the Walmart portfolio to loan receivables held for sale on our Condensed Consolidated Statement of Financial Position in the first quarter of 2019. Our allowance coverage ratio decreased to 6.74% at September 30, 2019, as compared to 7.11% at September 30, 2018.

Other Income

	Three months ended September 30,		Nine months ended September 30,	
(\$ in millions)	2019	2018	2019	2018

Interchange revenue	\$	197	\$	182	\$	556	\$	517
Debt cancellation fees		64		65		201		197
Loyalty programs		(203)		(196)		(562)		(543)
Other		27		12		72		30
Total other income	\$	85	\$	63	\$	267	\$	201

Other income increased by \$22 million, or 34.9%, and \$66 million, or 32.8%, for the three and nine months ended September 30, 2019, respectively. The increases for the three and nine months ended September 30, 2019 were primarily due to an increase in interchange revenue and reductions in certain contingent consideration obligations, partially offset by higher loyalty costs. The increases in interchange revenue were driven by increased purchase volume outside of our retail partners' sales channels.

Other Expense

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Employee costs	\$ 359	\$ 365	\$ 1,070	\$ 1,074
Professional fees	205	232	668	575
Marketing and business development	139	131	397	362
Information processing	127	105	363	308
Other	234	221	668	698
Total other expense	\$ 1,064	\$ 1,054	\$ 3,166	\$ 3,017

Other expense increased by \$10 million, or 0.9%, for the three months ended September 30, 2019. The increase in the three months ended September 30, 2019 was primarily due to an increase in information processing costs, partially offset by a decrease in professional fees and cost savings executed in advance of the Walmart portfolio sale. The increase in information processing costs was primarily due to business growth, including strategic investments. In June 2019 we completed the conversion of the PayPal Credit portfolio, which also contributed to both the increase in information processing costs and the decrease in professional fees.

Other expense increased by \$149 million, or 4.9%, for the nine months ended September 30, 2019, primarily due to increases in professional fees and information processing costs. The increase in professional fees was primarily due to interim servicing costs associated with acquired portfolios, including the PayPal Credit portfolio prior to the conversion in June 2019 and the increase in information processing costs was primarily due to business growth, including strategic investments.

Provision for Income Taxes

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Effective tax rate	23.2%	24.9%	24.0%	23.7%
Provision for income taxes	\$ 319	\$ 222	\$ 950	\$ 625

The effective tax rate for the three months ended September 30, 2019 decreased compared to the same period in the prior year primarily due to the impact of research and development credits recorded in the current year. The effective tax rate for the nine months ended September 30, 2019 increased compared to the same period in the prior year primarily due to a tax benefit recorded in the prior year following a methodology change related to loyalty costs. In each period, the effective tax rate differs from the applicable U.S. federal statutory rate primarily due to state income taxes.

Platform Analysis

As discussed above under “—Our Sales Platforms,” we offer our products through three sales platforms (Retail Card, Payment Solutions and CareCredit), which management measures based on their revenue-generating activities. The following is a discussion of certain supplemental information for the three and nine months ended September 30, 2019, for each of our sales platforms.

Beginning in the first quarter of 2019, our oil and gas retail credit programs, previously reported within our Retail Card sales platform, are now reported within our Payment Solutions sales platform. We have recast all prior-period reported metrics for our Retail Card and Payment Solutions sales platforms to conform to the current-period presentation.

Retail Card

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Purchase volume	\$ 29,282	\$ 27,863	\$ 83,472	\$ 75,930
Period-end loan receivables	\$ 52,697	\$ 59,139	\$ 52,697	\$ 59,139
Average loan receivables, including held for sale	\$ 60,660	\$ 58,964	\$ 60,494	\$ 54,101
Average active accounts (in thousands)	58,082	57,459	58,156	54,717
Interest and fees on loans	\$ 3,570	\$ 3,383	\$ 10,414	\$ 9,313
Retailer share arrangements	\$ (998)	\$ (844)	\$ (2,774)	\$ (2,189)
Other income	\$ 65	\$ 57	\$ 200	\$ 180

Retail Card interest and fees on loans increased by \$187 million, or 5.5%, and \$1,101 million, or 11.8%, for the three and nine months ended September 30, 2019, respectively. The increase was primarily the result of growth in average loan receivables. The increase in the nine months ended September 30, 2019 was also driven by the PayPal Credit acquisition.

Retailer share arrangements increased by \$154 million, or 18.2%, and \$585 million, or 26.7%, for the three and nine months ended September 30, 2019, respectively, primarily as a result of the factors discussed under the heading “Retailer Share Arrangements” above.

Other income increased by \$8 million, or 14.0%, and \$20.0 million, or 11.1%, for the three and nine months ended September 30, 2019, primarily as a result of the factors discussed under the heading “Other Income” above.

Payment Solutions

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Purchase volume	\$ 6,281	\$ 6,007	\$ 17,478	\$ 16,773
Period-end loan receivables	\$ 20,478	\$ 19,064	\$ 20,478	\$ 19,064
Average loan receivables	\$ 20,051	\$ 18,659	\$ 19,654	\$ 18,231
Average active accounts (in thousands)	12,384	12,062	12,354	11,992
Interest and fees on loans	\$ 721	\$ 683	\$ 2,092	\$ 1,970
Retailer share arrangements	\$ (15)	\$ (24)	\$ (48)	\$ (48)
Other income	\$ (1)	\$ (2)	\$ 11	\$ (6)

Payment Solutions interest and fees on loans increased by \$38 million, or 5.6%, and \$122 million, or 6.2%, for the three and nine months ended September 30, 2019, respectively. The increase was primarily driven by growth in average loan receivables.

CareCredit

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Purchase volume	\$ 2,832	\$ 2,573	\$ 8,249	\$ 7,634
Period-end loan receivables	\$ 10,032	\$ 9,318	\$ 10,032	\$ 9,318
Average loan receivables	\$ 9,845	\$ 9,160	\$ 9,604	\$ 8,938
Average active accounts (in thousands)	6,229	5,961	6,143	5,885
Interest and fees on loans	\$ 599	\$ 551	\$ 1,707	\$ 1,587
Retailer share arrangements	\$ (3)	\$ (3)	\$ (7)	\$ (7)
Other income	\$ 21	\$ 8	\$ 56	\$ 27

CareCredit interest and fees on loans increased by \$48 million, or 8.7%, and \$120 million, or 7.6%, for the three and nine months ended September 30, 2019, respectively. The increase was primarily driven by growth in average loan receivables.

Loan Receivables

The following discussion provides supplemental information regarding our loan receivables portfolio.

Loan receivables are our largest category of assets and represent our primary source of revenue. The following table sets forth the composition of our loan receivables portfolio by product type at the dates indicated.

(\$ in millions)	At September 30, 2019	(%)	At December 31, 2018	(%)
Loans				
Credit cards	\$ 79,788	95.8%	\$ 89,994	96.6%
Consumer installment loans	2,050	2.5	1,845	2.0
Commercial credit products	1,317	1.6	1,260	1.4
Other	52	0.1	40	—
Total loans	\$ 83,207	100.0%	\$ 93,139	100.0%

Loan receivables decreased by \$9.9 billion, or 10.7%, at September 30, 2019 compared to December 31, 2018, primarily driven by the reclassification of \$8.2 billion of loan receivables associated with the Walmart portfolio to loan receivables held for sale and the seasonality of our business.

Loan receivables decreased by \$4.3 billion, or 4.9%, at September 30, 2019 compared to September 30, 2018, primarily driven by the reclassification of the Walmart portfolio to loan receivables held for sale, partially offset by higher purchase volume and average active account growth.

Our loan receivables portfolio had the following geographic concentration at September 30, 2019.

<i>(\$ in millions)</i>		Loan Receivables Outstanding	% of Total Loan Receivables Outstanding
State			
California	\$	8,836	10.6%
Texas	\$	8,301	10.0%
Florida	\$	7,004	8.4%
New York	\$	4,784	5.7%
Pennsylvania	\$	3,430	4.1%

Impaired Loans and Troubled Debt Restructurings

Our loss mitigation strategy is intended to minimize economic loss and at times can result in rate reductions, principal forgiveness, extensions or other actions, which may cause the related loan to be classified as a Troubled Debt Restructuring ("TDR") and also be impaired. We use long-term modification programs for borrowers experiencing financial difficulty as a loss mitigation strategy to improve long-term collectability of the loans that are classified as TDRs. The long-term program involves changing the structure of the loan to a fixed payment loan with a maturity no longer than 60 months and reducing the interest rate on the loan. The long-term program does not normally provide for the forgiveness of unpaid principal, but may allow for the reversal of certain unpaid interest or fee assessments. We also make loan modifications for some customers who request financial assistance through external sources, such as a consumer credit counseling agency program. The loans that are modified typically receive a reduced interest rate but continue to be subject to the original minimum payment terms and do not normally include waiver of unpaid principal, interest or fees. The determination of whether these changes to the terms and conditions meet the TDR criteria includes our consideration of all relevant facts and circumstances.

Loans classified as TDRs are recorded at their present value with impairment measured as the difference between the loan balance and the discounted present value of cash flows expected to be collected, discounted at the original effective interest rate of the loan. Our allowance for loan losses on TDRs is generally measured based on the difference between the recorded loan receivable and the present value of the expected future cash flows.

Interest income from loans accounted for as TDRs is accounted for in the same manner as other accruing loans. We accrue interest on credit card balances until the accounts are charged-off in the period the accounts become 180 days past due. The following table presents the amount of loan receivables that are not accruing interest, loans that are 90 days or more past-due and still accruing interest, and earning TDRs for the periods presented.

<i>(\$ in millions)</i>	At September 30, 2019	At December 31, 2018
Non-accrual loan receivables ⁽¹⁾	\$ 5	\$ 5
Loans contractually 90 days past-due and still accruing interest	1,715	2,116
Earning TDRs ⁽²⁾	978	1,085
Non-accrual, past-due and restructured loan receivables	<u>\$ 2,698</u>	<u>\$ 3,206</u>

(1) Excludes purchase credit impaired ("PCI") loan receivables.

(2) At September 30, 2019 and December 31, 2018, balances exclude \$114 million and \$122 million, respectively, of TDRs which are included in loans contractually 90 days past-due and still accruing interest on the balance. See Note 4. *Loan Receivables and Allowance for Loan Losses* to our condensed consolidated financial statements for additional information on the financial effects of TDRs for the three and nine months ended September 30, 2019 and 2018.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Gross amount of interest income that would have been recorded in accordance with the original contractual terms	\$ 68	\$ 68	\$ 198	\$ 195
Interest income recognized	11	13	33	37
Total interest income foregone	\$ 57	\$ 55	\$ 165	\$ 158

Delinquencies

Over-30 day loan delinquencies as a percentage of period-end loan receivables decreased to 4.47% at September 30, 2019 from 4.59% at September 30, 2018, and decreased from 4.76% at December 31, 2018. The decreases were primarily driven by the Walmart portfolio, as the current year rate included minimal delinquencies associated with the Walmart portfolio due to the timing of the portfolio sale in October 2019. The decrease as compared to December 31, 2018 also included the effects of the seasonality of our business.

Net Charge-Offs

Net charge-offs consist of the unpaid principal balance of loans held for investment that we determine are uncollectible, net of recovered amounts. We exclude accrued and unpaid finance charges and fees and third-party fraud losses from charge-offs. Charged-off and recovered finance charges and fees are included in interest and fees on loans while third-party fraud losses are included in other expense. Charge-offs are recorded as a reduction to the allowance for loan losses and subsequent recoveries of previously charged-off amounts are credited to the allowance for loan losses. Costs incurred to recover charged-off loans are recorded as collection expense and included in other expense in our Condensed Consolidated Statements of Earnings.

The table below sets forth the ratio of net charge-offs to average loan receivables, including held for sale, for the periods indicated.

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Ratio of net charge-offs to average loan receivables, including held for sale	5.35%	4.97%	5.80%	5.67%

Allowance for Loan Losses

The allowance for loan losses totaled \$5,607 million at September 30, 2019, compared with \$6,427 million at December 31, 2018 and \$6,223 million at September 30, 2018, representing our best estimate of probable losses inherent in the portfolio. Our allowance for loan losses as a percentage of total loan receivables decreased to 6.74% at September 30, 2019, from 6.90% at December 31, 2018 and decreased from 7.11% at September 30, 2018. The decrease from December 31, 2018 is primarily driven by the reclassification of loan receivables associated with the Walmart portfolio to loan receivables held for sale, partially offset by the seasonality of our business. The decrease compared to the prior year is primarily driven by the reclassification of loan receivables associated with the Walmart portfolio to loan receivables held for sale. See "Business Trends and Conditions — Asset Quality" in our 2018 Form 10-K for discussion of the various factors that contribute to forecasted net charge-offs over the next twelve months.

The following tables provide changes in our allowance for loan losses for the periods presented:

<i>(\$ in millions)</i>	Balance at July 1, 2019	Provision charged to operations	Gross charge-offs	Recoveries	Balance at September 30, 2019
Credit cards	\$ 5,702	\$ 993	\$ (1,422)	\$ 225	\$ 5,498
Consumer installment loans	50	18	(16)	4	56
Commercial credit products	55	9	(14)	2	52
Other	2	(1)	—	—	1
Total	\$ 5,809	\$ 1,019	\$ (1,452)	\$ 231	\$ 5,607

<i>(\$ in millions)</i>	Balance at July 1, 2018	Provision charged to operations	Gross charge-offs	Recoveries	Balance at September 30, 2018
Credit cards	\$ 5,757	\$ 1,427	\$ (1,269)	\$ 202	\$ 6,117
Consumer installment loans	51	9	(13)	4	51
Commercial credit products	50	15	(13)	2	54
Other	1	—	—	—	1
Total	\$ 5,859	\$ 1,451	\$ (1,295)	\$ 208	\$ 6,223

<i>(\$ in millions)</i>	Balance at January 1, 2019	Provision charged to operations	Gross charge-offs	Recoveries	Balance at September 30, 2019
Credit cards	\$ 6,327	\$ 2,994	\$ (4,584)	\$ 761	\$ 5,498
Consumer installment loans	44	46	(47)	13	56
Commercial credit products	55	35	(43)	5	52
Other	1	1	(1)	—	1
Total	\$ 6,427	\$ 3,076	\$ (4,675)	\$ 779	\$ 5,607

<i>(\$ in millions)</i>	Balance at January 1, 2018	Provision charged to operations	Gross charge-offs	Recoveries	Balance at September 30, 2018
Credit cards	\$ 5,483	\$ 4,016	\$ (4,016)	\$ 634	\$ 6,117
Consumer installment loans	40	39	(40)	12	51
Commercial credit products	50	38	(39)	5	54
Other	1	—	—	—	1
Total	\$ 5,574	\$ 4,093	\$ (4,095)	\$ 651	\$ 6,223

Funding, Liquidity and Capital Resources

We maintain a strong focus on liquidity and capital. Our funding, liquidity and capital policies are designed to ensure that our business has the liquidity and capital resources to support our daily operations, our business growth, our credit ratings and our regulatory and policy requirements, in a cost effective and prudent manner through expected and unexpected market environments.

Funding Sources

Our primary funding sources include cash from operations, deposits (direct and brokered deposits), securitized financings and senior unsecured notes.

The following table summarizes information concerning our funding sources during the periods indicated:

	2019			2018		
	Average Balance	%	Average Rate	Average Balance	%	Average Rate
<i>Three months ended September 30 (\$ in millions)</i>						
Deposits ⁽¹⁾	\$ 65,615	75.6%	2.5%	\$ 60,123	73.3%	2.1%
Securitized financings	11,770	13.6	3.0	12,306	15.0	2.8
Senior unsecured notes	9,347	10.8	4.0	9,552	11.7	3.7
Total	\$ 86,732	100.0%	2.7%	\$ 81,981	100.0%	2.4%

(1) Excludes \$283 million and \$275 million average balance of non-interest-bearing deposits for the three months ended September 30, 2019 and 2018, respectively. Non-interest-bearing deposits comprise less than 10% of total deposits for the three months ended September 30, 2019 and 2018.

	2019			2018		
	Average Balance	%	Average Rate	Average Balance	%	Average Rate
<i>Nine months ended September 30 (\$ in millions)</i>						
Deposits ⁽¹⁾	\$ 64,546	74.9%	2.5%	\$ 57,941	73.1%	1.9%
Securitized financings	12,315	14.3	3.0	12,178	15.4	2.6
Senior unsecured notes	9,262	10.8	4.0	9,156	11.5	3.7
Total	\$ 86,123	100.0%	2.7%	\$ 79,275	100.0%	2.2%

(1) Excludes \$280 million and \$282 million average balance of non-interest-bearing deposits for the nine months ended September 30, 2019 and 2018, respectively. Non-interest-bearing deposits comprise less than 10% of total deposits for the nine months ended September 30, 2019 and 2018.

Deposits

We obtain deposits directly from retail and commercial customers (“direct deposits”) or through third-party brokerage firms that offer our deposits to their customers (“brokered deposits”). At September 30, 2019, we had \$53.7 billion in direct deposits and \$12.3 billion in deposits originated through brokerage firms (including network deposit sweeps procured through a program arranger that channels brokerage account deposits to us). A key part of our liquidity plan and funding strategy is to continue to expand our direct deposits base as a source of stable and diversified low-cost funding.

Our direct deposits include a range of FDIC-insured deposit products, including certificates of deposit, IRAs, money market accounts and savings accounts.

Brokered deposits are primarily from retail customers of large brokerage firms. We have relationships with 11 brokers that offer our deposits through their networks. Our brokered deposits consist primarily of certificates of deposit that bear interest at a fixed rate and at September 30, 2019, had a weighted average remaining life of 2.1 years. These deposits generally are not subject to early withdrawal.

Our ability to attract deposits is sensitive to, among other things, the interest rates we pay, and therefore, we bear funding risk if we fail to pay higher rates, or interest rate risk if we are required to pay higher rates, to retain existing deposits or attract new deposits. To mitigate these risks, our funding strategy includes a range of deposit products, and we seek to maintain access to multiple other funding sources, such as securitized financings (including our undrawn committed capacity) and unsecured debt.

The following table summarizes certain information regarding our interest-bearing deposits by type (all of which constitute U.S. deposits) for the periods indicated:

	2019			2018		
	Average Balance	% of Total	Average Rate	Average Balance	% of Total	Average Rate
<i>Three months ended September 30 (\$ in millions)</i>						
Direct deposits:						
Certificates of deposit (including IRA certificates of deposit)	\$ 34,100	52.0%	2.6%	\$ 28,804	47.9%	2.0%
Savings accounts (including money market accounts)	18,856	28.7	2.1	18,072	30.1	1.8
Brokered deposits	12,659	19.3	2.7	13,247	22.0	2.6
Total interest-bearing deposits	\$ 65,615	100.0%	2.5%	\$ 60,123	100.0%	2.1%

	2019			2018		
	Average Balance	% of Total	Average Rate	Average Balance	% of Total	Average Rate
<i>Nine months ended September 30 (\$ in millions)</i>						
Direct deposits:						
Certificates of deposit (including IRA certificates of deposit)	\$ 33,147	51.3%	2.5%	\$ 27,255	47.1%	1.9%
Savings accounts (including money market accounts)	18,626	28.9	2.1	18,031	31.1	1.6
Brokered deposits	12,773	19.8	2.7	12,655	21.8	2.5
Total interest-bearing deposits	\$ 64,546	100.0%	2.5%	\$ 57,941	100.0%	1.9%

Our deposit liabilities provide funding with maturities ranging from one day to ten years. At September 30, 2019, the weighted average maturity of our interest-bearing time deposits was 1.2 years. See Note 7. *Deposits* to our condensed consolidated financial statements for more information on their maturities.

The following table summarizes deposits by contractual maturity at September 30, 2019.

<i>(\$ in millions)</i>	3 Months or Less	Over 3 Months but within 6 Months	Over 6 Months but within 12 Months	Over 12 Months	Total
U.S. deposits (less than \$100,000)⁽¹⁾	\$ 10,507	\$ 3,865	\$ 5,490	\$ 8,626	\$ 28,488
U.S. deposits (\$100,000 or more)					
Direct deposits:					
Certificates of deposit (including IRA certificates of deposit)	2,474	6,470	7,725	5,440	22,109
Savings accounts (including money market accounts)	13,520	—	—	—	13,520
Brokered deposits:					
Sweep accounts	1,855	—	—	—	1,855
Total	\$ 28,356	\$ 10,335	\$ 13,215	\$ 14,066	\$ 65,972

(1) Includes brokered certificates of deposit for which underlying individual deposit balances are assumed to be less than \$100,000.

Securitized Financings

We have been engaged in the securitization of our credit card receivables since 1997. We access the asset-backed securitization market using the Synchrony Credit Card Master Note Trust (“SYNCT”) and the Synchrony Card Issuance Trust (“SYNIT”) through which we issue asset-backed securities through both public transactions and private transactions funded by financial institutions and commercial paper conduits. In addition, we issue asset-backed securities in private transactions through the Synchrony Sales Finance Master Trust (“SFT”).

The following table summarizes expected contractual maturities of the investors' interests in securitized financings, excluding debt premiums, discounts and issuance costs at September 30, 2019.

<i>(\$ in millions)</i>	Less Than One Year	One Year Through Three Years	After Three Through Five Years	After Five Years	Total
Scheduled maturities of long-term borrowings—owed to securitization investors:					
SYNCT ⁽¹⁾	\$ 2,408	\$ 2,800	\$ 1,591	\$ —	\$ 6,799
SFT	300	725	—	—	1,025
SYNIT ⁽¹⁾	—	3,100	—	—	3,100
Total long-term borrowings—owed to securitization investors	\$ 2,708	\$ 6,625	\$ 1,591	\$ —	\$ 10,924

(1) Excludes any subordinated classes of SYNCT notes and SYNIT notes that we owned at September 30, 2019.

We retain exposure to the performance of trust assets through: (i) in the case of SYNCT, SFT and SYNIT, subordinated retained interests in the loan receivables transferred to the trust in excess of the principal amount of the notes for a given series to provide credit enhancement for a particular series, as well as a pari passu seller's interest in each trust and (ii) in the case of SYNCT and SYNIT, any subordinated classes of notes that we own.

All of our securitized financings include early repayment triggers, referred to as early amortization events, including events related to material breaches of representations, warranties or covenants, inability or failure of the Bank to transfer loan receivables to the trusts as required under the securitization documents, failure to make required payments or deposits pursuant to the securitization documents, and certain insolvency-related events with respect to the related securitization depositor, Synchrony (solely with respect to SYNCT) or the Bank. In addition, an early amortization event will occur with respect to a series if the excess spread as it relates to a particular series or for the trust, as applicable, falls below zero. Following an early amortization event, principal collections on the loan receivables in the applicable trust are applied to repay principal of the trust's asset-backed securities rather than being available on a revolving basis to fund the origination activities of our business. The occurrence of an early amortization event also would limit or terminate our ability to issue future series out of the trust in which the early amortization event occurred. No early amortization event has occurred with respect to any of the securitized financings in SYNCT, SFT or SYNIT.

The following table summarizes for each of our trusts the three-month rolling average excess spread at September 30, 2019.

	Note Principal Balance (\$ in millions)	# of Series Outstanding	Three-Month Rolling Average Excess Spread ⁽¹⁾
SYNCT	\$ 7,324	11	~15.6% to 16.6%
SFT	\$ 1,025	9	12.5%
SYNIT	\$ 3,100	5	~15.9% to 16.2%

(1) Represents the excess spread (generally calculated as interest income collected from the applicable pool of loan receivables less applicable net charge-offs, interest expense and servicing costs, divided by the aggregate principal amount of loan receivables in the applicable pool) for SFT or, in the case of SYNCT and SYNIT, a range of the excess spreads relating to the particular series issued within each trust and omitting any series that have not been outstanding for at least three full monthly periods, in each case calculated in accordance with the applicable trust or series documentation, for the three securitization monthly periods ended September 30, 2019.

Senior Unsecured Notes

The following table provides a summary of our outstanding senior unsecured notes at September 30, 2019, which includes \$2.0 billion of senior unsecured notes issued during the nine months ended September 30, 2019.

Issuance Date	Interest Rate ⁽¹⁾	Maturity	Principal Amount Outstanding ⁽²⁾
<i>(\$ in millions)</i>			
Fixed rate senior unsecured notes:			
<i>Synchrony Financial</i>			
August 2014	3.750%	August 2021	750
August 2014	4.250%	August 2024	1,250
February 2015	2.700%	February 2020	750
July 2015	4.500%	July 2025	1,000
August 2016	3.700%	August 2026	500
December 2017	3.950%	December 2027	1,000
March 2019	4.375%	March 2024	600
March 2019	5.150%	March 2029	650
July 2019	2.850%	July 2022	750
<i>Synchrony Bank</i>			
June 2017	3.000%	June 2022	750
May 2018	3.650%	May 2021	750
Total fixed rate senior unsecured notes			<u>\$ 8,750</u>
Floating rate senior unsecured notes:			
<i>Synchrony Financial</i>			
February 2015	Three-month LIBOR plus 1.23%	February 2020	\$ 250
<i>Synchrony Bank</i>			
January 2018	Three-month LIBOR plus 0.625%	March 2020	500
Total floating rate senior unsecured notes			<u>\$ 750</u>

(1) Weighted average interest rate of all senior unsecured notes at September 30, 2019 was 3.77%.

(2) The amounts shown exclude unamortized debt discount, premiums and issuance cost.

Short-Term Borrowings

Except as described above, there were no material short-term borrowings for the periods presented.

Other

At September 30, 2019, we had more than \$25.0 billion of unencumbered assets in the Bank available to be used to generate additional liquidity through secured borrowings or asset sales or to be pledged to the Federal Reserve Board for credit at the discount window.

Covenants

The indenture pursuant to which our senior unsecured notes have been issued includes various covenants. If we do not satisfy any of these covenants, the maturity of amounts outstanding thereunder may be accelerated and become payable. We were in compliance with all of these covenants at September 30, 2019.

At September 30, 2019, we were not in default under any of our credit facilities or senior unsecured notes.

Credit Ratings

Our borrowing costs and capacity in certain funding markets, including securitizations and senior and subordinated debt, may be affected by the credit ratings of the Company, the Bank and the ratings of our asset-backed securities.

The table below reflects our current credit ratings and outlooks:

	S&P	Fitch Ratings
Synchrony Financial		
Senior unsecured debt	BBB-	BBB-
Outlook for Synchrony Financial senior unsecured debt	Stable	Stable
Synchrony Bank		
Senior unsecured debt	BBB	BBB-
Outlook for Synchrony Bank senior unsecured debt	Stable	Stable

In addition, certain of the asset-backed securities issued by SYNCT and SYNIT are rated by Fitch, S&P and/or Moody's. A credit rating is not a recommendation to buy, sell or hold securities, may be subject to revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating. Downgrades in these credit ratings could materially increase the cost of our funding from, and restrict our access to, the capital markets.

Liquidity

We seek to ensure that we have adequate liquidity to sustain business operations, fund asset growth, satisfy debt obligations and to meet regulatory expectations under normal and stress conditions.

We maintain policies outlining the overall framework and general principles for managing liquidity risk across our business, which is the responsibility of our Asset and Liability Management Committee, a subcommittee of our Risk Committee. We employ a variety of metrics to monitor and manage liquidity. We perform regular liquidity stress testing and contingency planning as part of our liquidity management process. We evaluate a range of stress scenarios including Company specific and systemic events that could impact funding sources and our ability to meet liquidity needs.

We maintain a liquidity portfolio, which at September 30, 2019 had \$15.2 billion of liquid assets, primarily consisting of cash and equivalents and short-term obligations of the U.S. Treasury, less cash in transit which is not considered to be liquid, compared to \$14.8 billion of liquid assets at December 31, 2018. The increase in liquid assets was primarily due to the retention of excess cash flows from operations and the seasonality of our business, partially offset by deployment of capital through the execution of our capital plan. On October 11, 2019, we completed our sale and conversion of \$8.2 billion of loan receivables associated with our Retail Card program agreement with Walmart.

As additional sources of liquidity, at September 30, 2019, we had an aggregate of \$6.0 billion of undrawn committed capacity on our securitized financings, subject to customary borrowing conditions, from private lenders under our securitization programs and \$0.5 billion of undrawn committed capacity under our unsecured revolving credit facility with private lenders, and we had more than \$25.0 billion of unencumbered assets in the Bank available to be used to generate additional liquidity through secured borrowings or asset sales or to be pledged to the Federal Reserve Board for credit at the discount window.

As a general matter, investments included in our liquidity portfolio are expected to be highly liquid, giving us the ability to readily convert them to cash. The level and composition of our liquidity portfolio may fluctuate based upon the level of expected maturities of our funding sources as well as operational requirements and market conditions.

We rely significantly on dividends and other distributions and payments from the Bank for liquidity; however, bank regulations, contractual restrictions and other factors limit the amount of dividends and other distributions and payments that the Bank may pay to us. For a discussion of regulatory restrictions on the Bank's ability to pay dividends, see "Regulation—Risk Factors Relating to Regulation—We are subject to restrictions that limit our ability to pay dividends and repurchase our common stock; the Bank is subject to restrictions that limit its ability to pay dividends to us, which could limit our ability to pay dividends, repurchase our common stock or make payments on our indebtedness" and "Regulation—Regulation Relating to Our Business—Savings Association Regulation—Dividends and Stock Repurchases" in our 2018 Form 10-K.

Debt Securities

The following discussion provides supplemental information regarding our debt securities portfolio. All of our debt securities are classified as available-for-sale at September 30, 2019 and December 31, 2018, and are held to meet our liquidity objectives and to comply with the Community Reinvestment Act. Debt securities classified as available-for-sale are reported in our Condensed Consolidated Statements of Financial Position at fair value.

The following table sets forth the amortized cost and fair value of our portfolio of debt securities at the dates indicated:

(\$ in millions)	At September 30, 2019		At December 31, 2018	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
U.S. government and federal agency	\$ 1,196	\$ 1,196	\$ 2,889	\$ 2,888
State and municipal	47	46	50	48
Residential mortgage-backed	1,107	1,102	1,180	1,139
Asset-backed	2,236	2,240	1,988	1,985
U.S. corporate debt	—	—	2	2
Total	\$ 4,586	\$ 4,584	\$ 6,109	\$ 6,062

Unrealized gains and losses, net of the related tax effects, on available-for-sale debt securities that are not other-than-temporarily impaired are excluded from earnings and are reported as a separate component of comprehensive income (loss) until realized. At September 30, 2019, our debt securities had gross unrealized gains of \$11 million and gross unrealized losses of \$13 million. At December 31, 2018, our debt securities had gross unrealized gains of \$1 million and gross unrealized losses of \$48 million.

Our debt securities portfolio had the following maturity distribution at September 30, 2019.

(\$ in millions)	Due in 1 Year or Less	Due After 1 through 5 Years	Due After 5 through 10 Years	Due After 10 years	Total
U.S. government and federal agency	\$ 1,196	\$ —	\$ —	\$ —	\$ 1,196
State and municipal	—	1	3	42	46
Residential mortgage-backed	—	—	132	970	1,102
Asset-backed	1,745	495	—	—	2,240
Total ⁽¹⁾	\$ 2,941	\$ 496	\$ 135	\$ 1,012	\$ 4,584
Weighted average yield ⁽²⁾	2.3%	2.3%	3.2%	2.9%	2.5%

(1) Amounts stated represent estimated fair value.

(2) Weighted average yield is calculated based on the amortized cost of each security. In calculating yield, no adjustment has been made with respect to any tax-exempt obligations.

At September 30, 2019, we did not hold investments in any single issuer with an aggregate book value that exceeded 10% of equity, excluding obligations of the U.S. government.

Capital

Our primary sources of capital have been earnings generated by our business and existing equity capital. We seek to manage capital to a level and composition sufficient to support the risks of our business, meet regulatory requirements, adhere to rating agency targets and support future business growth. The level, composition and utilization of capital are influenced by changes in the economic environment, strategic initiatives and legislative and regulatory developments. Within these constraints, we are focused on deploying capital in a manner that will provide attractive returns to our stockholders.

Synchrony is not currently required to conduct stress tests. See “*Regulation—Regulation Relating to Our Business—Legislative and Regulatory Developments*” in our 2018 Form 10-K. In addition, while as a savings and loan holding company, we have not been subject to the Federal Reserve Board’s capital planning rule to-date, we submitted a capital plan to the Federal Reserve Board in 2019. While not required, our capital plan process does include certain internal stress testing. See “*—Regulation and Supervision*” below, for discussion of the final rules issued by the Federal Reserve Board on October 10, 2019, related to the Federal Reserve Boards enhanced prudential standards and their applicability to savings and loan holding companies.

Dividend and Share Repurchases

Cash Dividends Declared	Month of Payment	Amount per Common Share	Amount
<i>(\$ in millions, except per share data)</i>			
Three months ended March 31, 2019	February, 2019	\$ 0.21	\$ 150
Three months ended June 30, 2019	May, 2019	0.21	145
Three months ended September 30, 2019	August, 2019	0.22	145
Total dividends declared		<u>\$ 0.64</u>	<u>\$ 440</u>

On May 9, 2019, we announced that our Board plans to increase our quarterly dividend to \$0.22 per common share commencing in the third quarter of 2019. The declaration and payment of future dividends to holders of our common stock will be at the discretion of the Board and will depend on many factors. For a discussion of regulatory and other restrictions on our ability to pay dividends and repurchase stock, see “*Regulation—Risk Factors Relating to Regulation—We are subject to restrictions that limit our ability to pay dividends and repurchase our common stock; the Bank is subject to restrictions that limit its ability to pay dividends to us, which could limit our ability to pay dividends, repurchase our common stock or make payments on our indebtedness*” in our 2018 Form 10-K.

Shares Repurchased Under Publicly Announced Programs	Total Number of Shares Purchased	Dollar Value of Shares Purchased
<i>(\$ and shares in millions)</i>		
Three months ended March 31, 2019	30.9	\$ 966
Three months ended June 30, 2019	21.1	\$ 725
Three months ended September 30, 2019	15.6	550
Total	<u>67.6</u>	<u>\$ 2,241</u>

In March 2019, we completed our 2018 Share Repurchase Program of \$2.2 billion. On May 9, 2019, we announced our Board’s approval of a new share repurchase program of up to \$4.0 billion through June 30, 2020 (the “2019 Share Repurchase Program”).

Through the end of the third quarter of 2019, we have repurchased \$1.3 billion of common stock as part of the 2019 Share Repurchase Program and expect to complete the share repurchase program by the end of the second quarter of 2020. We made, and expect to continue to make, share repurchases subject to market conditions and other factors, including legal and regulatory restrictions and required approvals.

Regulatory Capital Requirements - Synchrony Financial

As a savings and loan holding company, we are required to maintain minimum capital ratios, under the applicable U.S. Basel III capital rules. For more information, see “*Regulation—Savings and Loan Holding Company Regulation*” in our 2018 Form 10-K.

For Synchrony Financial to be a well-capitalized savings and loan holding company, Synchrony Bank must be well-capitalized and Synchrony Financial must not be subject to any written agreement, order, capital directive, or prompt corrective action directive issued by the Federal Reserve Board to meet and maintain a specific capital level for any capital measure. As of September 30, 2019, Synchrony Financial met all the requirements to be deemed well-capitalized.

The following table sets forth the composition of our capital ratios for the Company calculated under the Basel III Standardized Approach rules at September 30, 2019 and December 31, 2018, respectively.

(\$ in millions)	Basel III			
	At September 30, 2019		At December 31, 2018	
	Amount	Ratio ⁽¹⁾	Amount	Ratio ⁽¹⁾
Total risk-based capital	\$ 14,345	15.8%	\$ 14,013	15.3%
Tier 1 risk-based capital	\$ 13,155	14.5%	\$ 12,801	14.0%
Tier 1 leverage	\$ 13,155	12.6%	\$ 12,801	12.3%
Common equity Tier 1 capital	\$ 13,155	14.5%	\$ 12,801	14.0%
Risk-weighted assets	\$ 90,772		\$ 91,742	

(1) Tier 1 leverage ratio represents total tier 1 capital as a percentage of total average assets, after certain adjustments. All other ratios presented above represent the applicable capital measure as a percentage of risk-weighted assets.

The increase in our Common equity Tier 1 capital ratio was primarily due to the retention of our net earnings, including the reductions in reserves for loan losses associated with the Walmart portfolio, as well as the seasonal decrease in loan receivables and a corresponding decrease in risk-weighted assets in the nine months ended September 30, 2019. These changes were partially offset by share repurchases and dividend payments.

Regulatory Capital Requirements - Synchrony Bank

At September 30, 2019 and December 31, 2018, the Bank met all applicable requirements to be deemed well-capitalized pursuant to OCC regulations and for purposes of the Federal Deposit Insurance Act. The following table sets forth the composition of the Bank’s capital ratios calculated under the Basel III Standardized Approach rules at September 30, 2019 and December 31, 2018.

(\$ in millions)	At September 30, 2019				At December 31, 2018		Minimum to be Well-Capitalized under Prompt Corrective Action Provisions		
	Amount		Ratio		Amount			Ratio	
	Amount	Ratio	Amount	Ratio	Amount	Ratio		Ratio	
Total risk-based capital	\$ 12,504	15.9%	\$ 12,258	15.4%			10.0%		
Tier 1 risk-based capital	\$ 11,470	14.6%	\$ 11,207	14.1%			8.0%		
Tier 1 leverage	\$ 11,470	12.7%	\$ 11,207	12.4%			5.0%		
Common equity Tier 1 capital	\$ 11,470	14.6%	\$ 11,207	14.1%			6.5%		

Failure to meet minimum capital requirements can result in the initiation of certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could limit our business activities and have a material adverse effect on our business, results of operations and financial condition. See “*Regulation—Risk Factors Relating to Regulation—Failure by Synchrony and the Bank to meet applicable capital adequacy and liquidity requirements could have a material adverse effect on us*” in our 2018 Form 10-K.

Off-Balance Sheet Arrangements and Unfunded Lending Commitments

We do not have any material off-balance sheet arrangements, including guarantees of third-party obligations. Guarantees are contracts or indemnification agreements that contingently require us to make a guaranteed payment or perform an obligation to a third-party based on certain trigger events. At September 30, 2019, we had not recorded any contingent liabilities in our Condensed Consolidated Statement of Financial Position related to any guarantees. See Note 9 - *Fair Value Measurements* to our condensed consolidated financial statements for information on contingent consideration liabilities related to business acquisitions.

We extend credit, primarily arising from agreements with customers for unused lines of credit on our credit cards, in the ordinary course of business. See Note 4 - *Loan Receivables and Allowance for Loan Losses* to our condensed consolidated financial statements for more information on our unfunded lending commitments.

Critical Accounting Estimates

In preparing our condensed consolidated financial statements, we have identified certain accounting estimates and assumptions that we consider to be the most critical to an understanding of our financial statements because they involve significant judgments and uncertainties. The critical accounting estimates we have identified relate to allowance for loan losses and fair value measurements. These estimates reflect our best judgment about current, and for some estimates future, economic and market conditions and their effects based on information available as of the date of these financial statements. If these conditions change from those expected, it is reasonably possible that these judgments and estimates could change, which may result in incremental losses on loan receivables, or material changes to our Condensed Consolidated Statement of Financial Position, among other effects. See "*Management's Discussion and Analysis—Critical Accounting Estimates*" in our 2018 Form 10-K, for a detailed discussion of these critical accounting estimates.

New Accounting Standards

Current Expected Credit Loss

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments*, which is effective for the Company on January 1, 2020. This ASU replaces the existing incurred loss impairment guidance with a new impairment model known as the Current Expected Credit Loss ("CECL") model, which is based on expected credit losses.

We continue to test and refine our estimation models and methodology, assess and develop our internal processes and systems, as well as evaluate the impact on our financial statement disclosures. While we continue to assess the impact CECL will have on January 1, 2020, given the change to expected losses for the estimated life of the financial asset and other significant differences compared to existing GAAP, we estimate that had we adopted this standard at September 30, 2019, this would have resulted in an increase of approximately 50% to 60% to the Company's allowance for loan losses. Such estimate is provided to enhance investors' understanding of the potential effects of CECL to our company, and is based on our preliminary analysis, current economic conditions and expectations at September 30, 2019. This preliminary estimate is contingent upon continued testing and refinement of models, methodologies and judgments, as well as ongoing discussions with our banking regulators. We also expect a decrease in the Company's regulatory capital as a result of adoption. Further, the extent of the actual impact of the adoption of CECL at the effective date will depend on the size and asset quality of the portfolio, and economic conditions and forecasts at adoption.

See Note 2. *Basis of Presentation and Summary of Significant Accounting Policies — New Accounting Standards*, for additional information related to CECL and other recent accounting pronouncements.

Regulation and Supervision

Our business, including our relationships with our customers, is subject to regulation, supervision and examination under U.S. federal, state and foreign laws and regulations. These laws and regulations cover all aspects of our business, including lending practices, treatment of our customers, safeguarding deposits, customer privacy and information security, capital structure, liquidity, dividends and other capital distributions, transactions with affiliates, and conduct and qualifications of personnel.

As a savings and loan holding company and a financial holding company, Synchrony is subject to regulation, supervision and examination by the Federal Reserve Board. As a large provider of consumer financial services, we are also subject to regulation, supervision and examination by the CFPB.

The Bank is a federally chartered savings association. As such, the Bank is subject to regulation, supervision and examination by the OCC, which is its primary regulator, and by the CFPB. In addition, the Bank, as an insured depository institution, is supervised by the FDIC.

On October 10, 2019, the Federal Reserve Board issued final rules that, among other things, tailor the applicability of the Federal Reserve Board's enhanced prudential standards and apply certain standards for the first time to savings and loan holding companies, including Synchrony.

The final rules tailor existing regulatory requirements related to liquidity, capital, and other enhanced prudential standards to an institution's risk and complexity profile for certain mid-size and large banking organizations using categories based on size and other factors. Synchrony, like most banking organizations with total assets of \$100 billion or more, but less than \$250 billion, will be categorized as a Category IV organization.

The new standards applicable to Synchrony include supervisory stress testing to be performed biennially, commencing in 2022, and also include liquidity risk management, liquidity stress testing, and liquidity buffer requirements, and requirements to have in place a global risk-management framework and a risk committee of the board of directors, each of which becomes applicable to Synchrony in 2021.

Under the final rules, while our current capital plan process includes certain internal stress testing, Synchrony continues not to be required to conduct company-run stress tests, and, provided we continue to have less than \$50 billion of weighted short-term wholesale funding, we also are not subject to the Liquidity Coverage Ratio or, once finalized, the Net Stable Funding Ratio.

In connection with the final rules, the Federal Reserve Board noted that it intends to propose a rule to conform capital plan submission requirements for certain savings and loan holding companies, including Synchrony, to those of comparably-sized bank holding companies, which would also result in Synchrony becoming subject to the Comprehensive Capital Analysis and Review (CCAR) process.

See "*Regulation*" in our 2018 Form 10-K for additional information on regulations that are currently applicable to us. See also "*Capital*" above, for discussion of the impact of regulations and supervision on our capital and liquidity, including our ability to pay dividends and repurchase stock.

ITEM 1. FINANCIAL STATEMENTS

Synchrony Financial and subsidiaries Condensed Consolidated Statements of Earnings (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<i>(\$ in millions, except per share data)</i>				
Interest income:				
Interest and fees on loans (Note 4)	\$ 4,890	\$ 4,617	\$ 14,213	\$ 12,870
Interest on cash and debt securities	91	77	292	242
Total interest income	4,981	4,694	14,505	13,112
Interest expense:				
Interest on deposits	411	314	1,183	836
Interest on borrowings of consolidated securitization entities	88	86	278	240
Interest on senior unsecured notes	93	88	274	251
Total interest expense	592	488	1,735	1,327
Net interest income	4,389	4,206	12,770	11,785
Retailer share arrangements	(1,016)	(871)	(2,829)	(2,244)
Provision for loan losses (Note 4)	1,019	1,451	3,076	4,093
Net interest income, after retailer share arrangements and provision for loan losses	2,354	1,884	6,865	5,448
Other income:				
Interchange revenue	197	182	556	517
Debt cancellation fees	64	65	201	197
Loyalty programs	(203)	(196)	(562)	(543)
Other	27	12	72	30
Total other income	85	63	267	201
Other expense:				
Employee costs	359	365	1,070	1,074
Professional fees	205	232	668	575
Marketing and business development	139	131	397	362
Information processing	127	105	363	308
Other	234	221	668	698
Total other expense	1,064	1,054	3,166	3,017
Earnings before provision for income taxes	1,375	893	3,966	2,632
Provision for income taxes (Note 12)	319	222	950	625
Net earnings	\$ 1,056	\$ 671	\$ 3,016	\$ 2,007
Earnings per share				
Basic	\$ 1.60	\$ 0.91	\$ 4.42	\$ 2.68
Diluted	\$ 1.60	\$ 0.91	\$ 4.40	\$ 2.66

See accompanying notes to condensed consolidated financial statements.

Synchrony Financial and subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net earnings	\$ 1,056	\$ 671	\$ 3,016	\$ 2,007
Other comprehensive income (loss)				
Debt securities	3	(5)	35	(29)
Currency translation adjustments	(1)	—	—	(6)
Employee benefit plans	(3)	(1)	(4)	—
Other comprehensive income (loss)	(1)	(6)	31	(35)
Comprehensive income	\$ 1,055	\$ 665	\$ 3,047	\$ 1,972

Amounts presented net of taxes.

See accompanying notes to condensed consolidated financial statements.

Synchrony Financial and subsidiaries
Condensed Consolidated Statements of Financial Position (Unaudited)

(\$ in millions)	<u>At September 30, 2019</u>	<u>At December 31, 2018</u>
Assets		
Cash and equivalents	\$ 11,461	\$ 9,396
Debt securities (Note 3)	4,584	6,062
Loan receivables: (Notes 4 and 5)		
Unsecuritized loans held for investment	56,220	64,969
Restricted loans of consolidated securitization entities	26,987	28,170
Total loan receivables	<u>83,207</u>	<u>93,139</u>
Less: Allowance for loan losses	(5,607)	(6,427)
Loan receivables, net	<u>77,600</u>	<u>86,712</u>
Loan receivables held for sale (Note 4)	8,182	—
Goodwill	1,078	1,024
Intangible assets, net (Note 6)	1,177	1,137
Other assets	1,861	2,461
Total assets	<u>\$ 105,943</u>	<u>\$ 106,792</u>
Liabilities and Equity		
Deposits: (Note 7)		
Interest-bearing deposit accounts	\$ 65,677	\$ 63,738
Non-interest-bearing deposit accounts	295	281
Total deposits	<u>65,972</u>	<u>64,019</u>
Borrowings: (Notes 5 and 8)		
Borrowings of consolidated securitization entities	10,912	14,439
Senior unsecured notes	9,451	9,557
Total borrowings	<u>20,363</u>	<u>23,996</u>
Accrued expenses and other liabilities	4,488	4,099
Total liabilities	<u>\$ 90,823</u>	<u>\$ 92,114</u>
Equity:		
Common Stock, par share value \$0.001 per share; 4,000,000,000 shares authorized; 833,984,684 shares issued at both September 30, 2019 and December 31, 2018; 653,656,880 and 718,758,598 shares outstanding at September 30, 2019 and December 31, 2018, respectively	\$ 1	\$ 1
Additional paid-in capital	9,520	9,482
Retained earnings	11,533	8,986
Accumulated other comprehensive income (loss):		
Debt securities	(2)	(32)
Currency translation adjustments	(28)	(25)
Other	(14)	(5)
Treasury Stock, at cost; 180,327,804 and 115,226,086 shares at September 30, 2019 and December 31, 2018, respectively	(5,890)	(3,729)
Total equity	<u>15,120</u>	<u>14,678</u>
Total liabilities and equity	<u>\$ 105,943</u>	<u>\$ 106,792</u>

See accompanying notes to condensed consolidated financial statements.

Synchrony Financial and subsidiaries
Condensed Consolidated Statements of Changes in Equity (Unaudited)

(\$ in millions, shares in thousands)	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
	Shares Issued	Amount					
Balance at January 1, 2018	833,985	\$ 1	\$ 9,445	\$ 6,809	\$ (64)	\$ (1,957)	\$ 14,234
Net earnings	—	—	—	640	—	—	640
Other comprehensive income	—	—	—	—	(22)	—	(22)
Purchases of treasury stock	—	—	—	—	—	(410)	(410)
Stock-based compensation	—	—	25	(1)	—	4	28
Dividends - common stock (\$0.15 per share)	—	—	—	(114)	—	—	(114)
Balance at March 31, 2018	833,985	\$ 1	\$ 9,470	\$ 7,334	\$ (86)	\$ (2,363)	\$ 14,356
Net earnings	—	—	—	696	—	—	696
Other comprehensive income	—	—	—	—	(7)	—	(7)
Purchases of treasury stock	—	—	—	—	—	(491)	(491)
Stock-based compensation	—	—	16	(11)	—	12	17
Dividends - common stock (\$0.15 per share)	—	—	—	(113)	—	—	(113)
Balance at June 30, 2018	833,985	\$ 1	\$ 9,486	\$ 7,906	\$ (93)	\$ (2,842)	\$ 14,458
Net earnings	—	—	—	671	—	—	671
Other comprehensive income	—	—	—	—	(6)	—	(6)
Purchases of treasury stock	—	—	—	—	—	(967)	(967)
Stock-based compensation	—	—	(16)	(69)	—	78	(7)
Dividends - common stock (\$0.21 per share)	—	—	—	(156)	—	—	(156)
Other	—	—	—	3	—	—	3
Balance at September 30, 2018	833,985	\$ 1	\$ 9,470	\$ 8,355	\$ (99)	\$ (3,731)	\$ 13,996

Synchrony Financial and subsidiaries
Condensed Consolidated Statements of Changes in Equity (Unaudited)
(Continued)

(\$ in millions, shares in thousands)	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
	Shares Issued	Amount					
Balance at January 1, 2019	833,985	\$ 1	\$ 9,482	\$ 8,986	\$ (62)	\$ (3,729)	\$ 14,678
Net earnings	—	—	—	1,107	—	—	1,107
Other comprehensive income	—	—	—	—	19	—	19
Purchases of treasury stock	—	—	—	—	—	(967)	(967)
Stock-based compensation	—	—	7	(17)	—	32	22
Dividends - common stock (\$0.21 per share)	—	—	—	(150)	—	—	(150)
Other	—	—	—	13	(13)	—	—
Balance at March 31, 2019	833,985	\$ 1	\$ 9,489	\$ 9,939	\$ (56)	\$ (4,664)	\$ 14,709
Net earnings	—	—	—	853	—	—	853
Other comprehensive income	—	—	—	—	13	—	13
Purchases of treasury stock	—	—	—	—	—	(725)	(725)
Stock-based compensation	—	—	11	(20)	—	38	29
Dividends - common stock (\$0.21 per share)	—	—	—	(145)	—	—	(145)
Balance at June 30, 2019	833,985	\$ 1	\$ 9,500	\$ 10,627	\$ (43)	\$ (5,351)	\$ 14,734
Net earnings	—	—	—	1,056	—	—	1,056
Other comprehensive income	—	—	—	—	(1)	—	(1)
Purchases of treasury stock	—	—	—	—	—	(550)	(550)
Stock-based compensation	—	—	20	(5)	—	11	26
Dividends - common stock (\$0.22 per share)	—	—	—	(145)	—	—	(145)
Balance at September 30, 2019	833,985	\$ 1	\$ 9,520	\$ 11,533	\$ (44)	\$ (5,890)	\$ 15,120

See accompanying notes to condensed consolidated financial statements.

Synchrony Financial and subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)

(\$ in millions)	Nine months ended September 30,	
	2019	2018
Cash flows - operating activities		
Net earnings	\$ 3,016	\$ 2,007
Adjustments to reconcile net earnings to cash provided from operating activities		
Provision for loan losses	3,076	4,093
Deferred income taxes	103	(53)
Depreciation and amortization	273	222
(Increase) decrease in interest and fees receivable	(430)	(36)
(Increase) decrease in other assets	46	(39)
Increase (decrease) in accrued expenses and other liabilities	125	120
All other operating activities	445	452
Cash provided from (used for) operating activities	6,654	6,766
Cash flows - investing activities		
Maturity and sales of debt securities	6,766	3,961
Purchases of debt securities	(5,178)	(6,805)
Acquisition of loan receivables	(72)	(7,342)
Net (increase) decrease in loan receivables, including held for sale	(2,016)	(1,950)
All other investing activities	(442)	(615)
Cash provided from (used for) investing activities	(942)	(12,751)
Cash flows - financing activities		
Borrowings of consolidated securitization entities		
Proceeds from issuance of securitized debt	3,345	4,493
Maturities and repayment of securitized debt	(6,877)	(2,807)
Senior unsecured notes		
Proceeds from issuance of senior unsecured notes	1,985	1,244
Maturities and repayment of senior unsecured notes	(2,100)	—
Net increase (decrease) in deposits	1,940	5,792
Purchases of treasury stock	(2,242)	(1,868)
Dividends paid on common stock	(440)	(383)
All other financing activities	22	(32)
Cash provided from (used for) financing activities	(4,367)	6,439
Increase (decrease) in cash and equivalents, including restricted amounts	1,345	454
Cash and equivalents, including restricted amounts, at beginning of period	10,376	11,817
Cash and equivalents at end of period:		
Cash and equivalents	11,461	12,068
Restricted cash and equivalents included in other assets	260	203
Total cash and equivalents, including restricted amounts, at end of period	\$ 11,721	\$ 12,271

See accompanying notes to condensed consolidated financial statements.

Synchrony Financial and subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1. BUSINESS DESCRIPTION

Synchrony Financial (the “Company”) provides a range of credit products through financing programs it has established with a diverse group of national and regional retailers, local merchants, manufacturers, buying groups, industry associations and healthcare service providers. We primarily offer private label, Dual Card and general purpose co-branded credit cards, promotional financing and installment lending, and FDIC-insured savings products through Synchrony Bank (the “Bank”).

References to the “Company”, “we”, “us” and “our” are to Synchrony Financial and its consolidated subsidiaries unless the context otherwise requires.

NOTE 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements were prepared in conformity with U.S. generally accepted accounting principles (“GAAP”).

Preparing financial statements in conformity with U.S. GAAP requires us to make estimates based on assumptions about current, and for some estimates, future, economic and market conditions (for example, unemployment, housing, interest rates and market liquidity) which affect reported amounts and related disclosures in our condensed consolidated financial statements. Although our current estimates contemplate current conditions and how we expect them to change in the future, as appropriate, it is reasonably possible that actual conditions could be different than anticipated in those estimates, which could materially affect our results of operations and financial position. Among other effects, such changes could result in incremental losses on loan receivables, future impairments of debt securities, goodwill and intangible assets, increases in reserves for contingencies, establishment of valuation allowances on deferred tax assets and increases in our tax liabilities.

We primarily conduct our operations within the United States and Canada. Substantially all of our revenues are from U.S. customers. The operating activities conducted by our non-U.S. affiliates use the local currency as their functional currency. The effects of translating the financial statements of these non-U.S. affiliates to U.S. dollars are included in equity. Asset and liability accounts are translated at period-end exchange rates, while revenues and expenses are translated at average rates for the respective periods.

Consolidated Basis of Presentation

The Company’s financial statements have been prepared on a consolidated basis. Under this basis of presentation, our financial statements consolidate all of our subsidiaries – i.e., entities in which we have a controlling financial interest, most often because we hold a majority voting interest.

To determine if we hold a controlling financial interest in an entity, we first evaluate if we are required to apply the variable interest entity (“VIE”) model to the entity, otherwise the entity is evaluated under the voting interest model. Where we hold current or potential rights that give us the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance (“power”) combined with a variable interest that gives us the right to receive potentially significant benefits or the obligation to absorb potentially significant losses (“significant economics”), we have a controlling financial interest in that VIE. Rights held by others to remove the party with power over the VIE are not considered unless one party can exercise those rights unilaterally. We consolidate certain securitization entities under the VIE model because we have both power and significant economics. See Note 5. *Variable Interest Entities*.

Interim Period Presentation

The condensed consolidated financial statements and notes thereto are unaudited. These statements include all adjustments (consisting of normal recurring accruals) that we considered necessary to present a fair statement of our results of operations, financial position and cash flows. The results reported in these condensed consolidated financial statements should not be considered as necessarily indicative of results that may be expected for the entire year. These condensed consolidated financial statements should be read in conjunction with our 2018 annual consolidated financial statements and the related notes in our Annual Report on Form 10-K for the year ended December 31, 2018 (our "2018 Form 10-K").

New Accounting Standards

Newly Adopted Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The ASU requires lessees to recognize most leases on their balance sheet. Leases which are identified as capital leases, are now generally identified as financing leases under the new guidance but otherwise their accounting treatment remains relatively unchanged. Leases identified as operating leases generally remain in that category under the new standard, but both a right-of-use asset and a liability for the remaining lease payments are required to be recognized on our statement of financial position. We adopted this guidance retrospectively in the current year as of January 1, 2019, which did not have a material impact on our consolidated financial statements.

Recently Issued But Not Yet Adopted Accounting Standards

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments. This ASU replaces the existing incurred loss impairment guidance with a new impairment model known as the Current Expected Credit Loss ("CECL") model, which is based on expected credit losses. The CECL model permits the use of judgment in determining an approach which is most appropriate for the Company, based on their facts and circumstances. The CECL model requires, upon origination of a loan, the recognition of all expected credit losses over the life of the loan based on historical experience, current conditions and reasonable and supportable forecasts. Upon origination of a loan, the estimate of expected credit losses, and any subsequent changes to such estimate, will be recorded through provision for loan losses in our Consolidated Statement of Earnings.

This standard is effective for annual and interim reporting periods for fiscal years beginning after December 15, 2019, with early adoption permitted for annual and interim periods for fiscal years beginning after December 15, 2018. We plan to adopt the standard on its effective date, which for us is January 1, 2020. Upon adoption, the amendments in this standard will be recognized through a cumulative-effect adjustment to retained earnings.

We have created a company-wide approach to evaluating the effects of implementing this standard. We continue to test and refine the related estimation models to meet the requirements of the standard and have commenced parallel testing on our core model. We are finalizing the evaluation of key accounting interpretations and methodologies. As we finalize the estimation models and technical decisions, as well as ongoing discussions with our banking regulators, we expect to perform additional parallel tests, including running the full estimation framework prior to adoption.

We continue to assess and develop our internal processes and systems, in addition to evaluating the impact on our financial statement disclosures. We expect that the impact of adopting this new standard at the effective date will result in a material increase to the Company's allowance for loan losses and result in a decrease in regulatory capital. The extent of the impact of the adoption of CECL at the effective date will depend on the size and asset quality of the portfolio, and economic conditions and forecasts at adoption, as well as any refinements to our models, methodology and other assumptions.

See Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* to our 2018 annual consolidated financial statements in our 2018 Form 10-K, for additional information on our significant accounting policies.

NOTE 3. DEBT SECURITIES

All of our debt securities are classified as available-for-sale and are held to meet our liquidity objectives or to comply with the Community Reinvestment Act ("CRA"). Our debt securities consist of the following:

	September 30, 2019				December 31, 2018			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
<i>(\$ in millions)</i>								
U.S. government and federal agency	\$ 1,196	\$ —	\$ —	\$ 1,196	\$ 2,889	\$ —	\$ (1)	\$ 2,888
State and municipal	47	1	(2)	46	50	—	(2)	48
Residential mortgage-backed ^(a)	1,107	6	(11)	1,102	1,180	1	(42)	1,139
Asset-backed ^(b)	2,236	4	—	2,240	1,988	—	(3)	1,985
U.S. corporate debt	—	—	—	—	2	—	—	2
Total	\$ 4,586	\$ 11	\$ (13)	\$ 4,584	\$ 6,109	\$ 1	\$ (48)	\$ 6,062

(a) All of our residential mortgage-backed securities have been issued by government-sponsored entities and are collateralized by U.S. mortgages. At September 30, 2019 and December 31, 2018, \$343 million and \$313 million of residential mortgage-backed securities, respectively, are pledged by the Bank as collateral to the Federal Reserve to secure Federal Reserve Discount Window advances.

(b) All of our asset-backed securities are collateralized by credit card loans.

The following table presents the estimated fair values and gross unrealized losses of our available-for-sale debt securities:

	In loss position for			
	Less than 12 months		12 months or more	
	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
<i>(\$ in millions)</i>				
<i>At September 30, 2019</i>				
U.S. government and federal agency	\$ —	\$ —	\$ —	\$ —
State and municipal	—	—	25	(2)
Residential mortgage-backed	86	—	662	(11)
Asset-backed	396	—	10	—
Total	\$ 482	\$ —	\$ 697	\$ (13)
<i>At December 31, 2018</i>				
U.S. government and federal agency	\$ 2,838	\$ (1)	\$ —	\$ —
State and municipal	23	(1)	8	(1)
Residential mortgage-backed	102	—	933	(42)
Asset-backed	1,665	(2)	114	(1)
Total	\$ 4,628	\$ (4)	\$ 1,055	\$ (44)

We regularly review debt securities for impairment using both qualitative and quantitative criteria. We presently do not intend to sell our debt securities that are in an unrealized loss position and believe that it is not more likely than not that we will be required to sell these securities before recovery of our amortized cost.

There were no other-than-temporary impairments recognized during the nine months ended September 30, 2019 and 2018.

Contractual Maturities of Investments in Available-for-Sale Debt Securities

At September 30, 2019 (\$ in millions)	Amortized cost	Estimated fair value
Due		
Within one year	\$ 2,938	\$ 2,941
After one year through five years	\$ 495	\$ 496
After five years through ten years	\$ 133	\$ 135
After ten years	\$ 1,020	\$ 1,012

We expect actual maturities to differ from contractual maturities because borrowers have the right to prepay certain obligations.

There were no material realized gains or losses recognized for the nine months ended September 30, 2019 and 2018.

Although we generally do not have the intent to sell any specific securities held at September 30, 2019, in the ordinary course of managing our debt securities portfolio, we may sell securities prior to their maturities for a variety of reasons, including diversification, credit quality, yield, liquidity requirements and funding obligations.

NOTE 4. LOAN RECEIVABLES AND ALLOWANCE FOR LOAN LOSSES

(\$ in millions)	September 30, 2019	December 31, 2018
Credit cards	\$ 79,788	\$ 89,994
Consumer installment loans	2,050	1,845
Commercial credit products	1,317	1,260
Other	52	40
Total loan receivables, before allowance for losses ^{(a)(b)}	\$ 83,207	\$ 93,139

(a) Total loan receivables include \$27.0 billion and \$28.2 billion of restricted loans of consolidated securitization entities at September 30, 2019 and December 31, 2018, respectively. See Note 5. *Variable Interest Entities* for further information on these restricted loans.

(b) At September 30, 2019 and December 31, 2018, loan receivables included deferred costs, net of deferred income, of \$110 million and \$105 million, respectively.

Loan Receivables Held for Sale

During the first quarter of 2019, we entered into an agreement to sell loan receivables associated with our Retail Card program agreement with Walmart. As a result, at September 30, 2019, \$8.2 billion of loan receivables are classified as loan receivables held for sale on our Condensed Consolidated Statement of Financial Position and we recorded a \$522 million reserve release in our provision for loan losses in the first quarter of 2019 following the reclassification of the Walmart portfolio to loan receivables held for sale. At September 30, 2019, approximately \$1.1 billion of the loan receivables held for sale are restricted loans of our consolidated securitization entities. See Note 5. *Variable Interest Entities* for further information. On October 11, 2019, we completed our sale of \$8.2 billion of loan receivables associated with our Retail Card program agreement with Walmart.

Allowance for Loan Losses

(\$ in millions)	Balance at July 1, 2019	Provision charged to operations	Gross charge-offs	Recoveries	Balance at September 30, 2019
Credit cards	\$ 5,702	\$ 993	\$ (1,422)	\$ 225	\$ 5,498
Consumer installment loans	50	18	(16)	4	56
Commercial credit products	55	9	(14)	2	52
Other	2	(1)	—	—	1
Total	\$ 5,809	\$ 1,019	\$ (1,452)	\$ 231	\$ 5,607

(\$ in millions)	Balance at July 1, 2018	Provision charged to operations	Gross charge-offs	Recoveries	Balance at September 30, 2018
Credit cards	\$ 5,757	\$ 1,427	\$ (1,269)	\$ 202	\$ 6,117
Consumer installment loans	51	9	(13)	4	51
Commercial credit products	50	15	(13)	2	54
Other	1	—	—	—	1
Total	\$ 5,859	\$ 1,451	\$ (1,295)	\$ 208	\$ 6,223

(\$ in millions)	Balance at January 1, 2019	Provision charged to operations	Gross charge-offs	Recoveries	Balance at September 30, 2019
Credit cards	\$ 6,327	\$ 2,994	\$ (4,584)	\$ 761	\$ 5,498
Consumer installment loans	44	46	(47)	13	56
Commercial credit products	55	35	(43)	5	52
Other	1	1	(1)	—	1
Total	\$ 6,427	\$ 3,076	\$ (4,675)	\$ 779	\$ 5,607

(\$ in millions)	Balance at January 1, 2018	Provision charged to operations	Gross charge-offs	Recoveries	Balance at September 30, 2018
Credit cards	\$ 5,483	\$ 4,016	\$ (4,016)	\$ 634	\$ 6,117
Consumer installment loans	40	39	(40)	12	51
Commercial credit products	50	38	(39)	5	54
Other	1	—	—	—	1
Total	\$ 5,574	\$ 4,093	\$ (4,095)	\$ 651	\$ 6,223

Delinquent and Non-accrual Loans

At September 30, 2019 (\$ in millions)	30-89 days delinquent	90 or more days delinquent	Total past due	90 or more days delinquent and accruing	Total non-accruing ^(a)
Credit cards	\$ 1,935	\$ 1,703	\$ 3,638	\$ 1,700	\$ —
Consumer installment loans	29	5	34	—	5
Commercial credit products	36	15	51	15	—
Total delinquent loans	\$ 2,000	\$ 1,723	\$ 3,723	\$ 1,715	\$ 5
Percentage of total loan receivables	2.4%	2.1%	4.5%	2.1%	—%

<i>At December 31, 2018 (\$ in millions)</i>	30-89 days delinquent	90 or more days delinquent	Total past due	90 or more days delinquent and accruing	Total non-accruing^(a)
Credit cards	\$ 2,229	\$ 2,113	\$ 4,342	\$ 2,099	\$ —
Consumer installment loans	28	5	33	—	5
Commercial credit products	38	17	55	17	—
Total delinquent loans	<u>\$ 2,295</u>	<u>\$ 2,135</u>	<u>\$ 4,430</u>	<u>\$ 2,116</u>	<u>\$ 5</u>
Percentage of total loan receivables	<u>2.5%</u>	<u>2.3%</u>	<u>4.8%</u>	<u>2.3%</u>	<u>0.1%</u>

(a) Excludes purchase credit impaired loan receivables.

Impaired Loans and Troubled Debt Restructurings

Most of our non-accrual loan receivables are smaller balance loans evaluated collectively, by portfolio, for impairment and therefore are outside the scope of the disclosure requirements for impaired loans. Accordingly, impaired loans represent restructured smaller balance homogeneous loans meeting the definition of a Troubled Debt Restructuring ("TDR"). We use certain loan modification programs for borrowers experiencing financial difficulties. These loan modification programs include interest rate reductions and payment deferrals in excess of three months, which were not part of the terms of the original contract. Our TDR loans do not include loans that are classified as loan receivables held for sale.

We have both internal and external loan modification programs. We use long-term modification programs for borrowers experiencing financial difficulty as a loss mitigation strategy to improve long-term collectability of the loans that are classified as TDRs. The long-term program involves changing the structure of the loan to a fixed payment loan with a maturity no longer than 60 months and reducing the interest rate on the loan. The long-term program does not normally provide for the forgiveness of unpaid principal but may allow for the reversal of certain unpaid interest or fee assessments. We also make loan modifications for customers who request financial assistance through external sources, such as consumer credit counseling agency programs. These loans typically receive a reduced interest rate but continue to be subject to the original minimum payment terms and do not normally include waiver of unpaid principal, interest or fees. The following table provides information on loans that entered a loan modification program during the periods presented:

<i>(\$ in millions)</i>	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Credit cards	\$ 226	\$ 227	\$ 633	\$ 644
Consumer installment loans	—	—	—	—
Commercial credit products	1	1	3	3
Total	<u>\$ 227</u>	<u>\$ 228</u>	<u>\$ 636</u>	<u>\$ 647</u>

Our allowance for loan losses on TDRs is generally measured based on the difference between the recorded loan receivable and the present value of the expected future cash flows, discounted at the original effective interest rate of the loan. Interest income from loans accounted for as TDRs is accounted for in the same manner as other accruing loans.

The following table provides information about loans classified as TDRs and specific reserves. We do not evaluate credit card loans for impairment on an individual basis but instead estimate an allowance for loan losses on a collective basis. As a result, there are no impaired loans for which there is no allowance.

	Total recorded investment	Related allowance	Net recorded investment	Unpaid principal balance
<i>At September 30, 2019 (\$ in millions)</i>				
Credit cards	\$ 1,088	\$ (513)	\$ 575	\$ 985
Consumer installment loans	—	—	—	—
Commercial credit products	4	(2)	2	4
Total	\$ 1,092	\$ (515)	\$ 577	\$ 989

	Total recorded investment	Related allowance	Net recorded investment	Unpaid principal balance
<i>At December 31, 2018 (\$ in millions)</i>				
Credit cards	\$ 1,203	\$ (546)	\$ 657	\$ 1,086
Consumer installment loans	—	—	—	—
Commercial credit products	4	(2)	2	4
Total	\$ 1,207	\$ (548)	\$ 659	\$ 1,090

Financial Effects of TDRs

As part of our loan modifications for borrowers experiencing financial difficulty, we may provide multiple concessions to minimize our economic loss and improve long-term loan performance and collectability. The following table presents the types and financial effects of loans modified and accounted for as TDRs during the periods presented:

Three months ended September 30,

	2019			2018		
	Interest income recognized during period when loans were impaired	Interest income that would have been recorded with original terms	Average recorded investment	Interest income recognized during period when loans were impaired	Interest income that would have been recorded with original terms	Average recorded investment
<i>(\$ in millions)</i>						
Credit cards	\$ 11	\$ 67	\$ 1,074	\$ 13	\$ 67	\$ 1,122
Consumer installment loans	—	—	—	—	—	—
Commercial credit products	—	1	4	—	1	5
Total	\$ 11	\$ 68	\$ 1,078	\$ 13	\$ 68	\$ 1,127

Nine months ended September 30,

	2019			2018		
	Interest income recognized during period when loans were impaired	Interest income that would have been recorded with original terms	Average recorded investment	Interest income recognized during period when loans were impaired	Interest income that would have been recorded with original terms	Average recorded investment
<i>(\$ in millions)</i>						
Credit cards	\$ 33	\$ 197	\$ 1,103	\$ 37	\$ 194	\$ 1,089
Consumer installment loans	—	—	—	—	—	—
Commercial credit products	—	1	4	—	1	5
Total	\$ 33	\$ 198	\$ 1,107	\$ 37	\$ 195	\$ 1,094

Payment Defaults

The following table presents the type, number and amount of loans accounted for as TDRs that enrolled in a modification plan within the previous 12 months from the applicable balance sheet date and experienced a payment default during the periods presented. A customer defaults from a modification program after two consecutive missed payments.

Three months ended September 30,

(\$ in millions)	2019		2018	
	Accounts defaulted	Loans defaulted	Accounts defaulted	Loans defaulted
Credit cards	15,059	\$ 37	18,719	\$ 43
Consumer installment loans	—	—	—	—
Commercial credit products	40	—	74	—
Total	15,099	\$ 37	18,793	\$ 43

Nine months ended September 30,

(\$ in millions)	2019		2018	
	Accounts defaulted	Loans defaulted	Accounts defaulted	Loans defaulted
Credit cards	36,529	\$ 88	43,361	\$ 101
Consumer installment loans	—	—	—	—
Commercial credit products	80	1	340	1
Total	36,609	\$ 89	43,701	\$ 102

Credit Quality Indicators

Our loan receivables portfolio includes both secured and unsecured loans. Secured loan receivables are largely comprised of consumer installment loans secured by equipment. Unsecured loan receivables are largely comprised of our open-ended consumer and commercial revolving credit card loans. As part of our credit risk management activities, on an ongoing basis, we assess overall credit quality by reviewing information related to the performance of a customer's account with us, as well as information from credit bureaus, such as a Fair Isaac Corporation ("FICO") or other credit scores, relating to the customer's broader credit performance. FICO scores are generally obtained at origination of the account and are refreshed, at a minimum quarterly, but could be as often as weekly, to assist in predicting customer behavior. We categorize these credit scores into the following three credit score categories: (i) 661 or higher, which are considered the strongest credits; (ii) 601 to 660, considered moderate credit risk; and (iii) 600 or less, which are considered weaker credits. There are certain customer accounts for which a FICO score is not available where we use alternative sources to assess their credit and predict behavior. The following table provides the most recent FICO scores available for our customers at September 30, 2019, December 31, 2018 and September 30, 2018, respectively, as a percentage of each class of loan receivable. The table below excludes 0.9%, 0.5% and 0.5% of our total loan receivables balance at each of September 30, 2019, December 31, 2018 and September 30, 2018, respectively, which represents those customer accounts for which a FICO score is not available.

	September 30, 2019			December 31, 2018			September 30, 2018		
	661 or higher	601 to 660	600 or less	661 or higher	601 to 660	600 or less	661 or higher	601 to 660	600 or less
Credit cards	75%	19%	6%	74%	18%	8%	74%	18%	8%
Consumer installment loans	80%	14%	6%	80%	14%	6%	81%	14%	5%
Commercial credit products	91%	5%	4%	90%	5%	5%	91%	5%	4%

Unfunded Lending Commitments

We manage the potential risk in credit commitments by limiting the total amount of credit, both by individual customer and in total, by monitoring the size and maturity of our portfolios and by applying the same credit standards for all of our credit products. Unused credit card lines available to our customers totaled approximately \$435 billion and \$418 billion at September 30, 2019 and December 31, 2018, respectively. While these amounts represented the total available unused credit card lines, we have not experienced and do not anticipate that all of our customers will access their entire available line at any given point in time.

Interest Income by Product

The following table provides additional information about our interest and fees on loans, including merchant discounts, from our loan receivables, including held for sale:

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Credit cards	\$ 4,807	\$ 4,538	\$ 13,975	\$ 12,647
Consumer installment loans	48	41	134	114
Commercial credit products	35	37	103	107
Other	—	1	1	2
Total	\$ 4,890	\$ 4,617	\$ 14,213	\$ 12,870

NOTE 5. VARIABLE INTEREST ENTITIES

We use VIEs to securitize loan receivables and arrange asset-backed financing in the ordinary course of business. Investors in these entities only have recourse to the assets owned by the entity and not to our general credit. We do not have implicit support arrangements with any VIE and we did not provide non-contractual support for previously transferred loan receivables to any VIE in the three and nine months ended September 30, 2019 and 2018. Our VIEs are able to accept new loan receivables and arrange new asset-backed financings, consistent with the requirements and limitations on such activities placed on the VIE by existing investors. Once an account has been designated to a VIE, the contractual arrangements we have require all existing and future loan receivables originated under such account to be transferred to the VIE. The amount of loan receivables held by our VIEs in excess of the minimum amount required under the asset-backed financing arrangements with investors may be removed by us under removal of accounts provisions. All loan receivables held by a VIE are subject to claims of third-party investors.

In evaluating whether we have the power to direct the activities of a VIE that most significantly impact its economic performance, we consider the purpose for which the VIE was created, the importance of each of the activities in which it is engaged and our decision-making role, if any, in those activities that significantly determine the entity's economic performance as compared to other economic interest holders. This evaluation requires consideration of all facts and circumstances relevant to decision-making that affects the entity's future performance and the exercise of professional judgment in deciding which decision-making rights are most important.

In determining whether we have the right to receive benefits or the obligation to absorb losses that could potentially be significant to a VIE, we evaluate all of our economic interests in the entity, regardless of form (debt, equity, management and servicing fees, and other contractual arrangements). This evaluation considers all relevant factors of the entity's design, including: the entity's capital structure, contractual rights to earnings or losses, subordination of our interests relative to those of other investors, as well as any other contractual arrangements that might exist that could have the potential to be economically significant. The evaluation of each of these factors in reaching a conclusion about the potential significance of our economic interests is a matter that requires the exercise of professional judgment.

We consolidate VIEs where we have the power to direct the activities that significantly affect the VIEs' economic performance, typically because of our role as either servicer or administrator for the VIEs. The power to direct exists because of our role in the design and conduct of the servicing of the VIEs' assets as well as directing certain affairs of the VIEs, including determining whether and on what terms debt of the VIEs will be issued.

The loan receivables in these entities have risks and characteristics similar to our other financing receivables and were underwritten to the same standard. Accordingly, the performance of these assets has been similar to our other comparable loan receivables, and the blended performance of the pools of receivables in these entities reflects the eligibility criteria that we apply to determine which receivables are selected for transfer. Contractually, the cash flows from these financing receivables must first be used to pay third-party debt holders, as well as other expenses of the entity. Excess cash flows, if any, are available to us. The creditors of these entities have no claim on our other assets.

The table below summarizes the assets and liabilities of our consolidated securitization VIEs described above.

<i>(\$ in millions)</i>	September 30, 2019	December 31, 2018
Assets		
Loan receivables, net ^(a)	\$ 25,481	\$ 26,454
Loan receivables held for sale	1,080	—
Other assets ^(b)	64	813
Total	\$ 26,625	\$ 27,267
Liabilities		
Borrowings	\$ 10,912	\$ 14,439
Other liabilities	29	36
Total	\$ 10,941	\$ 14,475

(a) Includes \$1.5 billion and \$1.7 billion of related allowance for loan losses resulting in gross restricted loans of \$27.0 billion and \$28.2 billion at September 30, 2019 and December 31, 2018, respectively.

(b) Includes \$58 million and \$803 million of segregated funds held by the VIEs at September 30, 2019 and December 31, 2018, respectively, which are classified as restricted cash and equivalents and included as a component of other assets in our Condensed Consolidated Statements of Financial Position.

The balances presented above are net of intercompany balances and transactions that are eliminated in our condensed consolidated financial statements.

We provide servicing for all of our consolidated VIEs. Collections are required to be placed into segregated accounts owned by each VIE in amounts that meet contractually specified minimum levels. These segregated funds are invested in cash and cash equivalents and are restricted as to their use, principally to pay maturing principal and interest on debt and the related servicing fees. Collections above these minimum levels are remitted to us on a daily basis.

Income (principally, interest and fees on loans) earned by our consolidated VIEs was \$1.4 billion and \$1.3 billion for the three months ended September 30, 2019 and 2018, respectively. Related expenses consisted primarily of provision for loan losses of \$184 million and \$261 million for the three months ended September 30, 2019 and 2018, respectively, and interest expense of \$88 million and \$86 million for the three months ended September 30, 2019 and 2018, respectively.

Income (principally, interest and fees on loans) earned by our consolidated VIEs was \$3.9 billion and \$3.7 billion for the nine months ended September 30, 2019 and 2018, respectively. Related expenses consisted primarily of provision for loan losses of \$743 million and \$1.1 billion for the nine months ended September 30, 2019 and 2018, respectively, and interest expense of \$278 million and \$240 million for the nine months ended September 30, 2019 and 2018, respectively.

NOTE 6. INTANGIBLE ASSETS

(\$ in millions)	September 30, 2019			December 31, 2018		
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Customer-related	\$ 1,752	\$ (918)	\$ 834	\$ 1,630	\$ (803)	\$ 827
Capitalized software and other	699	(356)	343	562	(252)	310
Total	<u>\$ 2,451</u>	<u>\$ (1,274)</u>	<u>\$ 1,177</u>	<u>\$ 2,192</u>	<u>\$ (1,055)</u>	<u>\$ 1,137</u>

During the nine months ended September 30, 2019, we recorded additions to intangible assets subject to amortization of \$264 million, primarily related to capitalized software expenditures, as well as customer-related intangible assets.

Customer-related intangible assets primarily relate to retail partner contract acquisitions and extensions, as well as purchased credit card relationships. During the nine months ended September 30, 2019 and 2018, we recorded additions to customer-related intangible assets subject to amortization of \$123 million and \$342 million, respectively, primarily related to payments made to extend certain retail partner relationships. These additions had a weighted average amortizable life of 7 years and 9 years for the nine months ended September 30, 2019 and 2018.

Amortization expense related to retail partner contracts was \$34 million for both the three months ended September 30, 2019 and 2018, respectively, and \$100 million and \$92 million for the nine months ended September 30, 2019 and 2018, respectively, and is included as a component of marketing and business development expense in our Condensed Consolidated Statements of Earnings. All other amortization expense was \$44 million and \$29 million for the three months ended September 30, 2019 and 2018, respectively, and \$123 million and \$84 million for the nine months ended September 30, 2019 and 2018, respectively, and is included as a component of other expense in our Condensed Consolidated Statements of Earnings.

NOTE 7. DEPOSITS

(\$ in millions)	September 30, 2019		December 31, 2018	
	Amount	Average rate ^(a)	Amount	Average rate ^(a)
Interest-bearing deposits	\$ 65,677	2.5%	\$ 63,738	2.0%
Non-interest-bearing deposits	295	—	281	—
Total deposits	<u>\$ 65,972</u>		<u>\$ 64,019</u>	

(a) Based on interest expense for the nine months ended September 30, 2019 and the year ended December 31, 2018 and average deposits balances.

At September 30, 2019 and December 31, 2018, interest-bearing deposits included \$22.1 billion and \$20.2 billion of certificates of deposit of \$100,000 or more, respectively. Of the total certificates of deposit of \$100,000 or more, \$7.7 billion and \$6.9 billion were certificates of deposit of \$250,000 or more at September 30, 2019 and December 31, 2018, respectively.

At September 30, 2019, our interest-bearing time deposits maturing for the remainder of 2019 and over the next four years and thereafter were as follows:

(\$ in millions)	2019	2020	2021	2022	2023	Thereafter
Deposits	\$ 5,426	\$ 25,927	\$ 4,976	\$ 2,977	\$ 1,310	\$ 2,426

The above maturity table excludes \$19.0 billion of demand deposits with no defined maturity, of which \$17.9 billion are savings accounts. In addition, at September 30, 2019, we had \$3.7 billion of broker network deposit sweeps procured through a program arranger who channels brokerage account deposits to us that are also excluded from the above maturity table. Unless extended, the contracts associated with these broker network deposit sweeps will terminate between 2020 and 2025.

NOTE 8. BORROWINGS

(\$ in millions)	September 30, 2019			December 31, 2018	
	Maturity date	Interest Rate	Weighted average interest rate	Outstanding Amount(a)	Outstanding Amount(a)
Borrowings of consolidated securitization entities:					
Fixed securitized borrowings	2020 - 2023	1.93% - 3.87%	2.71%	\$ 7,512	\$ 8,664
Floating securitized borrowings	2020 - 2022	2.62% - 3.33%	2.80%	3,400	5,775
Total borrowings of consolidated securitization entities			2.74%	10,912	14,439
Senior unsecured notes:					
<i>Synchrony Financial senior unsecured notes:</i>					
Fixed senior unsecured notes	2020 - 2029	2.70% - 5.15%	3.94%	7,210	7,318
Floating senior unsecured notes	2020	3.52%	3.52%	250	250
<i>Synchrony Bank senior unsecured notes:</i>					
Fixed senior unsecured notes	2021 - 2022	3.00% - 3.65%	3.33%	1,491	1,490
Floating senior unsecured notes	2020	2.73%	2.73%	500	499
Total senior unsecured notes			3.77%	9,451	9,557
Total borrowings				<u>\$ 20,363</u>	<u>\$ 23,996</u>

(a) The amounts presented above for outstanding borrowings include unamortized debt premiums, discounts and issuance cost.

Debt Maturities

The following table summarizes the maturities of the principal amount of our borrowings of consolidated securitization entities and senior unsecured notes for the remainder of 2019 and over the next four years and thereafter:

(\$ in millions)	2019	2020	2021	2022	2023	Thereafter
Borrowings	\$ —	\$ 4,708	\$ 5,659	\$ 4,350	\$ 707	\$ 5,000

Senior Unsecured Notes

2019 Issuances (\$ in millions):

Synchrony Financial

Issuance Date	Principal Amount	Maturity	Interest Rate
March 2019	\$ 600	2024	4.375%
March 2019	\$ 650	2029	5.150%
July 2019	\$ 750	2022	2.850%

Credit Facilities

As additional sources of liquidity, we have undrawn committed capacity under credit facilities, primarily related to our securitization programs.

At September 30, 2019, we had an aggregate of \$6.0 billion of undrawn committed capacity under our securitization financings, subject to customary borrowing conditions, from private lenders under our securitization programs, and an aggregate of \$0.5 billion of undrawn committed capacity under our unsecured revolving credit facility with private lenders.

NOTE 9. FAIR VALUE MEASUREMENTS

For a description of how we estimate fair value, see Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* in our 2018 annual consolidated financial statements in our 2018 Form 10-K.

The following tables present our assets and liabilities measured at fair value on a recurring basis.

Recurring Fair Value Measurements

At September 30, 2019 (\$ in millions)

	Level 1	Level 2	Level 3	Total ^(a)
Assets				
Debt securities				
U.S. Government and Federal Agency	\$ —	\$ 1,196	\$ —	\$ 1,196
State and municipal	—	—	46	46
Residential mortgage-backed	—	1,102	—	1,102
Asset-backed	—	2,240	—	2,240
Other assets ^(b)	15	—	17	32
Total	\$ 15	\$ 4,538	\$ 63	\$ 4,616
Liabilities				
Contingent consideration	—	—	19	19
Total	\$ —	\$ —	\$ 19	\$ 19

At December 31, 2018 (\$ in millions)

Assets				
Debt securities				
U.S. Government and Federal Agency	\$ —	\$ 2,888	\$ —	\$ 2,888
State and municipal	—	—	48	48
Residential mortgage-backed	—	1,139	—	1,139
Asset-backed	—	1,985	—	1,985
U.S. corporate debt	—	—	2	2
Other assets ^(b)	15	—	13	28
Total	\$ 15	\$ 6,012	\$ 63	\$ 6,090
Liabilities				
Contingent consideration	—	—	26	26
Total	\$ —	\$ —	\$ 26	\$ 26

(a) For the three and nine months ended September 30, 2019 and 2018, there were no fair value measurements transferred between levels.

(b) Other assets primarily relate to equity investments measured at fair value.

Level 3 Fair Value Measurements

Our Level 3 recurring fair value measurements primarily relate to state and municipal debt instruments, which are valued using non-binding broker quotes or other third-party sources, CRA investments, which are valued using net asset values, as well as contingent consideration obligations. See Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* and Note 9. *Fair Value Measurements* in our 2018 annual consolidated financial statements in our 2018 Form 10-K for a description of our process to evaluate third-party pricing servicers and a description of our contingent consideration and compensation arrangements, respectively. Our state and municipal debt securities are classified as available-for-sale with changes in fair value included in accumulated other comprehensive income.

The changes in our Level 3 assets and liabilities that are measured on a recurring basis for the three and nine months ended September 30, 2019 and 2018 were not material.

Financial Assets and Financial Liabilities Carried at Other Than Fair Value

At September 30, 2019 (\$ in millions)	Carrying value	Corresponding fair value amount			
		Total	Level 1	Level 2	Level 3
Financial Assets					
Financial assets for which carrying values equal or approximate fair value:					
Cash and equivalents ^(a)	\$ 11,461	\$ 11,461	\$ 8,727	\$ 2,734	\$ —
Other assets ^{(a)(b)}	\$ 260	\$ 260	\$ 260	\$ —	\$ —
Financial assets carried at other than fair value:					
Loan receivables, net ^(c)	\$ 77,600	\$ 86,753	\$ —	\$ —	\$ 86,753
Loan receivables held for sale ^(c)	\$ 8,182	\$ 8,182	\$ —	\$ —	\$ 8,182
Financial Liabilities					
Financial liabilities carried at other than fair value:					
Deposits	\$ 65,972	\$ 66,358	\$ —	\$ 66,358	\$ —
Borrowings of consolidated securitization entities	\$ 10,912	\$ 11,026	\$ —	\$ 7,627	\$ 3,399
Senior unsecured notes	\$ 9,451	\$ 9,835	\$ —	\$ 9,835	\$ —
At December 31, 2018 (\$ in millions)	Carrying value	Corresponding fair value amount			
		Total	Level 1	Level 2	Level 3
Financial Assets					
Financial assets for which carrying values equal or approximate fair value:					
Cash and equivalents ^(a)	\$ 9,396	\$ 9,396	\$ 9,396	\$ —	\$ —
Other assets ^{(a)(b)}	\$ 980	\$ 980	\$ 980	\$ —	\$ —
Financial assets carried at other than fair value:					
Loan receivables, net ^(c)	\$ 86,712	\$ 95,305	\$ —	\$ —	\$ 95,305
Financial Liabilities					
Financial liabilities carried at other than fair value:					
Deposits	\$ 64,019	\$ 63,942	\$ —	\$ 63,942	\$ —
Borrowings of consolidated securitization entities	\$ 14,439	\$ 14,400	\$ —	\$ 8,626	\$ 5,774
Senior unsecured notes	\$ 9,557	\$ 9,062	\$ —	\$ 9,062	\$ —

(a) For cash and equivalents and restricted cash and equivalents, carrying value approximates fair value due to the liquid nature and short maturity of these instruments. Cash equivalents classified as Level 2 represent U.S. Government and Federal Agency debt securities with original maturities or of three months or less or acquired within 3 months or less of their maturity.

(b) This balance relates to restricted cash and equivalents, which is included in other assets.

(c) Under certain retail partner program agreements, the expected sales proceeds related to the sale of their credit card portfolio may be limited to the amounts owed by our customers, which may be less than the fair value indicated above.

NOTE 10. REGULATORY AND CAPITAL ADEQUACY

As a savings and loan holding company and a financial holding company, we are subject to regulation, supervision and examination by the Federal Reserve Board and subject to the capital requirements as prescribed by Basel III capital rules and the requirements of the Dodd-Frank Act. The Bank is a federally chartered savings association. As such, the Bank is subject to regulation, supervision and examination by the Office of the Comptroller of the Currency of the U.S. Treasury (the "OCC"), which is its primary regulator, and by the Consumer Financial Protection Bureau ("CFPB"). In addition, the Bank, as an insured depository institution, is supervised by the Federal Deposit Insurance Corporation.

Failure to meet minimum capital requirements can initiate certain mandatory and, possibly, additional discretionary actions by regulators that, if undertaken, could limit our business activities and have a material adverse effect on our consolidated financial statements. Under capital adequacy guidelines, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require us and the Bank to maintain minimum amounts and ratios (set forth in the tables below) of Total, Tier 1 and common equity Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital to average assets (as defined).

For Synchrony Financial to be a well-capitalized savings and loan holding company, the Bank must be well-capitalized and Synchrony Financial must not be subject to any written agreement, order, capital directive, or prompt corrective action directive issued by the Federal Reserve Board to meet and maintain a specific capital level for any capital measure.

At September 30, 2019 and December 31, 2018, Synchrony Financial met all applicable requirements to be deemed well-capitalized pursuant to Federal Reserve Board regulations. At September 30, 2019 and December 31, 2018, the Bank also met all applicable requirements to be deemed well-capitalized pursuant to OCC regulations and for purposes of the Federal Deposit Insurance Act. There are no conditions or events subsequent to September 30, 2019 that management believes have changed the Company's or the Bank's capital category.

The actual capital amounts, ratios and the applicable required minimums of the Company and the Bank are as follows:

Synchrony Financial

At September 30, 2019 (\$ in millions)

	Actual		Minimum for capital adequacy purposes	
	Amount	Ratio ^(a)	Amount	Ratio ^(b)
Total risk-based capital	\$ 14,345	15.8%	\$ 7,262	8.0%
Tier 1 risk-based capital	\$ 13,155	14.5%	\$ 5,446	6.0%
Tier 1 leverage	\$ 13,155	12.6%	\$ 4,178	4.0%
Common equity Tier 1 Capital	\$ 13,155	14.5%	\$ 4,085	4.5%

At December 31, 2018 (\$ in millions)

	Actual		Minimum for capital adequacy purposes	
	Amount	Ratio ^(a)	Amount	Ratio ^(b)
Total risk-based capital	\$ 14,013	15.3%	\$ 7,339	8.0%
Tier 1 risk-based capital	\$ 12,801	14.0%	\$ 5,505	6.0%
Tier 1 leverage	\$ 12,801	12.3%	\$ 4,157	4.0%
Common equity Tier 1 Capital	\$ 12,801	14.0%	\$ 4,128	4.5%

Synchrony Bank

At September 30, 2019 (\$ in millions)

	Actual		Minimum for capital adequacy purposes		Minimum to be well-capitalized under prompt corrective action provisions	
	Amount	Ratio ^(a)	Amount	Ratio ^(b)	Amount	Ratio
Total risk-based capital	\$ 12,504	15.9%	\$ 6,295	8.0%	\$ 7,868	10.0%
Tier 1 risk-based capital	\$ 11,470	14.6%	\$ 4,721	6.0%	\$ 6,295	8.0%
Tier 1 leverage	\$ 11,470	12.7%	\$ 3,604	4.0%	\$ 4,505	5.0%
Common equity Tier I capital	\$ 11,470	14.6%	\$ 3,541	4.5%	\$ 5,114	6.5%

At December 31, 2018 (\$ in millions)

	Actual		Minimum for capital adequacy purposes		Minimum to be well-capitalized under prompt corrective action provisions	
	Amount	Ratio ^(a)	Amount	Ratio ^(b)	Amount	Ratio
Total risk-based capital	\$ 12,258	15.4%	\$ 6,348	8.0%	\$ 7,934	10.0%
Tier 1 risk-based capital	\$ 11,207	14.1%	\$ 4,761	6.0%	\$ 6,348	8.0%
Tier 1 leverage	\$ 11,207	12.4%	\$ 3,612	4.0%	\$ 4,515	5.0%
Common equity Tier I capital	\$ 11,207	14.1%	\$ 3,570	4.5%	\$ 5,157	6.5%

(a) Capital ratios are calculated based on the Basel III Standardized Approach rules.

(b) At September 30, 2019 and at December 31, 2018, Synchrony Financial and the Bank also must maintain a capital conservation buffer of common equity Tier 1 capital in excess of minimum risk-based capital ratios by at least 2.5 percentage points and 1.875 percentage points, respectively, to avoid limits on capital distributions and certain discretionary bonus payments to executive officers and similar employees.

The Bank may pay dividends on its stock, with consent or non-objection from the OCC and the Federal Reserve Board, among other things, if its regulatory capital would not thereby be reduced below the applicable regulatory capital requirements.

NOTE 11. EARNINGS PER SHARE

Basic earnings per share is computed by dividing earnings available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the assumed conversion of all dilutive securities.

The following table presents the calculation of basic and diluted earnings per share:

<i>(in millions, except per share data)</i>	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net earnings	\$ 1,056	\$ 671	\$ 3,016	\$ 2,007
Weighted average common shares outstanding, basic	658.3	734.9	682.5	750.2
Effect of dilutive securities	3.4	3.9	3.1	5.5
Weighted average common shares outstanding, dilutive	661.7	738.8	685.6	755.7
Earnings per basic common share	\$ 1.60	\$ 0.91	\$ 4.42	\$ 2.68
Earnings per diluted common share	\$ 1.60	\$ 0.91	\$ 4.40	\$ 2.66

We have issued certain stock-based awards under the Synchrony Financial 2014 Long-Term Incentive Plan. A total of 3 million and 5 million shares for the three months ended September 30, 2019 and 2018, respectively, and 4 million and 3 million shares for the nine months ended September 30, 2019 and 2018, respectively, related to these awards, were considered anti-dilutive and therefore were excluded from the computation of diluted earnings per share.

NOTE 12. INCOME TAXES

Unrecognized Tax Benefits

<i>(\$ in millions)</i>	September 30, 2019	December 31, 2018
Unrecognized tax benefits, excluding related interest expense and penalties ^(a)	\$ 270	\$ 251
Portion that, if recognized, would reduce tax expense and effective tax rate ^(b)	\$ 193	\$ 164

(a) Interest and penalties related to unrecognized tax benefits were not material for all periods presented.

(b) Includes gross state and local unrecognized tax benefits net of the effects of associated U.S. federal income taxes. Excludes amounts attributable to any related valuation allowances resulting from associated increases in deferred tax assets.

We establish a liability that represents the difference between a tax position taken (or expected to be taken) on an income tax return and the amount of taxes recognized in our financial statements. The liability associated with the unrecognized tax benefits is adjusted periodically when new information becomes available. The amount of unrecognized tax benefits that is reasonably possible to be resolved in the next twelve months is expected to be \$70 million, of which \$27 million, if recognized, would reduce the Company's tax expense and effective tax rate.

For periods prior to separation from GE, we filed tax returns on a consolidated basis with GE and are under continuous examination by the Internal Revenue Service ("IRS") and the tax authorities of various states as part of their audit of GE's tax returns. The IRS is currently auditing GE's consolidated U.S. income tax returns for 2014 to 2015. In addition to the audits of GE's tax returns, we are under examination in various states going back to 2011. We believe that there are no issues or claims that are likely to significantly impact our results of operations, financial position or cash flows. We further believe that we have made adequate provision for all income tax uncertainties that could result from such examinations.

NOTE 13. LEGAL PROCEEDINGS AND REGULATORY MATTERS

In the normal course of business, from time to time, we have been named as a defendant in various legal proceedings, including 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. We are also involved, from time to time, in reviews, investigations and proceedings (both formal and informal) by governmental agencies regarding our business (collectively, "regulatory matters"), which could subject us to significant fines, penalties, obligations to change our business practices or other requirements resulting in increased expenses, diminished income and damage to our reputation. We contest liability and/or the amount of damages as appropriate in each pending matter. In accordance with applicable accounting guidance, we establish an accrued liability for legal and regulatory matters when those matters present loss contingencies which are both probable and reasonably estimable.

Legal proceedings and regulatory matters are subject to many uncertain factors that generally cannot be predicted with assurance, and we may be exposed to losses in excess of any amounts accrued.

For some matters, we are able to determine that an estimated loss, while not probable, is reasonably possible. For other matters, including those that have not yet progressed through discovery and/or where important factual information and legal issues are unresolved, we are unable to make such an estimate. We currently estimate that the reasonably possible losses for legal proceedings and regulatory matters, whether in excess of a related accrued liability or where there is no accrued liability, and for which we are able to estimate a possible loss, are immaterial. This represents management's estimate of possible loss with respect to these matters and is based on currently available information. This estimate of possible loss does not represent our maximum loss exposure. The legal proceedings and regulatory matters underlying the estimate will change from time to time and actual results may vary significantly from current estimates.

Our estimate of reasonably possible losses involves significant judgment, given the varying stages of the proceedings, the existence of numerous yet to be resolved issues, the breadth of the claims (often spanning multiple years), unspecified damages and/or the novelty of the legal issues presented. Based on our current knowledge, we do not believe that we are a party to any pending legal proceeding or regulatory matters that would have a material adverse effect on our condensed consolidated financial condition or liquidity. However, in light of the uncertainties involved in such matters, the ultimate outcome of a particular matter could be material to our operating results for a particular period depending on, among other factors, the size of the loss or liability imposed and the level of our earnings for that period, and could adversely affect our business and reputation.

Below is a description of certain of our regulatory matters and legal proceedings.

Regulatory Matters

On October 30, 2014, the United States Trustee, which is part of the Department of Justice, filed an application in *In re Nyree Belton*, a Chapter 7 bankruptcy case pending in the U.S. Bankruptcy Court for the Southern District of New York for orders authorizing discovery of the Bank pursuant to Rule 2004 of the Federal Rules of Bankruptcy Procedure, related to an investigation of the Bank's credit reporting. The discovery, which is ongoing, concerns allegations made in *Belton et al. v. GE Capital Consumer Lending*, a putative class action adversary proceeding pending in the same Bankruptcy Court. In the *Belton* adversary proceeding, which was filed on April 30, 2014, plaintiff alleges that the Bank violates the discharge injunction under Section 524(a)(2) of the Bankruptcy Code by attempting to collect discharged debts and by failing to update and correct credit information to credit reporting agencies to show that such debts are no longer due and owing because they have been discharged in bankruptcy. Plaintiff seeks declaratory judgment, injunctive relief and an unspecified amount of damages. On December 15, 2014, the Bankruptcy Court entered an order staying the adversary proceeding pending an appeal to the District Court of the Bankruptcy Court's order denying the Bank's motion to compel arbitration. On October 14, 2015, the District Court reversed the Bankruptcy Court and on November 4, 2015, the Bankruptcy Court granted the Bank's motion to compel arbitration. On March 4, 2019, on plaintiff's motion for reconsideration, the District Court vacated its decision reversing the Bankruptcy Court and affirmed the Bankruptcy Court's decision denying the Bank's motion to compel arbitration.

On May 9, 2017, the Bank received a Civil Investigative Demand from the CFPB seeking information related to the marketing and servicing of deferred interest promotions.

Other Matters

The Bank or the Company is, or has been, defending a number of putative class actions alleging claims under the federal Telephone Consumer Protection Act (“TCPA”) as a result of phone calls made by the Bank. The complaints generally have alleged that the Bank or the Company placed calls to consumers by an automated telephone dialing system or using a pre-recorded message or automated voice without their consent and seek up to \$1,500 for each violation, without specifying an aggregate amount. *Campbell et al. v. Synchrony Bank* was filed on January 25, 2017 in the U.S. District Court for the Northern District of New York. The original complaint named only J.C. Penney Company, Inc. and J.C. Penney Corporation, Inc. as the defendants but was amended on April 7, 2017 to replace those defendants with the Bank. *Neal et al. v. Wal-Mart Stores, Inc. and Synchrony Bank*, for which the Bank is indemnifying Wal-Mart, was filed on January 17, 2017 in the U.S. District Court for the Western District of North Carolina. The original complaint named only Wal-Mart Stores, Inc. as a defendant but was amended on March 30, 2017 to add Synchrony Bank as an additional defendant. *Mott et al. v. Synchrony Bank* was filed on February 2, 2018 in the U.S. District Court for the Middle District of Florida.

On November 2, 2018, a putative class action lawsuit, *Retail Wholesale Department Store Union Local 338 Retirement Fund v. Synchrony Financial, et al.*, was filed in the U.S. District Court for the District of Connecticut, naming as defendants the Company and two of its officers. The lawsuit asserts violations of the Exchange Act for allegedly making materially misleading statements and/or omitting material information concerning the Company’s underwriting practices and private-label card business, and was filed on behalf of a putative class of persons who purchased or otherwise acquired the Company’s common stock between October 21, 2016 and November 1, 2018. The complaint seeks an award of unspecified compensatory damages, costs and expenses. On February 5, 2019, the court appointed Stichting Depository APG Developed Markets Equity Pool as lead plaintiff for the putative class. On April 5, 2019, an amended complaint was filed, asserting a new claim for violations of the Securities Act in connection with statements in the offering materials for the Company’s December 1, 2017 note offering. The Securities Act claims are filed on behalf of persons who purchased or otherwise acquired Company bonds in or traceable to the December 1, 2017 note offering between December 1, 2017 and November 1, 2018. The amended complaint names as additional defendants two additional Company officers, the Company’s board of directors, and the underwriters of the December 1, 2017 note offering. The amended complaint is captioned *Stichting Depository APG Developed Markets Equity Pool and Stichting Depository APG Fixed Income Credit Pool v. Synchrony Financial et al.*

On January 28, 2019, a purported shareholder derivative action, *Gilbert v. Keane, et al.*, was filed in the U.S. District Court for the District of Connecticut against the Company as a nominal defendant, and certain of the Company’s officers and directors. The lawsuit alleges breach of fiduciary duty claims based on the allegations raised by the plaintiff in the *Stichting Depositar APG* class action, unjust enrichment, waste of corporate assets, and that the defendants made materially misleading statements and/or omitted material information in violation of the Exchange Act. The complaint seeks a declaration that the defendants breached and/or aided and abetted the breach of their fiduciary duties to the Company, unspecified monetary damages with interest, restitution, a direction that the defendants take all necessary actions to reform and improve corporate governance and internal procedures, and attorneys’ and experts’ fees. On March 11, 2019, a second purported shareholder derivative action, *Aldridge v. Keane, et al.*, was filed in the U.S. District Court for the District of Connecticut. The allegations in the *Aldridge* complaint are substantially similar to those in the *Gilbert* complaint.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, correlations or other market factors will result in losses for a position or portfolio. We are exposed to market risk primarily from changes in interest rates.

We borrow money from a variety of depositors and institutions in order to provide loans to our customers. Changes in market interest rates cause our net interest income to increase or decrease, as some of our assets and liabilities carry interest rates that fluctuate with market benchmarks. The interest rate benchmark for our floating rate assets is generally the prime rate, and the interest rate benchmark for our floating rate liabilities is generally either LIBOR or the federal funds rate. The prime rate and the LIBOR or federal funds rate could reset at different times or could diverge, leading to mismatches in the interest rates on our floating rate assets and floating rate liabilities.

The following table presents the approximate net interest income impacts forecasted over the next twelve months from an immediate and parallel change in interest rates affecting all interest rate sensitive assets and liabilities at September 30, 2019.

Basis Point Change	At September 30, 2019	
<i>(\$ in millions)</i>		
-100 basis points	\$	(159)
+100 basis points	\$	118

For a more detailed discussion of our exposure to market risk, refer to “*Management’s Discussion and Analysis—Quantitative and Qualitative Disclosures about Market Risk*” in our 2018 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated our disclosure controls and procedures, and our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2019.

No change in internal control over financial reporting occurred during the quarter ended September 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of legal proceedings, see Note 13. *Legal Proceedings and Regulatory Matters* to our condensed consolidated financial statements in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors included in our 2018 Form 10-K under the heading “*Risk Factors Relating to Our Business*” and “*Risk Factors Relating to Regulation*”.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The table below sets forth information regarding purchases of our common stock primarily related to our share repurchase program that were made by us or on our behalf during the three months ended September 30, 2019.

<i>(\$ in millions, except per share data)</i>	Total Number of Shares Purchased ^(a)	Average Price Paid Per Share ^(b)	Total Number of Shares Purchased as Part of Publicly Announced Programs ^(c)	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Programs ^(b)
July 1 - 31, 2019	8,186,814	\$ 35.78	8,179,117	\$ 2,982.3
August 1 - 31, 2019	7,440,035	34.59	7,440,035	2,725.0
September 1 - 30, 2019	33,420	33.96	—	2,725.0
Total	<u>15,660,269</u>	<u>\$ 35.21</u>	<u>15,619,152</u>	<u>\$ 2,725.0</u>

(a) Includes 7,697 shares, 0 shares and 33,420 shares withheld in July, August and September, respectively, to offset tax withholding obligations that occur upon the delivery of outstanding shares underlying performance stock awards, restricted stock awards or upon the exercise of stock options.

(b) Amounts exclude commission costs.

(c) On May 9, 2019, the Board of Directors approved a share repurchase program of up to \$4.0 billion through June 30, 2020 (the “2019 Share Repurchase Program”).

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

The Company’s Change in Control Severance Plan was amended to change the manner in which the bonus-related component of severance pay is determined. Previously, severance payments under the plan took into account an executive’s “target bonus.” Under the amendment, the bonus-related component of severance pay is based on an executive’s average cash bonus paid to the executive for the three years prior to his or her termination of employment; provided, however, that (i) if the executive has not been employed for three years, then the average

bonus will be determined based on the actual bonuses paid over the course of his or her employment, and (ii) if the executive has no bonus history, then the bonus-related component of severance for such executive will be based on his or her “target bonus,” adjusted based on the funding of the Company’s cash bonus pool during the three years preceding his or her termination of employment.

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit Number	Description
<u>10.1*</u>	<u>Synchrony Financial Amended and Restated 2014 Long-Term Incentive Plan</u>
<u>10.2*</u>	<u>Synchrony Financial Amended and Restated Change in Control Severance Plan</u>
<u>10.3*</u>	<u>First Amendment to the Synchrony Financial Restoration Plan</u>
<u>31(a)*</u>	<u>Certification Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as Amended</u>
<u>31(b)*</u>	<u>Certification Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as Amended</u>
<u>32*</u>	<u>Certification Pursuant to 18 U.S.C. Section 1350</u>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, formatted in Inline XBRL (included as Exhibit 101)

* Filed electronically herewith.

Signatures

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

Synchrony Financial
(Registrant)

October 24, 2019

/s/ Brian J. Wenzel Sr.

Date

Brian J. Wenzel Sr.
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial
Officer)

SYNCHRONY FINANCIAL
SECOND AMENDED AND RESTATED 2014 LONG-TERM INCENTIVE PLAN

SECTION 1. PURPOSE

The purposes of this Second Amended and Restated Synchrony Financial 2014 Long-Term Incentive Plan (the “Plan”) are to encourage selected officers, employees, non-employee directors and consultants of Synchrony Financial (together with any successor thereto, the “Company”) and its Affiliates (as defined below) to acquire a proprietary interest in the growth and performance of the Company, to generate an increased incentive to contribute to the Company’s future success and prosperity, thus enhancing the value of the Company for the benefit of its shareowners, and to enhance the ability of the Company and its Affiliates to attract and retain exceptionally qualified individuals upon whom, in large measure, the sustained progress, growth and profitability of the Company depend.

SECTION 2. DEFINITIONS

As used in the Plan, the following terms shall have the meanings set forth below:

- (a) “Affiliate” shall mean (i) any entity that, directly or through one or more intermediaries, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, as determined by the Committee.
 - (b) “Award” shall mean any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, Dividend Equivalent, or Other Stock-Based Award granted under the Plan.
 - (c) “Award Agreement” shall mean any written agreement, contract, or other instrument or document, including an electronic communication, as may from time to time be designated by the Company as evidencing any Award granted under the Plan.
 - (d) “Board” shall mean the Board of Directors of the Company.
 - (e) “Change in Control” shall mean any of the following events which occurs after the date of grant of an Award, but only if such event constitutes a “change in control event” for purposes of Treasury Regulation Section 1.409A-3(i)(5):
 - (i) the acquisition by any Person, including any “person” within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (i) the then outstanding shares of common stock of the Company (the “Outstanding Common Stock”) or (ii) the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of directors (the “Outstanding Voting Securities”); excluding, however, the following: (A) any acquisition directly from the
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Company (excluding any acquisition resulting from the exercise of an exercise, conversion or exchange privilege unless the security being so exercised, converted or exchanged was acquired directly from the Company), (B) any acquisition by the Company, (C) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this definition below; provided further, that for purposes of clause (B) of this subsection (i), if any Person (other than the Company or any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company) shall become the beneficial owner of 30% or more of the Outstanding Common Stock or 30% or more of the Outstanding Voting Securities by reason of an acquisition by the Company, and such Person shall, after such acquisition by the Company, become the beneficial owner of any additional shares of the Outstanding Common Stock or any additional Outstanding Voting Securities and such beneficial ownership is publicly announced, such additional beneficial ownership shall constitute a Change in Control;

- (ii) the cessation of individuals who, as of the date of grant of the Award, constitute the Board (the “Incumbent Board”) to constitute at least a majority of such Board; provided that any individual who becomes a director of the Company subsequent to the date of grant of the Award whose election, or nomination for election by the Company’s stockholders, was approved by the vote of at least a majority of the directors then comprising the Incumbent Board shall be deemed a member of the Incumbent Board; and provided further, that any individual who was initially elected as a director of the Company as a result of an actual or threatened solicitation by a Person other than the Board for the purpose of opposing a solicitation by any other Person with respect to the election or removal of directors, or any other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Board shall not be deemed a member of the Incumbent Board; or
- (iii) the consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a “Corporate Transaction”); excluding, however, a Corporate Transaction pursuant to which (A) all or substantially all of the individuals or entities who are the beneficial owners, respectively, of the Outstanding Common Stock and the Outstanding Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock, and the combined voting power of the outstanding securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a

corporation which as a result of such transaction owns, directly or indirectly, the Company or all or substantially all of the Company's assets) in substantially the same proportions relative to each other as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Common Stock and the Outstanding Voting Securities, as the case may be, (B) no Person (other than: the Company; any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; the corporation resulting from such Corporate Transaction; and any Person which beneficially owned, immediately prior to such Corporate Transaction, directly or indirectly, 30% or more of the Outstanding Common Stock or the Outstanding Voting Securities, as the case may be) will beneficially own, directly or indirectly, 30% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding securities of such corporation entitled to vote generally in the election of directors, and (C) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction.

- (f) "Code" shall mean the Internal Revenue Code of 1986, as amended.
- (g) "Committee" shall mean a committee of the Board, acting in accordance with the provisions of Section 3, designated by the Board to administer the Plan and composed of not less than two non-employee directors.
- (h) "Dividend Equivalent" shall mean any right granted under Section 7(e) of the Plan.
- (i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.
- (j) "Fair Market Value" shall mean, with respect to any Shares or other securities, the closing price of a Share on the date as of which the determination is being made as reported on the principal national stock exchange on which the Shares are then traded or, if there shall be no reported transactions for such date, on the next preceding date for which transactions were reported; provided, however, that if the Shares are not listed on a national stock exchange or if the closing price of a Share for any date cannot be so determined, Fair Market Value shall be determined by the Committee by whatever means or method as the Committee, in the good faith exercise of its discretion, shall at such time deem appropriate and, to the extent applicable, in compliance with Section 409A of the Code; provided, further, in the case of grants made in connection with the Initial Public Offering, Fair Market Value shall mean the price per Share at which the Shares are initially offered for sale to the public by the Company's underwriters in the Initial Public Offering.

- (k) “Incentive Stock Option” shall mean an option granted under Section 7(a) of the Plan that is intended to meet the requirements of Sections 422 of the Code, or any successor provision thereto.
- (l) “Initial Public Offering” shall mean the initial public offering of the Company registered on Form S-1 (or any successor form under the Securities Act of 1933, as amended).
- (m) “Non-Employee Director” shall mean any director of the Company who is not an officer or employee of the Company or any Affiliate.
- (n) “Non-Qualified Stock Option” shall mean an option granted under Section 7(a) of the Plan that is not intended to be an Incentive Stock Option.
- (o) “Option” shall mean an Incentive Stock Option or a Non-Qualified Stock Option.
- (p) “Other Stock-Based Award” shall mean any right granted under Section 7(f) of the Plan.
- (q) “Participant” shall mean an officer, employee or consultant of the Company or any of its Affiliates or a Non-Employee Director, in each case, as designated to be granted an Award under the Plan.
- (r) “Performance Award” shall mean any right granted under Section 7(d) of the Plan.
- (s) “Performance Criteria” shall mean any quantitative and/or qualitative measures, as determined by the Committee, which may be used to measure the level of performance of the Company or any individual Participant during a Performance Period, including any Qualifying Performance Criteria.
- (t) “Performance Period” shall mean any period as determined by the Committee in its sole discretion.
- (u) “Person” shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, or government or political subdivision thereof.
- (v) “Qualifying Performance Criteria” shall mean, to the extent necessary to qualify an Award as “performance-based compensation” under Section 162(m) of the Code, one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either the company as a whole or to a business unit or related company, and measured on an absolute basis or relative to a pre-established target, to a previous year’s results or to a designated comparison group, in each case as specified by the Committee in the Award: purchase volume; loan receivables; Tier 1 common ratio; liquidity as a percentage of total assets; liquidity coverage ratio; tangible common equity to tangible assets ratio; platform revenue; net earnings; earnings per share; diluted earnings per share; return on average assets; return on

capital or invested capital; return on equity; cash flow; gross or operating profit and margin rate; net interest margin; other expense efficiency; active accounts; new accounts; the attainment by a Share of a specified Fair Market Value for a specified period of time; increase in stockholder value; return on investments; total stockholder return; earnings or income of the Company before or after taxes and/or interest; earnings before interest, taxes, depreciation and amortization (“EBITDA”); EBITDA margin; operating income; operating expenses, attainment of expense levels or cost reduction goals; net charge-offs and net charge-off percent; delinquency rates; won, lost and extended deals; market share; interest expense; economic value created; net cash provided by operations; price-to-earnings growth; and strategic business criteria, consisting of one or more objectives based on meeting specified goals relating to compliance, market penetration, customer acquisition, business expansion, cost targets, customer satisfaction, reductions in errors and omissions, reductions in lost business, management of employment practices and employee benefits, supervision of litigation and information technology, quality and quality audit scores, efficiency, and acquisitions or divestitures, or any combination of the foregoing. The applicable performance measures may be applied on a pre- or post-tax basis and may be adjusted in accordance with Section 162(m) of the Code to include or exclude objectively determinable components of any performance measure, including, without limitation, charges for restructurings, discontinued operations, extraordinary items and all items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence, related to the disposal of a segment or a business, or related to a change in accounting principle or otherwise. With respect to Participants who are not “covered employees” within the meaning of Section 162(m) of the Code and who, in the Committee’s judgment, are not likely to be covered employees at any time during the applicable Performance Period or during any period in which an award may be paid following a Performance Period, the Performance Criteria may consist of any objective or subjective corporate-wide or subsidiary, division, operating unit or individual measures, whether or not listed herein. If the Committee determines that it is advisable to grant Awards that are not intended to qualify as performance-based compensation under Section 162(m) of the Code, the Committee may grant such awards without satisfying the requirements of Section 162(m) of the Code and that use Performance Criteria other than those specified herein.

- (w) “Restricted Securities” shall mean Awards of Restricted Stock or other Awards under which issued and outstanding Shares are held subject to certain restrictions.
- (x) “Restricted Stock” shall mean any award of Shares granted under Section 7(c) of the Plan.
- (y) “Restricted Stock Unit” shall mean any right granted under Section 7(c) of the Plan that is denominated in Shares.

- (z) “Shares” shall mean the common shares of the Company, \$0.01 par value, and such other securities as may become the subject of Awards, or become subject to Awards, pursuant to an adjustment made under Section 4(b) of the Plan.
- (aa) “Stock Appreciation Right” shall mean any right granted under Section 7(b) of the Plan.

SECTION 3. ADMINISTRATION

Except as otherwise provided herein, the Plan shall be administered by the Committee, which shall have the power to interpret the Plan and to adopt such rules and guidelines for implementing the terms of the Plan as it may deem appropriate. The Committee shall have the ability to modify the Plan provisions, to the extent necessary, or delegate such authority, to accommodate any changes in law and regulations in jurisdictions in which Participants will receive Awards.

- (a) Subject to the terms of the Plan and applicable law, the Committee shall have full power and authority to:
 - (i) designate Participants;
 - (ii) determine the type or types of Awards to be granted to each Participant under the Plan;
 - (iii) determine the number of Shares to be covered by (or with respect to which payments, rights, or other matters are to be calculated in connection with) Awards;
 - (iv) determine the terms and conditions of any Award, including any restrictive covenants, clawback or recoupment provisions or requirements that a Participant execute a waiver and release;
 - (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, or other Awards, or canceled, forfeited, or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited, or suspended;
 - (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee;
 - (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan;
 - (viii) establish, amend, suspend, or waive such rules and guidelines;

- (ix) appoint such agents as it shall deem appropriate for the proper administration of the Plan;
 - (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan; and
 - (xi) correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.
- (b) Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time, and shall be final, conclusive, and binding upon all Persons, including the Company, any Affiliate, any Participant, any holder or beneficiary of any Award, any shareowner, and any employee of the Company or of any Affiliate. To the extent permitted by Section 162(m) of the Code and Section 16 of the Exchange Act, actions of the Committee may be taken by:
- (i) the Chairman of the Committee;
 - (ii) a subcommittee, designated by the Committee;
 - (iii) the Committee but with one or more members abstaining or recusing himself or herself from acting on the matter, so long as two or more members remain to act on the matter. Such action, authorized by such a subcommittee or by the Committee upon the abstention or recusal of such members, shall be the action of the Committee for purposes of the Plan; or
 - (iv) one or more officers or managers of the Company or any Affiliate, or a committee of such officers or managers whose authority is subject to such terms and limitations set forth by the Committee, and only with respect to employees who are not officers or Non-Employee Directors of the Company for purposes of Section 16 of the Exchange Act. This delegation shall include modifications necessary to accommodate changes in the laws or regulations of jurisdictions outside the U.S.

SECTION 4. SHARES AVAILABLE FOR AWARDS

- (a) **SHARES AVAILABLE.** Subject to adjustment as provided in Section 4(b):
 - (i) The total number of Shares reserved and available for delivery pursuant to Awards granted under the Plan shall be 62,605,417. If any Shares covered by an Award granted under the Plan, or to which such an Award relates, are forfeited, or if an Award otherwise terminates without the delivery of Shares or of other consideration, or if an Award is settled in cash, then the Shares

covered by such Award, or to which such Award relates, or the number of Shares otherwise counted against the aggregate number of Shares available under the Plan with respect to such Award, to the extent of any such forfeiture, termination or cash settlement, shall again be available for granting Awards under the Plan. The full number of Shares available for delivery under the Plan may be delivered pursuant to Incentive Stock Options, except that in calculating the number of Shares that remain available for Awards of Incentive Stock Options, the rules set forth in this Section shall not apply to the extent not permitted by Section 422 of the Code.

- (ii) ACCOUNTING FOR AWARDS. For purposes of this Section 4,
- (A) If an Award (other than a Dividend Equivalent) is denominated in Shares, the number of Shares covered by such Award, or to which such Award relates, shall be counted on the date of grant of such Award against the aggregate number of Shares available for granting Awards under the Plan; provided, however that if an Award is settled or paid by the Company in whole or in part through the delivery of consideration other than Shares, or by delivery of fewer than the full number of Shares that was counted against the Shares available for delivery as provided above, there shall be added back to the number of Shares available for delivery pursuant to Awards the excess of the number of Shares that had been so counted over the number of Shares (if any) actually delivered upon payment or settlement of the Award (including with respect to Awards that are outstanding as of the effective date of the amendment and restatement of the Plan).
 - (B) If an Award is not denominated in Shares, the number of Shares available for delivery shall be reduced by the number of Shares actually delivered upon payment or settlement of the Award.
 - (C) Dividend Equivalents denominated in Shares and Awards not denominated, but potentially payable, in Shares shall be counted against the aggregate number of Shares available for granting Awards under the Plan in such amount and at such time as the Dividend Equivalents and such Awards are settled in Shares; provided, however, that Awards that operate in tandem with (whether granted simultaneously with or at a different time from), or that are substituted for, other Awards may only be counted once against the aggregate number of Shares available, and the Committee shall adopt procedures, as it deems appropriate, in order to avoid double counting. Any Shares that are delivered by the Company, and any Awards that are granted by, or become obligations of, the Company through the assumption by the Company or an Affiliate of, or in substitution for, outstanding awards previously granted by an acquired company, shall

not be counted against the Shares available for granting Awards under this Plan.

(D) Notwithstanding anything herein to the contrary, any Shares related to Awards which terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of such Shares, are settled in cash in lieu of Shares, or are exchanged with the Committee's permission, prior to the issuance of Shares, for Awards not involving Shares, shall be available again for grant under this Plan. Shares subject to an Award under the Plan may not again be made available for issuance under the Plan if such Shares are: (x) Shares that were subject to an Option or a stock-settled Stock Appreciation Right and were not issued upon the net settlement or net exercise of such Option or Stock Appreciation Right, (y) Shares delivered to or withheld by the Company to pay the exercise price or the withholding taxes under Options or Stock Appreciation Rights, or (z) Shares repurchased on the open market with the proceeds of an Option exercise. Shares delivered to or withheld by the Company to pay the withholding taxes for Awards other than Options and Stock Appreciation Rights shall again be available for issuance under this Plan.

(iii) SOURCES OF SHARES DELIVERABLE UNDER AWARDS. Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

(b) ADJUSTMENTS.

(i) In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Shares, or other securities), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event constitutes an equity restructuring transaction, as that term is defined in the Accounting Standards Codification 718 (or any successor accounting standard) or otherwise affects the Shares, then the Committee shall adjust the following in a manner that is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan:

(A) the number and type of Shares or other securities which thereafter may be made the subject of Awards;

(B) the number and type of Shares or other securities subject to outstanding Awards;

- (C) the number and type of Shares or other securities specified as the annual per-participant limitation under Section 7(g)(vi) and (vii);
- (D) the grant, purchase, or exercise price with respect to any Award, or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; and
- (E) other value determinations applicable to outstanding awards.

Provided, however, in each case, that with respect to Awards of Incentive Stock Options no such adjustment shall be authorized to the extent that such authority would cause the Plan to violate Sections 422(b)(1) of the Code or any successor provision thereto and, with respect to Awards of Stock Appreciation Rights and Options, such adjustment shall be in accordance with Section 409A of the Code; and provided further, however, that the number of Shares subject to any Award denominated in Shares shall always be a whole number.

- (ii) **ADJUSTMENTS OF AWARDS UPON CERTAIN ACQUISITIONS.** In the event the Company or any Affiliate shall assume outstanding employee awards or the right or obligation to make future such awards in connection with the acquisition of another business or another corporation or business entity, the Committee may make such adjustments, not inconsistent with the terms of the Plan, in the terms of Awards as it shall deem appropriate in order to achieve reasonable comparability or other equitable relationship between the assumed awards and the Awards granted under the Plan as so adjusted.
- (iii) **ADJUSTMENTS OF AWARDS UPON THE OCCURRENCE OF CERTAIN UNUSUAL OR NONRECURRING EVENTS.** The Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits to be made available under the Plan.

SECTION 5. VESTING CONDITIONS

- (a) **MINIMUM VESTING REQUIREMENT.** No Award granted under the Plan after the date hereof shall become exercisable or vested prior to the one-year anniversary of the date of grant. Notwithstanding the foregoing, this Section 5(a) shall not (i) restrict the right of the Committee to provide in an Award Agreement for the vesting or exercisability of an Award upon or after death, disability, or a Change in Control or (ii) apply with respect to Awards representing not more than five percent (5%) of the Shares available for issuance under Section 4(a)(i) or with respect to Awards assumed under Section 4(b).

- (b) NO DISCRETION TO ACCELERATE VESTING. Notwithstanding Section 3, other than in connection with a Change in Control or the death or disability of a Participant, the Committee shall not have the discretion to accelerate the vesting or exercisability of any outstanding Award.

SECTION 6. ELIGIBILITY

Any officer, employee or consultant of the Company or of any Affiliate and any Non-Employee Director shall be eligible to be designated a Participant.

SECTION 7. AWARDS

- (a) OPTIONS. The Committee is hereby authorized to grant Options to Participants with the following terms and conditions and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine:
 - (i) EXERCISE PRICE. The purchase price per Share purchasable under an Option shall be determined by the Committee; provided, however, and except as provided in Section 4(b), that such purchase price shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Option.
 - (ii) OPTION TERM. The term of each Option shall not exceed ten (10) years from the date of grant.
 - (iii) TIME AND METHOD OF EXERCISE. The Committee shall establish in the applicable Award Agreement the time or times at which an Option may be exercised in whole or in part, and the method or methods by which, and the form or forms, including, without limitation, cash, Shares, or other Awards, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price, in which, payment of the exercise price with respect thereto may be made or deemed to have been made.
 - (iv) INCENTIVE STOCK OPTIONS. The terms of any Incentive Stock Option granted under the Plan shall be designed to comply in all respects with the provisions of Sections 422 of the Code, or any successor provision thereto, and any regulations promulgated thereunder. Notwithstanding anything in this Section 7(a) to the contrary, Options designated as Incentive Stock Options shall not be eligible for treatment under the Code as Incentive Stock Options (and will be deemed to be Non-Qualified Stock Options) to the extent that either (A) the aggregate Fair Market Value of Shares (determined as of the time of grant) with respect to which such Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any subsidiary) exceeds \$100,000, taking Options into account in the order in which they were granted, or (B) such Options otherwise remain

exercisable but are not exercised within three (3) months of termination of employment (or such other period of time provided in Section 422 of the Code).

- (b) **STOCK APPRECIATION RIGHTS.** The Committee is hereby authorized to grant Stock Appreciation Rights to Participants. Subject to the terms of the Plan and any applicable Award Agreement, a Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive, upon exercise thereof, the excess of (i) the Fair Market Value of one Share on the date of exercise over (ii) the grant price of the right as specified by the Committee.
- (i) **GRANT PRICE.** Shall be determined by the Committee, provided, however, and except as provided in Section 4(b), that such price shall not be less than 100% of the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right, except that if a Stock Appreciation Right is at any time granted in tandem to an Option, the grant price of the Stock Appreciation Right shall not be less than the exercise price of such Option.
 - (ii) **TERM.** The term of each Stock Appreciation Right shall not exceed ten (10) years from the date of grant.
 - (iii) **TIME AND METHOD OF EXERCISE.** The Committee shall establish in the applicable Award Agreement the time or times at which a Stock Appreciation Right may be exercised in whole or in part.
- (c) **RESTRICTED STOCK AND RESTRICTED STOCK UNITS.**
- (i) **ISSUANCE.** The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants. Subject to the terms of the Plan or the applicable Award Agreement, a Restricted Stock Unit may be payable in Shares or cash.
 - (ii) **RESTRICTIONS.** Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may establish in the applicable Award Agreement (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate; provided, however, that any dividend shall be subject to the same restrictions as the underlying Award. Unrestricted Shares, evidenced in such manner as the Committee shall deem appropriate, shall be delivered to the holder of Restricted Stock promptly after such restrictions have lapsed.
 - (iii) **REGISTRATION.** Any Restricted Stock or Restricted Stock Units granted under the Plan may be evidenced in such manner as the Committee may deem

appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of Shares of Restricted Stock granted under the Plan, such certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

- (iv) **FORFEITURE.** Upon termination of employment during the applicable restriction period, except as determined otherwise by the Committee, all Shares of Restricted Stock and all Restricted Stock Units still, in either case, subject to restriction shall be forfeited and reacquired by the Company.

- (d) **PERFORMANCE AWARDS.** The Committee is hereby authorized to grant Performance Awards to Participants. Performance Awards include arrangements under which the grant, issuance, retention, vesting and/or transferability of any Award is subject to such Performance Criteria and such additional conditions or terms as the Committee may designate. Subject to the terms of the Plan and any applicable Award Agreement, a Performance Award granted under the Plan:
 - (i) may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock), other securities, or other Awards; and
 - (ii) shall confer on the holder thereof rights valued as determined by the Committee and payable to, or exercisable by, the holder of the Performance Award, in whole or in part, upon the achievement of such Performance Criteria during such Performance Periods as the Committee shall establish.

- (e) **DIVIDEND EQUIVALENTS AND DIVIDENDS.** The Committee is hereby authorized to grant to Participants Awards under which the holders thereof shall be entitled to receive payments equivalent to dividends or interest with respect to a number of Shares determined by the Committee, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested. Subject to the terms of the Plan and any applicable Award Agreement, such Awards may have such terms and conditions as the Committee shall determine; provided, however, any Dividend Equivalents and dividends with respect to Awards shall be subject to the same restrictions as the underlying Awards.

- (f) **OTHER STOCK-BASED AWARDS.** The Committee is hereby authorized to grant to Participants such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as are deemed by the Committee to be consistent with the purposes of the Plan, provided, however, that such grants must comply with applicable law. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the terms and conditions of such Awards. Shares or other securities delivered pursuant to a purchase

right granted under this Section 7(f) shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms, including, without limitation, cash, Shares, other securities, or other Awards, or any combination thereof, as the Committee shall determine, the value of which consideration, as established by the Committee, and except as provided in Section 4(b), shall not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

(g) GENERAL.

- (i) NO CASH CONSIDERATION FOR AWARDS. Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.
- (ii) AWARDS MAY BE GRANTED SEPARATELY OR TOGETHER. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution for any other Award or any award granted under any other plan of the Company or any Affiliate. Awards granted in addition to or in tandem with other Awards, or in addition to or in tandem with awards granted under any other plan of the Company or any Affiliate, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.
- (iii) FORMS OF PAYMENT UNDER AWARDS. Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise, or payment of an Award may be made in such form or forms as the Committee shall determine, including, without limitation, cash, Shares, rights in or to Shares issuable under the Award or other Awards, other securities, or other Awards, or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents in respect of installment or deferred payments.
- (iv) LIMITS ON TRANSFER OF AWARDS. Except as provided by the Committee, no Award and no right under any such Award, shall be assignable, alienable, saleable, or transferable by a Participant otherwise than by will or by the laws of descent and distribution; provided, however, that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Participant with respect to any Award upon the death of the Participant. Each Award, and each right under any Award, shall be

exercisable, during the Participant's lifetime, only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative. No Award and no right under any such Award, may be pledged, alienated, attached, or otherwise encumbered, and any purported pledge, alienation, attachment, or encumbrance thereof shall be void and unenforceable against the Company or any Affiliate.

- (v) **RESTRICTION ON BUYOUTS OF OPTIONS AND STOCK APPRECIATION RIGHTS.** The Committee shall not without the approval of the shareholders of the Company cancel any previously granted Option or Stock Appreciation Right in exchange for cash or another award if the exercise price of such Option or the grant price of such Stock Appreciation Right exceeds the Fair Market Value of a Share on the date of such cancellation, in each case other than in connection with a Change in Control or the adjustment provisions set forth in Section 4(b).
- (vi) **PER-PERSON LIMITATION ON OPTIONS AND STOCK APPRECIATION RIGHTS.** The number of Shares with respect to which Options and Stock Appreciation Rights may be granted under the Plan during any fiscal year to an individual Participant shall not exceed 3,000,000 Shares, subject to adjustment as provided in Section 4(b).
- (vii) **PER-PERSON LIMITATION ON CERTAIN AWARDS.** Other than Options and Stock Appreciation Rights, (A) the aggregate number of Shares with respect to which Restricted Stock, Restricted Stock Units, Performance Awards and Other Stock-Based Awards may be granted under the Plan during any fiscal year to an individual Participant shall not exceed 1,000,000 Shares, subject to adjustment as provided in Section 4(b) and (B) with respect to Awards denominated in cash, the maximum amount that may be earned during any fiscal year by an individual Participant shall not exceed \$20,000,000. The aggregate grant date fair value of the Awards that may be granted to any Non-Employee Director in any fiscal year shall not exceed \$500,000.
- (viii) **CONDITIONS AND RESTRICTIONS UPON SECURITIES SUBJECT TO AWARDS.** The Committee may provide that the Shares issued upon exercise of an Option or Stock Appreciation Right or otherwise subject to or issued under an Award shall be subject to such further agreements, restrictions, conditions or limitations as the Committee in its discretion may specify prior to the exercise of such Option or Stock Appreciation Right or the grant, vesting or settlement of such Award, including without limitation, conditions on vesting or transferability and forfeiture or repurchase provisions or provisions on payment of taxes arising in connection with an Award. Without limiting the foregoing, such restrictions may address the timing and manner of any re-sales by the Participant or other subsequent transfers by the

Participant of any Shares issued under an Award, including without limitation: (A) restrictions under an insider trading policy or pursuant to applicable law, (B) restrictions designed to delay and/or coordinate the timing and manner of sales by Participant and holders of other Company equity compensation arrangements, (C) restrictions as to the use of a specified brokerage firm for such re-sales or other transfers and (D) provisions requiring Shares to be sold on the open market or to the Company in order to satisfy tax withholding or other obligations.

- (ix) **SHARE CERTIFICATES.** All Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any applicable Federal, state, or local securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

SECTION 8. AMENDMENT AND TERMINATION

Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan:

- (a) **AMENDMENTS TO THE PLAN.** The Board may amend, alter, suspend, discontinue, or terminate the Plan, in whole or in part; provided, however, that without the prior approval of the Company's shareowners, no material amendment shall be made if shareowner approval is required by law, regulation, or stock exchange on which the Company is listed, and; provided, further, that, notwithstanding any other provision of the Plan or any Award Agreement, no such amendment, alteration, suspension, discontinuation, or termination shall be made without the approval of the shareowners of the Company that would:
 - (i) increase the total number of Shares available for Awards under the Plan, except as provided in Section 4 hereof; or
 - (ii) except as provided in Section 4(b), permit Options, Stock Appreciation Rights, or other Stock-Based Awards encompassing rights to purchase Shares to be re-priced, replaced, or re-granted through cancellation, or by lowering the exercise price of a previously granted Option or the grant price of a previously granted Stock Appreciation Right, or the purchase price of a previously granted Other Stock-Based Award.
- (b) **AMENDMENTS TO AWARDS.** The Committee may waive any conditions or rights under, amend any terms of, or amend, alter, suspend, discontinue, or terminate, any Awards theretofore granted, prospectively or retroactively. No such amendment or

alteration shall be made which would impair the rights of any Participant, without such Participant's consent, under any Award theretofore granted, provided that no such consent shall be required with respect to any amendment or alteration if the Committee determines in its sole discretion that such amendment or alteration either (i) is required or advisable in order for the Company, the Plan or the Award to satisfy or conform to any law or regulation or to meet the requirements of any accounting standard, or (ii) is not reasonably likely to significantly diminish the benefits provided under such Award.

SECTION 9. GENERAL PROVISIONS

- (a) **NO RIGHTS TO AWARDS.** No Participant or other Person shall have any claim to be granted any Award under the Plan, or, having been selected to receive an Award under this Plan, to be selected to receive a future Award, and further there is no obligation for uniformity of treatment of employees or consultants of the Company or any Affiliates, Non-Employee Directors, Participants, or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to each recipient.
- (b) **WITHHOLDING.** The Company or any Affiliate shall be authorized to withhold from any Award granted or any payment due or transfer made under any Award or under the Plan the amount (in cash, Shares, other securities, or other Awards) of withholding taxes due in respect of an Award, its exercise, or any payment or transfer under such Award or under the Plan and to take such other action as may be necessary in the opinion of the Company or Affiliate to satisfy statutory withholding obligations for the payment of such taxes.
- (c) **NO LIMIT ON OTHER COMPENSATION ARRANGEMENTS.** Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.
- (d) **NO RIGHT TO EMPLOYMENT.** The grant of an Award shall not constitute an employment contract nor be construed as giving a Participant the right to be retained in the employ of the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss a Participant from employment, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.
- (e) **GOVERNING LAW.** The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Delaware and applicable Federal law without regard to conflict of law.
- (f) **SEVERABILITY.** If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any Person

or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person, or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

- (g) **NO TRUST OR FUND CREATED.** Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.
- (h) **NO FRACTIONAL SHARES.** No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, or other securities shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated, or otherwise eliminated.
- (i) **HEADINGS.** Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.
- (j) **INDEMNIFICATION.** Subject to requirements of Delaware State law, each individual who is or shall have been a member of the Board, or a Committee appointed by the Board, or an officer of the Company to whom authority was delegated in accordance with Section 3, shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under this Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his/her own behalf, unless such loss, cost, liability, or expense is a result of his/her own willful misconduct or except as expressly provided by statute. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such individuals may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

- (k) **COMPLIANCE WITH SECTION 409A OF THE CODE.** Except to the extent specifically provided otherwise by the Committee, Awards under the Plan are intended to satisfy the requirements of Section 409A of the Code (and the Treasury Department guidance and regulations issued thereunder) so as to avoid the imposition of any additional taxes or penalties under Section 409A of the Code. If the Committee determines that an Award, Award Agreement, payment, distribution, deferral election, transaction or any other action or arrangement contemplated by the provisions of the Plan or any Award Agreement would, if undertaken, cause a Participant to become subject to any additional taxes or other penalties under Section 409A of the Code, then unless the Committee specifically provides otherwise, such Award, Award Agreement, payment, distribution, deferral election, transaction or other action or arrangement shall not be given effect to the extent it causes such result and the related provisions of the Plan and/or Award Agreement will be deemed modified, or, if necessary, suspended in order to comply with the requirements of Section 409A of the Code to the extent determined appropriate by the Committee, in each case without the consent of or notice to the Participant.
- (l) **NO REPRESENTATIONS OR COVENANTS WITH RESPECT TO TAX QUALIFICATION.** Although the Company may endeavor to (i) qualify an Award for favorable U.S. or foreign tax treatment (e.g., incentive stock options under Section 422 of the Code) or (ii) avoid adverse tax treatment (e.g., under Section 409A of the Code), the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment. The Company shall be unconstrained in its corporate activities without regard to the potential negative tax impact on holders of Awards under the Plan.
- (m) **AWARDS TO NON-U.S. EMPLOYEES.** The Committee shall have the power and authority to determine which Affiliates shall be covered by this Plan and which employees outside the U.S. shall be eligible to participate in the Plan. The Committee may adopt, amend or rescind rules, procedures or sub-plans relating to the operation and administration of the Plan to accommodate the specific requirements of local laws, procedures, and practices. Without limiting the generality of the foregoing, the Committee is specifically authorized to adopt rules, procedures and sub-plans with provisions that limit or modify rights on death, disability or retirement or on termination of employment; available methods of exercise or settlement of an award; payment of income, social insurance contributions and payroll taxes; the withholding procedures and handling of any stock certificates or other indicia of ownership which vary with local requirements. The Committee may also adopt rules, procedures or sub-plans applicable to particular Affiliates or locations.
- (n) **COMPLIANCE WITH LAWS.** The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or stock exchanges on which the Company is listed as may be required. The Company shall have no obligation to issue or deliver evidence of title for Shares issued under the Plan prior to:

- (i) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and
- (ii) completion of any registration or other qualification of the Shares under any applicable national or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable or at a time when any such registration or qualification is not current, has been suspended or otherwise has ceased to be effective.

The inability or impracticability of the Company to obtain or maintain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

- (o) **AWARDS SUBJECT TO CLAWBACK.** The Awards granted under this Plan and any cash payment, Shares or other securities delivered pursuant to an Award are subject to forfeiture, recovery by the Company or other action pursuant to the applicable Award Agreement or any clawback or recoupment policy which the Company may adopt from time to time, including without limitation any such policy which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law.

SECTION 10. EFFECTIVE DATE; STOCKHOLDER APPROVAL

The Plan was previously amended and restated, and was approved by the stockholders of the Company at the Company's 2017 annual meeting of stockholders on May 18, 2017. The most recent amendment and restatement of the Plan became effective on July 26, 2017. This amendment and restatement of the Plan shall become effective on October 23, 2019.

SECTION 11. TERM OF THE PLAN

No Award shall be granted under the Plan on or after the date that is ten (10) years from the date of the adoption of the Plan. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such date, and the authority of the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award, or to waive any conditions or rights under any such Award, and the authority of the Board to amend the Plan, shall extend beyond such date.

SYNCHRONY FINANCIAL**AMENDED AND RESTATED CHANGE IN CONTROL SEVERANCE PLAN**

This document constitutes the Synchrony Financial Change in Control Severance Plan (the “Plan”). The Plan is intended to enable the Company and its Affiliates to secure the continued services and ensure the continued dedication and objectivity of the Executives in the event of any threat or occurrence of, or negotiation or other action that could lead to, or create the possibility of, a Change in Control of the Company, by providing to such Executives certain protections so that such Executives need not be hindered or distracted by personal uncertainties and risks created by any such possible Change in Control. The purpose of the Plan is to provide benefits to a group of employees of the Company and its participating affiliates that constitutes a “select group of management or highly compensated employees” within the meaning of Department of Labor Regulation §2520.104-24.

1. Definitions. As used in the Plan, the following terms shall have the respective meanings set forth below:

(a) “Affiliate” means (1) any entity that, directly or through one or more intermediaries, is controlled by the Company, and (2) any entity in which the Company has a significant equity interest, as determined by the Committee.

(b) “Board” means the Board of Directors of the Company.

(c) “Cause” means:

(i) a material breach by the Executive of his or her duties and responsibilities (other than as a result of incapacity due to physical or mental illness) without reasonable belief that such breach is in the best interests of the Company;

(ii) any act that would prohibit the Executive from being employed by the Company and its Affiliates (including, for the avoidance of doubt, Synchrony Bank) pursuant to the Federal Deposit Insurance Act of 1950, as amended, or other applicable law;

(iii) the commission of or conviction in connection with a felony or any act involving fraud, embezzlement, theft, dishonesty or misrepresentation; or

(iv) any gross or willful misconduct, any violation of law or any violation of a policy of the Company or any of its Affiliates by the Executive that results in or could result in loss to the Company or any of its Affiliates, or damage to the business or reputation of the Company or any of its Affiliates, as determined by the Committee.

(d) “Change in Control” means any of the following events, but only if such event constitutes a “change in control event” for purposes of Treasury Regulation Section 1.409A-3(i)(5):

(i) the acquisition by any individual, entity or group (a “Person”), including any “person” within the meaning of section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (A) the then outstanding shares of common stock of the Company (the “Outstanding Common Stock”) or (B) the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of directors (the “Outstanding Voting Securities”); excluding, however, the following: (1) any acquisition directly from the Company (excluding any acquisition resulting from the exercise of an exercise, conversion or exchange privilege unless the security being so exercised, converted or exchanged was acquired directly from the Company), (2) any acquisition by the Company, (3) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (4) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this Section 1(d); provided further, that for purposes of clause (2), if any Person (other than the Company or any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company) shall become the beneficial owner of 30% or more of the Outstanding Common Stock or 30% or more of the Outstanding Voting Securities by reason of an acquisition by the Company, and such Person shall, after such acquisition by the Company, become the beneficial owner of any additional shares of the Outstanding Common Stock or any additional Outstanding Voting Securities and such beneficial ownership is publicly announced, such additional beneficial ownership shall constitute a Change in Control;

(ii) during any twelve (12) month period, the cessation of individuals who constitute the Board (the “Incumbent Board”) to constitute at least a majority of such Board; provided that any individual who becomes a director of the Company during such twelve (12) month period whose election, or nomination for election by the Company’s stockholders, was approved by the vote of at least a majority of the directors then comprising the Incumbent Board shall be deemed a member of the Incumbent Board; and provided further, that any individual who was initially elected as a director of the Company as a result of an actual or threatened solicitation by a Person other than the Board for the purpose of opposing a solicitation by any other Person with respect to the election or removal of directors, or any other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Board shall not be deemed a member of the Incumbent Board; or

(iii) the consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a “Corporate Transaction”); excluding, however, a Corporate Transaction pursuant to which (A) all or

substantially all of the individuals or entities who are the beneficial owners, respectively, of the Outstanding Common Stock and the Outstanding Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock, and the combined voting power of the outstanding securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns, directly or indirectly, the Company or all or substantially all of the Company's assets) in substantially the same proportions relative to each other as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Common Stock and the Outstanding Voting Securities, as the case may be, (B) no Person (other than: the Company; any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; the corporation resulting from such Corporate Transaction; and any Person which beneficially owned, immediately prior to such Corporate Transaction, directly or indirectly, 30% or more of the Outstanding Common Stock or the Outstanding Voting Securities, as the case may be) will beneficially own, directly or indirectly, 30% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding securities of such corporation entitled to vote generally in the election of directors, and (C) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction.

Notwithstanding anything to the contrary in the foregoing, (i) for so long as General Electric Company and its affiliates beneficially own a majority of the Outstanding Common Stock, no Change in Control shall be deemed to have occurred, (ii) any transaction pursuant to which common stock of the Company is transferred from one wholly-owned subsidiary of General Electric Company to another wholly-owned subsidiary of General Electric Company shall not be deemed to be a Change in Control, and (iii) the transactions pursuant to which General Electric Company and its affiliates reduce their ownership of common stock of the Company shall not constitute a Change in Control; provided that in connection with any such transaction no other Person acquires beneficial ownership of common stock of the Company in an amount that would constitute a Change in Control pursuant to subsection (i) of this Section 1(d).

(e) "Chief Executive Officer" means the Chief Executive Officer of the Company.

(f) "Code" means the Internal Revenue Code of 1986, as amended.

(g) "Committee" shall mean a committee of the Board of Directors of the Company designated by the Board to administer the Plan and composed of not less than two non-employee directors.

(h) "Company" means Synchrony Financial, a Delaware corporation.

(i) “Effective Date” has the meaning assigned to such term in the Section below entitled “Effective Date”.

(j) “Executive” means the Chief Executive Officer and any Executive Vice President (determined as of the date of any individual’s Separation from Service). No other employee of the Company or any of its Affiliates shall be an “Executive” for purposes of this Plan.

(k) “Executive Vice President” means any Executive Vice President of the Company who reports directly to the Chief Executive Officer (as determined by the Committee).

(l) “Good Reason” means, without the Executive’s express written consent, the occurrence of any of the following events after a Change in Control:

(i) a material adverse change in the nature or scope of the Executive’s authority, powers, functions, duties or responsibilities;

(ii) a material reduction by the Company in the Executive’s rate of annual base salary or incentive opportunity; or

(iii) a change in the Executive’s primary employment location to a location that is more than forty (40) miles from the primary location of the Executive’s employment.

Within thirty (30) days after the Executive becomes aware of one or more actions or inactions described in this Good Reason definition, the Executive shall deliver written notice to the Company of the action(s) or inaction(s) (the “Good Reason Notice”). The Company shall have thirty (30) days after the Good Reason Notice is delivered to cure the particular action(s) or inaction(s). If the Company so effects a cure, the Good Reason Notice will be deemed rescinded and of no further force and effect.

(m) “Monthly Welfare Coverage Premium” means, with respect to any Executive, the difference between (i) the monthly premium or cost for continuation coverage of medical, dental and vision benefits under the Company’s welfare benefit plans, determined pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (i.e., up to 102% of the total cost (the sum of the employer and employee portions) of such coverage), and based on the coverage options, if any, in which the Executive is enrolled immediately prior to his or her Termination Date, less (ii) the cost for such coverage to such Executive as an active employee immediately prior to his or her Termination Date. For the avoidance of doubt, if the Executive is not enrolled in any such coverage options as of his or her Termination Date, the Monthly Welfare Coverage Premium will be zero (0).

(n) “Nonqualifying Termination” means the termination of an Executive’s employment (i) by the Company for Cause, (ii) by the Executive for any reason other than Good Reason, (iii) as a result of the Executive’s death, (iv) by the Company due to the Executive’s absence from his or her duties with the Company on a full-time basis for at least three-hundred

sixty-five (365) consecutive days as a result of the Executive's incapacity due to physical or mental illness, or (v) in connection with a sale of assets by the Company or one of its affiliates if the Executive is offered comparable employment (as determined by the Committee) by the purchaser of such assets or one of its affiliates; provided, however, that employment shall not be deemed comparable if such purchaser does not agree to honor the terms of the Plan with respect to such Executive for the duration of such Executive's Termination Period or to provide other severance benefits that, in the aggregate, are at least as favorable as those provided under the Plan.

(o) "Separation from Service" means a "separation from service" as defined in Treasury Regulation Section 1.409A-1(h).

(p) "Severance Period" means (i) with respect to the Chief Executive Officer, the period commencing on the Termination Date and ending thirty (30) months after the Termination Date, and (ii) with respect to an Executive Vice President, the period commencing on the Termination Date and ending twenty-four (24) months after the Termination Date.

(q) "Average Bonus" means the average cash bonus paid to the Executive for the three years prior to the year in which the Termination Date occurs. If an Executive's period of employment with the Company and its Affiliates is not sufficient for him or her to have been eligible for cash bonuses for such three year period, then the Average Bonus will be the average of the cash bonus(es) paid to the Executive during his or her period of employment with the Company and its Affiliates. In the case where the Executive has no bonus history, Average Bonus will be the Executive's target bonus adjusted for the average funding of the Company's cash bonus plan during the three years prior to the year in which the Termination Date occurs.

(r) "Termination Date" with respect to an Executive means the date during the Termination Period on which the Executive incurs a Separation from Service other than by reason of a Nonqualifying Termination.

(s) "Termination Period" with respect to an Executive means the period commencing upon a Change in Control and ending on the earlier to occur of (i) the date which is thirty months following such Change in Control and (ii) the Executive's death.

2. **Payments and Benefits Upon Separation from Service.** If during the Termination Period an Executive incurs a Separation from Service, other than by reason of a Nonqualifying Termination, and the Executive (or the Executive's executor or other legal representative in the case of the Executive's death or disability following such termination) executes a general release in a form acceptable to the Company in its sole discretion (the "Release") within forty-five (45) days (or such shorter period included in the Release) following the Termination Date and does not revoke the Release, the Company shall provide to the Executive, as compensation for services rendered to the Company and its Affiliates, and in consideration of the Release, the severance benefits described in paragraphs (a), (b) and (c) of this Section. The obligations under the Release are in addition to any other non-compete, nondisclosure, non-solicitation, intellectual property or confidentiality agreements the Executive may have executed while employed by the Company or in connection with a termination of

employment from the Company. In addition, if the employment of an Executive shall terminate for any reason, then the Executive shall be entitled to the following without regard to whether a Release is executed: (i) a cash amount (subject to any applicable payroll or other taxes required to be withheld pursuant to Section 6) equal to the sum of the Executive's salary earned from the Company and its affiliated companies through the Termination Date, and (ii) the benefits provided under, and in accordance with, the terms of any other employee benefit plan in which the Executive participates, including any long-term incentive programs and related award agreements.

(a) The Company shall pay to the Executive (or the Executive's beneficiary or estate, as the case may be) a lump sum cash amount (subject to any applicable payroll or other taxes required to be withheld pursuant to Section 6) equal to the sum of (i) and (ii) below:

(i) a prorated bonus for the year in which the Termination Date occurs, determined by multiplying the Executive's Average Bonus by a fraction, the numerator of which is the number of days prior to the Termination Date in the year in which the Termination Date occurs and the denominator of which is 365 or 366, as applicable, reduced by the amount of any bonus paid or to be paid under any Company bonus plan with respect to the year in which the Termination Date occurs; plus

(ii) an amount determined as follows:

(A) with respect to the Chief Executive Officer, the product of two and one half (2.5) times the sum of (1) the Executive's annual base salary in effect immediately prior to the Termination Date and (2) the Executive's Average Bonus; and

(B) with respect to any Executive Vice President, the product of two (2) times the sum of (1) the Executive's annual base salary in effect immediately prior to the Termination Date and (2) the Executive's Bonus.

The amount described above shall be paid less than seventy-five (75) days after the Termination Date.

(b) The Company shall pay to the Executive a lump sum cash amount equal to the product of (i) the Monthly Welfare Coverage Premium, and (ii) (x) in the case of the Chief Executive Officer, thirty (30), and (y) in the case of any Executive Vice President, twenty-four (24). The amount described above shall be paid less than seventy-five (75) days after the Termination Date.

(c) During the Executive's Severance Period, the Executive shall be entitled to reasonable executive outplacement services to be provided by a firm selected by the Company. Payments shall be made directly to the outplacement firm upon submission of proper documentation to the Company. If an Executive elects not to use such outplacement services, the Executive will not be entitled to any cash payment in lieu thereof.

3. Section 280G of the Code. Any payment or benefit received or to be received by an Executive (whether payable pursuant to the terms of this Plan or any other plan, arrangements or agreement with the Company or any affiliate thereof) shall be reduced to the extent necessary so that no portion thereof shall be subject to the excise tax imposed by Section 4999 of the Code, but only if, by reason of such reduction, the net after-tax benefit received by such Executive shall exceed the net after-tax benefit that would be received by such Executive if no such reduction was made. For purposes of this Section, "net after-tax benefit" shall mean (i) the total of all payments and the value of all benefits which the Executive receives or is then entitled to receive from the Company that would constitute "parachute payments" within the meaning of Section 280G of the Code, less (ii) the amount of all federal, state and local income taxes payable with respect to the foregoing calculated at the maximum marginal income tax rate for each year in which the foregoing shall be paid to the Executive (based on the rate in effect for such year as set forth in the Code as in effect at the time of the first payment of the foregoing), less (iii) the amount of excise taxes imposed with respect to the payments and benefits described in (i) above by Section 4999 of the Code. The foregoing determination shall be made by a nationally recognized accounting firm (the "Accounting Firm") selected by the Company (which may be, but will not be required to be, the Company's independent auditors). The Accounting Firm shall submit its determination and detailed supporting calculations to both the Executive and the Company within thirty (30) days after receipt of a notice from either the Company or the Executive that the Executive may receive payments which may be "parachute payments." In performing this calculation, it is the intention of the Company that, for purposes of Section 280G of the Code, payments be considered reasonable compensation for personal services rendered by an Executive (or for refraining from performing services) to the maximum extent permitted by law. If the Accounting Firm determines that such reduction is required by this Section, such reduction shall be done (A) first by reducing payments and benefits that do not constitute nonqualified deferred compensation subject to Section 409A of the Code (unless the Company and the Executive agree otherwise, first cash payments shall be reduced; next any equity or equity derivatives that are included under Section 280G of the Code at full value rather than accelerated value shall be reduced; next any equity or equity derivatives based on acceleration value shall be reduced with the highest value reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24); and finally other benefits shall be reduced), and (B) second by reducing on a pro-rata basis the amount of any payments or benefits that do constitute nonqualified deferred compensation subject to Section 409A of the Code (but without changing the time or form in which such payments and benefits are to be provided). The Executive and the Company shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Executive or the Company, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by this Section.

4. Plan Administration

(a) The Plan shall be interpreted and administered by the Committee, who shall have complete authority, in its sole discretion subject to the express provisions of the Plan, to make all determinations necessary or advisable for the administration of the Plan. All questions arising in connection with the interpretation of the Plan or its administration shall be submitted to and determined by the Committee in a fair and equitable manner.

(b) The Committee may from time to time delegate any of its duties hereunder to such person or persons as the Committee may designate. The Committee is empowered, on behalf of the Plan, to appoint such agents as it shall deem appropriate for the proper administration of the Plan. The functions of any such persons engaged by the Committee shall be limited to the specified services and duties for which they are engaged, and such persons shall have no other duties, obligations or responsibilities under the Plan. Such persons shall exercise no discretionary authority or discretionary control respecting the administration of the Plan, except to the extent permitted by the Committee. All reasonable fees and expenses of such persons shall be borne by the Company.

5. Claims

(a) If any Executive or other person believes he or she is entitled to benefits in an amount greater than those which he or she is receiving or has received, such Executive or other such person or his or her authorized representative may file a claim with the most senior employee of the Company and its Affiliates whose responsibilities and duties are primarily related to compensation matters (the "Claims Administrator") or such other employee of the Company which from time to time assumes the responsibilities with respect to the Plan which are allocated to the Claims Administrator. Such a claim shall be in writing and state the nature of the claim, the facts supporting the claim, the amount claimed, and the address of the claimant. The Claims Administrator shall review the claim and, unless special circumstances require an extension of time shall, within ninety (90) days after receipt of the claim, give written notice by registered or certified mail to the claimant of his or her decision with respect to the claim. If special circumstances require an extension of time, the claimant shall be so advised in writing within the initial ninety (90) day period and in no event shall such an extension exceed ninety (90) days. The notice of the decision of the Claims Administrator with respect to the claim shall be written in a manner calculated to be understood by the claimant and, if the claim is wholly or partially denied, set forth the specific reasons for the denial, specific references to the pertinent Plan provisions on which the denial is based, a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and an explanation of the claim review procedure under the Plan and the time limits applicable to such procedure, including a statement of the claimant's right to bring a claim under Section 502(a) of ERISA following an adverse benefit determination upon review. The Claims Administrator also shall advise the claimant that such claimant or his or her duly authorized representative may request a review by the Committee of the denial by the Committee by filing with the Committee within sixty (60) days after notice of the denial has been received by the claimant, a written request for such review. The claimant shall be informed,

within the same sixty (60) day period, that he or she (i) may be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claimant's claims for benefits and (ii) may submit written comments, documents, records and other information relating to the claim for benefits to the Committee. If a request is so filed, review of the denial shall be made by the Committee within, unless special circumstances require an extension of time, sixty (60) days after receipt of such request, and the claimant shall be given written notice of the Committee's final decision. If special circumstances require an extension of time, the claimant shall be so advised in writing within the initial sixty (60) day period and in no event shall such an extension exceed sixty (60) days. The review shall take into account all comments, documents, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The notice of the Committee's final decision shall be written in a manner calculated to be understood by the claimant and shall include specific reasons for the decision, specific references to the pertinent Plan provisions on which the decision is based and shall be written in a manner calculated to be understood by the claimant, a statement that the claimant is entitled to receive, upon request and free of charge, access to and copies of all documents, records and other information relevant to the benefit claim and a statement that the claimant has the right to bring a claim under Section 502(a) of ERISA.

(b) No legal action for benefits or eligibility under the Plan or otherwise related to the Plan, including without limitation any lawsuit or any matter subject to the dispute resolution program described in Section 14, may be brought by the Executive if he or she has not timely filed a claim and a review for such benefits or other matter pursuant to Section 5(a) and otherwise exhausted all administrative remedies under the Plan. No legal action, including without limitation any lawsuit or any matter subject to the dispute resolution program described in Section 14, may be brought in connection with any matter related to the Plan more than one (1) year after the date the Committee provides written notice of its final decision on the underlying claim.

6. Withholding Taxes. All payments due under the Plan shall be subject to required tax or other withholding or garnishment obligations, if any. The Company shall be authorized to withhold cash from any payment due to satisfy statutory withholding obligations for the payment of such taxes. The Executive shall pay to or reimburse the Company for any federal, state, local or foreign taxes required to be withheld and paid over by it, at such time and upon such terms and conditions as the Company may prescribe before the Company shall be required to make any additional payments to the Executive.

7. Amendment and Termination. The Company shall have the right, in its sole discretion, pursuant to action by the Board, to approve the amendment or termination of the Plan, which amendment or termination shall not become effective until the date fixed by the Board for such amendment or termination, which date, in the case of an amendment which would be adverse to the interests of any Executive or in the case of termination, shall be at least one-hundred twenty (120) days after notice thereof is given by the Company to the Executives in

accordance with Section 17 hereof; provided, however, that no such action shall be taken by the Board during any period when the Board has knowledge that any person has taken steps reasonably calculated to effect a Change in Control until, in the opinion of the Board, such person has abandoned or terminated its efforts to effect a Change in Control; and provided further, that with respect to an Executive, on and after a Change in Control, in no event shall the Plan be amended in a manner adverse to the interests of such Executive or terminated prior to the end of such Executive's Termination Period, in each case, except with respect to an Executive who consents in writing otherwise. Notwithstanding the foregoing, the Company shall have the discretion and authority to amend the Plan at any time in accordance with Section 21 of the Plan.

8. Entire Agreement. Subject to Section 9(a) hereof, any amount paid pursuant to the Plan shall be paid in lieu of any other amount of severance relating to salary or bonus continuation, any other continuation of welfare benefits coverage (other than coverage required by the Consolidated Omnibus Budget Reconciliation Act of 1985) or any other outplacement services to be received by the Executive upon termination of employment of the Executive under any severance plan, policy or arrangement of the Company. Subject to the foregoing, the rights of, and benefits payable to, an Executive pursuant to the Plan are in addition to any rights of, or benefits payable to, an Executive under any other employee benefit plan or compensation program of the Company. All rights of an Executive under any such plan or program shall be determined in accordance with the provisions of such plan or program.

9. Offset, Overpayment and Mitigation.

(a) If the Company is obligated by law or contract to pay severance pay, notice pay or other similar benefits, or if the Company is obligated by law or by contract to provide advance notice of separation ("Notice Period"), then any payments hereunder shall be reduced by the amount of any such severance pay, notice pay or other similar benefits, as applicable, and by the amount of any severance pay, notice pay or other similar benefits received during any Notice Period.

(b) The Company may recover any overpayment of benefits hereunder made to an Executive or an Executive's estate under this Plan or, to the extent permitted by applicable law, offset any other overpayment made to the Executive against any benefits hereunder or other amount the Company owes the Executive or the Executive's estate.

(c) In no event shall an Executive be obligated to seek other employment or to take other action by way of mitigation of the amounts payable and the benefits provided to such Executive under any of the provisions of the Plan, and such amounts and benefits shall not be reduced whether or not such Executive obtains other employment.

10. Unfunded Plan. The Plan shall not be funded. No Executive entitled to benefits hereunder shall have any right to, or interest in, any specific assets of the Company, but an Executive shall have only the rights of a general creditor of the Company to receive benefits on the terms and subject to the conditions provided in the Plan.

11. Payments to Minors, Incompetents and Beneficiaries. Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of giving a

receipt therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Company, the Committee and all other parties with respect thereto. If an Executive shall die while any amounts would be payable to the Executive under the Plan had the Executive continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of the Plan to such person or persons appointed in writing by the Executive to receive such amounts or, if no person is so appointed, to the estate of the Executive.

12. Nonassignability. None of the payments, benefits or rights of any Executive shall be subject to any claim of any creditor, and, in particular, to the fullest extent permitted by law, all such payments, benefits and rights shall be free from attachment, garnishment, trustee's process or any other legal or equitable process available to any creditor of such Executive. Except as otherwise provided herein or by law, no right or interest of any Executive under the Plan shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment or pledge; no attempted assignment or transfer thereof shall be effective; and no right or interest of any Executive under the Plan shall be subject to any obligation or liability of such Executive.

13. No Guaranty of Employment. Nothing contained in the Plan shall be construed as a contract of employment between any the Company or other entity and any individual or as conferring a right on any individual to be continued in the employment of the Company or other entity.

14. Dispute Resolution. Except as otherwise provided in the Release, any dispute, controversy or claim between the Company and the Executive, whether arising out of or relating to the Plan, the breach of the provisions of the Plan, or otherwise, shall be settled in accordance with the terms of any then effective Company alternative dispute resolution program, to the extent such dispute, controversy or claim is covered by such program.

15. Successors; Binding Agreement. The Plan shall inure to the benefit of and be binding upon the beneficiaries, heirs, executors, administrators, successors and assigns of the parties, including each Executive, present and future, and any successor to the Company or an Affiliate. The Plan shall not be terminated by any merger or consolidation of the Company whereby the Company is or is not the surviving or resulting corporation or as a result of any transfer of all or substantially all of the assets of the Company. In the event of any such merger, consolidation or transfer of assets, the provisions of the Plan shall be binding upon the surviving or resulting corporation or the person or entity to which such assets are transferred. The Company agrees that concurrently with any merger, consolidation or transfer of assets referred to in this Section, it will cause any surviving or resulting corporation or transferee unconditionally to assume all of the obligations of the Company hereunder.

16. Headings. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan and shall not be employed in the construction of the Plan.

17. Notices. Any notice or other communication required or permitted pursuant to the terms hereof shall have been duly given when delivered or mailed by United States mail, first class, postage prepaid, addressed to the intended recipient at his, her or its last known address.

18. Effective Date. The Plan shall be effective as of the date General Electric Company reduces its ownership in Company common stock to a level below 50% (such date, the "Effective Date") and shall remain in effect unless and until terminated by the Board pursuant to Section 7 hereof.

19. Employment with Affiliates. For purposes of the Plan, employment with the Company shall include employment with any Affiliate.

20. Governing Law and Venue; Validity. The Plan shall be governed by, and construed and enforced in accordance with, the internal laws of the State of Delaware (without regard to principles of conflicts of laws) to the extent not preempted by Federal law, which shall otherwise control. To the extent any claim or other legal action involving or related to the Plan may be brought in any court notwithstanding Section 14 of the Plan, such legal action must be brought in the United States District Court for the Northern District of New York and no other federal or state court. If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and the Plan shall be construed and enforced as if such provision had not been included.

21. Compliance With Section 409A of Code. All payments pursuant to the Plan are intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii) or as short-term deferrals pursuant to Treasury Regulation Section 1.409A-1(b)(4), and the Plan shall be interpreted and construed consistently with such intent. To the extent the Plan is subject to Section 409A of the Code, it is intended to comply with Section 409A of the Code and the Plan shall be interpreted and construed consistently with such intent. Any payment that is deferred compensation subject to Section 409A of the Code which is conditioned upon the Executive's execution of the Release and which is to be paid during a designated period that begins in one taxable year and ends in a second taxable year shall be paid in the second taxable year. In the event the Plan would subject the Executive, or his or her beneficiary, to taxes or penalties under Section 409A of the Code ("409A Penalties"), the Committee may amend the Plan to avoid such 409A Penalties, to the extent possible; provided that in no event shall the Company be responsible for any 409A Penalties that arise in connection with any payments under the Plan and the Executive shall remain liable for all 409A Penalties as required by applicable law. Notwithstanding any other provision in this Plan, if any payment to an Executive is deferred compensation subject to Section 409A of the Code, such payment shall be delayed until the first payroll date following the six-month anniversary of the Termination Date or, if the Executive dies following his or her Separation from Service and before such six-month anniversary, within ninety (90) days following the date of his or her death.

**FIRST AMENDMENT
TO THE
SYNCHRONY FINANCIAL
RESTORATION PLAN**

WHEREAS, Synchrony Financial (the “Company”) maintains the Synchrony Financial Restoration Plan (the “Plan”);

WHEREAS, the Plan was previously amended and restated on July 10, 2017;

WHEREAS, the Plan Administrator (as defined in the Plan) desires to amend the Plan to (i) clarify when a Participant’s subaccount may be reduced to pay employment taxes, (ii) modify eligibility with respect to Plan Years beginning on or after January 1, 2020, and (iii) change the available elections regarding the time of distributions applicable to amounts deferred under the Plan with respect to Plan Years beginning on or after January 1, 2020 (the “Amendment”); and

WHEREAS, Section 8 of the Plan provides that the Plan Administrator may amend the Plan at any time if such amendment is advisable to satisfy or conform to any law or regulation or is administrative in nature, and the Plan Administrator has determined that it may adopt the Amendment pursuant to the foregoing.

NOW THEREFORE, effective as of the date hereof, the Plan is amended as follows:

1. The first sentence of Section 1(w) of the Plan (definition of “Eligible Employee”) is hereby amended in its entirety to read as follows:

“Eligible Employee” means (i) with respect to any Plan Year that begins on or before January 1, 2019, any employee of an Employer whose position is assigned to Level 12 or above or any comparable role or position (including any similar role or position if an Employer does not use the foregoing designations), and (ii) with respect to any Plan Year beginning on or after January 1, 2020, any employee of an Employer whose “Compensation” as defined in the Qualified Plan exceeds the Compensation Limit.

2. The penultimate sentence of Section 4(b) of the Plan is deleted.
3. Section 4(d) is hereby added to the Plan to read as follows:

(d) Reduction for Taxes. Amounts credited to a Participant’s subaccount under the Plan may, at the discretion of the Company, be reduced in connection with employment taxes being imposed on such Participant on account of his or her (i) subaccount under the Plan or (ii) interest in any other arrangement (e.g., rights with respect to restricted stock units) that would be aggregated with the Plan under Treasury

Regulation Section 1.409A-1(c)(2), in either case, becoming nonforfeitable for purposes of the Code, and such Employer remitting such employment taxes to the appropriate taxing authority. To the extent any such reduction occurs, the Plan Administrator shall determine to which subaccount(s) such reduction shall be applied.

4. Section 6(d) of the Plan is hereby amended in its entirety to read as follows:

(d) Time of Distributions. A Time and Form Election shall indicate that the Company Amounts subject to such election (as adjusted for Earnings Equivalents and employment taxes) shall be paid or payment shall commence, as applicable, upon:

(i) with respect to amounts credited to a Participant's subaccount for Plan Years beginning on or before January 1, 2019, the later of:

(A) The month following the six (6) month anniversary of the Participant's Separation from Service; and

(B) The month in which the Participant attains age 65 or 70, as elected by the Participant (the "Age Election"); and

(ii) with respect to amounts credited to a Participant's subaccount for Plan Years beginning on or after January 1, 2020, either:

(A) The month following the six (6) month anniversary of the Participant's Separation from Service; or

(B) The year selected by the Participant (which may be designated in any manner determined by the Plan Administrator (such as the year the Participant attains a specific age, a fixed number of years after the Participant attains a specific age or any other specific date); provided, however, that, the year selected by the Participant may not be earlier than the date that the Participant's Account Balance ceases to be subject to forfeiture pursuant to Section 3 (and, for the avoidance of doubt, in no event shall a Participant be entitled to a distribution on account of his or her election under this Section 6(d)(ii)(B) when his or her Account Balance remains subject to forfeiture). In the case of an election under this clause (B), the Plan Administrator shall have discretion to determine when in such year the applicable payments shall commence.

5. Section 15(a) is hereby amended to replace the reference to "Section 4(a) and (b)" with "Section 4."

IN WITNESS WHEREOF, the Plan Administrator has caused this First Amendment to be adopted by the Company this 10th day of October 2019.

By: /s/ David Casto

Title: EVP, Chief Human Resources Officer

ACTIVE 245928575

**Certification Pursuant to
Rules 13a-14(a) or 15d-14(a) Under the Securities Exchange Act of 1934, as Amended**

I, Margaret M. Keane, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Synchrony Financial;
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)) 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: October 24, 2019

/s/ Margaret M. Keane

Margaret M. Keane
Chief Executive Officer

**Certification Pursuant to
Rules 13a-14(a) or 15d-14(a) Under the Securities Exchange Act of 1934, as Amended**

I, Brian J. Wenzel Sr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Synchrony Financial;
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)) 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: October 24, 2019

/s/ Brian J. Wenzel Sr.

Brian J. Wenzel Sr.
Chief Financial Officer

**Certification Pursuant to
18 U.S.C. Section 1350**

In connection with the Quarterly Report of Synchrony Financial (the “registrant”) on Form 10-Q for the period ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “report”), we, Margaret M. Keane, Chief Executive Officer, and Brian J. Wenzel Sr., Chief Financial Officer, of the registrant, certify, pursuant to 18 U.S.C. § 1350, that to our knowledge:

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 registrant.

Date: October 24, 2019

/s/ Margaret M. Keane

Margaret M. Keane
Chief Executive Officer

/s/ Brian J. Wenzel Sr.

Brian J. Wenzel Sr.
Chief Financial Officer