

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

(Mark One)

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

For the fiscal year ended December 31, 2021

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)

**777 Long Ridge Road
Stamford, Connecticut**

(Address of principal executive offices)

51-0483352

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

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
Depository Shares Each Representing a 1/40th Interest in a Share of 5.625% Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A	SYFPrA	New York Stock Exchange

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

Title of class

None

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the outstanding common equity of the registrant held by non-affiliates as of the last business day of the registrant's most recently completed second fiscal quarter was \$27,822,151,695,

The number of shares of the registrant's common stock, par value \$0.001 per share, outstanding as of February 4, 2022 was 521,271,848.

DOCUMENTS INCORPORATED BY REFERENCE

The definitive proxy statement relating to the registrant's Annual Meeting of Stockholders, to be held May 20, 2022, is incorporated by reference into Part III to the extent described therein.

Synchrony Financial
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OUR ANNUAL REPORT ON FORM 10-K

To improve the readability of this document and better present both our financial results and how we manage our business, we present the content of our Annual Report on Form 10-K in the order listed in the table of contents below. See "Form 10-K Cross-Reference Index" on page 4 for a cross-reference index to the traditional U.S. Securities and Exchange Commission (SEC) Form 10-K format.

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- (a) Incorporated by reference to "Management", "Election of Directors," "Governance Principles," "Code of Conduct" and "Committees of the Board of the Directors" in our definitive proxy statement for our 2022 Annual Meeting of Stockholders to be held on May 19, 2022, which will be filed within 120 days of the end our fiscal year ended December 31, 2021 (the "2022 Proxy Statement").
- (b) Incorporated by reference to "Compensation Discussion and Analysis," "2021 Executive Compensation," "Management Development and Compensation Committee Report" and "Management Development and Compensation Committee Interlocks and Insider Participation" and "CEO Pay Ratio" in the 2022 Proxy Statement.
- (c) Incorporated by reference to "Beneficial Ownership" and "Equity Compensation Plan Information" in the 2022 Proxy Statement.
- (d) Incorporated by reference to "Related Person Transactions," "Election of Directors" and "Committees of the Board of Directors" in the 2022 Proxy Statement.
- (e) Incorporated by reference to "Independent Auditor" in the 2022 Proxy Statement.

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;
- “CECL” are to the impairment model known as the Current Expected Credit Loss model, which is based on expected credit losses; and
- “VantageScore” are to a credit score developed by the three major credit reporting agencies which is 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. Information with respect to partner “locations” in this report is given at December 31, 2021. “Open accounts” represents credit card or installment loan accounts that are not closed, blocked or more than 60 days delinquent.

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*. 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.

Industry and Market Data

This report contains various historical and projected financial information concerning our industry and market. Some of this information is from industry publications and other third-party sources, and other information is from our own data and market research that we commission. All of this information involves a variety of assumptions, limitations and methodologies and is inherently subject to uncertainties, and therefore you are cautioned not to give undue weight to it. Although we believe that those industry publications and other third-party sources are reliable, we have not independently verified the accuracy or completeness of any of the data from those publications or sources.

Cautionary Note Regarding Forward-Looking Statements:

Various statements in this Annual Report on Form 10-K 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, including the future impacts of the novel coronavirus disease (“COVID-19”) outbreak and measures taken in response thereto for which future developments are highly uncertain and difficult to predict; retaining existing partners and attracting new partners, concentration of our revenue in a small number of partners, and promotion and support of our products by our partners; cyber-attacks or other security breaches; disruptions in the operations of our and our outsourced partners' computer systems and data centers; the financial performance of our partners; the sufficiency of our allowance for credit losses and the accuracy of the assumptions or estimates used in preparing our financial statements, including those related to the CECL accounting guidance; 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; damage to our reputation; 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; 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; 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; 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; 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 in “*Risk Factors Relating to Our Business*” and “*Risk Factors Relating to Regulation*.” 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.

OUR BUSINESS

Our Company

We are a premier consumer financial services company delivering one of the industry's most complete, digitally-enabled product suites. Our experience, expertise and scale encompass a broad spectrum of industries, including digital, health and wellness, retail, home, auto, powersports, jewelry, pets and more. We have an established and 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." We connect our partners and consumers through our dynamic financial ecosystem and provide them with a diverse set of financing solutions and innovative digital capabilities to address their specific needs and deliver seamless, omnichannel experiences. We utilize a broad set of distribution channels, including mobile apps and websites, as well as online marketplaces and business management solutions like Point-of-Sale platforms. Our offerings include private label, dual, co-brand and general purpose credit cards, as well as short- and long-term installment loans and consumer banking products. During 2021, we financed \$165.9 billion of purchase volume, and at December 31, 2021, we had \$80.7 billion of loan receivables and 72.4 million active accounts.

Our business benefits from longstanding and collaborative relationships with our partners, including some of the nation's leading retailers and manufacturers with well-known consumer brands, such as Lowe's and Sam's Club and also leading digital partners, such as Amazon and PayPal. We believe our business model has been successful because it aligns our interests with those of our partners and provides substantial value to both our partners and our customers. Our partners promote our credit products because they generate increased sales and strengthen customer loyalty. Our customers benefit from instant access to credit, discounts, or other benefits such as cash back rewards, and promotional offers. We seek to differentiate ourselves through our deep industry expertise, our long history of consumer lending, our innovative digital capabilities and our diverse product suite. We have omni-channel (in-store, online and mobile) technology and marketing capabilities, which allow us to offer and deliver our credit products instantly to customers across multiple channels. We continue to invest in, and develop, our digital assets to ensure our partners are well positioned for the rapidly evolving environment. We have been able to demonstrate our digital capabilities by providing solutions that meet the needs of our partners and customers, with approximately 55% of our consumer revolving applications in 2021 processed through a digital channel.

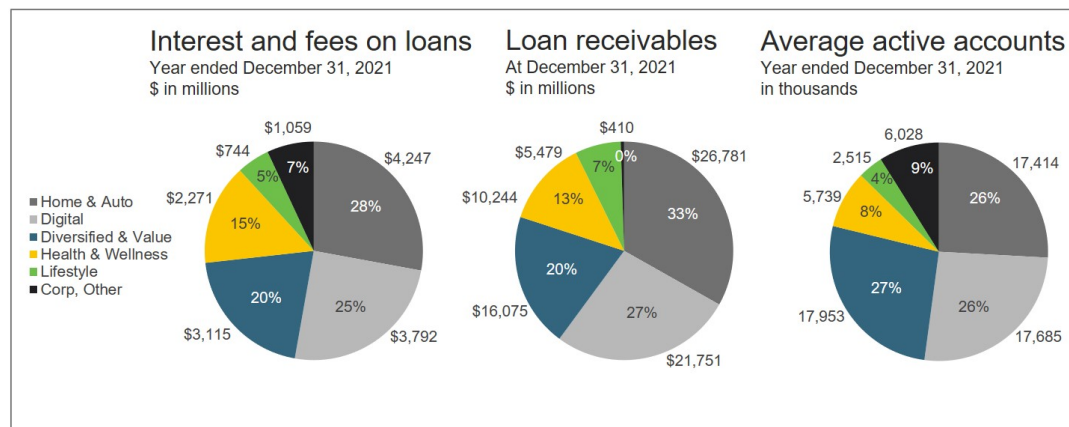
We conduct our operations through a single business segment. Profitability and expenses, including funding costs, credit losses and operating expenses, are managed for the business as a whole. Substantially all of our revenue activities are within the United States. In June 2021, we announced organizational changes aimed to further align the company's activities with its partners and evolving consumer expectations, while leveraging our innovation, data, expertise and scale to deliver products and capabilities to market faster. As part of these changes, we established a Growth Organization that includes our marketing, data, analytics, customer experience and product development teams in one cohesive group and we also combined our Technology and Operations teams. For our sales activities, we now primarily manage our credit products through five sales platforms (Home & Auto, Digital, Diversified & Value, Health & Wellness and Lifestyle). Those platforms are organized by the types of partners we work with, and are measured on interest and fees on loans, loan receivables, active accounts and other sales metrics.

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 December 31, 2021, we had \$62.3 billion in deposits, which represented 81% of our total funding sources.

Our Sales Platforms

We offer our credit products through five sales platforms: Home & Auto, Digital, Diversified & Value, Health & Wellness and Lifestyle.

Set forth below is a summary of certain information relating to our sales platforms:



Home & Auto

Our Home & Auto sales platform provides comprehensive payments and financing solutions with integrated in-store and digital experiences through a broad network of partners and merchants providing home and automotive merchandise and services, as well as our Synchrony Car Care network and Synchrony HOME credit card offering. Home & Auto accounted for \$4.2 billion, or 28%, of our total interest and fees on loans for the year ended December 31, 2021.

Home & Auto Partners

Our Home & Auto sales platform partners include a wide range of key retailers in the home improvement, furniture, bedding, appliance and electronics industry, such as Ashley HomeStores LTD, Lowe's, and Mattress Firm, as well as automotive merchandise and services, such as Chevron and Discount Tire. In addition, we also have program agreements with buying groups, manufacturers and industry associations, such as Nationwide Marketing Group and the Home Furnishings Association.

At December 31, 2021, the length of our relationship with each of our five largest partners was over 10 years, and in the case of Lowe's, 42 years.

2021 Partner Agreements:		
New partnerships:	<ul style="list-style-type: none"> Alarm.com BoxDrop 	<ul style="list-style-type: none"> Gardner White
Program extensions:	<ul style="list-style-type: none"> Abt Electronics American Signature Furniture Ashley HomeStores LTD CITGO City Furniture 	<ul style="list-style-type: none"> Furniture Fair Mitchell Gold Co. Phillips 66 Sam Levitz Furniture WG&R Furniture

Digital

Our Digital sales platform provides comprehensive payments and financing solutions with integrated digital experiences through partners and merchants who primarily engage with their consumers through digital channels. We enable our digital-first partners to deepen consumer engagement by embedding payments and financing solutions, compelling value and rewards, and personalized offers within seamless experiences and extending digital relationships into in-person commerce. In addition to our partner products, we also offer a Synchrony-branded general purpose credit card. Digital accounted for \$3.8 billion, or 25%, of our total interest and fees on loans for the year ended December 31, 2021.

Digital Partners

Our Digital sales platform includes key partners delivering digital payment solutions, such as PayPal, including our Venmo program, online marketplaces, such as Amazon and eBay, and digital-first brands and merchants, such as Verizon, the Qurate brands, and Fanatics.

The Digital sales platform has strong alignment with its partners through partnerships that span decades, as well as through our more recent programs with Verizon and Venmo. At December 31, 2021, the length of our relationship with each of our four largest partners was over 10 years, and in the case of PayPal, 17 years. The Digital sales platform has highly engaged customers and can continue to drive penetration and everyday use by expanding products, channels, and deeper user experience integrations.

2021 Partner Agreements:	
Program extensions:	• ShopHQ

In addition, we also expanded our strategic relationship with PayPal in 2021 and entered into an affinity deposit arrangement with PayPal in which the Bank will be offering PayPal-branded savings accounts through PayPal's mobile application and website.

Diversified & Value

Our Diversified & Value sales platform provides comprehensive payments and financing solutions with integrated in-store and digital experiences through large retail partners who deliver everyday value to consumers shopping for daily needs or important life moments. Diversified & Value accounted for \$3.1 billion, or 20%, of our total interest and fees on loans for the year ended December 31, 2021.

Diversified & Value Partners

Our Diversified & Value sales platform is comprised of five large retail partners: Belk, Fleet Farm, JCPenney, Sam's Club and TJX Companies, Inc. Through strong partner alignment, competitive value propositions, and embedding our products in the digital experience, we can continue to drive penetration and everyday use.

At December 31, 2021, the length of our relationship with each of these five partners was over 10 years, and in the case of Sam's Club, 28 years.

2021 Partner Agreements:	
Program extensions:	• TJX Companies

Health & Wellness

Our Health & Wellness sales platform provides comprehensive healthcare payments and financing solutions, through a network of providers and health systems, for those seeking health and wellness care for themselves, their families and their pets, and includes key brands such as CareCredit, Pets Best as well as partners such as Walgreens. Health & Wellness accounted for \$2.3 billion, or 15%, of our total interest and fees on loans for the year ended December 31, 2021.

We offer customers a CareCredit-branded private label credit card that may be used across our network of CareCredit providers and our CareCredit Dual Card offering, access to installment loans in select providers, our Walgreens private label and dual card, along with complementary products such as Pets Best pet insurance.

Health & Wellness Partners

The vast majority of our partners are individual and small groups of independent healthcare providers, which includes networks of healthcare practitioners that provide elective and other procedures that generally are not fully covered by insurance. The remainder are primarily national and regional healthcare providers, such as Aspen Dental and Mars Petcare and health-focused retailers, such as Rite Aid and Walgreens. In addition, we also have over 150 relationships with professional and other associations (including the American Dental Association and the American Veterinary Medical Association), manufacturers and buying groups, which endorse and promote our credit products to their members.

At December 31, 2021, we had a network of Health & Wellness providers and health-focused retailers that collectively have over 258,000 locations. Excluding our program agreement with Walgreens, no single Health & Wellness partner accounted for more than 0.2% of our total interest and fees on loans for the year ended December 31, 2021. Dental providers accounted for 56% of Health & Wellness interest and fees on loans for the year ended December 31, 2021.

During 2021 over 195,000 locations either processed a CareCredit application or made a sale on a CareCredit credit card and our CareCredit provider locator averaged over 1.5 million searches per month during the year ended December 31, 2021.

2021 Partner Agreements:		
New partnerships:	<ul style="list-style-type: none"> • Emory Healthcare • Mercy Health • Ochsner Health • Prime Health 	<ul style="list-style-type: none"> • Southern Veterinary Partners • Sycle • Thrive Pet Healthcare
Extensions:	<ul style="list-style-type: none"> • Heartland Dental • LCA Vision 	<ul style="list-style-type: none"> • Rite Aid

During the year ended December 31, 2021 we also launched our new program agreement with Walgreens to become the issuer of the first co-branded credit card program for a national health retailer in the United States. Additionally, we acquired Allegro Credit to complement our product capabilities and increase our presence in the audiology market and also made our CareCredit patient financing app available in the Epic App Orchard, further expanding the availability of CareCredit to healthcare organizations using Epic.

Lifestyle

Lifestyle provides comprehensive payments and financing solutions with integrated in-store and digital experiences through partners and merchants who offer merchandise in power sports, outdoor power equipment, and other industries such as sporting goods, apparel, jewelry and music. We create customized credit programs for national and regional retailers, manufacturers, and industry associations. Credit extended in this platform, other than our apparel and sporting goods retail partners, is primarily promotional financing. With our large retail partners, we continue to drive penetration and everyday use through strong partner alignment, competitive value propositions, and embedding our products in the digital experience. Lifestyle accounted for \$744 million, or 5%, of our total interest and fees on loans for the year ended December 31, 2021.

Lifestyle Partners

Our Lifestyle sales platform partners includes a wide range of key retailers in the apparel, specialty retail, outdoor, music and luxury industry, such as American Eagle, Dick's Sporting Goods, Guitar Center, Polaris and Pandora.

At December 31, 2021, the length of our relationship with each of our five largest partners was over 5 years, and in the case of American Eagle, 25 years.

2021 Partner Agreements:		
New partnerships:	<ul style="list-style-type: none">• Family Farm & Home	<ul style="list-style-type: none">• JCB
Program extensions:	<ul style="list-style-type: none">• American Eagle• Daniels• Husqvarna• Ricoma	<ul style="list-style-type: none">• Sutherlands• Tacony Corporation• The Container Store• Vanderhall Motor Works

Corp, Other

Corp, Other includes activity and balances related to certain program agreements with retail partners and merchants that will not be renewed beyond their current expiration date and certain programs that were previously terminated, which are not managed within the five sales platforms discussed above, and primarily includes amounts associated with our program agreements with Gap Inc. and BP which are scheduled to expire in the second quarter of 2022. Corp, Other also includes amounts related to changes in the fair value of equity investments and realized gains or losses associated with the sale of investments.

Our Partner Agreements

Revenue

Our revenue we earn from our agreements with our partners primarily consists of interest and fees on our loan receivables, and in our program agreements that contain promotional financing, includes "merchant discounts," which are fees paid to us by our partners in almost all cases to compensate us for all or part of the foregone interest income associated with promotional financing. We offer promotional financing across all five of our sales platforms.

The types of promotional financing we offer includes deferred interest (interest accrues during a promotional period and becomes payable if the full purchase amount is not paid off during the promotional period), no interest (no interest on a promotional purchase) and reduced interest (interest is assessed monthly at a promotional interest rate during the promotional period). As a result, during the promotional period we do not generate interest income or generate it at a lower rate, although we continue to generate fee income relating to late fees on required minimum payments. For these promotional financing offerings, we generally partner with sellers of "big-ticket" products or services or large basket transactions (generally priced from \$500 to \$25,000+) to consumers where our financing products and industry expertise provide strong incremental value to our partners and their customers. In addition to our revolving product we also offer secured installment loans for the big ticket items primarily in our Outdoor and Powersport industries. We also promote our programs to sellers through direct marketing activities such as industry trade publications, trade shows and sales efforts by dedicated internal and external sales teams, leveraging our existing partner network or through endorsements through manufacturers and industry associations. Our broad array of point-of-sale technologies and quick enrollment process allow us to quickly and effectively integrate new partners.

Our five largest programs based upon interest and fees on loans for the year ended December 31, 2021, excluding the Gap Inc. program, were Amazon, JCPenney, Lowe's, PayPal and Sam's Club. These programs accounted in aggregate for 50% of our total interest and fees on loans for the year ended December 31, 2021, and 51% of loan receivables at December 31, 2021. Our programs with Lowe's and PayPal, which includes our Venmo program, each accounted for more than 10% of our total interest and fees on loans for the year ended December 31, 2021. The length of our relationship with each of our five largest partners is over 14 years, and in the case of Lowe's, 42 years. The current expiration dates for these agreements range from 2026 through 2030.

In August 2021, we entered into an agreement to sell loan receivables associated with our program agreement with Gap Inc. We expect to recognize a gain on sale of the portfolio, which, subject to customary closing conditions, is expected to be completed in the second quarter of 2022.

Other income related to our program agreements primarily consists of interchange fees earned when our Dual Card or general purpose co-branded cards are used outside of our partners' sales channels and fees paid to us by customers who purchase our debt cancellation products, less costs incurred related to partner loyalty program. In our Health & Wellness sales platform, Other income also includes commission fees earned by Pets Best.

Program Agreements

Our private label credit cards, Dual Cards and co-branded credit card programs for our retail and digital partners are typically governed by program agreements that are each negotiated separately with our partners. Although the terms of the agreements are partner-specific, and may be amended from time to time, under a typical program agreement, our partner agrees to support and promote the program to its customers, but we control credit criteria and issue products to customers who qualify under those criteria. We own the underlying accounts and all loan receivables generated under the program from the time of origination. Other key provisions in our program agreements include:

Term

Our program agreements typically have contract terms ranging from approximately three to ten years. Many program agreements have renewal clauses that provide for automatic renewal for one or more years until terminated by us or our partner. We typically seek to renew the program agreements well in advance of their termination dates. Some program agreements are subject to termination prior to the scheduled termination date by us or our partner for various reasons. See *Termination* below for additional information.

Exclusivity

Our program agreements are typically exclusive for the products we offer and limit our partners' ability to originate or promote other private label or co-branded credit cards during the term of the agreement. The terms of our program agreements with national and regional retailers and manufacturers are typically similar to the terms of our program agreements in that we are the exclusive provider of financing for the products we offer, or in the case of some of our programs, may allow to have several primary lenders. Some program agreements, however, allow the merchant to use a second source lender after an application has been submitted to us and declined.

Retailer Share Arrangements

Most of our program agreements with large retail and certain other partners contain retailer share arrangements that provide for payments to our partner if the economic performance of the program exceeds a contractually-defined threshold. Economic performance for the purposes of these arrangements is typically measured based on agreed upon program revenues (including interest income and certain other income) less agreed upon program expenses (including interest expense, provision for credit losses, retailer payments and operating expenses). We may also provide other economic benefits to our partners such as royalties on purchase volume or payments for new accounts, in some cases instead of retailer share arrangements (for example, on our co-branded credit cards). All of these arrangements align our interests and provide an additional incentive to our partners to promote our credit products.

Certain program agreements set forth the program's economic terms, including the merchant discount applicable to each promotional finance offering. We typically do not pay fees to these partners pursuant to any retailer share arrangements, but in some cases we pay a sign-up fee to a partner or provide volume-based rebates on the merchant discount paid by the partner.

Other Economic Terms

In addition to the retailer share arrangements, the program agreements typically provide that the parties will develop a marketing plan to support the program, and they set the terms by which a joint marketing budget is funded, the basic terms of the rewards program linked to the use of our product (such as opportunities to receive double rewards points for purchases made on a product), and the allocation of costs related to the rewards program.

Termination

The program agreements set forth the circumstances in which a party may terminate the agreement prior to expiration. Our program agreements generally permit us and our partner to terminate the agreement prior to its scheduled termination date for various reasons, including if the other party materially breaches its obligations. Some program agreements also permit our partner to terminate the program if we fail to meet certain service levels or change certain key cardholder terms or our credit criteria, we fail to achieve certain approval rate targets with respect to approvals of new customers, we elect not to increase the program size when the outstanding loan receivables under the program reach certain thresholds, we are not adequately capitalized, certain force majeure events occur or certain changes in our ownership occur. Certain program agreements are also subject to early termination by a party if the other party has a material adverse change in its financial condition. Historically, these rights have not typically been triggered or exercised. Some of our program agreements provide that, upon termination or expiration, our partner may purchase or designate a third party to purchase the accounts and loan receivables generated with respect to its program at fair market value or a stated price, including all related customer data.

Buying Groups, Manufacturers and Industry Associations

The programs we have established with buying groups, manufacturers and industry associations, such as the Home Furnishings Association, Jewelers of America, Kawasaki, Polaris and Nationwide Marketing Group, are governed by program agreements under which we make our credit products available to their respective members or dealers. Under the terms of the program agreements, manufacturers and industry associations generally agree to support and promote the respective programs. These arrangements may include sign-up fees and volume-based incentives paid by us to the groups and their members but these agreements generally do not require the members or dealers to offer our products to their customers. Under the terms of the program agreements, buying groups, manufacturers and industry associations generally agree to support and promote the respective programs.

Synchrony-Branded Networks

Our Synchrony-branded networks are focused on specific industries, where we create either company-branded or company and partner-branded private label credit cards that are usable across all participating locations within the industry-specific network. For example, our Synchrony Car Care network, comprised of merchants selling automotive parts, repair services and tires, covers over 1,000,000 locations across the United States, and cards issued may be dual branded with Synchrony Car Care and partners such as Chevron, Citgo, Napa, P66, Pep Boys or Summit Racing. Under the terms of these networks, we establish merchant discounts applicable to each financing offer. In addition, we also earn interchange fees through credit card transactions outside of the program network. The Synchrony Car Care network allows for expanded use outside of the program network at certain related merchants, such as gas stations. Similarly, the Synchrony HOME credit card is accepted at hundreds of thousands of home-related retail locations nationwide, including both partner locations and retailers outside of our program network. See *Healthcare Provider Agreements* for a discussion of our CareCredit branded network.

Dealer Agreements

For the programs we have established with manufacturers, buying groups, industry associations, industry specific programs and Synchrony-branded networks described above, we enter into individual agreements with the merchants and dealers that offer our credit products under these programs. These agreements generally are not exclusive and some parties who offer our financing products also offer financing from our competitors. Our agreements generally continue until terminated by either party, with termination typically available to either party at will upon 15 days' written notice. Our dealer agreements set forth the economic terms associated with the program, including the fees charged to dealers to offer promotional financing, and in some cases, allow us to periodically change the fees we charge.

Healthcare Provider Agreements

We enter into provider agreements with individual healthcare providers who become part of our CareCredit network. These provider agreements are not exclusive and typically may be terminated at will upon 15 days' notice. Multi-year agreements are in place for larger multi-location relationships across all markets. There are typically no retailer share arrangements with individual healthcare providers, national and regional healthcare providers and health-focused retailers in Health & Wellness.

We screen potential healthcare providers using a variety of criteria, including whether the potential provider specializes in one of our approved specialties, carries the appropriate licensing and certifications, and meets our underwriting criteria. We also screen potential partners for reputational issues. We work with professional and other associations, manufacturers, buying groups, industry associations and healthcare consultants to educate their constituents about the products and services we offer. We also approach individual healthcare service providers through direct mail, advertising, and at trade shows.

We believe our ability to attract new partners is aided by our CareCredit customer satisfaction rate, which our research in 2021 showed is 89%.

Our Customers

Acquiring and Marketing to Our Customers

We work directly with our partners and providers to seamlessly integrate our product offerings through their distribution networks, communication channels and customer interactions to market to their existing and potential customers. We believe our presence at partners' points of sale (both physical (in-store) and digital (online and mobile)), enables incremental purchases at our partners and providers, giving them greater conversion rates and higher overall sales. This dynamic also enables us to acquire new customer accounts at a discount compared to the traditional methods of acquiring new credit card customers.

To acquire new customers, we collaborate and deeply integrate with our partners and providers leveraging our marketing expertise to create programs promoting our products to creditworthy customers. Frequently, our partners and providers market the availability of credit as part of the advertising for their goods and services. Our marketing programs include marketing offers (e.g., 10% off the customer's first purchase) and consumer communications delivered through a variety of channels, including in-store signage, online advertising, retailer website placement, associate communication, emails, text messages, direct mail campaigns, advertising circulars, and outside marketing via television, radio, print, digital marketing (search engine optimization, paid search and personalization), and product education. We also employ our proprietary Quickscreen acquisition method to make targeted pre-approved credit offers at the point-of-sale. Our Quickscreen technology allows us to process customer information obtained from our partners through our risk models such that when these customers seek to make payment for goods and services at our partners' points-of-sale, we can offer them credit instantly, if appropriate. Based on our experience, due to the personalized and immediate nature of the offer, Quickscreen significantly outperforms traditional direct-to-consumer channels, such as direct mail or email, in response rate and dollar spending.

Our marketing teams have expertise and experience in media strategy and planning and understand the best opportunities to reach and engage consumers, driving qualified traffic to apply efficiently, and enabling reach, new customer, and sales conversions. These capabilities also help to drive acquisitions, product usage and value proposition reinforcement.

After a customer obtains one of our products, our marketing programs encourage ongoing card usage by communicating the benefits of our products' value propositions or deepening the relationship with the customer. Examples of such programs include promotional financing offers, cardholder events, product and partner discounts, product upgrades, dollar-off certificates, account holder sales, reward points and offers, new product announcements and previews, and other specific partner value offerings. These programs are executed through our partners' and our own (direct to consumer) distribution channels. These activities targeted to existing customers have yielded high levels of re-use of our credit products. For example, during the year ended December 31, 2021, 58% of purchase volume across our CareCredit network, resulted from repeat use at one or more providers.

Loyalty Programs

We operate loyalty programs designed to generate incremental purchase volume per customer, while reinforcing the value of the card to the customer and strengthening customer loyalty. Many of the credit rewards loyalty programs we manage provide rewards points, which are redeemable for a variety of products or awards, or merchandise discounts earned by achieving a pre-set spending level on their private label credit card, Dual Card or general purpose co-branded credit card. Other programs include statement credit or cash back rewards. The rewards can be mailed to the cardholder, accessed digitally or may be immediately redeemable at the partner's store. We continue to support and integrate into our partners' loyalty programs which are offered to customers who utilize non-credit payment types such as cash, debit or check. These multi-tender loyalty programs allow our partners to market to an expanded customer base and allow us access to additional prospective cardholders.

Commercial Customers

In addition to our efforts to acquire consumer cardholders, we continue to focus on acquiring small to mid-sized commercial customers. We offer these customers private label credit cards and Dual Cards that are similar to our consumer offerings and our approach to acquiring these customers is consistent with our consumer strategies. We are also continuing to focus on marketing our commercial pay-in-full accounts receivable product that supports a wide range of business customers.

Our Credit Products

Through our sales 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 December 31, 2021.

Credit Product	Standard Terms Only	Promotional Offer		Total
		Deferred Interest	Other Promotional	
Credit cards	58.1 %	20.7 %	16.1 %	94.9 %
Commercial credit products	1.7	—	—	1.7
Consumer installment loans	0.1	0.1	3.2	3.4
Other	—	—	—	—
Total	59.9 %	20.8 %	19.3 %	100.0 %

Credit Cards

Our credit card products are loans we extend through open-ended revolving credit card accounts. We 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.

Credit under a private label credit card typically is extended either on standard terms only, which means accounts are assessed periodic interest charges using an agreed non-promotional fixed and/or variable interest rate, or pursuant to a promotional financing offer, involving deferred interest, no interest or reduced interest during a set promotional period. Promotional periods typically range between six and 60 months, but we may agree to longer terms with the partner. In almost all cases, we receive a merchant discount from our partners to compensate us for all or part of the foregone interest income associated with promotional financing. The terms of these promotions vary by partner, but generally the longer the deferred interest, reduced interest or interest-free period, the greater the partner's merchant discount. Some offers permit customers to pay for a purchase in equal monthly payments with no interest or at a reduced interest rate, rather than deferring or delaying interest charges. For our deferred interest products, approximately 80% of customer transactions are typically paid off before interest is assessed. In Health & Wellness, standard rate financing generally applies to charges under \$200.

We typically do not charge interchange or other fees to our partners when a customer uses a private label credit card to purchase our partners' goods and services through our payment system.

Most of our private label credit card business is in the United States. For some of our partners who have locations in Canada, we also support the issuance and acceptance of private label credit cards at their locations in Canada and from customers in Canada.

Dual Cards and General Purpose Co-Branded 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 to make purchases from other retailers wherever cards from those card networks are accepted or for cash advance transactions. We currently issue Dual Cards for use on the MasterCard and Visa networks and we have the potential capability to issue Dual Cards for use on the American Express and Discover networks.

We hold two U.S. patents relating to the process by which our Dual Cards function as a private label credit card when used to make purchases from our partners and function as a general purpose credit card when used on the systems of other credit card associations.

We also offer general purpose co-branded credit cards that do not function as private label credit cards, as well as, a Synchrony-branded general purpose credit card.

Credit extended under our Dual Cards and general purpose co-branded credit cards typically is extended on standard terms only. Dual Cards and general purpose co-branded credit cards are offered across all of our sales platforms. At December 31, 2021, we offered either Dual Cards or general purpose co-branded credit cards through 21 credit partners, of which the majority are Dual Cards, as well as our CareCredit Dual Card. We intend to continue to increase the number of partner programs that offer Dual Cards or general purpose co-branded credit cards and seek to increase the portion of our loan receivables attributable to these products. Consumer Dual Cards and Co-branded cards totaled 25% of our total loan receivables portfolio, including held for sale at December 31, 2021.

Charges using a Dual Card or general purpose co-branded credit card generate interchange income for us in connection with purchases made by cardholders other than in-store or online from that partner.

We currently do not issue Dual Cards or general purpose co-branded credit cards in Canada.

Terms and Conditions

As a general matter, the financial terms and conditions governing our credit card products vary by program and product type and change over time, although we seek to standardize the non-financial provisions consistently across all products. The terms and conditions of our credit card products are governed by a cardholder agreement and applicable laws and regulations.

We assign each card account a credit limit when the account is initially opened. Thereafter, we may increase or decrease individual credit limits from time to time, at our discretion, based primarily on our evaluation of the customer's creditworthiness and ability to pay.

For the vast majority of accounts, periodic interest charges are calculated using the daily balance method, which results in daily compounding of periodic interest charges, subject to, at times, a grace period on new purchases. Cash advances are not subject to a grace period, and some credit card programs do not provide a grace period for promotional purchases. In addition to periodic interest charges, we may impose other charges and fees on credit card accounts, including, as applicable and provided in the cardholder agreement, cash advance transaction fees and late fees where a customer has not paid at least the minimum payment due by the required due date.

Typically, each customer with an outstanding debit balance on his or her credit card account must make a minimum payment each month. A customer may pay the total amount due at any time without penalty. We also may enter into arrangements with delinquent customers to extend or otherwise change payment schedules and to waive interest charges and/or fees.

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.

Installment Loans

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), as well as through our various SetPay installment products (such as our SetPay Pay in 4 product for short-term loans). Installment loans are closed-end credit accounts where the customer pays down the outstanding balance in installments. The terms of our installment loans are governed by customer agreements and applicable laws and regulations.

Installment loans are generally assessed periodic finance charges using fixed interest rates. In addition to periodic finance charges, we may impose other charges and fees on loan accounts, including late fees where a customer has not made the required payment by the required due date and returned payment fees.

Debt Cancellation Products

We offer a debt cancellation product to our credit card customers via online, mobile and, on a limited basis, direct mail. Customers who choose to purchase this product are charged a monthly fee based on their ending balance on each billing statement. In return, the Bank will cancel all or a portion of a customer's credit card balance in the event of certain qualifying life events.

Growth Organization

On June 1, 2021 we made organizational changes aimed to further align the company's resources with its partners and evolving consumer expectations, while leveraging its innovation, data, expertise, and scale to deliver products and capabilities to market faster. We believe these changes will help Synchrony drive continued growth, execute its strategy more quickly and deliver the right capabilities to partners and consumers through one of the industry's most complete, digitally enabled consumer financing and payments product suite.

Our Growth organization brings together Synchrony's marketing, data analytics, customer experience, product development, and incubation teams into one cohesive group. The Growth organization works to bring data-driven, consumer-focused offerings to market across partner portfolios, with a focus on seamless customer experiences. This team elevates Synchrony's focus on digital products and capabilities, while driving commercialization strategies to proactively deliver for the company's partners and consumers.

Products

Our Products team is focused on the development and delivery of new products and capabilities to enhance consumers' shopping journey and to anticipate the evolving needs of consumers and retailers. We work to ensure our products continuously meet the changing needs of our customers, partners and the competitive marketplace, while providing scalability of products across our sales platforms and partners.

The Product organization includes:

- An innovation team accountable for ideating and delivering scalable product and capability innovations that will produce a competitive advantage in the marketplace and provide opportunities for growth.
- Products and capability management to oversee the product lifecycle and prioritize ongoing enhancements to our suite of products and capabilities.
- Implementation of a product lifecycle approach to product management to ensure the most relevant products continue to be developed and prioritized.

In 2021 we also focused on expanding our product suite with our SetPay and SetPay Pay in 4 installment products. Our SetPay product for 3-84 month installment loans was enhanced with an entirely reimagined online servicing experience and are now building the ability for customers to access their revolving accounts and installment loans all in one place. We have also launched our SetPay Pay in 4 product for short-term loans, introducing an entirely digital experience that leverages all of our previous investments in our digital apply ("dApply") platform, as well as our investments in our credit underwriting platform.

Performance Marketing

The performance marketing organization brings expertise in media strategy and planning, channel innovation and execution, as well as in earned, paid and owned media. We work with our partners to understand the best opportunities to reach and engage consumers who are more likely to apply and use our financial products.

We are also well positioned to maximize our unique access to data and customer touchpoints to identify the strongest audiences for credit acquisition and utilization, and to analyze behaviors driving insights that fuel creative content and contextually relevant placements with platforms and publishers.

Recognizing organic search, content development, and personalized marketing are critical to online marketing strategy, we have built a team of experts who focus on working on our digital properties. We create a complete digital media strategy, using all channels to effectively drive qualified traffic and to bring prospects back to the site efficiently to apply. This team also offers support for our clients and partners to help drive increase in site usability, enhance brand awareness, and increase lead generation and sales conversions.

Digital and Mobile Capabilities

We remain focused on investing in our digital and mobile capabilities, bringing to market new features, channels and experiences for our customers and enhancing our existing digital design and user experience. Our approach continues to be focused on creating an exceptional digital experience through all aspects of the customer's journey, whether in-store or online. In 2021, our investments focused on continuing to launch new digital features to enhance the customer experience, expanding our product suite to offer more choice to our customers, and developing new distribution channels to make it easier for our partners and customers to leverage our capabilities. In 2021, digital applications represented approximately 55% of our consumer revolving applications received, demonstrating the continued shift in consumer trends towards digital experiences.

In 2021 we launched our new cardholder notifications and alerts platform across many of our largest portfolios. This new platform offers customers a broad suite of account notifications across every aspect of the credit lifecycle, from notifications that a new card has shipped to instant transaction alerts, all enhanced with enriched merchant data. In addition to text and email alerts, we are able to deliver these notifications and alerts directly within our partner's iOS and Android apps by leveraging our patented SyPI platform, continuing to enhance the customer's experience within our partner's brands.

With the launch of the myWalgreens Credit Card program, we again displayed our focus on creating an exceptional digital experience by bringing together many of our newest digital capabilities. From leveraging our Direct to Device APIs and our new prequalification capability to bring a seamless digital apply experience at the point of sale, to deploying the capability to instantly load tokenized virtual cards to the customer's Walgreen's profile. In addition, our investments in contactless capabilities have continued to expand with the rollout of our digital card and activation via QR code. Leveraging our SyPI platform, we are now able to allow customers to provision their account to wallets such as Apple Pay directly from the Walgreens and other client apps. Taken together, these investments help create a holistic and seamless digital experience for the customer.

In addition, we have continued to introduce new distribution channels to make it easy for our partners to leverage our products, such as our app integrations with Epic App Orchard to enable health care providers to offer our CareCredit product, and our partnership with Fiserv to enable Synchrony products and capabilities via the Clover App Market. These digital capabilities offer a range of choices to our partners both in the products available to offer to customers, and in the flexibility of easy integration options.

Data Analytics

As our products, partnerships, and networks come together, the ultimate benefit is the ability to align the customers' and Synchrony's needs across our over 70 million active accounts. Through each step of the customer journey – even before acquisition – our customers expect personalized products, experiences, messaging, and service. These are all enabled through continuous comprehensive data analytics. Synchrony gathers thousands of customer data points curated through customer interactions with Synchrony, our partners, and third-party data providers. Through the combination of effective data management, curation of data products for internal use, performance tracking and measurement, and development of decision signals leveraging machine learning algorithms and other data science methods, our over 200 business analysts and data scientists support decision making throughout the business.

Our analytics teams help us expand and optimize customer relationships through the building of targeting tools and the deployment of detailed test-and-learn tracking of omni-channel marketing campaigns. This closed loop learning process uses a set of analytics tools and machine learning algorithms to read and react to the customer's response to these treatments. This learning can be applied to decisions around ad placements, creatives, visuals, messaging, and offers to relevant customer segments. This example is repeated thousands of times a month across digital and non-digital use cases to constantly maximize campaign response, customer acquisition, customer share of wallet, and program profitability.

In addition, our understanding of our Dual Card and general purpose co-branded credit card programs are further enhanced by the collection and analysis of data on customers' spending patterns (merchant category code, online spend, etc.) at other retailers. These additional data help drive incremental volume for our programs while maximizing return on investment.

Consumer Banking

Through the Bank, we offer our customers a range of FDIC-insured deposit products. The Bank also takes brokered deposits through third-party securities brokerage firms that offer our FDIC-insured deposit products to their customers. At December 31, 2021, we had \$62.3 billion in deposits, \$50.1 billion of which were direct deposits and \$12.2 billion of which were brokered deposits. At December 31, 2021, deposits represented 81% of our total funding sources. During 2021, retail deposits were received from approximately 450,000 customers that had a total of approximately 800,000 accounts. Retail customers accounted for substantially all of our direct deposits at December 31, 2021. The Bank had a 82% retention rate on certificates of deposit balances up for renewal for the year ended December 31, 2021. FDIC insurance is provided for our deposit products up to applicable limits.

We have 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. Our online platform is highly scalable allowing us to expand without having to rely on a traditional "brick and mortar" branch network. We continue to focus on growing our direct banking operations and believe we are well-positioned to continue to benefit from the consumer-driven shift from branch banking to direct banking. According to the 2021 American Bankers Association survey, approximately 80% of customers primarily use direct channels (internet, mail, phone and mobile) to manage their bank accounts.

During 2021 we continued to make investments in our servicing and digital platforms to expand features available for self-service and improve the user experience including allowing digital applications for the Synchrony Mastercard product. In addition, the Bank entered into an affinity deposit arrangement with PayPal in which the Bank will be offering PayPal-branded savings accounts through PayPal's mobile application and website.

Our deposit products include certificates of deposit, IRAs, money market accounts and savings accounts. We market our deposit products through multiple channels including digital and print. Customers can apply for, fund, and service their deposit accounts online, mobile or via phone. We have dedicated banking representatives within our call centers to service deposit accounts. Fiserv, Inc. ("Fiserv") provides the core banking platform for our online retail deposits including a customer-facing account opening and servicing platform.

To attract new deposits and retain existing ones, we intend to introduce new deposit products, enhancements to our existing products, and deliver new capabilities. This may include the introduction of checking accounts, overdraft protection lines of credit, bill payment and person-to-person payment features, affinity relationships, and Synchrony-branded debit cards. Our focus on deposit-taking and related branding efforts will also enable us to offer other branded direct-banking products more efficiently in the future.

We seek to differentiate our deposit product offerings from our competitors on the basis of brand, reputation, convenience, customer service and value. Our deposit products emphasize reliability, trust, security, convenience and attractive rates. We offer rewards to customers based on their tenure or balance amounts, including reduced fees, travel offers and concierge telephone support.

Credit Risk Management

Credit risk management is a critical component of our management and growth strategy. Credit risk refers to the risk of loss arising from customer default when customers are unable or unwilling to meet their financial obligations to us. Our credit risk arising from credit products is generally highly diversified across approximately 136 million open accounts at December 31, 2021, without significant individual exposures. We manage credit risk primarily according to customer segments and product types.

We have developed proprietary credit tools which we call Synchrony PRISM. Through Synchrony PRISM we leverage a broad spectrum of data to yield powerful, proprietary insights to enable a more holistic view of our applications and customers.

Customer Account Acquisition

We have developed programs to promote credit with each of our partners and apply a consistent underwriting approach using our Synchrony PRISM tools that have varying results across our client portfolios based on underlying credit characteristics. We originate credit accounts through several different channels, including in-store, mail, internet, mobile, telephone and pre-approved solicitations. In addition, we have, and may in the future, acquire accounts that were originated by third parties in connection with establishing programs with new partners.

Regardless of the channel, in making the initial credit approval decision to open a credit card or other account or otherwise grant credit, we follow a series of credit risk and underwriting procedures. In most cases, when applications are made in-store or digitally, the process is fully automated and applicants are notified of our credit decision immediately. We generally obtain certain information provided by the applicant and obtain a credit bureau report from one of the major credit bureaus. The credit report information we obtain is electronically transmitted into industry scoring models and our proprietary scoring models developed to calculate a credit score. The credit risk management team determines in advance the qualifying credit scores and initial credit line assignments for each portfolio and product type. We periodically analyze performance trends of accounts originated at different score levels as compared to projected performance and adjust the minimum score or the opening credit limit to manage credit risk.

We also apply additional application screens based on various inputs, including credit bureau information, alternative data, our previous experience with the customer and information provided by our partner, to help identify additional factors, such as potential fraud and prior bankruptcies, before qualifying the application for approval. We compare applicants' names against the Specially Designated Nationals list maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC"), as well as screens that account for adherence to USA PATRIOT Act of 2001 (the "Patriot Act") and Credit Card Accountability Responsibility and Disclosure Act of 2009 (the "CARD Act") requirements, including ability to pay requirements for our revolving products.

We also use pre-approved account solicitations for certain programs. Potential applicants are pre-screened using information provided by our partner or obtained from outside lists, and qualified individuals receive a pre-approved credit offer by mail or email.

Acquired Portfolio Evaluation

Our risk management team evaluates each portfolio that we acquire in connection with establishing programs with new partners to ensure the portfolio satisfies our credit risk guidelines. As part of this review, we receive data on the third-party accounts and loans, which allows us to assess the portfolio on the basis of certain core characteristics, such as historical performance of the assets and distributions of credit and loss information. In addition, we benchmark potential portfolio acquisitions against our existing programs to assess relative current and projected risks. Finally, our risk management team must approve the acquisition, taking into account the results of our risk assessment process. Once assets are migrated to our systems, our account management protocols will apply immediately as described below under "*—Customer Account Management,*" "*—Credit Authorizations of Individual Transactions*" and "*—Collections.*"

Customer Account Management

We regularly assess the credit risk exposure of our customer accounts. This ongoing assessment includes information relating to the customer's performance with respect to their account with us, as well as information from credit bureaus relating to the customer's broader credit performance. To monitor and control the quality of our loan portfolio (including the portion of the portfolio originated by third parties), we use behavioral scoring models that we have developed to score each active account on its monthly cycle date. Proprietary risk models, together with the credit scores obtained on each active account no less than quarterly, are an integral part of our credit decision-making process. Depending on the duration of the customer's account, risk profile and other performance metrics, the account may be subject to a range of account actions, including limits on transaction authorization and increases or decreases in purchase and cash credit limits.

Credit Authorizations of Individual Transactions

Once an account has been opened, when a credit card is used to make a purchase in-store at one of our partners' locations or online, point-of-sale terminals or online sites have an online connection with our credit authorization system, which allows for real-time updating of accounts. Each potential sales transaction is passed through a transaction authorization system, which considers a variety of behavior and risk factors to determine whether the transaction should be approved or declined, and whether a credit limit adjustment is warranted.

Fraud Investigation

We provide follow up and research with respect to different types of fraud such as fraud rings, new account fraud and transactional fraud. We have developed a proprietary fraud model to identify new account fraud and deployed tools that help identify transaction purchase behavior outside a customer's established pattern. Our proprietary model is also complemented by externally sourced models and tools used across the industry to better identify fraud and protect our customers. We also are continuously implementing new and improved technologies to detect and prevent fraud.

Collections and Recovery

All monthly billing statements of accounts with past due amounts include a request for payment of these amounts. Collections personnel generally initiate contact with customers within 30 days after any portion of their balance becomes past due. The nature and the timing of the initial contact, typically a personal call, email, text message or letter, are determined by a review of the customer's prior account activity and payment habits.

We re-evaluate our collection and recovery efforts and consider the implementation of other techniques, including internal collection activities, use of external vendors and the sale of debt to third-party buyers, as a customer becomes increasingly delinquent. We limit our exposure to delinquencies through controls within the transaction authorization processes, the imposition of credit limits and criteria-based account suspension and revocation processes. In certain situations, we may enter into arrangements to extend or otherwise change payment schedules, decrease interest rates and/or waive fees to aid customers experiencing financial difficulties in their efforts to become current on their obligations to us.

Customer Service

Customer service is an important feature of our relationship with our partners. Our customers can contact us via phone, mail, email, eService and eChat. During the year ended December 31, 2021, we handled over 281 million inquiries. For certain programs, credit products and our deposit business, we assign dedicated toll-free customer service phone numbers. For other programs, customers access customer service through one general purpose toll-free customer service phone number.

We service all programs through our nine domestic geographic hubs and three off-shore call centers. We blend domestic and off-shore locations as an important part of our servicing strategy, to maintain service availability beyond normal work hours in the United States and to seek optimal costs. Customer service for cards issued to customers in Canada is supported through agents based in the United States.

Given the nature of our business and the high volume of calls, we maintain several centers of excellence to ensure the quality of our customer service across all of our sites. Examples of these centers of excellence include back office, quality assurance, customer experience, training, workforce and capacity planning, surveillance and process control.

Production Services

Our production services organization oversees a number of services, including:

- payment processing (more than 600 million paper and electronic payments in 2021);
- embossing and mailing credit cards (more than 45 million cards in 2021);
- printing and mailing and eService delivery of credit card statements (more than 700 million paper and electronic statements in 2021); and
- other letters mailed or sent electronically (more than 95 million in 2021).

We utilize third-party providers for certain production services. Credit card statement printing, card embossing, letter production and mailing services for U.S. customers are provided through outsourced services with Fiserv. Fiserv also produces our statements and other mailings for deposit customers. We also utilize a third-party provider for our paper payment processing services. While these services are outsourced, we monitor and maintain oversight of these other activities.

Card production embossing, statement printing and mailing services related to cards issued to customers in Canada are outsourced to Canadian suppliers.

Technology and Data Security

Products and Services

We leverage information technology to deliver products and services that meet the needs of our customers and partners and enables us to operate our business efficiently. The integration of our technology with our partners is at the core of our value proposition, enabling, among other things, customers to “apply and buy” at the point of sale, and many of our partners to settle transactions directly with us without an interchange fee. A key part of our strategic focus is the continued development of innovative, efficient, flexible technology and operational platforms to support marketing, risk management, account acquisition and account management, customer service, and new product innovation and development. We believe that the continued investment in and development of these platforms is an important part of our efforts to increase our competitive capabilities, reduce costs, improve quality and provide faster, more flexible technology services. Therefore, we continuously review capabilities and develop or acquire systems, processes and competencies to meet our business needs.

As part of our continuous efforts to enhance our technological capabilities, we may either develop these capabilities internally or in partnership with third-party providers. Our internal approach involves deployment of cross-functional product teams, often in collaboration with our partners, focused on driving rapid delivery of in-house product innovation and development, and the commercialization of new products. In addition, at times we also partner with third-party providers to help us deliver systems and operational infrastructure based on strategies and, in some cases, architecture, designed by us. We leverage Fiserv for our credit card transaction processing and production and our retail banking operations.

Data Security

The protection and security of financial and personal information of consumers is one of our highest priorities. We have implemented a comprehensive information security program that includes administrative, technical and physical safeguards that we believe provide an appropriate level of protection to maintain the confidentiality, integrity, and availability of our Company's and our customers' information. This includes protecting against any known or evolving threats to the security or integrity of customer records and information, and against unauthorized access to or use of customer records or information.

Our information security program is continuously adapting to an evolving landscape of emerging threats and available technology. Through data gathering and evaluation of emerging threats from internal and external incidents and technology investments, security controls are adjusted on a continuous basis. We work directly with our partners on an ongoing basis by sharing cyber intelligence and facilitating awareness and communications of events outside of the Company.

We have developed a security strategy and implemented multiple layers of controls embedded throughout our technology environment that establish multiple control points between threats and our assets. Our security program is designed to provide oversight of third parties who store, process or have access to sensitive data, and we require the same level of protection from such third-party service providers. We evaluate the effectiveness of the key security controls through ongoing assessment and measurement.

In addition, we identify risks that may threaten customer information and utilize both internal and external resources to perform a variety of vulnerability and penetration testing on the platforms, systems and applications used to provide our products and services. We employ backup and disaster recovery procedures for all the systems that are used for storing, processing and transferring customer information, and we periodically test and validate our disaster recovery plans to validate our resilience capabilities. Further, we regularly utilize independent assessors to evaluate the appropriateness of our overall program. We are compliant with the Payment Card Industry (PCI) Data Security Standard (DSS) and Gramm-Leach-Bliley Act (GLBA).

We have a program to comply with applicable privacy, information security, and data protection requirements imposed by federal, state, and foreign laws. However, if we experience a significant cybersecurity incident or our regulators deemed our information security controls to be inadequate, we could be subject to supervisory criticism or penalties, and/or suffer reputational harm.

See also *“Risk Factors Relating to Our Business—Cyber-attacks or other security breaches could have a material adverse effect on our business.”*

Intellectual Property

We use a variety of methods, such as trademarks, patents, copyrights and trade secrets, to protect our intellectual property, including our brand, “Synchrony.” We also place appropriate restrictions on our proprietary information to control access and prevent unauthorized disclosures. Our brands are important assets, and we take steps to protect the value of these assets and our reputation.

Human Capital

At Synchrony, people power our business, and our success depends, in large part, on our ability to recruit, develop, motivate and retain employees with the skills to execute our long-term strategy. In 2021, we significantly revised our approach to human capital management in response to the COVID-19 pandemic. We transformed how we work, how we support our people and how we connect and engage, with a focus on being nimble and agile. We have also changed our overall approach to getting work done by adopting a “hub” model that will enable employees across job roles and levels to work from home when they want (or full-time) and visit a hub — e.g. a co-working space, Synchrony office, university space or other gathering spots — when they need to meet face-to-face. Once the pandemic is over, physical hubs will be used as cultural and innovation centers by hosting events, collaboration days, town halls, agile sprints, networking and other important business activities, allowing us to retain the human, personal connection of a traditional workplace while providing employees greater flexibility.

At Synchrony, we are so proud of the many new benefits and programs that we have created for our employees. But we believe we are never done. It is why we will continue to listen to our employees and adapt to their needs. Through ongoing, multichannel communications such as all-employee town halls where questions are submitted to our CEO and other senior leaders or through more targeted pulse surveys of our employee base, their feedback is included in our decision-making process. Once a year, Synchrony partners with Great Place to Work® to conduct our annual employee engagement survey. The results help us better understand what our employees think we're doing right and identify areas for positive change. 89% of Synchrony employee participated in our employee engagement survey globally and 93% of the participants responded, "Taking all things into account, I would say this is a great place to work". 93% of participants also told us the new way of working is providing the flexibility they need.

At December 31, 2021 we had over 18,000 full-time employees. Our global workforce increased compared to the prior year as we have begun to emerge from the COVID-19 pandemic. At December 31, 2021, our global workforce was 59.4% female, 40.5% male and 0.1% that did not list gender. In the United States, ethnicity of our workforce was 53.2% White, 19.6% Black, 15.6% Hispanic, 6.8% Asian, 3.4% two or more races, 0.6% Native American, 0.1% Native Hawaiian or Pacific Islander and 0.7% that did not list ethnicity.

At Synchrony, diversity and inclusion are core to our corporate culture. We have over 10,000 employees participating in at least one of our eight Diversity Networks. In 2021, we embraced our responsibility to further integrate diversity and inclusion into our long-term business strategy. To drive progress over the long term, we treat diversity and inclusion as important business priorities, with (i) new board-approved governance rules, imperatives, and accountability mechanisms to measure results and (ii) a revised annual incentive program for 2021 that incorporated diversity factors when determining payouts. We also created a senior-level committee led by our President and Chief Executive Officer, Chief Diversity Officer, and others, charged with developing an enterprise-wide strategy, setting measurable goals, and providing progress reports to our board and employees across all areas of the business. We used data analytics to identify gaps in our hiring and promotion processes. As a result, we are putting more focus on the hiring, development, and progression of underrepresented minorities, with an emphasis on Black and Hispanic talent. Among other actions, we have tied leaders' performance metrics to diversity factors, provided for diverse candidate slates for senior roles, and launched a new leadership development program designed to advance diverse employees.

At Synchrony, we are focused on supporting and responding to employees' needs. In 2021, we raised the minimum wage to \$20 per hour for all hourly employees in the U.S. and Puerto Rico and conduct a regular market pay analysis. We continued providing total wellness benefits for all employees including generous time off and leave programs, diverse well-being coaches, financial counselors and fitness reimbursements. In 2020 and through 2021, we extended our emergency backup childcare benefits for up to 60 days (increased from 10 days). This includes enhanced childcare reimbursement where employees can use any caregiver.

Regulation

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 and collection 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. Such laws and regulations directly and indirectly affect key drivers of our profitability, including, for example, capital and liquidity, product offerings, risk management, and costs of compliance.

As a savings and loan holding company and 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 Office of the Comptroller of the Currency of the U.S. Treasury (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. For a discussion of the specific regulations related to our business see "*Regulation—Regulation Relating to Our Business*" of this Form 10-K Report.

Competition

Our industry continues to be highly competitive. We compete for relationships with partners in connection with retaining existing or establishing new consumer credit programs. Our primary competitors for partners include major financial institutions such as Alliance Data Systems, American Express, Capital One, JPMorgan Chase, Citibank, TD Bank and Wells Fargo, and to a lesser extent, financial technology companies and potential partners' own in-house financing capabilities. We compete for partners on the basis of a number of factors, including program financial and other terms, underwriting capabilities, marketing expertise, service levels, product and service offerings (including incentive and loyalty programs), technological capabilities and integration, brand and reputation. In addition, some of our competitors for partners have a business model that allows for their partners to manage underwriting (e.g., new account approval), customer service and collections, and other core banking responsibilities that we retain.

We also compete for customer usage of our credit products. Consumer credit provided, and credit card payments made, using our cards constitute only a small percentage of overall consumer credit provided and credit card payments in the United States. Consumers have numerous financing and payment options available to them. As a form of payment, our products compete with cash, checks, debit cards, general purpose credit cards (Visa and MasterCard, American Express and Discover Card), various forms of consumer installment loans, other private-label card brands, and, to a certain extent, prepaid cards. In the future, we expect our products may face increased competitive pressure to the extent that our products are not, or do not continue to be, accepted in, or compatible with digital wallet technologies such as Apple Pay, Samsung Pay, Android Pay and other similar technologies. We may also face increased competition from current competitors or others who introduce or embrace disruptive technology that significantly changes the consumer credit and payment industry. We compete for customers and their usage of our deposit products, and to minimize transfers to competitors of our customers' outstanding balances, based on a number of factors, including pricing (interest rates and fees), product offerings, credit limits, incentives (including loyalty programs) and customer service. Some of our competitors provide a broader selection of services, including home and automobile loans, debit cards and bank branch ATM access, which may position them better among customers who prefer to use a single financial institution to meet all of their financial needs. In addition, some of our competitors are substantially larger than we are, may have substantially greater resources than we do or may offer a broader range of products and services than we do. Moreover, some of our competitors, including new and emerging competitors in the digital and mobile payments space, are not subject to the same regulatory requirements or legislative scrutiny to which we are subject. Non-bank providers of pay-over-time solutions, such as Affirm, Afterpay and others, extend consumer credit-like offerings but do not face the same restrictions, such as capital requirements and other regulatory requirements, as banks which also could place us at a competitive disadvantage.

In our retail deposits business, we have acquisition and servicing capabilities similar to other direct-banking competitors. We compete for deposits with traditional banks, and in seeking to grow our direct-banking business, we compete with other banks that have direct-banking models similar to ours, such as Ally Financial, American Express, Barclays, Capital One 360, CIT, Citi, Citizens Bank, Discover and Marcus by Goldman Sachs. Competition among direct banks is intense because online banking provides customers the ability to quickly and easily deposit and withdraw funds and open and close accounts in favor of products and services offered by competitors.

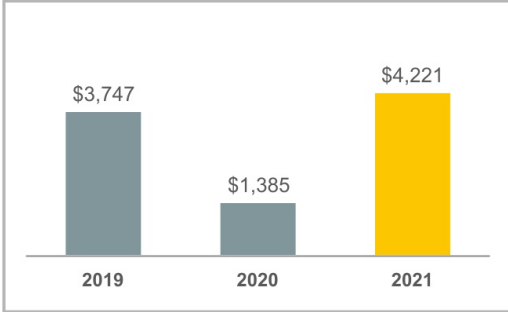
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this report. For a discussion and analysis of our financial condition and results of operations comparing 2020 vs. 2019, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” in our Annual Report on Form 10-K for the year ended December 31, 2020 (our “2020 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*.”

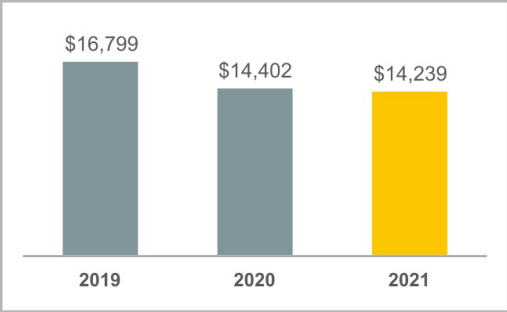
Results of Operations for the Three Years Ended December 31, 2021

Key Earnings Metrics

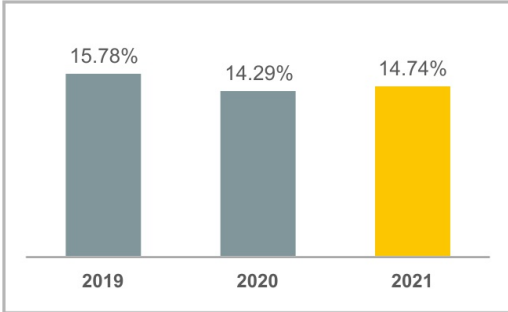
Net earnings
\$ in millions



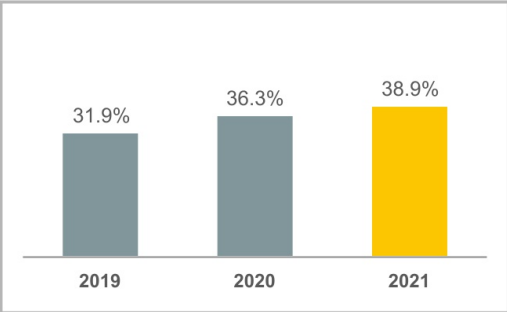
Net interest income
\$ in millions



Net interest margin
% of average interest-earning assets



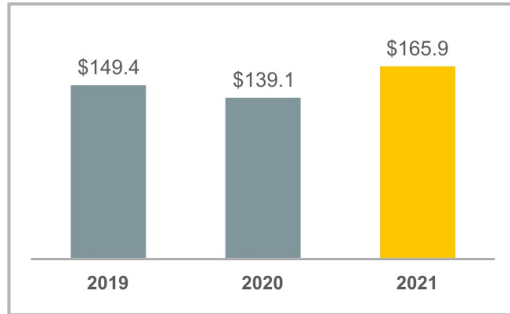
Efficiency Ratio
“Other expense” as a % of “NII, after RSA” plus “Other income”



Growth Metrics

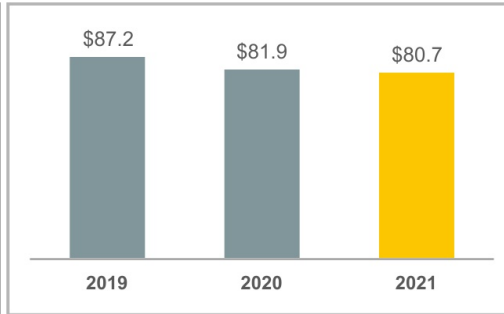
Purchase volume

\$ in billions



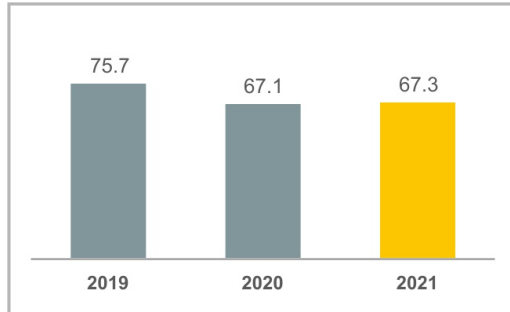
Loan receivables

\$ in billions



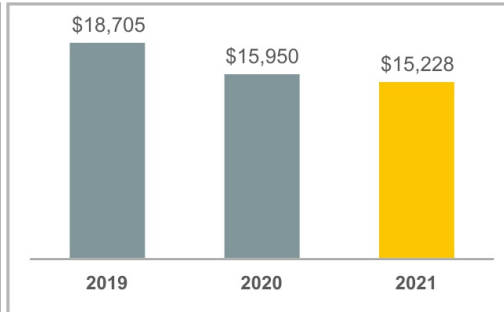
Average active accounts

in millions



Interest and fees on loans

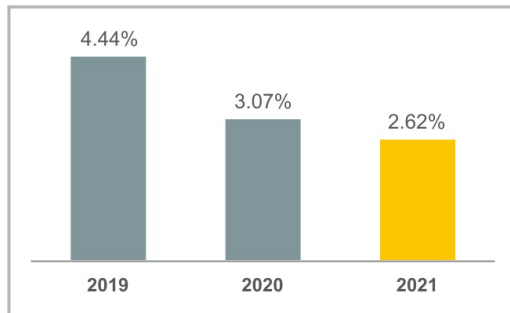
\$ in millions



Asset Quality Metrics

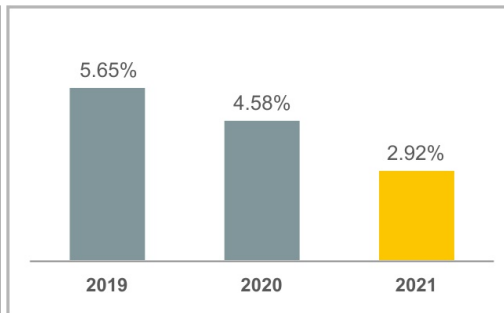
30+ days past due

% of period-end loan receivables



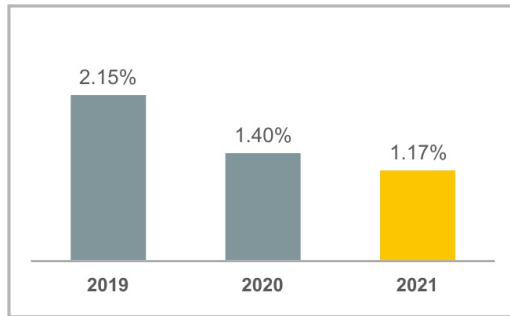
Net charge-offs

% of average loan receivables including held for sale



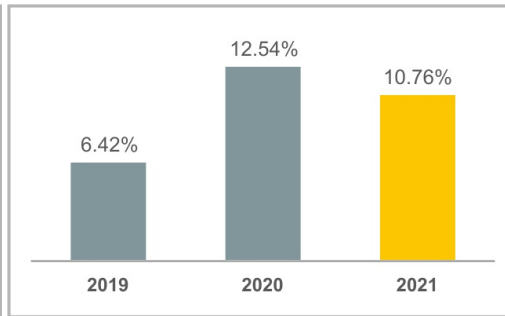
90+ days past due

% of period-end loan receivables



Allowance for credit losses⁽¹⁾

% of period-end loan receivables

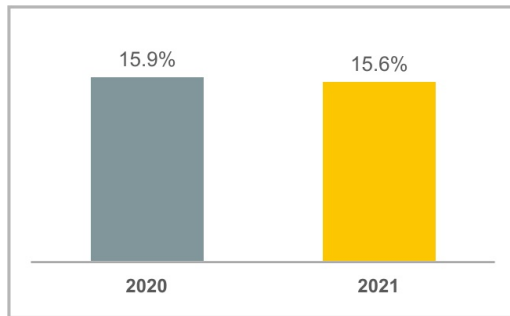


(1) Allowance for credit losses reflects adoption of CECL on January 1, 2020, which included a \$3.0 billion increase in reserves upon adoption.

Capital and Liquidity

Capital ratios

Common equity Tier1 - Basel III



Liquidity

Liquid assets and undrawn credit facilities
\$ in billions



Highlights for the Year Ended December 31, 2021

Below are highlights of our performance for the year ended December 31, 2021 compared to the year ended December 31, 2020, as applicable, except as otherwise noted.

- Net earnings increased 204.8% to \$4.2 billion for the year ended December 31, 2021, primarily driven by lower provision for credit losses, partially offset by higher retailer share arrangements and lower net interest income. Net earnings included the impact of reserve reductions related to held for sale portfolios of \$261 million after-tax.
- Loan receivables decreased 1.4% to \$80.7 billion at December 31, 2021 compared to December 31, 2020, primarily driven by the reclassification of loan receivables to loan receivables held for sale. Loan receivables held for sale at December 31, 2021 were comprised of \$3.9 billion and \$0.5 billion of loan receivables associated with our Gap Inc. and BP portfolios, respectively. Excluding the impact of the reclassifications, loan receivables increased 4% reflecting strong purchase volume growth, largely offset by higher payment rates.
- Net interest income decreased 1.1% to \$14.2 billion for the year ended December 31, 2021, primarily due to a decrease in interest and fees on loans of 4.5%, reflecting the impact of elevated payment rates and lower delinquencies during the period, partially offset by a decrease in interest expense primarily reflecting lower benchmark interest rates.
- Retailer share arrangements increased 24.2% to \$4.5 billion for the year ended December 31, 2021, primarily due to the decrease in provision for credit losses.
- Over-30 day loan delinquencies as a percentage of period-end loan receivables decreased 45 basis points to 2.62% at December 31, 2021 from 3.07% at December 31, 2020. Excluding amounts related to the held for sale portfolios from both periods, the decrease compared to the prior year was approximately 60 basis points. The net charge-off rate decreased 166 basis points to 2.92% for the year ended December 31, 2021.
- Provision for credit losses decreased by \$4.6 billion, or 86.3%, for the year ended December 31, 2021, primarily driven by lower reserves, which included \$345 million of reserve reductions related to the held for sale portfolios, and lower net charge-offs. Our allowance coverage ratio (allowance for credit losses as a percentage of period-end loan receivables) decreased to 10.76% at December 31, 2021, as compared to 12.54% at December 31, 2020.
- Other expense decreased by \$92 million, or 2.3%, for the year ended December 31, 2021, primarily driven by lower operational losses, partially offset by higher employee costs.
- At December 31, 2021, deposits represented 81% of our total funding sources. Total deposits decreased 0.8% to \$62.3 billion at December 31, 2021, compared to December 31, 2020.
- During the year ended December 31, 2021, we declared and paid cash dividends on our Series A 5.625% non-cumulative preferred stock of \$56.24 per share, or \$42 million.
- During the year ended December 31, 2021, we repurchased \$2.9 billion of our outstanding common stock, and declared and paid cash dividends of \$0.88 per common share, or \$500 million. At December 31, 2021, we had \$1.2 billion of remaining authorized share repurchase capacity under our existing share repurchase program. For more information, see "*Capital—Dividend and Share Repurchases.*"
- In February 2021 in our Health & Wellness sales platform, we completed our acquisition of Allegro Credit, a leading provider of point-of-sale consumer financing for audiology products and dental services.

2021 Partner Agreements

During the year ended December 31, 2021, we signed 36 agreements with new partners and renewed 38 program agreements which included the following:

Home & Auto:		
New partnerships:	<ul style="list-style-type: none"> • Alarm.com • BoxDrop 	<ul style="list-style-type: none"> • Gardner White
Program extensions:	<ul style="list-style-type: none"> • Abt Electronics • American Signature Furniture • Ashley HomeStores LTD • CITGO • City Furniture 	<ul style="list-style-type: none"> • Furniture Fair • Mitchell Gold Co. • Phillips 66 • Sam Levitz Furniture • WG&R Furniture

Digital:	
Program extensions:	<ul style="list-style-type: none"> • ShopHQ

Diversified & Value:	
Program extensions:	<ul style="list-style-type: none"> • TJX Companies

Health & Wellness:		
New partnerships:	<ul style="list-style-type: none"> • Emory Healthcare • Mercy Health • Ochsner Health • Prime Health 	<ul style="list-style-type: none"> • Southern Veterinary Partners • Sycle • Thrive Pet Healthcare
Extensions:	<ul style="list-style-type: none"> • Heartland Dental • LCA Vision 	<ul style="list-style-type: none"> • Rite Aid

Lifestyle:		
New partnerships:	<ul style="list-style-type: none"> • Family Farm & Home 	<ul style="list-style-type: none"> • JCB
Program extensions:	<ul style="list-style-type: none"> • American Eagle • Daniels • Husqvarna • Ricoma 	<ul style="list-style-type: none"> • Sutherlands • Tacony Corporation • The Container Store • Vanderhall Motor Works

- In our Health & Wellness sales platform, we also launched our Walgreens credit card and also made our CareCredit patient financing app available in the Epic App Orchard, further expanding the availability of CareCredit to healthcare organizations using Epic.
- We expanded our strategic relationship with PayPal in 2021 and entered into an affinity deposit arrangement with PayPal in which Synchrony will be offering PayPal-branded savings accounts through PayPal's mobile application and website.
- We announced our expanded strategic partnership with Fiserv to broaden our distribution network for Synchrony products and services via the Clover point-of-sale and business management platform.
- In August 2021, we entered into an agreement to sell loan receivables associated with our program agreement with Gap Inc. In addition, in December 2021, we entered into an agreement to sell loan receivables associated with our program agreement with BP. We expect to complete the sale of both portfolios, subject to customary closing conditions, in the second quarter of 2022 and expect to recognize a gain on sale of the Gap Inc. portfolio upon disposition.

Other Financial and Statistical Data

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

At and for the years ended December 31 (\$ in millions)

Financial Position Data (Average):

	2021	2020	2019
Loan receivables, including held for sale	\$ 78,928	\$ 80,138	\$ 88,649
Total assets	\$ 94,114	\$ 97,738	\$ 105,677
Deposits	\$ 61,302	\$ 64,061	\$ 65,036
Borrowings	\$ 14,421	\$ 16,846	\$ 21,251
Total equity	\$ 13,723	\$ 12,333	\$ 14,917
Selected Performance Metrics:			
Purchase volume ⁽¹⁾⁽²⁾	\$ 165,854	\$ 139,084	\$ 149,411
Home & Auto	\$ 42,848	\$ 37,422	\$ 37,333
Digital	\$ 44,701	\$ 35,876	\$ 29,505
Diversified & Value	\$ 46,998	\$ 37,985	\$ 43,937
Health & Wellness	\$ 11,715	\$ 10,025	\$ 11,091
Lifestyle	\$ 5,319	\$ 4,933	\$ 4,787
Corp, Other	\$ 14,273	\$ 12,843	\$ 22,758
Average active accounts (in thousands) ⁽²⁾⁽³⁾	67,334	67,131	75,721
Net interest margin ⁽⁴⁾	14.74 %	14.29 %	15.78 %
Net charge-offs	\$ 2,304	\$ 3,668	\$ 5,005
Net charge-offs as a % of average loan receivables, including held for sale	2.92 %	4.58 %	5.65 %
Allowance coverage ratio ⁽⁵⁾	10.76 %	12.54 %	6.42 %
Return on assets ⁽⁶⁾	4.5 %	1.4 %	3.5 %
Return on equity ⁽⁷⁾	30.8 %	11.2 %	25.1 %
Equity to assets ⁽⁸⁾	14.58 %	12.62 %	14.12 %
Other expense as a % of average loan receivables, including held for sale	5.02 %	5.06 %	4.79 %
Efficiency ratio ⁽⁹⁾	38.9 %	36.3 %	31.9 %
Effective income tax rate	23.3 %	22.9 %	23.3 %
Selected Period End Data:			
Loan receivables	\$ 80,740	\$ 81,867	\$ 87,215
Allowance for credit losses	\$ 8,688	\$ 10,265	\$ 5,602
30+ days past due as a % of period-end loan receivables ⁽¹⁰⁾	2.62 %	3.07 %	4.44 %
90+ days past due as a % of period-end loan receivables ⁽¹⁰⁾	1.17 %	1.40 %	2.15 %
Total active accounts (in thousands) ⁽²⁾⁽³⁾	72,420	68,540	75,471

(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 credit 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 table sets 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.

Years ended December 31 (\$ in millions)	2021			2020			2019		
	Average Balance	Interest Income / Expense	Average Yield / Rate ⁽¹⁾	Average Balance	Interest Income/ Expense	Average Yield / Rate ⁽¹⁾	Average Balance	Interest Income/ Expense	Average Yield / Rate ⁽¹⁾
Assets									
Interest-earning assets:									
Interest-earning cash and equivalents ⁽²⁾	\$ 11,673	\$ 15	0.13 %	\$ 13,301	\$ 53	0.40 %	\$ 12,320	\$ 258	2.09 %
Securities available for sale	5,975	28	0.47 %	7,367	64	0.87 %	5,464	127	2.32 %
Loan receivables, including held for sale⁽³⁾:									
Credit cards	75,052	14,880	19.83 %	77,115	15,672	20.32 %	85,334	18,384	21.54 %
Consumer installment loans	2,460	241	9.80 %	1,733	168	9.69 %	1,963	182	9.27 %
Commercial credit products	1,359	103	7.58 %	1,231	108	8.77 %	1,306	137	10.49 %
Other	57	4	7.02 %	59	2	3.39 %	46	2	4.35 %
Total loan receivables, including held for sale	78,928	15,228	19.29 %	80,138	15,950	19.90 %	88,649	18,705	21.10 %
Total interest-earning assets	96,576	15,271	15.81 %	100,806	16,067	15.94 %	106,433	19,090	17.94 %
Non-interest-earning assets:									
Cash and due from banks	1,597			1,488			1,327		
Allowance for credit losses	(9,402)			(9,488)			(5,902)		
Other assets	5,343			4,932			3,819		
Total non-interest-earning assets	(2,462)			(3,068)			(756)		
Total assets	\$ 94,114			\$ 97,738			\$ 105,677		
Liabilities									
Interest-bearing liabilities:									
Interest-bearing deposit accounts	\$ 60,953	\$ 566	0.93 %	\$ 63,755	\$ 1,094	1.72 %	\$ 64,756	\$ 1,566	2.42 %
Borrowings of consolidated securitization entities	7,248	169	2.33 %	8,675	237	2.73 %	11,941	358	3.00 %
Senior unsecured notes	7,173	297	4.14 %	8,171	334	4.09 %	9,310	367	3.94 %
Total interest-bearing liabilities	75,374	1,032	1.37 %	80,601	1,665	2.07 %	86,007	2,291	2.66 %
Non-interest-bearing liabilities:									
Non-interest-bearing deposit accounts	349			306			280		
Other liabilities	4,668			4,498			4,473		
Total non-interest-bearing liabilities	5,017			4,804			4,753		
Total liabilities	80,391			85,405			90,760		
Equity									
Total equity	13,723			12,333			14,917		
Total liabilities and equity	\$ 94,114			\$ 97,738			\$ 105,677		
Interest rate spread⁽⁴⁾			14.44 %			13.87 %			15.28 %
Net interest income		\$ 14,239			\$ 14,402			\$ 16,799	
Net interest margin⁽⁵⁾			14.74 %			14.29 %			15.78 %

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

(2) Includes average restricted cash balances of \$459 million, \$475 million and \$754 million for the years ended December 31, 2021, 2020 and 2019, respectively.

- (3) Interest income on loan receivables includes fees on loans of \$2.3 billion, \$2.2 billion and \$2.8 billion for the years ended December 31, 2021, 2020 and 2019, 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.

The following table sets forth the amount of changes in interest income and interest expense due to changes in average volume and average yield/rate. Variances due to changes in both average volume and average yield/rate have been allocated between the average volume and average yield/rate variances on a consistent basis based upon the respective percentage changes in average volume and average yield/rate.

	2021 vs. 2020			2020 vs. 2019		
	Increase (decrease) due to change in:			Increase (decrease) due to change in:		
	Average Volume	Average Yield / Rate	Net Change	Average Volume	Average Yield / Rate	Net Change
<i>(\$ in millions)</i>						
Interest-earning assets:						
Interest-earning cash and equivalents	\$ (6)	\$ (32)	\$ (38)	\$ 19	\$ (224)	\$ (205)
Securities available for sale	(11)	(25)	(36)	34	(97)	(63)
Loan receivables, including held for sale:						
Credit cards	(416)	(376)	(792)	(1,708)	(1,004)	(2,712)
Consumer installment loans	71	2	73	(22)	8	(14)
Commercial credit products	11	(16)	(5)	(8)	(21)	(29)
Other	—	2	2	—	—	—
Total loan receivables, including held for sale	(334)	(388)	(722)	(1,738)	(1,017)	(2,755)
Change in interest income from total interest-earning assets	\$ (351)	\$ (445)	\$ (796)	\$ (1,685)	\$ (1,338)	\$ (3,023)
Interest-bearing liabilities:						
Interest-bearing deposit accounts	\$ (46)	\$ (482)	\$ (528)	\$ (24)	\$ (448)	\$ (472)
Borrowings of consolidated securitization entities	(36)	(32)	(68)	(91)	(30)	(121)
Senior unsecured notes	(41)	4	(37)	(47)	14	(33)
Change in interest expense from total interest-bearing liabilities	(123)	(510)	(633)	(162)	(464)	(626)
Total change in net interest income	\$ (228)	\$ 65	\$ (163)	\$ (1,523)	\$ (874)	\$ (2,397)

Business Trends and Conditions

We believe our business and results of operations will be impacted in the future by various trends and conditions, including the following:

- **Growth in loan receivables and interest income.** During 2021, accumulated savings by consumers resulting from economic stimulus, forbearance and lower discretionary spending, has led to elevated payment rates that were approximately 260 basis points higher than our five-year historical average. While we have experienced improvements in consumer purchase activity in 2021, the elevated payment rates contributed to a reduction in interest and fees and slower receivable growth in 2021. We expect purchase volume to continue to increase in 2022 as compared to the prior year, and also expect to see payment rates moderate over the course of 2022, which we expect will contribute to increases in both loan receivables and interest income for our ongoing program agreements. The amount of the increases however will be dependent on various factors. These factors include the timing and extent of slowing payment rates, as well as the nature of and duration for which any preventative or governmental measures are taken, including responses to increases in COVID-19 infections nationally or additional variants that may occur. In addition to the above, we anticipate conveyance of our Gap Inc. and BP portfolios to be completed in the second quarter of 2022, which will contribute to reductions in total interest and fees on loans when compared to 2021.
- **Asset quality.** During 2021, the effects of the COVID-19 pandemic have driven significant improvement in customer payment behavior such that our asset quality metrics have seen historic lows during 2021. Our over-30 day loan delinquencies as a percentage of period-end loan receivables decreased to 2.62% at December 31, 2021 from 3.07% at December 31, 2020. We anticipate that the elevated payment trend we have experienced in 2021 will begin to moderate in 2022, such that we expect to incur increases to both delinquencies and net charge-offs as compared to current levels. We have also experienced decreases to both our allowance for credit losses and provision for credit losses during the year ended December 31, 2021 primarily attributable to the elevated payment rate trends, and our allowance coverage ratio at December 31, 2021 was 10.76%. As the economic environment develops during 2022, we anticipate that our credit loss reserve builds and provision for credit losses will be higher than those experienced in 2021.
- **Retailer share arrangement payments under our program agreements.** Retailer share arrangements increased 24.2% to \$4.5 billion for the year ended December 31, 2021, reflecting the decrease in provision for credit losses discussed above. We believe that the payments we make to our partners under our retailer share arrangements, in the aggregate, in 2022 are likely to decrease in absolute terms compared to the year ended December 31, 2021, primarily as a result of the expected credit trends discussed above, as well as the impact from the disposition of our held for sale portfolios. This decrease will be partially offset by growth of the programs for which we have retailer share arrangements. The magnitude of the decrease in retailer share arrangements will be dependent in part on the precise timing and extent of the anticipated trends in payment rates and asset quality discussed above. See *Management's Discussion and Analysis—Retailer Share Arrangements* for additional information on these agreements.
- **Extended duration of our credit card program agreements.** Our credit card program agreements typically have contract terms ranging from approximately five to ten years, and the length of our relationship with each of our five largest partners is over 14 years, and in the case of Lowe's, 42 years. We expect to continue to benefit from these and our other ongoing programs on a long-term basis.

The current expiration dates of our program agreements with our five largest partners range from 2026 through 2030. In addition, a total of 20 of our 25 largest ongoing program agreements have an expiration date in 2025 or beyond, which represented in the aggregate 96% of our interest and fees on loans for the year ended December 31, 2021 and 93% of our loan receivables at December 31, 2021, attributable to our 25 largest ongoing programs.

- **Growth in interchange revenues and loyalty program costs.** We believe that as a result of the overall growth in Dual Card and general purpose co-branded credit card transactions occurring outside of our credit card partners' locations, interchange revenues will increase in excess of the growth of our credit card loan receivables. The expected growth in these transactions is driven, in part, by both existing and new loyalty programs with our credit card partners, partially offset by the impact from the disposition of our held for sale portfolios. In addition, we continue to offer and add new loyalty programs for our private label credit cards, for which we typically do not receive interchange fees. The growth in these existing and new loyalty programs will result in an increase in costs associated with these programs. For the year ended December 31, 2021, our loyalty program costs were largely offset by our interchange revenues, although the increase in loyalty program costs exceeded the increase in interchange revenues. Overall, we expect these trends for our loyalty program costs and interchange revenues to continue in 2022. These changes have been contemplated in our program agreements with our partners and are a component of the calculation of our payments due under our retailer share arrangements.
- **Capital and liquidity levels.** We continue to expect to maintain sufficient capital and liquidity resources to support our daily operations, our business growth, and our credit ratings as well as regulatory and compliance requirements in a cost effective and prudent manner through expected and unexpected market environments. During the year ended December 31, 2021, we declared and paid dividends of \$500 million and repurchased \$2.9 billion of our outstanding common stock. We plan to continue to deploy capital through both dividends and share repurchases, subject to regulatory restrictions, as well as to support business growth. At December 31, 2021 we had \$1.2 billion remaining in share repurchase authorization. We continue to expect to maintain capital ratios well in excess of minimum regulatory requirements. At December 31, 2021, the Company had a Basel III common equity Tier 1 ratio of 15.6%, which reflects our election to defer the impact of CECL on our regulatory capital, which will now be phased-in over a three-year transitional period through December 31, 2024 and effects fully phased-in beginning in the first quarter of 2025. As a result of this phase-in our common equity Tier 1 ratio will be reduced by 62 basis points in 2022.

We expect that our liquidity portfolio will continue to be sufficient to support all of our business objectives and to meet all regulatory requirements for the foreseeable future. As a result of lower growth in loan receivables primarily due to elevated payment rates, and strength in our deposit platform, we have generally been carrying a higher level of liquidity during 2021. We also expect to carry some excess liquidity in the second and third quarters of 2022 following the conveyance of our held for sale portfolios.

Seasonality

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 credit losses as a percentage of total loan receivables between quarterly periods. These fluctuations are generally most evident between the fourth quarter and the first quarter of the following year.

In addition to the seasonal variance in loan receivables discussed above, we also typically 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 credit 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 credit losses at an interim period end compared to the prior year end, reflecting these same seasonal trends.

While the effects of the seasonal trends discussed above remain evident, we also continue to experience improvements in customer payment behavior, which include the effects of governmental stimulus actions, industry-wide forbearance measures and elevated consumer savings. Customer payments as a percentage of beginning-of-period loan receivables for the year ended December 31, 2021 were approximately 260 basis points higher than our prior five-year historical average. These higher payment rates have resulted in reductions in loan receivables and delinquency rates beyond our seasonal expectations.

Interest Income

Interest income is comprised of interest and fees on loans, which includes merchant discounts provided by partners to compensate us in almost all cases for all or part of the promotional financing provided to their customers, and interest on cash and equivalents and investment securities. We include in interest and fees on loans any past due interest and fees deemed to be collectible. Direct loan origination costs on credit card loans are deferred and amortized on a straight-line basis over a one-year period and recorded in interest and fees on loans. For non-credit card receivables, direct loan origination costs are deferred and amortized over the life of the loan and recorded in interest and fees on loans.

We analyze interest income as a function of two principal components: average interest-earning assets and yield on average interest-earning assets. Key drivers of average interest-earning assets include:

- purchase volumes, which are influenced by a number of factors including macroeconomic conditions and consumer confidence generally, our partners' sales and our ability to increase our share of those sales;
- payment rates, reflecting the extent to which customers maintain a credit balance;
- charge-offs, reflecting the receivables that are deemed not to be collectible;
- the size of our liquidity portfolio; and
- portfolio acquisitions when we enter into new partner relationships.

Key drivers of yield on average interest-earning assets include:

- pricing (contractual rates of interest, movement in prime rates, late fees and merchant discount rates);
- changes to our mix of loans (e.g., the number of loans bearing promotional rates as compared to standard rates);
- frequency of late fees incurred when account holders fail to make their minimum payment by the required due date;
- credit performance and accrual status of our loans; and
- yield earned on our liquidity portfolio.

Interest income decreased by \$796 million, or 5.0%, for the year ended December 31, 2021. The decrease reflected the impact of improvements in customer payment behavior and lower delinquencies during the period, which resulted in lower loan receivable yield and lower average loan receivables.

Average interest-earning assets

Years ended December 31 (\$ in millions)

Loan receivables, including held for sale

Liquidity portfolio and other

Total average interest-earning assets

	2021	2020
\$	78,928	\$ 80,138
	17,648	20,668
\$	<u>96,576</u>	<u>\$ 100,806</u>

Average loan receivables, including held for sale, decreased 1.5% for the year ended December 31, 2021, as the impact from the improvements in customer payment behavior was partially offset by purchase volume growth of 19.2%.

Yield on average interest-earning assets

The yield on average interest-earning assets decreased for the year ended December 31, 2021 primarily due to a decrease in the yield on average loan receivables. The decrease in loan receivables yield was 61 basis points to 19.29% for the year ended December 31, 2021, reflecting the impact of higher payment rates and lower interest and fees.

Interest Expense

Interest expense is incurred on our interest-bearing liabilities, which consisted of interest-bearing deposit accounts, borrowings of consolidated securitization entities and senior unsecured notes.

Key drivers of interest expense include:

- the amounts outstanding of our deposits and borrowings;
- the interest rate environment and its effect on interest rates paid on our funding sources; and
- the changing mix in our funding sources.

Interest expense decreased by \$633 million, or 38.0%, for the year ended December 31, 2021, primarily driven by lower benchmark interest rates. Our cost of funds decreased to 1.37% for the year ended December 31, 2021 compared to 2.07% for the year ended December 31, 2020.

Average interest-bearing liabilities

Years ended December 31 (\$ in millions)

	2021		2020
Interest-bearing deposit accounts	\$ 60,953	\$	63,755
Borrowings of consolidated securitization entities	7,248		8,675
Senior unsecured notes	7,173		8,171
Total average interest-bearing liabilities	\$ 75,374	\$	80,601

The decrease in average interest-bearing liabilities for the year ended December 31, 2021 was primarily driven by our efforts to mitigate excess liquidity in our business which resulted in decreases in our deposits, borrowings of our consolidated securitization entities, and senior unsecured notes.

Net Interest Income

Net interest income represents the difference between interest income and interest expense.

Net interest income decreased by \$163 million, or 1.1%, for the year ended December 31, 2021, resulting from the changes in interest income and interest expense discussed above.

Retailer Share Arrangements

Most of our program agreements with large retail and certain other partners contain retailer share arrangements that provide for payments to our partners if the economic performance of the program exceeds a contractually defined threshold. We also provide other economic benefits to our partners such as royalties on purchase volume or payments for new accounts, in some cases instead of retailer share arrangements (for example, on our co-branded credit cards). All of these arrangements are designed to align our interests and provide an additional incentive to our partners to promote our credit products. Although the retailer share arrangements vary by partner, these arrangements are generally structured to measure the economic performance of the program, based typically on agreed upon program revenues (including interest income and certain other income) less agreed upon program expenses (including interest expense, provision for credit losses, retailer payments and operating expenses), and share portions of this amount above a negotiated threshold. The threshold and economic performance of a program that are used to calculate payments to our partners may be based on, among other things, agreed upon measures of program expenses rather than our actual expenses, and therefore increases in our actual expenses (such as funding costs or operating expenses) may not necessarily result in reduced payments under our retailer share arrangements. These arrangements are typically designed to permit us to achieve an economic return before we are required to make payments to our partners based on the agreed contractually defined threshold. Our payments to partners pursuant to these retailer share arrangements have generally increased in recent years, primarily as a result of the growth and performance of the programs in which we have retailer share arrangements, as well as changes to the terms of certain program agreements that have been renegotiated in the past few years.

We believe that our retailer share arrangements have been effective in helping us to grow our business by aligning our partners' interests with ours. We also believe that the changes to the terms of certain program agreements in recent years will help us to grow our business by providing an additional incentive to the relevant partners to promote our credit products going forward. Payments to partners pursuant to these retailer share arrangements would generally decrease, and mitigate the impact on our profitability, in the event of declines in the performance of the programs or the occurrence of other unfavorable developments that impact the calculation of payments to our partners pursuant to our retailer share arrangements.

Retailer share arrangements increased by \$883 million, or 24.2%, for the year ended December 31, 2021, primarily due to the decrease in provision for credit losses.

Provision for Credit Losses

Provision for credit losses is the expense related to maintaining the allowance for credit losses at an appropriate level to absorb the expected credit losses for the life of the loan balance as of the period end date. Provision for credit losses in each period is a function of net charge-offs (gross charge-offs net of recoveries) and the required level of the allowance for credit losses. Our process to determine our allowance for credit losses is based upon our estimate of expected credit losses for the life of the loan balance as of the period end date. See “*Critical Accounting Estimates - Allowance for Credit Losses*” and Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* to our consolidated financial statements for additional information on our allowance for credit loss methodology.

Provision for credit losses decreased by \$4.6 billion, or 86.3%, for the year ended December 31, 2021, primarily driven by lower reserves, which included \$345 million of reserve reductions related to the held for sale portfolios, and lower net charge-offs.

Other Income

Years ended December 31 (\$ in millions)

	2021	2020
Interchange revenue	\$ 880	\$ 652
Debt cancellation fees	284	278
Loyalty programs	(992)	(649)
Other	309	124
Total other income	\$ 481	\$ 405

Interchange revenue

We earn interchange fees on Dual Card and other co-branded credit card transactions outside of our partners' sales channels, based on a flat fee plus a percentage of the purchase amount. Interchange revenue has been, and is expected to continue to be, driven primarily by growth in our Dual Card and general purpose co-branded credit card products.

Interchange revenue increased by \$228 million, or 35.0%, for the year ended December 31, 2021, driven by an increase in purchase volume outside of our retail partners' sales channels.

Debt cancellation fees

Debt cancellation fees relate to payment protection products purchased by our credit card customers. Customers who choose to purchase these products are charged a monthly fee based on their account balance. In return, we will cancel all or a portion of a customer's credit card balance in the event of certain qualifying life events. We offer our debt cancellation product to our credit card customers via online, mobile and, on a limited basis, direct mail.

Debt cancellation fees increased by \$6 million, or 2.2%, for the year ended December 31, 2021, primarily as a result of increases in customer enrollment.

Loyalty programs

We operate a number of loyalty programs that are designed to generate incremental purchase volume per customer, while reinforcing the value of the card and strengthening cardholder loyalty. These programs typically provide cardholders with statement credit or cash back rewards. Other programs include rewards points, which are redeemable for a variety of products or awards, or merchandise discounts that are earned by achieving a pre-set spending level on their private label credit card, Dual Card or general purpose co-branded credit card. Growth in loyalty program payments has been, and is expected to continue to be, driven by growth in purchase volume related to existing loyalty programs and the rollout of new loyalty programs.

Loyalty programs cost increased by \$343 million, or 52.9%, for the year ended December 31, 2021, primarily as a result of growth in purchase volume associated with existing loyalty programs.

Other

Other includes a variety of items including ancillary fees, commission fees related to Pets Best, changes in the fair value of equity investments, realized gains or losses associated with the sale of investments or other assets and changes in contingent consideration obligations.

Other increased by \$185 million, or 149.2%, for the year ended December 31, 2021 primarily due to investment gains and higher commission fees related to Pets Best.

Other Expense

Years ended December 31 (\$ in millions)

	2021	2020
Employee costs	\$ 1,501	\$ 1,380
Professional fees	782	759
Marketing and business development	486	448
Information processing	550	492
Other	644	976
Total other expense	\$ 3,963	\$ 4,055

Employee costs

Employee costs primarily consist of employee compensation and benefit costs.

Employee costs increased by \$121 million, or 8.8%, for the year ended December 31, 2021, primarily driven by higher stock-based compensation expense and higher incentive compensation, partially offset by the prior year restructuring charge of \$41 million.

Professional fees

Professional fees consist primarily of outsourced provider fees (e.g., collection agencies and call centers), legal, accounting, consulting, and recruiting expenses.

Professional fees increased by \$23 million, or 3.0%, for the year ended December 31, 2021, primarily due to an increase in third-party expenses related to strategic technology investments.

Marketing and business development

Marketing and business development costs consist primarily of our contractual and discretionary marketing and business development spend, as well as amortization expense associated with retail partner contract acquisitions and extensions.

Marketing and business development costs increased by \$38 million, or 8.5%, for the year ended December 31, 2021, primarily due to strategic investments in our sales platforms.

Information processing

Information processing costs primarily consist of fees related to outsourced information processing providers, credit card associations and software licensing agreements.

Information processing costs increased by \$58 million, or 11.8%, for the year ended December 31, 2021, primarily due to higher software licensing costs and other technology investments, as well as an increase in association fees resulting from higher purchase volume in 2021.

Other

Other primarily consists of postage, operational losses, litigation and regulatory matters expense and various other corporate overhead items such as facilities' costs and telephone charges. Postage is driven primarily by the number of our active accounts and the percentage of customers that utilize our electronic billing option. Fraud, or operational losses, are driven primarily by the number of our active Dual Card and general purpose co-branded credit card accounts.

The "other" component decreased by \$332 million, or 34.0%, for the year ended December 31, 2021, primarily due to lower operational losses and a reduction in corporate overhead expenses.

Provision for Income Taxes

Years ended December 31 (\$ in millions)	2021		2020	
Effective tax rate		23.3 %		22.9 %
Provision for income taxes	\$	1,282	\$	412

The effective tax rate for the year ended December 31, 2021, increased compared to the prior year primarily due to significantly lower pre-tax income in the prior year, which led to a larger impact related to discrete tax benefits. The effective tax rate differs from the U.S. federal statutory tax rate primarily due to state income taxes.

Platform Analysis

As discussed above under "Our Business—Our Sales Platforms," beginning in June 2021, we now offer our credit products through five sales platforms (Home & Auto, Digital, Diversified & Value, Health & Wellness and Lifestyle), which management measures based on their revenue-generating activities. The following is a discussion of certain supplemental information for the years ended December 31, 2021 and 2020, for each of our five sales platforms and Corp, Other information.

In December 2021, we entered into an agreement to sell \$0.5 billion of loan receivables associated with our program agreement with BP. In connection with this agreement, revenue activities for the BP portfolio are no longer managed within our Home & Auto sales platform. All metrics for the BP portfolio previously reported within our Home & Auto sales platform, are now reported within our Corp, Other information in the tables below. We have recast all prior-period metrics for our Home & Auto sales platform and Corp, Other to conform to the current-period presentation.

Home & Auto

Years ended December 31 (\$ in millions)	2021		2020		2019	
Purchase volume	\$	42,848	\$	37,422	\$	37,333
Period-end loan receivables	\$	26,781	\$	25,935	\$	26,868
Average loan receivables, including held for sale	\$	25,663	\$	25,663	\$	25,662
Average active accounts (in thousands)		17,414		17,578		17,917
Interest and fees on loans	\$	4,247	\$	4,402	\$	4,504
Other income	\$	69	\$	60	\$	43

Home & Auto interest and fees on loans decreased by \$155 million, or 3.5%, and \$102 million, or 2.3%, for the years ended December 31, 2021 and 2020, respectively, primarily driven by lower loan receivables yield as a result of higher payment rates.

Other income increased by \$9 million, or 15.0%, for the year ended December 31, 2021 primarily driven by higher interchange fees. Other income increased \$17 million, or 39.5%, for the year ended December 31, 2020 primarily driven by higher debt cancellation fees and lower loyalty costs.

Digital

Years ended December 31 (\$ in millions)

	2021		2020		2019
Purchase volume	\$ 44,701	\$	35,876	\$	29,505
Period-end loan receivables	\$ 21,751	\$	20,427	\$	20,325
Average loan receivables, including held for sale	\$ 19,475	\$	19,253	\$	18,300
Average active accounts (in thousands)	17,685		16,593		14,871
Interest and fees on loans	\$ 3,792	\$	3,801	\$	3,910
Other income	\$ (87)	\$	(54)	\$	(15)

Digital interest and fees on loans remained relatively flat for the year ended December 31, 2021, as the effect of higher loan receivables was largely offset by the impact of higher payment rates. Digital interest and fees on loans decreased by \$109 million, or 2.8%, for the year ended December 31, 2020 primarily driven by lower yield on loan receivables.

Other income decreased by \$33 million and \$39 million, for the years ended December 31, 2021 and 2020, respectively, primarily driven by higher program loyalty costs associated with the increases in purchase volume, partially offset by increases in interchange revenue.

Diversified & Value

Years ended December 31 (\$ in millions)

	2021		2020		2019
Purchase volume	\$ 46,998	\$	37,985	\$	43,937
Period-end loan receivables	\$ 16,075	\$	15,761	\$	18,719
Average loan receivables	\$ 14,501	\$	15,724	\$	17,201
Average active accounts (in thousands)	17,953		17,987		20,848
Interest and fees on loans	\$ 3,115	\$	3,528	\$	4,090
Other income	\$ (28)	\$	90	\$	62

Diversified & Value interest and fees on loans decreased by \$413 million, or 11.7%, and \$562 million, or 13.7%, for the years ended December 31, 2021 and 2020, respectively, primarily driven by lower average loan receivables.

Other income decreased by \$118 million for the year ended December 31, 2021 primarily driven by higher loyalty costs associated with the increase in purchase volume. Other income increased by \$28 million for the year ended December 31, 2020 primarily driven by lower loyalty costs.

Health & Wellness

Years ended December 31 (\$ in millions)

	2021		2020		2019
Purchase volume	\$ 11,715	\$	10,025	\$	11,091
Period-end loan receivables	\$ 10,244	\$	9,580	\$	10,295
Average loan receivables, including held for sale	\$ 9,623	\$	9,591	\$	9,742
Average active accounts (in thousands)	5,739		5,952		6,197
Interest and fees on loans	\$ 2,271	\$	2,273	\$	2,319
Other income	\$ 159	\$	107	\$	78

Health & Wellness interest and fees on loans remained relatively flat for the year ended December 31, 2021, as the effect of higher loan receivables was largely offset by the impact of higher payment rates. Health & Wellness interest and fees on loans decreased by \$46 million, or 2.0%, for the year ended December 31, 2020 primarily driven by lower merchant discount as a result of the decline in purchase volume and a reduction in average loan receivables.

Other income increased by \$52 million and by \$29 million, for the years ended December 31, 2021 and 2020, respectively. These increases were primarily driven by commission fees earned by Pets Best.

Lifestyle

<i>Years ended December 31 (\$ in millions)</i>	2021		2020		2019	
Purchase volume	\$	5,319	\$	4,933	\$	4,787
Period-end loan receivables	\$	5,479	\$	5,098	\$	4,782
Average loan receivables, including held for sale	\$	5,135	\$	4,727	\$	4,447
Average active accounts (in thousands)		2,515		2,568		2,747
Interest and fees on loans	\$	744	\$	734	\$	760
Other income	\$	23	\$	20	\$	23

Lifestyle interest and fees on loans increased by \$10 million, or 1.4%, for the year ended December 31, 2021, primarily driven by an increase in average loan receivables reflecting continued strength in power sports and music. Lifestyle interest and fees on loans decreased by \$26 million, or 3.4%, for the year ended December 31, 2020 primarily driven by lower yield on loan receivables.

Corp, Other

<i>Years ended December 31 (\$ in millions)</i>	2021		2020		2019	
Purchase volume	\$	14,273	\$	12,843	\$	22,758
Period-end loan receivables	\$	410	\$	5,066	\$	6,226
Loan receivables held for sale	\$	4,361	\$	5	\$	725
Average loan receivables, including held for sale	\$	4,531	\$	5,180	\$	13,297
Average active accounts (in thousands)		6,028		6,453		13,141
Interest and fees on loans	\$	1,059	\$	1,212	\$	3,122
Other income	\$	345	\$	182	\$	180

Loan receivables held for sale at December 31, 2021 were comprised of \$3.9 billion and \$0.5 billion of loan receivables associated with our Gap Inc. and BP portfolios, respectively.

Corp, Other interest and fees on loans decreased by \$153 million, or 12.6%, for the year ended December 31, 2021, primarily driven by lower average loan receivables.

Corp, Other interest and fees on loans decreased by \$1.9 billion, or 61.2%, for the year ended December 31, 2020, primarily driven by the sale of the Walmart consumer portfolio in October 2019.

Other income increased by \$163 million, or 89.6%, for the year ended December 31, 2021, primarily driven by investment gains. Other income remained relatively flat for the year ended December 31, 2020.

Loan Receivables

Loan receivables are our largest category of assets and represent our primary source of revenue. The following discussion provides supplemental information regarding our loan receivables portfolio. See Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* and Note 4. *Loan Receivables and Allowance for Credit Losses* to our consolidated financial statements for additional information related to our Loan Receivables, including troubled debt restructurings (“TDR’s”).

The following table sets forth the composition of our loan receivables portfolio by product type at the dates indicated.

(\$ in millions)	At December 31, 2021		At December 31, 2020	
		(%)		(%)
Loans				
Credit cards	\$ 76,628	94.9 %	\$ 78,455	95.9 %
Consumer installment loans	2,675	3.4 %	2,125	2.6
Commercial credit products	1,372	1.7 %	1,250	1.5
Other	65	— %	37	—
Total loans	\$ 80,740	100.0 %	\$ 81,867	100.0 %

Loan receivables decreased 1.4% to \$80.7 billion at December 31, 2021 compared to December 31, 2020, primarily driven by the reclassification of loan receivables associated with the Gap Inc. and BP portfolios, to loan receivables held for sale. Loan receivables held for sale totaled \$4.4 billion at December 31, 2021, and we expect conveyance of both portfolios to occur, subject to customary closing conditions, in the second quarter of 2022.

Excluding the impact of the reclassification of the Gap Inc. and BP portfolios, loan receivables increased 4% reflecting strong purchase volume growth, largely offset by higher payment rates. Customer payments as a percentage of beginning-of-period loan receivables for the year ended December 31, 2021 were approximately 260 basis points higher than our prior five-year historical average for the year.

Our loan receivables portfolio, excluding held for sale, had the following maturity distribution at December 31, 2021.

(\$ in millions)	Within 1 Year ⁽¹⁾	1-5 Years ⁽²⁾	5-15 Years	After 15 Years	Total
Loans					
Credit cards	\$ 75,899	\$ 729	\$ —	\$ —	\$ 76,628
Consumer installment loans ⁽³⁾	866	1,789	20	—	2,675
Commercial credit products	1,370	2	—	—	1,372
Other	10	37	13	5	65
Total loans	\$ 78,145	\$ 2,557	\$ 33	\$ 5	\$ 80,740
Loans due after one year at fixed interest rates	N/A	\$ 2,557	\$ 33	\$ 5	\$ 2,595
Loans due after one year at variable interest rates	N/A	—	—	—	—
Total loans due after one year	N/A	\$ 2,557	\$ 33	\$ 5	\$ 2,595

(1) Credit card loans have minimum payment requirements but no stated maturity and therefore are included in the due within one year category. However, many of our credit card holders will revolve their balances, which may extend their repayment period beyond one year for balances at December 31, 2021.

(2) Credit card and commercial loans due after one year relate to TDR assets.

(3) Reflects scheduled repayments up to the final contractual maturity of our installment loans.

Our loan receivables portfolio had the following geographic concentration at December 31, 2021.

(\$ in millions)

State	Loan Receivables Outstanding	% of Total Loan Receivables Outstanding
Texas	\$ 8,615	10.7 %
California	\$ 8,287	10.3 %
Florida	\$ 7,274	9.0 %
New York	\$ 4,171	5.2 %
North Carolina	\$ 3,328	4.1 %

Delinquencies

Over-30 day loan delinquencies as a percentage of period-end loan receivables decreased to 2.62% at December 31, 2021, as compared to 3.07% at December 31, 2020. The 45 basis point decrease in 2021 was primarily driven by an improvement in customer payment behavior, partially offset by the effects of the reclassification of loan receivables associated with the Gap Inc. and BP portfolios to loan receivables held for sale. When excluding amounts related to held for sale portfolios from both periods, the decrease compared to the prior year was approximately 60 basis points.

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 credit losses and subsequent recoveries of previously charged-off amounts are credited to the allowance for credit losses. Costs incurred to recover charged-off loans are recorded as collection expense and included in other expense in our Consolidated Statements of Earnings.

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

Years ended December 31

(\$ in millions)

	2021		2020		2019	
	Amount	Rate	Amount	Rate	Amount	Rate
Credit cards	\$ 2,235	2.98 %	\$ 3,590	4.66 %	\$ 4,903	5.75 %
Consumer installment loans	38	1.54 %	37	2.08 %	50	2.55 %
Commercial credit products	30	2.28 %	41	3.33 %	51	3.91 %
Other	1	1.75 %	—	— %	1	2.17 %
Total net charge-offs	<u>\$ 2,304</u>	<u>2.92 %</u>	<u>\$ 3,668</u>	<u>4.58 %</u>	<u>\$ 5,005</u>	<u>5.65 %</u>

Allowance for Credit Losses

The allowance for credit losses totaled \$8.7 billion at December 31, 2021, compared to \$10.3 billion at December 31, 2020, and reflects our estimate of expected credit losses for the life of the loan receivables on our consolidated statement of financial position. Similarly, our allowance for credit losses as a percentage of total loan receivables decreased to 10.76% at December 31, 2021, from 12.54% at December 31, 2020.

The decreases in the allowance for credit losses and allowance coverage ratio are primarily driven by improvements in customer payment behavior, which resulted in a reduction to our estimate of expected credit losses.

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:

Years ended December 31 (\$ in millions)	2021			2020			2019		
	Average Balance	%	Average Rate	Average Balance	%	Average Rate	Average Balance	%	Average Rate
Deposits ⁽¹⁾	\$ 60,953	80.9 %	0.9 %	\$ 63,755	79.1 %	1.7 %	\$ 64,756	75.3 %	2.4 %
Securitized financings	7,248	9.6	2.3	8,675	10.8	2.7	11,941	13.9	3.0
Senior unsecured notes	7,173	9.5	4.1	8,171	10.1	4.1	9,310	10.8	3.9
Total	\$ 75,374	100.0 %	1.4 %	\$ 80,601	100.0 %	2.1 %	\$ 86,007	100.0 %	2.7 %

(1) Excludes \$349 million, \$306 million and \$280 million average balance of non-interest-bearing deposits for the years ended December 31, 2021, 2020 and 2019, respectively. Non-interest-bearing deposits comprise less than 10% of total deposits for the years ended December 31, 2021, 2020 and 2019.

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 December 31, 2021, we had \$50.1 billion in direct deposits and \$12.2 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 utilize 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 December 31, 2021, had a weighted average remaining life of 2.0 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, including 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:

Years ended December 31 (\$ in millions)	2021			2020			2019		
	Average Balance	%	Average Rate	Average Balance	%	Average Rate	Average Balance	%	Average Rate
Direct deposits:									
Certificates of deposit (including IRA certificates of deposit)	\$ 22,129	36.3 %	1.3 %	\$ 30,816	48.3 %	2.1 %	\$ 33,482	51.7 %	2.5 %
Savings accounts (including money market accounts)	28,408	46.6 %	0.5	21,910	34.4	1.1	18,773	29.0	2.1
Brokered deposits	10,416	17.1 %	1.4	11,029	17.3	1.8	12,501	19.3	2.7
Total interest-bearing deposits	\$ 60,953	100.0 %	0.9 %	\$ 63,755	100.0 %	1.7 %	\$ 64,756	100.0 %	2.4 %

Our deposit liabilities provide funding with maturities ranging from one day to ten years. At December 31, 2021, the weighted average maturity of our interest-bearing time deposits was 1.1 years. See Note 7. *Deposits* to our consolidated financial statements for more information on the maturities of our time deposits.

The following table summarizes deposits by contractual maturity at December 31, 2021.

(\$ in millions)	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 FDIC insurance limit)⁽¹⁾⁽²⁾	\$ 30,773	\$ 4,004	\$ 5,898	\$ 8,254	\$ 48,929
U.S. deposits (in excess of FDIC insurance limit)⁽²⁾					
Direct deposits:					
Certificates of deposit (including IRA certificates of deposit)	1,285	1,022	1,329	1,318	4,954
Savings accounts (including money market accounts)	8,358	—	—	—	8,358
Brokered deposits:					
Sweep accounts	29	—	—	—	29
Total	\$ 40,445	\$ 5,026	\$ 7,227	\$ 9,572	\$ 62,270

(1) Includes brokered certificates of deposit for which underlying individual deposit balances are assumed to be less than \$250,000.

(2) The standard deposit insurance amount is \$250,000 per depositor, for each account ownership category. Deposits in excess of FDIC insurance limit presented above include partially uninsured accounts.

Securitized Financings

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 may 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”).

At December 31, 2021, we had \$4.1 billion of outstanding private asset-backed securities and \$3.2 billion of outstanding public asset-backed securities, in each case held by unrelated third parties.

The following table summarizes expected contractual maturities of the investors' interests in securitized financings, excluding debt premiums, discounts and issuance costs at December 31, 2021.

(\$ in millions)	Less Than One Year	One Year Through Three Years	Four Years Through Five Years	After Five Years	Total
Scheduled maturities of long-term borrowings—owed to securitization investors:					
SYNCT ⁽¹⁾	\$ 1,508	\$ 2,882	\$ —	\$ —	\$ 4,390
SFT	—	1,300	—	—	1,300
SYNIT ⁽¹⁾	1,600	—	—	—	1,600
Total long-term borrowings—owed to securitization investors	\$ 3,108	\$ 4,182	\$ —	\$ —	\$ 7,290

(1) Excludes any subordinated classes of SYNCT notes and SYNIT notes that we owned at December 31, 2021.

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 that 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 December 31, 2021.

	Note Principal Balance (\$ in millions)	# of Series Outstanding	Three-Month Rolling Average Excess Spread ⁽¹⁾
SYNCT	\$ 4,552	7	~18.3% to 20.8%
SFT	\$ 1,300	5	17.4 %
SYNIT	\$ 1,600	1	19.4 %

(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, a range of the excess spreads relating to the particular series issued within such trust or, in the case of SYNIT, the excess spread relating to the one outstanding series issued within such trust, in all cases omitting any series that have not been outstanding for at least three full monthly periods and calculated in accordance with the applicable trust or series documentation, for the three securitization monthly periods ended December 31, 2021.

Senior Unsecured Notes

During the year ended December 31, 2021 we made repayments of \$1.5 billion.

The following table provides a summary of our outstanding senior unsecured notes at December 31, 2021, which includes \$750 million of senior unsecured notes issued during the year ended December 31, 2021.

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	4.250%	August 2024	1,250
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
October 2021	2.875%	October 2031	750
<i>Synchrony Bank</i>			
June 2017	3.000%	June 2022	750
Total fixed rate senior unsecured notes			\$ 7,250

(1) Weighted average interest rate of all senior unsecured notes at December 31, 2021 was 3.88%.

(2) The amounts shown exclude unamortized debt discounts, premiums and issuance costs.

Short-Term Borrowings

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

Other

At December 31, 2021, 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, including covenants that restrict (subject to certain exceptions) Synchrony's ability to dispose of, or incur liens on, any of the voting stock of the Bank or otherwise permit the Bank to be merged, consolidated, leased or sold in a manner that results in the Bank being less than 80% controlled by us.

If we do not satisfy any of these covenants discussed above, the maturity of amounts outstanding thereunder may be accelerated and become payable. We were in compliance with all of these covenants at December 31, 2021.

At December 31, 2021, we were not in default under any of our credit facilities.

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-
Preferred stock	BB-	B+
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 the Risk Committee of our Board of Directors. 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 December 31, 2021 had \$13.0 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 \$18.3 billion of liquid assets at December 31, 2020. The decrease in liquid assets was primarily due to the increase in loan receivables, including loan receivables held for sale, share repurchase activity, and the reduction in funding liabilities. We believe our liquidity position at December 31, 2021 remains strong as we continue to operate in a period of uncertain economic conditions related to COVID-19 and we will continue to closely monitor our liquidity as economic conditions change.

As additional sources of liquidity, at December 31, 2021, we had an aggregate of \$2.2 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—Savings Association Regulation—Dividends and Stock Repurchases.*"

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. See "*Risks—Risk Factors Relating to Our Business—Changes in market interest rates could have a material adverse effect on our net earnings, funding and liquidity*" and "*—A reduction in our credit ratings could materially increase the cost of our funding from, and restrict our access to, the capital markets.*"

Interest Rate Risk

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 London Interbank Offered Rate ("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.

In 2022, we expect LIBOR to be less widely relied upon as an interest rate benchmark in pricing assets or liabilities. Synchrony is not entering into any new agreements that reference LIBOR. Additionally, Synchrony is in the process of amending existing asset and liability contracts that reference LIBOR to reference a new benchmark rate. The new benchmark rates include, but are not limited to, Secured Overnight Financing Rate ("SOFR"), federal funds and U.S. Treasury bills. We do not expect the transition from the LIBOR benchmark to have a material impact to our company.

Competitive factors and future regulatory reform may limit or restrict our ability to raise interest rates on our loans. In addition, some of our program agreements limit the rate of interest we can charge to customers. If interest rates were to rise materially over a sustained period of time, and we are unable to sufficiently raise our interest rates in a timely manner, our net interest income and margin could be adversely impacted, which could have a material adverse effect on our net earnings.

Interest rates may also adversely impact our customers' spending levels and ability and willingness to pay outstanding amounts owed to us. Our floating rate products bear interest rates that fluctuate with the prime rate. Higher interest rates often lead to higher payment obligations by customers to us and other lenders under mortgage, credit card and other consumer loans, which may reduce our customers' ability to remain current on their obligations to us and therefore lead to increased delinquencies, charge-offs and allowances for credit losses, which could have a material adverse effect on our net earnings.

Changes in interest rates and competitor responses to these changes may also impact customer decisions to maintain deposits with us, and reductions in deposits could materially adversely affect our funding costs and liquidity.

At December 31, 2021, 54.6% of our loan receivables were priced at a fixed interest rate to the customer, with the remaining 45.4% at a floating interest rate. We fund our assets with a combination of fixed rate and floating rate funding sources that include deposits, asset-backed securities and unsecured debt. To manage interest rate risk, we seek to match the interest rate repricing characteristics of our assets and liabilities. Historically, we have not used interest rate derivative contracts to manage interest rate risk; however, we may choose to do so in the future. To the extent we are unable to effectively match the interest rate sensitivity of our assets and liabilities, our net earnings could be materially adversely affected.

We assess our interest rate risk by estimating the effect of various interest rate scenarios on our net interest income.

For purposes of presenting the possible earnings effect of a hypothetical, adverse change in interest rates over the 12-month period from our reporting date, we assume that all interest rate sensitive assets and liabilities will be impacted by a hypothetical, immediate 100 basis point increase or decrease in interest rates as of the beginning of the period. The sensitivity is based upon the hypothetical assumption that all relevant types of interest rates that affect our results would increase or decrease instantaneously, simultaneously and to the same degree.

Our interest rate sensitive assets include our variable rate loan receivables and the assets that make up our liquidity portfolio. Assets with rates that are fixed at period end but which will mature, or otherwise contractually reset to a market-based indexed rate or other fixed rate prior to the end of the 12-month period, are considered to be rate sensitive. The latter category includes certain loans that may be offered at below-market rates for an introductory period, such as balance transfers and special promotional programs, after which the loans will contractually reprice under standard terms in accordance with our normal market-based pricing structure. For purposes of measuring rate sensitivity for such loans, only the effect of the hypothetical 100 basis point change in the underlying market-based indexed rate or other fixed rate has been considered rather than the full change in the rate to which the loan would contractually reprice (i.e. assets are categorized as fixed or floating according to their underlying contractual terms). For assets that have a fixed interest rate at the period end but which contractually will, or are assumed to, reset to a market-based indexed rate or other fixed rate during the next 12 months, net interest income sensitivity is measured from the expected repricing date.

Interest rate sensitive liabilities are assumed to be those for which the stated interest rate is not contractually fixed for the next 12-month period. Thus, liabilities that vary with changes in a market-based index, such as the federal funds rate or LIBOR, which will reset before the end of the 12-month period, or liabilities whose rates are fixed at the period end but which will mature and are assumed to be replaced with a market-based indexed rate prior to the end of the 12-month period, also are considered to be rate sensitive. For these fixed rate liabilities, net interest income sensitivity is measured from the expected repricing date.

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 December 31, 2021.

<u>Basis Point Change</u>	<u>At December 31, 2021</u>	
<i>(\$ in millions)</i>		
-100 basis points	\$	(114)
+100 basis points	\$	35

Limitations of Market Risk Measures

The interest rate risk models that we use in deriving these measures incorporate contractual information, internally-developed assumptions and proprietary modeling methodologies, which project borrower and deposit behavior patterns in certain interest rate environments. Other market inputs, such as interest rates, market prices and interest rate volatility, are also critical components of our interest rate risk measures. We regularly evaluate, update and enhance these assumptions, models and analytical tools as we believe appropriate to reflect our best assessment of the market environment and the expected behavior patterns of our existing assets and liabilities.

There are inherent limitations in any methodology used to estimate the exposure to changes in market interest rates. The sensitivity analysis provided above contemplates only certain movements in interest rates and is based on the existing balance sheet as well as assumptions around future growth, pricing and balance sheet composition. It does not attempt to estimate the effect of a more significant interest rate increase over a sustained period of time, which as described in “—*Interest Rate Risk*” above, could adversely affect our net interest income. In addition, the strategic actions that management may take to manage our balance sheet may differ from our projections, which could cause our actual net interest income to differ from the above sensitivity analysis.

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—Recent Legislative and Regulatory Developments*.” In addition, while we have not been subject to the Federal Reserve Board’s formal capital plan submission requirements to-date, we submitted a capital plan to the Federal Reserve Board in 2021. While not required, our capital plan process does include certain internal stress testing.

Dividend and Share Repurchases

Common Stock Cash Dividends Declared	Month of Payment	Amount per Common Share	Amount
<i>(\$ in millions, except per share data)</i>			
Three months ended March 31, 2021	February 2021	\$ 0.22	\$ 128
Three months ended June 30, 2021	May 2021	0.22	128
Three months ended September 30, 2021	August 2021	0.22	124
Three months ended December 31, 2021	November 2021	0.22	120
Total dividends declared		\$ 0.88	\$ 500

Preferred Stock Cash Dividends Declared	Month of Payment	Amount per Preferred Share	Amount
<i>(\$ in millions, except per share data)</i>			
Three months ended March 31, 2021	February 2021	\$ 14.06	\$ 11
Three months ended June 30, 2021	May 2021	14.06	10
Three months ended September 30, 2021	August 2021	14.06	11
Three months ended December 31, 2021	November 2021	14.06	10
Total dividends declared		\$ 56.24	\$ 42

The declaration and payment of future dividends to holders of our common and preferred 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.*”

Common 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, 2021	5.1	\$ 200
Three months ended June 30, 2021	8.7	393
Three months ended September 30, 2021	26.7	1,300
Three months ended December 31, 2021	20.5	982
Total	61.0	\$ 2,875

In 2021 the Company resumed share repurchase activities under various share repurchase programs authorized by our Board of Directors.

In January 2021, we announced our Board authorized a share repurchase program of up to \$1.6 billion through December 31, 2021 (the "January 2021 Share Repurchase Program"). In May 2021 we announced that the Board of Directors authorized a new share repurchase program of up to \$2.9 billion for the period which commenced April 1, 2021 through June 30, 2022 (the "May 2021 Share Repurchase Program"), which superseded the January 2021 Share Repurchase Program. Finally, in December 2021, the Board of Directors authorized an increase to the May 2021 Share Repurchase Program of \$1.0 billion, through the period ending June 30, 2022. In all instances, the share repurchase programs are subject to market conditions and other factors, including legal and regulatory restrictions and required approvals.

During the year ended December 31, 2021, we repurchased \$2.9 billion of common stock as part of the share repurchase programs discussed above and have \$1.2 billion of remaining authorized share repurchase capacity at December 31, 2021.

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.*"

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. At December 31, 2021 and 2020, 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 December 31, 2021 and 2020, respectively.

(\$ in millions)	Basel III			
	At December 31, 2021		At December 31, 2020	
	Amount	Ratio ⁽¹⁾	Amount	Ratio ⁽¹⁾
Total risk-based capital	\$ 15,122	17.8 %	\$ 14,604	18.1 %
Tier 1 risk-based capital	\$ 14,003	16.5 %	\$ 13,525	16.8 %
Tier 1 leverage	\$ 14,003	14.7 %	\$ 13,525	14.0 %
Common equity Tier 1 capital	\$ 13,269	15.6 %	\$ 12,791	15.9 %
Risk-weighted assets	\$ 84,950		\$ 80,561	

(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.

In March 2020 the joint federal bank regulatory agencies issued an interim final rule that allows banking organizations to mitigate the effects of the CECL accounting standard in their regulatory capital. Banking organizations that adopted CECL in 2020 could elect to mitigate the estimated cumulative regulatory capital effects of CECL for two years. The Company elected to adopt the option provided by the interim final rule, which largely delayed the effects of CECL on our regulatory capital through the end of 2021, after which the effects will now be phased-in over a three-year transitional period through 2024, collectively the "CECL regulatory capital transition adjustment". The effects of CECL on our regulatory capital will be fully phased-in beginning in the first quarter of 2025.

Capital amounts and ratios at December 31, 2021 in the above table all reflect the application of the CECL regulatory capital transition adjustment. The decrease in our common equity Tier 1 capital ratio compared to December 31, 2020 was primarily due to an increase in risk-weighted assets in the year ended December 31, 2021 associated with an increase in loan receivables, including loan receivables held for sale, as well as share repurchase activity, partially offset by the retention of net earnings in the current year.

Regulatory Capital Requirements - Synchrony Bank

At December 31, 2021 and 2020, 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 December 31, 2021 and December 31, 2020, and also reflects the CECL regulatory capital transition adjustment in the December 31, 2021 amounts and ratios.

(\$ in millions)	At December 31, 2021		At December 31, 2020		Minimum to be Well-Capitalized under Prompt Corrective Action Provisions
	Amount	Ratio	Amount	Ratio	Ratio
Total risk-based capital	\$ 14,091	18.3 %	\$ 12,784	17.8 %	10.0 %
Tier 1 risk-based capital	\$ 13,075	16.9 %	\$ 11,821	16.5 %	8.0 %
Tier 1 leverage	\$ 13,075	15.1 %	\$ 11,821	13.6 %	5.0 %
Common equity Tier 1 capital	\$ 13,075	16.9 %	\$ 11,821	16.5 %	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."

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 December 31, 2021, we had not recorded any contingent liabilities in our Consolidated Statements of Financial Position related to any guarantees. See Note 5 - *Variable Interest Entities* to our condensed consolidated financial statements for more information on our investment commitments for unconsolidated VIE's.

We extend credit, primarily arising from agreements with customers for unused lines of credit on our credit cards, in the ordinary course of business. Each unused credit card line is unconditionally cancellable by us. See Note 4. *Loan Receivables and Allowance for Credit Losses* to our consolidated financial statements for more information on our unfunded lending commitments.

Critical Accounting Estimates

In preparing our 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 credit 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 Consolidated Statement of Financial Position, among other effects. See Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* to our consolidated financial statements, which discusses the significant accounting policies related to these estimates.

Allowance for Credit Losses

Losses on loan receivables are estimated and recognized upon origination of the loan, based on expected credit losses for the life of the loan balance as of the period end date. This requires us to estimate expected losses in the portfolio as of each balance sheet date. The method for calculating the estimate of expected credit loss takes into account historical experience, and current conditions and future expectations for pools of loans with similar risk characteristics, and reasonable and supportable forecasts about the future. The model utilizes a macroeconomic forecast, with unemployment claims as the primary macroeconomic variable. We also perform a qualitative assessment in addition to model estimates and apply qualitative adjustments as necessary. The reasonable and supportable forecast period is determined primarily based upon an assessment of the current economic outlook, including the effects of COVID-19, and our ability to use available data to accurately forecast losses over time. The reasonable and supportable forecast period used in our estimate of credit losses at December 31, 2021 was 12 months, consistent with the forecast period utilized since adoption of CECL. The Company reassesses the reasonable and supportable forecast period on a quarterly basis. Beyond the reasonable and supportable forecast period, we revert to historical loss information at the loan receivables segment level over a 6-month period, gradually increasing the weight of historical losses by an equal amount each month during the reversion period, and utilize historical loss information thereafter for the remaining life of the portfolio. The reversion period, similar to the reasonable and supportable forecast period, may change in the future depending on multiple factors such as forecasting methods, portfolio changes, and macroeconomic environment.

We evaluate each portfolio quarterly. For credit card receivables, our estimation process includes analysis of historical data, and there is a significant amount of judgment applied in selecting inputs and analyzing the results produced by the models to determine the allowance. Our risk process includes standards and policies for reviewing major risk exposures and concentrations, and evaluates relevant data either for individual loans or on a portfolio basis, as appropriate. More specifically, we use an enhanced migration analysis to estimate the likelihood that a loan will progress through the various stages of delinquency. The enhanced migration analysis considers uncollectible principal, interest and fees reflected in the loan receivables, segmented by credit and business parameters. We use other analyses to estimate expected losses on non-delinquent accounts, which include past performance, bankruptcy activity such as filings, policy changes, loan volumes and amounts. Holistically, for assessing the portfolio credit loss content, we also evaluate portfolio risk management techniques applied to various accounts, historical behavior of different account vintages, account seasoning, economic conditions, recent trends in delinquencies, account collection management, forecasting uncertainties, expectations about the future, and a qualitative assessment of the adequacy of the allowance for credit losses.

We estimate our allowance for credit losses using pools of loans with similar risk characteristics. Further, experience is not available for new portfolios; therefore, while we accumulate experience, we utilize our experience with the most closely analogous products and segments in our portfolio. The underlying assumptions, estimates and assessments we use to provide for losses are updated periodically to reflect our view of current and forecasted conditions and are subject to the regulatory examination process, which can result in changes to our assumptions. Changes in such estimates can significantly affect the allowance and provision for credit losses. It is possible that we will experience credit losses that are different from our current estimates.

Fair Value Measurements

Assets and liabilities measured at fair value every reporting period primarily include investments in debt and equity securities. Assets that are not measured at fair value every reporting period, but that are subject to fair value measurements in certain circumstances, primarily include acquired loans, loans that have been reduced to fair value when they are held for sale, equity method investments that are written down to fair value when they are impaired, as well as certain equity securities without readily determinable fair value that are measured based upon observable price changes.

A fair value measurement is determined as the price that we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. The determination of fair value often involves significant judgments about assumptions such as determining an appropriate discount rate that factors in both risk and liquidity premiums, identifying the similarities and differences in market transactions, weighting those differences accordingly and then making the appropriate adjustments to those market transactions to reflect the risks specific to our asset being valued. Assets that are written down to fair value when impaired are not subsequently adjusted to fair value unless further impairment occurs.

RISKS

Risk Factors Summary

We are providing the following summary of the risk factors contained in this Annual Report on Form 10-K to enhance the readability and accessibility of our risk factor disclosures. We encourage you to carefully review the full risk factors contained in this Annual Report on Form 10-K in their entirety for additional information regarding the material factors that make an investment in our securities speculative or risky. These risks and uncertainties include, but are not limited to, the following:

Macroeconomic and Operational Risks

- COVID-19 and other macroeconomic conditions could have a material adverse effect on our business, results of operations and financial condition and heighten many of our known risks.
- As we and other companies continue to work from home, our operations are subject to new risks and the competition for key talent has increased.
- Our results of operations and growth depend on our ability to retain existing partners and attract new partners.
- A significant percentage of our interest and fees on loans comes from relationships with a small number of partners, and the loss of any of these partners could adversely affect our business and results of operations.
- Our business is heavily concentrated in U.S. consumer credit, and therefore our results are more susceptible to fluctuations in that market than a more diversified company.
- Our results are impacted, to a significant extent, on the active and effective promotion and support of our products by our partners and on the financial performance of our partners.
- Competition in the consumer finance industry is intense.
- We may be unable to successfully develop and commercialize new or enhanced products and services.
- Fraudulent activity associated with our products and services could negatively impact our operating results, brand and reputation and cause the use of our products and services to decrease and our fraud losses to increase.
- The failure of third parties to provide various services that are important to our operations could have a material adverse effect on our business and results of operations.

Technological Risks

- Cyber-attacks or other security breaches could have a material adverse effect on our business.
- Disruptions in the operation of our and our outsourced partners' computer systems and data centers could have a material adverse effect on our business.

Financial Risks

- Our allowance for credit losses may prove to be insufficient to cover losses on our loans.
- If assumptions or estimates we use in preparing our financial statements, including those related to the CECL accounting guidance, are incorrect or are required to change, our reported results of operations and financial condition may be adversely affected.
- Adverse financial market conditions or our inability to effectively manage our funding and liquidity risk could have a material adverse effect on our funding, liquidity and ability to meet our obligations.
- Our inability to grow our deposits in the future could materially adversely affect our liquidity and ability to grow our business.
- A reduction in our credit ratings could materially increase the cost of our funding from, and restrict our access to, the capital markets.
- Various risks related to the securitization of our loan receivables that could have a material adverse effect on our business, liquidity, cost of funds and financial condition.
- We rely extensively on models in managing many aspects of our business, and if they are not accurate or are misinterpreted, it could have a material adverse effect on our business and results of operations.
- Our business depends on our ability to successfully manage our credit risk, and failing to do so may result in high charge-off rates.
- We may not be able to offset increases in our costs with decreased payments under our retailer share arrangements, which could reduce our profitability.
- Reductions in interchange fees may reduce the competitive advantages our private label credit card products currently have by virtue of not charging interchange fees and would reduce our income from those fees.

Legal Risks

- We have international operations that subject us to various international risks as well as increased compliance and regulatory risks and costs.
- Litigation, regulatory actions and compliance issues could subject us to significant fines, penalties, judgments, remediation costs and/or requirements resulting in increased expenses.

Regulatory Risks

- We face various risks related to the government regulation, supervision, examination and enforcement our business faces.
- Legislative and regulatory developments may have a significant impact on our business, financial condition and results of operations.
- Federal or state tax rules and regulations could change and adversely affect our results of operations.
- Failure by us to meet applicable capital adequacy and liquidity requirements could limit our ability to pay dividends and repurchase our common stock or otherwise have a material adverse effect on us.
- Regulations relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information and adversely affect our business opportunities.

Risk Factors Relating to Our Business

The following discussion of risk factors contains “forward-looking statements,” as discussed in “*Cautionary Note Regarding Forward-Looking Statements*.” These risk factors may be important to understanding any statement in this Annual Report on Form 10-K or elsewhere. The following information should be read in conjunction with “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” (MD&A), the consolidated financial statements and related notes in “*Consolidated Financial Statements and Supplementary Data*” and “*Regulation—Risk Factors Relating to Regulation*” of this Form 10-K Report.

Our business routinely encounters and address risks, some of which will cause our future results to be different - sometimes materially different - than we anticipate. Discussion about important operational risks that our business encounters can be found in the business descriptions in “*Our Business*” and the MD&A section of this Form 10-K Report. The key categories of risks our business faces are macro-economic, operational, technological (including cyber-security), financial, legal and regulatory. Our reactions to material future developments as well as our competitors’ reactions to those developments will affect our future results.

Macroeconomic and Operational Risks

Macroeconomic conditions could have a material adverse effect on our business, results of operations and financial condition.

Key macroeconomic conditions historically have affected our business, results of operations and financial condition and are likely to affect them in the future. Consumer confidence, unemployment and other economic indicators are among the factors that often impact consumer spending behavior and demand for credit. Poor economic conditions reduce the usage of our credit cards and other financing products and the average purchase amount of transactions on our credit cards and through our other products, which, in each case, reduces our interest and fee income. We rely primarily on interest and fees on our loan receivables to generate our net earnings. Our interest and fees on our loan receivables was \$15.2 billion for the year ended December 31, 2021. Poor economic conditions also adversely affect the ability and willingness of customers to pay amounts owed to us, increasing delinquencies, bankruptcies, charge-offs and allowances for credit losses, and decreasing recoveries. For example, our over-30 day delinquency rate as a percentage of period-end loan receivables was 8.25% at December 31, 2009 during the financial crisis, compared to 2.62% at December 31, 2021, and our full-year net charge-off rate was 11.26% for the year ended December 31, 2009, compared to 2.92% for the year ended December 31, 2021. The assessment of our credit profile includes the evaluation of portfolio mix, account maturation, as well as broader consumer trends, such as payment behavior and overall indebtedness.

Economic growth in the United States can slow due to higher unemployment rates, lower housing values, concerns about the level of U.S. government debt, inflation, interest rates and fiscal actions that may be taken to address these concerns, as well as economic and political conditions in the U.S. and global markets. A prolonged period of slow economic growth or a significant deterioration in economic conditions or broader consumer trends, including wage growth, savings rates and consumer indebtedness, would likely affect consumer spending levels and the ability and willingness of customers to pay amounts owed to us, and could have a material adverse effect on our business, key credit trends, results of operations and financial condition.

Macroeconomic conditions may also cause net earnings to fluctuate and diverge from expectations of securities analysts and investors, who may have differing assumptions regarding the impact of these conditions on our business, and this may adversely impact our stock price.

In addition, as governments, investors and other stakeholders face pressures to accelerate actions to address climate change and other environmental, governance and social topics, governments may implement regulations or investors and other stakeholders may adopt new investment policies or otherwise impose new expectations that cause significant shifts in disclosure, commerce and consumption behaviors that may have negative impacts on our business and/or reputation.

The extent to which COVID-19 and measures taken in response thereto impact our business, results of operations and financial condition will depend on future developments, which are highly uncertain and are difficult to predict. COVID-19 has and is likely to have a material adverse impact on our results of operations and financial condition and heighten many of our known risks.

The outbreak of the global pandemic of COVID-19 and economic effects of preventative measures taken across the United States and worldwide have weighed on the macroeconomic environment, negatively impacting consumer confidence, unemployment and other economic indicators that contribute to consumer spending and payment behavior and demand for credit. Such economic conditions reduce the usage of our credit cards and other financing products and the average purchase amount of transactions on our credit cards and through our other products, which, in each case, reduces our interest and fee income. For more information on the risks related to the extent to which key macroeconomic conditions could have a material adverse effect on our business, results of operations and financial condition, see “—*Macroeconomic conditions could have a material adverse effect on our business, results of operations and financial condition.*”

The extent of the impact of COVID-19 on our business, results of operations and financial condition will depend on future developments, which are highly uncertain and are difficult to predict, including, but not limited to, the duration and spread of the outbreak, including the emergence of new variants, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume.

While the magnitude of the impact from COVID-19 is uncertain, we have seen and could continue to see a decline in our interest income, net interest margin, and loan receivables growth primarily due to increases in payment rates. To the extent that payment rates moderate due to lower consumer savings and/or the cessation of governmental stimulus and industry-wide forbearance measures, we could see a decline and/or volatility in purchase volume, as well as increases in our delinquencies, net charge-off rate and allowance for credit losses. The extent of the impacts from these conditions is currently uncertain and dependent on various factors and could have a material adverse effect on our business, results of operations and financial condition. For more information, see “*Management’s Discussion and Analysis-Results of Operations-Business Trends and Conditions.*”

In addition, the spread of COVID-19 has caused us to modify our business practices (including restricting employee travel and transitioning nearly all of our employees to working from home), and we may take further actions as may be required by government authorities or as we determine are in the best interests of our employees, partners and customers. The outbreak has adversely impacted and may further adversely impact our workforce and operations and the operations of our partners, customers, suppliers and third-party vendors, throughout the time period during which the spread of COVID-19 continues and related restrictions remain in place, and even after the COVID-19 outbreak has subsided. In particular, we may experience financial losses due to a number of operational factors, including:

- continued store closures by partners or if one or more partners becomes subject to a bankruptcy proceeding;
- third-party disruptions, including potential outages at third-party operated call centers and other suppliers;
- increased cyber and payment fraud risk related to COVID-19, as cybercriminals attempt to profit from the disruption, given increased online banking, e-commerce and other online activity;
- challenges to the availability and reliability of our network due to changes to normal operations, including the possibility of one or more clusters of COVID-19 cases affecting our employees or affecting the systems or employees of our partners or the ability of our partners to maintain sufficient staffing levels; and
- an increased volume of unanticipated customer and regulatory requests for information and support, or additional regulatory requirements, which could require additional resources and costs to address, including, for example, government initiatives to reduce or eliminate payments costs.

Even after the COVID-19 outbreak has subsided, our business may continue to experience materially adverse impacts as a result of the virus’s economic impact, social and behavioral impact, including the availability and cost of funding and any recession that has occurred or may occur in the future. There are no comparable recent events that provide guidance as to the effect COVID-19 as a global pandemic may have, and, as a result, the ultimate impact of the outbreak is highly uncertain and subject to change.

We do not yet know the full extent of the impacts on our business, our operations or the economy as a whole. However, the effects have, and are likely to continue to have, a material impact on our results of operations and heighten many of our known risks described herein.

As we and other companies continue to work from home, our operations are subject to new risks and the competition for key talent has increased.

In connection with COVID-19, we expanded our work from home environment and transitioned nearly all of our workforce to work remotely from home. Once the pandemic is under control, we expect many of our employees to continue to work remotely. Employees who work from home rely on residential communication networks and internet providers that may not be as resilient as commercial networks and providers and may be more susceptible to service interruptions and cyberattacks than commercial systems. Our business continuity and disaster recovery plans, which have been historically developed and tested with a focus on centralized delivery locations, may not work as effectively in a distributed work from home model, where weather impacts, network and power grid downtime may be difficult to manage. In addition, we may not be effective in timely updating our existing operating and administrative controls nor implementing new controls tailored to the work from home environment.

Remote work by a majority of our employee population may impact our culture, and employee engagement with our company, which could affect productivity and our ability to retain employees who are critical to our operations and may increase our costs and impact our financial results of operations. In addition, an increase in work from home by other companies may create more job opportunities for employees and make it more difficult for us to attract and retain key talent.

If we are unable to manage the work from home environment effectively to address these and other risks, our reputation and results of operations may be impacted.

Our results of operations and growth depend on our ability to retain existing partners and attract new partners.

Substantially all of our revenue is generated from the credit products we provide to customers of our partners pursuant to program agreements we enter into with our partners. As a result, our results of operations and growth depend on our ability to retain existing partners and attract new partners. Historically, there has been turnover in our partners, and we expect this will continue in the future. For example, in 2021, we announced that we would not be renewing our program agreement with Gap Inc.

Program agreements with our large partners and national and regional retailer and manufacturer partners typically are for multi-year terms. These program agreements generally permit our partner to terminate the agreement prior to its scheduled termination date for various reasons, including, in some cases, if we fail to meet certain service levels or change certain key cardholder terms or our credit criteria, we fail to achieve certain targets with respect to approvals of new customers as a result of the credit criteria we use, we elect not to increase the program size when the outstanding loan receivables under the program reach certain thresholds or we are not adequately capitalized, or certain force majeure events or changes in our ownership occur or a material adverse change in our financial condition occurs. A few programs with national and regional retailer and manufacturer partners also may be terminated at will by the partner on specified notice to us (e.g., several months). In addition, programs with manufacturers, buying groups and industry associations generally are made available to certain partners such as individual retail outlets, dealers and merchants under dealer agreements, which typically may be terminated at will by the partner on short notice to us (e.g., 15 days).

There is significant competition for our existing partners, and our failure to retain our existing larger partner relationships upon the expiration or our earlier loss of a relationship upon the exercise of a partner's early termination rights, or the expiration or termination of a substantial number of smaller partner relationships, could have a material adverse effect on our results of operations (including growth rates) and financial condition to the extent we do not acquire new partners of similar size and profitability or otherwise grow our business. In addition, existing relationships may be renewed with less favorable terms to the Company in response to increased competition for such relationships. The competition for new partners is also significant, and our failure to attract new partners could adversely affect our ability to grow.

A significant percentage of our interest and fees on loans comes from relationships with a small number of large retail partners, and the loss of any of these partners could adversely affect our business and results of operations.

Our five largest programs, excluding the Gap Inc. program, based upon interest and fees on loans for the year ended December 31, 2021 were Amazon, JCPenney, Lowe's, PayPal and Sam's Club. These programs accounted in aggregate for 50% of our total interest and fees on loans for the year ended December 31, 2021, and 51% of loan receivables at December 31, 2021. Our programs with Lowe's and PayPal, which includes our Venmo program, each accounted for more than 10% of our total interest and fees on loans for the year ended December 31, 2021. See "Our Business—Our Sales Platforms."

The program agreements generally permit us or our partner to terminate the agreement prior to its scheduled termination date under various circumstances as described in the preceding risk factor. Some of our program agreements also provide that, upon expiration or termination, our partner may purchase or designate a third party to purchase the accounts and loans generated with respect to its program and all related customer data. The loss of any of our largest partners or a material reduction in the interest and fees we receive from their customers could have a material adverse effect on our results of operations and financial condition.

Our business is heavily concentrated in U.S. consumer credit, and therefore our results are more susceptible to fluctuations in that market than a more diversified company.

Our business is heavily concentrated in U.S. consumer credit. As a result, we are more susceptible to fluctuations and risks particular to U.S. consumer credit than a more diversified company. For example, our business is particularly sensitive to macroeconomic conditions that affect the U.S. economy, consumer spending and consumer credit. We are also more susceptible to the risks of increased regulations and legal and other regulatory actions that are targeted at consumer credit or the specific consumer credit products that we offer (including promotional financing). Our Health & Wellness platform is more susceptible to increased regulations and legal and other regulatory actions targeted at healthcare related procedures or services, in contrast to other industries. Our business concentration could have an adverse effect on our results of operations.

Our results depend, to a significant extent, on the active and effective promotion and support of our products by our partners.

Our partners generally accept most major credit cards and various other forms of payment, and therefore our success depends on their active and effective promotion of our products to their customers in stores and online. We depend on our partners to integrate the use of our credit products into their store culture by training their sales associates about our products, having their sales associates encourage their customers to apply for, and use, our products and otherwise effectively marketing our products. In addition, although our programs with national and regional partners typically are exclusive with respect to the credit products we offer at that partner, some programs and most Health & Wellness provider relationships are not exclusive to us, and therefore a partner may choose to promote a competitor's financing over ours, depending upon cost, availability or attractiveness to consumers or other factors. Typically, we do not have, or utilize, any recourse against these non-exclusive partners when they do not sufficiently promote our products. Partners may also implement or fail to implement changes in their systems and technologies that may disrupt the integration between their systems and technologies and ours, which could disrupt the use of our products. The failure by our partners to effectively promote and support our products as well as changes they may make in their business models that negatively impact card usage could have a material adverse effect on our business and results of operations. In addition, if our partners engage in improper business practices, do not adhere to the terms of our program agreements or other contractual arrangements or standards, or otherwise diminish the value of our brand, we may suffer reputational damage and customers may be less likely to use our products, which could have a material adverse effect on our business and results of operations.

Our results are impacted, to a significant extent, by the financial performance of our partners.

Our ability to generate new loans and the interest and fees and other income associated with them is dependent upon sales of merchandise and services by our partners. The retail and healthcare industries in which our partners operate are intensely competitive. Our partners compete with retailers and department stores in their own geographic areas, as well as catalog and online sales businesses. Our partners in the healthcare industry compete with other healthcare providers. Our partners' sales may decrease or may not increase as we anticipate for various reasons, some of which are in the partners' control and some of which are not. For example, partner sales may be adversely affected by macroeconomic conditions having a national, regional or more local effect on consumer spending, business conditions affecting the general retail environment, such as supply chain disruptions or the ability to maintain sufficient staffing levels, or a particular partner or industry, or catastrophes affecting broad or more discrete geographic areas. If our partners' sales decline for any reason, it generally results in lower credit sales, and therefore lower loan volume and associated interest and fees and other income for us from their customers. In addition, if a partner closes some or all of its stores or becomes subject to a voluntary or involuntary bankruptcy proceeding (or if there is a perception that it may become subject to a bankruptcy proceeding), its customers who have used our financing products may have less incentive to pay their outstanding balances to us, which could result in higher charge-off rates than anticipated and our costs for servicing its customers' accounts may increase. This risk is particularly acute with respect to our largest partners that account for a significant amount of our interest and fees on loans. See "*A significant percentage of our interest and fees on loans comes from relationships with a small number of partners, and the loss of any of these partners could adversely affect our business and results of operations.*" Moreover, if the financial condition of a partner deteriorates significantly or a partner becomes subject to a bankruptcy proceeding, we may not be able to recover for customer returns, customer payments made in partner stores or other amounts due to us from the partner. A decrease in sales by our partners for any reason or a bankruptcy proceeding involving any of them could have a material adverse impact on our business and results of operations.

Competition in the consumer finance industry is intense.

The success of our business depends on our ability to retain existing partners and attract new partners. The competition for partners is intense and highly competitive. Our primary competitors for partners include major financial institutions, such as Alliance Data Systems, American Express, Capital One, JPMorgan Chase, Citibank, TD Bank and Wells Fargo, and to a lesser extent, financial technology companies and potential partners' own in-house financing capabilities. Some of our competitors are substantially larger, have substantially greater resources and may offer a broader range of products and services. We compete for partners on the basis of a number of factors, including program financial and other terms, underwriting capabilities, marketing expertise, service levels, product and service offerings (including incentive and loyalty programs), technological capabilities and integration, brand and reputation. In addition, some of our competitors for partners have a business model that allows for their partners to manage underwriting (e.g., new account approval), customer service and collections, and other core banking responsibilities that we retain but some partners may prefer to handle. As a result of competition, we may be unable to acquire new partners, lose existing relationships to competing companies or find it more costly to maintain our existing relationships.

Our success also depends on our ability to attract and retain customers and generate usage of our products by them. The consumer credit and payments industry is highly competitive and we face an increasingly dynamic industry as emerging technologies enter the marketplace. As a form of payment, our products compete with cash, checks, debit cards, general purpose credit cards (including Visa and MasterCard, American Express and Discover Card), various forms of consumer installment loans, other private label card brands and, to a certain extent, prepaid cards. In the future, we expect our products may face increased competitive pressure to the extent that our products are not, or do not continue to be, accepted in, or compatible with digital wallet technologies such as Apple Pay, Samsung Pay, Android Pay and other similar technologies.

We may also face increased competition from current competitors or others who introduce or embrace disruptive technology that significantly changes the consumer credit and payment industry. We compete for customers and their usage of our products, and to minimize transfers to competitors of our customers' outstanding balances, based on a number of factors, including pricing (interest rates and fees), product offerings, credit limits, incentives (including loyalty programs) and customer service. Although we offer a variety of consumer credit products, some of our competitors provide a broader selection of services, including home and automobile loans, debit cards and bank branch ATM access, which may position them better among customers who prefer to use a single financial institution to meet all of their financial needs. Some of our competitors are substantially larger than we are, which may give those competitors advantages, including a more diversified product and customer base, the ability to reach out to more customers and potential customers, operational efficiencies, more versatile technology platforms, broad-based local distribution capabilities and lower-cost funding. In addition, some of our competitors, including new and emerging competitors in the digital and mobile payments space, are not subject to the same regulatory requirements or legislative scrutiny to which we are subject. Non-bank providers of pay-over-time solutions, such as Affirm, Afterpay and others, extend consumer credit-like offerings but do not face the same restrictions, such as capital requirements and other regulatory requirements, as banks which also could place us at a competitive disadvantage. Customer attrition from any or all of our credit products or any lowering of the pricing of our products by reducing interest rates or fees in order to retain customers could reduce our revenues and therefore our earnings.

In addition, companies that control access to consumer and merchant payment method choices at the point of sale or through digital wallets, commerce-related experiences, mobile applications or other technologies could choose not to accept, suppress use of, or degrade the experience of using our products. Such companies could also require payments from us to participate in such digital wallets, experiences or applications or negotiate incentives or pricing concessions, impacting our profitability on transactions.

In our retail deposits business, we have acquisition and servicing capabilities similar to other direct banking competitors. We compete for deposits with traditional banks and, in seeking to grow our direct banking business, we compete with other banks that have direct banking models similar to ours, such as Ally Financial, American Express, Barclays, Capital One 360, CIT, Citi, Citizens Bank, Discover and Marcus by Goldman Sachs. Competition among direct banks is intense because online banking provides customers the ability to rapidly deposit and withdraw funds and open and close accounts in favor of products and services offered by competitors.

If we are unable to compete effectively for partners, customer usage or deposits, our business and results of operations could be materially adversely affected.

We may be unable to successfully develop and commercialize new or enhanced products and services.

Our industry is subject to rapid and significant changes in technologies, products, services and consumer preferences. A key part of our financial success depends on our ability to develop and commercialize new products and services or enhancements to existing products and services, including with respect to loyalty programs, mobile and point-of-sale technologies, and new Synchrony-branded bank deposit and credit products. Realizing the benefits of those products and services is uncertain. We may not assign the appropriate level of resources, priority or expertise to the development and commercialization of these new products, services or enhancements. Our ability to develop, acquire or commercialize competitive technologies, products or services on acceptable terms or at all may be limited by intellectual property rights that third parties, including competitors and potential competitors, may assert. In addition, success is dependent on factors such as partner and customer acceptance, adoption and usage, competition, the effectiveness of marketing programs, the availability of appropriate technologies and business processes and regulatory approvals. Success of a new product, service or enhancement also may depend upon our ability to deliver it on a large scale, which may require a significant investment.

We also may select, utilize and invest in technologies, products and services that ultimately do not achieve widespread adoption and therefore are not as attractive or useful to our partners, customers and service partners as we anticipate, or partners may not recognize the value of our new products and services or believe they justify any potential costs or disruptions associated with implementing them. In addition, because our products and services typically are marketed through our partners, if our partners are unwilling or unable to effectively implement our new technologies, products, services or enhancements, we may be unable to grow our business. Competitors may also develop or adopt technologies or introduce innovations that change the markets we operate in and make our products less competitive and attractive to our partners and customers.

In any event, we may not realize the benefit of new technologies, products, services or enhancements for many years or competitors may introduce more compelling products, services or enhancements. Our failure to successfully develop and commercialize new or enhanced products, services or enhancements could have a material adverse effect on our business and results of operations.

We may not realize the value of acquisitions, strategic investments and strategic initiatives that we pursue and such investments and initiatives could divert resources or introduce unforeseen risks to our business.

We will acquire new partners and may execute strategic acquisitions, partnerships or initiatives or make other strategic investments in businesses, products, technologies or platforms to enhance or grow our business. These acquisitions and strategic investments may introduce new costs or liabilities which could impact our ability to grow or maintain acceptable performance.

We may be unable to integrate systems, personnel or technologies from our acquisitions and strategic investments. These acquisitions and strategic investments may also present unforeseen legal, regulatory or other challenges that we may not be able to manage effectively. The planning and integration of an acquisition, including of a new partner or credit card portfolio, partnership or investment, may shift employee time and other resources which could impair our ability to focus on our core business.

New partnerships, acquisitions, strategic investments and strategic initiatives may not perform as expected due to lack of acceptance by partners, customers or employees, higher than forecasted costs or losses, lengthy transition periods, synergies or savings not being realized and a variety of other factors. This may result in a delay or unrealized benefit, or in some cases, increased costs or other unforeseen risks to our business.

Fraudulent activity associated with our products and services could negatively impact our operating results, brand and reputation and cause the use of our products and services to decrease and our fraud losses to increase.

We are subject to the risk of fraudulent activity associated with partners, customers and third parties handling customer information. Our fraud-related operational losses were \$104 million, \$334 million and \$273 million for the years ended December 31, 2021, 2020 and 2019, respectively. Our products are susceptible to application fraud, because among other things, we provide immediate access to the credit line at the time of approval. In addition, sales on the internet and through mobile channels are becoming a larger part of our business and pose a greater fraudulent threat than sales made in stores. Dual Cards, general purpose, general purpose co-branded credit cards and private label credit cards are susceptible to different types of fraud, and, depending on our product channel mix, we may continue to experience variations in, or levels of, fraud-related expense that are different from or higher than that experienced by some of our competitors or the industry generally.

The risk of fraud continues to increase for the financial services industry in general, and credit card fraud, identity theft and related crimes are likely to continue to be prevalent, and perpetrators are growing more sophisticated. Our resources, technologies and fraud prevention tools may be insufficient to accurately detect and prevent fraud. High profile fraudulent activity also could negatively impact our brand and reputation, which could negatively impact the use of our cards and thereby have a material adverse effect on our results of operations. In addition, significant increases in fraudulent activity could lead to regulatory intervention (such as increased customer notification requirements), which could increase our costs and also negatively impact our operating results, brand and reputation and could lead us to take steps to reduce fraud risk, which could increase our costs.

The failure of third parties to provide various services that are important to our operations could have a material adverse effect on our business and results of operations.

Some services important to our business are outsourced to third-party vendors. For example, our principal technology and related services (including credit card transaction processing) and production and related services (including the printing and mailing of customer statements) are handled via a contractual arrangement with Fiserv Solutions LLC (formerly First Data that was acquired by Fiserv in 2019), and the platform for our online retail deposits is also managed by Fiserv. Fiserv, and, in some cases, other third-party vendors, are the sole source or one of a limited number of sources of the services they provide for us. It would be difficult and disruptive for us to replace certain of these third-party vendors, particularly Fiserv, in a timely or seamless manner if they were unwilling or unable to continue to provide us with these services in the future (as a result of their financial or business conditions or otherwise), and our business and operations likely would be materially adversely affected. Our principal agreement with Fiserv for technology and production services expires in November 2026, unless it is terminated earlier or is extended pursuant to the terms thereof and our principal agreement with Fiserv for online retail deposits expires in July 2022, unless it is terminated earlier or is extended pursuant to the terms thereof. In addition, if a third-party provider fails to provide the services we require, fails to meet contractual requirements, such as compliance with applicable laws and regulations, or suffers a cyber-attack or other security breach, our business could suffer economic and reputational harm that could have a material adverse effect on our business and results of operations.

Technological Risks

Cyber-attacks or other security breaches could have a material adverse effect on our business.

In the normal course of business, we collect, process and retain sensitive and confidential information regarding our partners and our customers. We also have arrangements in place with our partners and other third parties through which we share and receive information about their customers who are or may become our customers. Although we devote significant resources and management focus to ensuring the integrity of our systems through information security and business continuity programs, our facilities and systems, and those of our partners and third-party service providers, are vulnerable to external or internal security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors, or other similar events. We and our partners and third-party service providers have experienced all of these events in the past and expect to continue to experience them in the future. These events could interrupt our business or operations, result in significant legal and financial exposure, supervisory liability, damage to our reputation or a loss of confidence in the security of our systems, products and services. Although the impact to date from these events has not had a material adverse effect on us, we cannot be sure this will be the case in the future.

Information security risks for large financial institutions like us have increased recently in part because of new technologies, the use of the internet and telecommunications technologies (including mobile and other connected devices) to conduct financial and other business transactions, increased remote working dynamics, and the increased sophistication and activities of organized crime, perpetrators of fraud, hackers, terrorists and others. In addition to cyber-attacks or other security breaches involving the theft of sensitive and confidential information, hackers recently have engaged in attacks against large financial institutions that are designed to disrupt key business services, such as consumer-facing web sites, via increasing use of ransomware technologies. Our business performance and marketing efforts may increase our profile and therefore our risk of being targeted for cyber-attacks and other security breaches, including attacks targeting our key business services, websites, executives, and partners. We are not able to anticipate or implement effective preventive measures against all security breaches of these types, especially because the techniques used change frequently and because attacks can originate from a wide variety of sources. We employ detection and response mechanisms designed to contain and mitigate security incidents, but early detection may be thwarted by sophisticated attacks and malware designed to avoid detection.

We also face risks related to cyber-attacks and other security breaches in connection with credit card and deposit transactions that typically involve the transmission of sensitive information regarding our customers through various third-parties, including our partners, retailers that are not our partners where our Dual Cards and general purpose co-branded credit cards are used, merchant acquiring banks, payment processors, card networks (e.g., Visa and MasterCard) and our processors (e.g., Fiserv). Some of these parties have in the past been the target of security breaches and cyber-attacks, and because the transactions involve third parties and environments such as the point of sale that we do not control or secure, future security breaches or cyber-attacks affecting any of these third parties could impact us through no fault of our own, and in some cases, we may have exposure and suffer losses for breaches or attacks relating to them. We also rely on numerous other third-party service providers to conduct other aspects of our business operations and face similar risks relating to them. While we regularly conduct security assessments of significant third-party service providers, we cannot be completely sure that their information security protocols are sufficient to withstand a cyber-attack or other security breach.

The access by unauthorized persons to, or the improper disclosure by us of, confidential information regarding our customers or our own proprietary information, software, methodologies and business secrets could interrupt our business or operations, result in significant legal and financial exposure, supervisory liability, damage to our reputation or a loss of confidence in the security of our systems, products and services, all of which could have a material adverse impact on our business, financial condition and results of operations. In addition, there have been a number of well-publicized attacks or breaches directed at others in our industry that have heightened concern by consumers generally about the security of using credit cards, which have caused some consumers, including our customers, to use our credit cards less in favor of alternative methods of payment and has led to increased regulatory focus on, and potentially new regulations relating to, these matters. Further cyber-attacks or other breaches in the future, whether affecting us or others, could intensify consumer concern and regulatory focus and result in reduced use of our cards or other products and increased costs arising from, among other things new regulatory requirements relating to data security, all of which could have a material adverse effect on our business.

Disruptions in the operation of our and our outsourced partners' computer systems and data centers could have a material adverse effect on our business.

Our ability to deliver products and services to our partners and our customers, service our loans and otherwise operate our business and comply with applicable laws depends on the efficient and uninterrupted operation of our computer systems and data centers, as well as those of our partners and third-party service providers. These computer systems and data centers may encounter service interruptions at any time due to system or software failure, natural disaster or other reasons. In addition, the implementation of technology changes and upgrades to maintain current and integrate new systems may also cause service interruptions, transaction processing errors and system conversion delays and may cause our failure to comply with applicable laws, all of which could have a material adverse effect on our business.

We expect that new technologies and business processes applicable to the consumer credit industry will continue to emerge, and these new technologies and business processes may be better than those we currently use. The pace of technology change is high and our industry is intensely competitive, and we cannot assure you that we will be able to sustain our investment in new technology as critical systems and applications become obsolete and better ones become available. A failure to maintain current technology and business processes could cause disruptions in our operations or cause our products and services to be less competitive, all of which could have a material adverse effect on our business, financial condition and results of operations.

Financial Risks

Our allowance for credit losses may prove to be insufficient to cover losses on our loans.

We maintain an allowance for credit losses (a reserve established through a provision for credit losses charged to expense) that we believe is appropriate to provide for expected credit losses for the life of our loan portfolio. In addition, for portfolios we acquire when we enter into new partner program agreements we are required to establish an allowance for expected credit losses for the life of the acquired loan portfolio. Any subsequent deterioration in the performance of the purchased portfolios after acquisition results in incremental credit loss reserves. Growth in our loan portfolio generally would also lead to an increase in the allowance for credit losses.

The process for establishing an allowance for credit losses is critical to our results of operations and financial condition, and requires complex models and judgments, including forecasts of economic conditions. We utilize an impairment model in accordance with ASU 2016-13, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments, known as the CECL model. 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. Changes in economic conditions affecting borrowers, new information regarding our loans and other factors, both within and outside of our control, may require an increase in the allowance for credit losses. We may underestimate our expected losses and fail to maintain an allowance for credit losses sufficient to account for these losses. In cases where we modify a loan, if the modified loans do not perform as anticipated, we may be required to establish additional allowances on these loans.

We will continue to periodically review and update our current methodology, models and the underlying assumptions, estimates and assessments we use to establish our allowance for credit losses to reflect our view of current conditions and reasonable and supportable forecasts. Moreover, our regulators, as part of their supervisory function, periodically review our methodology, models and the underlying assumptions, estimates and assessments we use for calculating, and the adequacy of, our allowance for credit losses. Our regulators, based on their judgment, may conclude that we should modify our current methodology, models or the underlying assumptions, estimates and assessments, increase our allowance for credit losses and/or recognize further losses. We will implement further enhancements or changes to our methodology, models and the underlying assumptions, estimates and assessments, as needed.

We cannot assure you that our credit loss reserves will be sufficient to cover actual losses. Future increases in the allowance for credit losses or actual losses (as a result of any review, update, regulatory guidance or otherwise) will result in a decrease in net earnings and capital and could have a material adverse effect on our business, results of operations and financial condition.

If assumptions or estimates we use in preparing our financial statements, including those related to the CECL accounting guidance, are incorrect or are required to change, our reported results of operations and financial condition may be adversely affected.

We are required to make various assumptions and estimates in preparing our financial statements under GAAP, including for purposes of determining our allowance for credit losses, asset impairment, reserves related to litigation and other legal matters, valuation of income and other taxes and regulatory exposures and the amounts recorded for certain contractual payments to be paid to or received from partners and others under contractual arrangements. Our most critical estimate used in preparing our financial statements is the determination of our allowance for credit losses, which was \$8.7 billion at December 31, 2021. Upon origination of a loan, the estimate of expected credit losses, and any subsequent changes to such estimate, are recorded through provision for credit losses in our Consolidated Statement of Earnings. As a result, any subsequent changes we make to our underlying assumptions and estimates may result in a material adverse impact to our results of operations and the Company's ability to return capital to our shareholders. In addition, significant assumptions and estimates are involved in determining certain disclosures required under GAAP, including those involving the fair value of our financial instruments. If the assumptions or estimates underlying our financial statements are incorrect or are required to change, the actual amounts realized on transactions and balances subject to those estimates will be different, and this could have a material adverse effect on our results of operations and financial condition.

For additional information on the key areas for which assumptions and estimates are used in preparing our financial statements, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates*" and Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* to our consolidated financial statements.

Adverse financial market conditions or our inability to effectively manage our funding and liquidity risk could have a material adverse effect on our funding, liquidity and ability to meet our obligations.

We need to effectively manage our funding and liquidity in order to meet our cash requirements such as day-to-day operating expenses, extensions of credit to our customers, payments of principal and interest on our borrowings and payments on our other obligations. Our primary sources of funding and liquidity are collections from our customers, deposits, funds from securitized financings and proceeds from unsecured borrowings. If we do not have sufficient liquidity, we may not be able to meet our obligations, particularly during a liquidity stress event. If we maintain or are required to maintain too much liquidity, it could be costly and reduce our financial flexibility.

We will need additional financing in the future to refinance any existing debt and finance growth of our business. The availability of additional financing will depend on a variety of factors such as financial market conditions generally, including the availability of credit to the financial services industry, consumers' willingness to place money on deposit in the Bank, our performance and credit ratings and the performance of our securitized portfolios. Disruptions, uncertainty or volatility in the capital, credit or deposit markets, such as the uncertainty and volatility experienced in the capital and credit markets during periods of financial stress and other economic and political conditions in the global markets and concerning the level of U.S. government debt and fiscal measures that may be taken over the longer term to address these matters, may limit our ability to obtain additional financing or refinance maturing liabilities on desired terms (including funding costs) in a timely manner or at all. As a result, we may be forced to delay obtaining funding or be forced to issue or raise funding on undesirable terms, which could significantly reduce our financial flexibility and cause us to contract or not grow our business, all of which could have a material adverse effect on our results of operations and financial conditions.

In addition, at December 31, 2021, we had an aggregate of \$2.7 billion of undrawn credit facilities, subject to customary borrowing conditions, from private lenders under our securitization programs and an unsecured revolving credit facility. Our ability to draw on such commitments is subject to the satisfaction of certain conditions, including the applicable securitization trust having sufficient collateral to support the draw and the absence of an early amortization event. Moreover, there are regulatory reforms that have been proposed or adopted in the United States and internationally that are intended to address certain issues that affected banks in the last financial crisis. These reforms, generally referred to as "Basel III," subject banks to more stringent capital, liquidity and leverage requirements. To the extent that the Basel III requirements result in increased costs to the banks providing undrawn committed capacity under our securitization programs, these costs are likely to be passed on to us. In addition, in response to Basel III, some banks in the market (including certain of the private lenders in our securitization programs) have added provisions to their credit agreements permitting them to delay disbursement of funding requests for 30 days or more. If our bank lenders require delayed disbursements of funding and/or higher pricing for committing undrawn capacity to us, our cost of funding and access to liquidity could be adversely affected.

While financial market conditions are generally stable, there can be no assurance that significant disruptions, uncertainties and volatility will not occur in the future. If we are unable to continue to finance our business, access capital markets and attract deposits on favorable terms and in a timely manner, or if we experience an increase in our borrowing costs or otherwise fail to manage our liquidity effectively, our results of operations and financial condition may be materially adversely affected.

Our inability to grow our deposits in the future could materially adversely affect our liquidity and ability to grow our business.

We obtain deposits directly from retail and commercial customers or through brokerage firms that offer our deposit products to their customers. At December 31, 2021, we had \$50.1 billion in direct deposits and \$12.2 billion in deposits originated through brokerage firms (including network deposit sweeps procured through a program arranger who channels brokerage account deposits to us). A key part of our liquidity plan and funding strategy is to continue to fund our growth through direct deposits.

The deposit business is highly competitive, with intense competition in attracting and retaining deposits. We compete on the basis of the rates we pay on deposits, features and benefits of our products, the quality of our customer service and the competitiveness of our digital banking capabilities. Our ability to originate and maintain retail deposits is also highly dependent on the products we offer, the strength of the Bank and the perceptions of consumers and others of our business practices and our financial health. Adverse perceptions regarding our reputation could lead to difficulties in attracting and retaining deposits accounts. Negative public opinion could result from actual or alleged conduct in a number of areas, including lending practices, regulatory compliance, inadequate protection of customer information or sales and marketing activities, and from actions taken by regulators or others in response to such conduct.

The demand for the deposit products we offer may also be reduced due to a variety of factors, such as demographic patterns, macroeconomic shocks, significant changes in the level of interest rates, changes in customer preferences, reductions in consumers' disposable income, regulatory actions that decrease customer access to particular products or the availability of competing products which may offer more features or perceived benefits than the Bank's products. Competition from other financial services firms and others that use deposit funding products may affect deposit renewal rates, costs or availability. Changes we make to the rates offered on our deposit products may affect our profitability and liquidity.

On September 21, 2021, we announced a partnership with PayPal Holdings Inc. to offer demand savings accounts exclusively to PayPal customers. This, and other future affiliate banking products, could become important sources of funding and liquidity to the Bank. To the extent such partnerships are dissolved, the Bank may need to find suitable replacement sources of that funding and liquidity at potentially higher costs.

The Federal Deposit Insurance Act (the "FDIA") prohibits an insured bank from accepting brokered deposits or offering interest rates on any deposits significantly higher than the prevailing rate in the bank's normal market area or nationally (depending upon where the deposits are solicited), unless it is "well capitalized," or it is "adequately capitalized" and receives a waiver from the FDIC. A bank that is "adequately capitalized" and accepts brokered deposits under a waiver from the FDIC may not pay an interest rate on any deposit in excess of 75 basis points over certain prevailing market rates. There are no such restrictions under the FDIA on a bank that is "well capitalized" and at December 31, 2021, the Bank met or exceeded all applicable requirements to be deemed "well capitalized" for purposes of the FDIA. However, there can be no assurance that the Bank will continue to meet those requirements. Limitations on the Bank's ability to accept brokered deposits for any reason (including regulatory limitations on the amount of brokered deposits in total or as a percentage of total assets) in the future could materially adversely impact our funding costs and liquidity. Any limitation on the interest rates the Bank can pay on deposits could competitively disadvantage us in attracting and retaining deposits and have a material adverse effect on our business.

A reduction in our credit ratings could materially increase the cost of our funding from, and restrict our access to, the capital markets.

Synchrony's senior unsecured debt currently is rated BBB- (stable outlook) by Fitch Ratings, Inc. ("Fitch") and BBB- (stable outlook) by Standard & Poor's ("S&P"). The Bank's senior unsecured debt currently is rated BBB- (stable outlook) by Fitch and BBB (stable outlook) by S&P. Although we have not requested that Moody's Investor Services, Inc. ("Moody's") provide a rating for our senior unsecured debt, we believe that if Moody's were to issue a rating on our unsecured debt, its rating would be lower than the comparable ratings issued by Fitch and S&P. The ratings for our unsecured debt are based on a number of factors, including our financial strength, as well as factors that may not be within our control, such as macroeconomic conditions and the rating agencies' perception of the industries in which we operate and the products we offer. The ratings of our asset-backed securities are, and will continue to be, based on a number of factors, including the quality of the underlying loan receivables and the credit enhancement structure with respect to each series of asset-backed securities, as well as our credit rating as sponsor and servicer of our publicly registered securitization trusts. These ratings also reflect the various methodologies and assumptions used by the rating agencies, which are subject to change and could adversely affect our ratings. The rating agencies regularly evaluate our credit ratings as well as the credit ratings of our asset-backed securities. A downgrade in our unsecured debt or asset-backed securities credit ratings (or investor concerns that a downgrade may occur) could materially increase the cost of our funding from, and restrict our access to, the capital markets.

If the ratings on our asset-backed securities are reduced, put on negative watch or withdrawn, it may have an adverse effect on the liquidity or the market price of our asset-backed securities and on the cost of, or our ability to continue using, securitized financings to the extent anticipated.

Our inability to securitize our loan receivables would have a material adverse effect on our business, liquidity, cost of funds and financial condition.

We use the securitization of loan receivables, which involves the transfer of loan receivables to a trust and the issuance by the trust of asset-backed securities to third-party investors, as a significant source of funding. Our average level of securitized financings from third parties was \$7.2 billion and \$8.7 billion for the years ended December 31, 2021 and 2020, respectively. For a discussion of our securitization activities, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Funding, Liquidity and Capital Resources—Funding Sources—Securitized Financings*" and Note 5. *Variable Interest Entities* to our consolidated financial statements.

There can be no assurance that the securitization market for credit cards will not experience future disruptions. The extent to which we securitize our loan receivables in the future will depend in part upon the conditions in the securities markets in general and the credit card asset-backed securities market in particular, the availability of loan receivables for securitization, the overall credit quality of our loan receivables and the conformity of the loan receivables and our securitization program to rating agency requirements, the costs of securitizing our loan receivables, and the legal, regulatory, accounting and tax requirements governing securitization transactions. In the event we are unable to refinance existing asset-backed securities with new asset-backed securities, we would be required to rely on other sources of funding, which may not be available or may be available only at higher cost. Further, in the event we are unable to refinance existing asset-backed securities from our nonbank subsidiary securitization trust with new securities from the same trust, there are structural and regulatory constraints on our ability to refinance these asset-backed securities with Bank deposits or other funding at the Bank, and therefore we would be required to rely on sources outside of the Bank, which may not be available or may be available only at higher cost. A prolonged inability to securitize our loan receivables on favorable terms, or at all, or to refinance our asset-backed securities would have a material adverse effect on our business, liquidity, cost of funds and financial condition.

The occurrence of an early amortization of our securitization facilities would have a material adverse effect on our liquidity and cost of funds.

Our liquidity would be materially adversely affected by the occurrence of events resulting in the early amortization of our existing securitized financings. During an early amortization period, principal collections from the loan receivables in our asset-backed securitization trust in which the early amortization event occurred would be applied to repay principal of the trust's asset-backed securities rather than being available on a revolving basis to fund purchases of newly originated loan receivables. This would negatively impact our liquidity, including our ability to originate new loan receivables under existing accounts, and require us to rely on alternative funding sources, which might increase our funding costs or might not be available when needed.

Our loss of the right to service or subservice our securitized loan receivables would have a material adverse effect on our liquidity and cost of funds.

Synchrony currently acts as servicer with respect to our nonbank subsidiary securitization trust, and the Bank acts as servicer with respect to our other two securitization trusts. If Synchrony or the Bank, as applicable, defaults in its servicing obligations, an early amortization event could occur with respect to the relevant asset-backed securities and/or Synchrony or the Bank, as applicable, could be replaced as servicer. Servicer defaults include, for example, the failure of the servicer to make any payment, transfer or deposit in accordance with the securitization documents, a breach of representations, warranties or agreements made by the servicer under the securitization documents, the delegation of the servicer's duties contrary to the securitization documents and the occurrence of certain insolvency events with respect to the servicer. Such an early amortization event would have the adverse consequences discussed in the immediately preceding risk factor.

If either Synchrony or the Bank defaults in its servicing obligations with respect to any of our three securitization trusts, a third party could be appointed as servicer of such trust. If a third-party servicer is appointed, there is no assurance that the third party will engage us as sub-servicer, in which event we would no longer be able to control the manner in which the related trust's assets are serviced, and the failure of a third party to appropriately service such assets could lead to an early amortization event in the affected securitization trust, which would have the adverse consequences discussed in the immediately preceding risk factor.

Lower payment rates on our securitized loan receivables could materially adversely affect our liquidity and financial condition.

Certain collections from our securitized loan receivables come back to us through our subsidiaries, and we use these collections to fund our purchase of newly originated loan receivables to collateralize our securitized financings. If payment rates on our securitized loan receivables are lower than they have historically been, fewer collections will be remitted to us on an ongoing basis. Further, certain series of our asset-backed securities include a requirement that we accumulate principal collections in a restricted account for a specified number of months prior to the applicable security's maturity date. We are required under the program documents to lengthen this accumulation period to the extent we expect the payment rates to be low enough that the current length of the accumulation period is inadequate to fully fund the restricted account by the applicable security's maturity date. Lower payment rates, and in particular, payment rates that are low enough that we are required to lengthen our accumulation periods, could materially adversely affect our liquidity and financial condition.

Changes in market interest rates could have a material adverse effect on our net earnings, funding and liquidity.

Changes in market interest rates cause our net interest income to increase or decrease, as certain of our assets and liabilities carry interest rates that fluctuate with market benchmarks. At December 31, 2021, 54.6% of our loan receivables were priced at a fixed interest rate to the customer, with the remaining 45.4% at a floating interest rate. We fund our assets with a combination of fixed rate and floating rate funding sources that include deposits, asset-backed securities and unsecured debt. The interest rate benchmark for our floating rate assets is the prime rate, and the interest rate benchmark for our floating rate liabilities is generally either the LIBOR or the federal funds rate. The prime rate and LIBOR or the 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. Additionally, on July 27, 2017 the UK Financial Conduct Authority announced that it would no longer encourage or compel banks to continue to contribute quotes and maintain LIBOR after 2021. However, on March 5, 2021, the ICE Benchmark Administration stated that it will continue to publish overnight, 1, 3, 6 and 12 month LIBOR settings.

The Federal Reserve Board, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation issued supervisory guidance, on November 30, 2020, encouraging banks to cease entering into new contracts that use USD LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021. Regulators have not, to date, compelled banks to use a particular replacement rate for LIBOR, but market acceptance has largely gravitated toward the Secured Overnight Financing Rate (SOFR). Synchrony is not entering into any new agreements that reference LIBOR. Additionally, Synchrony is in the process of amending existing asset and liability contracts that reference LIBOR to reference a new benchmark rate. The new benchmark rates include, but are not limited to, SOFR, federal funds and U.S. Treasury bills. When our existing contracts that reference LIBOR are updated or renewed with these benchmark rates, they could reset at different times, or diverge, from the prime rate, leading to mismatches in the interest rates on our floating rate assets and floating rate liabilities. If we are unable to effectively manage the transition from LIBOR, our net earnings could be materially adversely affected.

Competitive and regulatory factors may limit our ability to raise interest rates on our loans. In addition, some of our program agreements limit the rate of interest we can charge to customers. If interest rates were to rise materially over a sustained period of time, and we are unable to sufficiently raise our interest rates in a timely manner, or at all, our net interest margin could be adversely impacted, which could have a material adverse effect on our net earnings.

Interest rates may also adversely impact our customers' spending levels and ability and willingness to pay amounts owed to us. Our floating rate credit products bear interest rates that fluctuate with the prime rate. Higher interest rates often lead to higher payment obligations by customers to us and other lenders under mortgage, credit card and other consumer loans, which may reduce our customers' ability to remain current on their obligations to us and therefore lead to increased delinquencies, bankruptcies, charge-offs, allowances for credit losses, and decreasing recoveries, all of which could have a material adverse effect on our net earnings.

Changes in interest rates and competitor responses to these changes may also impact customer decisions to maintain deposits with us, and reductions in deposits could materially adversely affect our funding costs and liquidity.

We assess our interest rate risk by estimating the net interest income impact of various interest rate scenarios. We take risk mitigation actions based on those assessments. Changes in interest rates could materially reduce our net interest income and our net earnings, and could also increase our funding costs and reduce our liquidity, especially if actual conditions turn out to be materially different from our assumptions. For a discussion of interest rate risk sensitivities, see “*Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk*.”

We rely extensively on models in managing many aspects of our business, and if they are not accurate or are misinterpreted, it could have a material adverse effect on our business and results of operations.

We rely extensively on models in managing many aspects of our business, including liquidity and capital planning (including stress testing), customer selection, credit and other risk management, pricing, reserving and collections management. The models may prove in practice to be less predictive than we expect for a variety of reasons, including as a result of errors in constructing, interpreting or using the models or the use of inaccurate assumptions (including failures to update assumptions appropriately or in a timely manner). Our assumptions may be inaccurate for many reasons including that they often involve matters that are inherently difficult to predict and beyond our control (e.g., macroeconomic conditions and their impact on partner and customer behaviors) and they often involve complex interactions between a number of dependent and independent variables, factors and other assumptions. The errors or inaccuracies in our models may be material, and could lead us to make wrong or sub-optimal decisions in managing our business, and this could have a material adverse effect on our business, results of operations and financial condition.

Our business depends on our ability to successfully manage our credit risk, and failing to do so may result in high charge-off rates.

Our success depends on our ability to manage our credit risk while attracting new customers with profitable usage patterns. We select our customers, manage their accounts and establish terms and credit limits using proprietary scoring models and other analytical techniques that are designed to set terms and credit limits to appropriately compensate us for the credit risk we accept, while encouraging customers to use their available credit. The models and approaches we use to manage our credit risk may not accurately predict future charge-offs for various reasons discussed in the preceding risk factors.

Our ability to manage credit risk and avoid high charge-off rates also may be adversely affected by economic conditions that may be difficult to predict, such as the last financial crisis. The assessment of our credit profile includes the evaluation of portfolio mix, account maturation, as well as broader consumer trends, such as payment behavior and overall indebtedness. See “*Management’s Discussion and Analysis—Results of Operations—Business Trends and Conditions*” for further discussion of our expectations of future credit trends, in the near term. Credit trends may deteriorate materially from our expectations if economic conditions were to deteriorate.

In addition, we remain subject to conditions in the consumer credit environment. Our credit underwriting and risk management strategies are used to manage our credit exposures; however, there can be no assurance that those will enable us to avoid high charge-off levels or delinquencies, or that our allowance for credit losses will be sufficient to cover actual losses.

A customer’s ability to repay us can be negatively impacted by increases in their payment obligations to other lenders under mortgage, credit card and other loans (including student loans). These changes can result from increases in base lending rates or structured increases in payment obligations, and could reduce the ability of our customers to meet their payment obligations to other lenders and to us. In addition, a customer’s ability to repay us can be negatively impacted by the restricted availability of credit to consumers generally, including reduced and closed lines of credit. Customers with insufficient cash flow to fund daily living expenses and lack of access to other sources of credit may be more likely to increase their card usage and ultimately default on their payment obligations to us, resulting in higher credit losses in our portfolio. Our collection operations may not compete effectively to secure more of customers’ diminished cash flow than our competitors. We may not identify customers who are likely to default on their payment obligations to us and reduce our exposure by closing credit lines and restricting authorizations quickly enough, which could have a material adverse effect on our business, results of operations and financial condition. In addition, our collection strategy depends in part on the sale of debt to third-party buyers. Regulatory or other factors may adversely affect the pricing of our debt sales or the performance of our third-party buyers, which may result in higher credit losses in our portfolio. At December 31, 2021, 22% of our portfolio’s loan receivables were from customers with a Vantage score of 650 or less (excluding unrated accounts), who typically have higher delinquency and credit losses than consumers with higher credit scores.

Our ability to manage credit risk also may be adversely affected by legal or regulatory changes (such as bankruptcy laws and minimum payment regulations) and collection regulations, competitors' actions and consumer behavior, as well as inadequate collections staffing, techniques, models and performance of vendors such as collection agencies.

We may not be able to offset increases in our costs with decreased payments under our retailer share arrangements, which could reduce our profitability.

Most of our program agreements with larger retailers and certain other program agreements contain retailer share arrangements that provide for payments to our partners if the economic performance of the relevant program exceeds a contractually defined threshold. Although the share arrangements vary by partner, these arrangements are generally structured to measure the economic performance of the program, based typically on agreed upon program revenues (including interest income and certain other income) less agreed upon program expenses (including interest expense, provision for credit losses, retailer payments and operating expenses), and share portions of this amount above a negotiated threshold. These arrangements are typically designed to permit us to achieve an economic return before we are required to make payments to our partners based on the agreed contractually defined threshold. However, because the threshold and the economic performance of a program that are used to calculate payments to our partners may be based on, among other things, agreed upon measures of program expenses rather than our actual expenses, we may not be able to pass on increases in our actual expenses (such as funding costs or operating expenses) in the form of reduced payments under our retailer share arrangements, and our economic return on a program could be adversely affected. While most of our agreements contain retailer share arrangements, in some cases, where we instead provide other economic benefits to our partners such as royalties on purchase volume or payments for new accounts (for example, on our co-branded credit cards), our ability to offset increases in our costs is limited.

Reductions in interchange fees may reduce the competitive advantages our private label credit card products currently have by virtue of not charging interchange fees and would reduce our income from those fees.

Interchange is a fee merchants pay to the interchange network in exchange for the use of the network's infrastructure and payment facilitation, and which are paid to credit card issuers to compensate them for the risk they bear in lending money to customers. We earn interchange fees on Dual Card and general purpose co-branded credit card transactions but we typically do not charge or earn interchange fees from our partners or customers on our private label credit card products.

Merchants, trying to decrease their operating expenses, have sought to, and have had some success at, lowering interchange rates. Several recent events and actions indicate a continuing increase in focus on interchange by both regulators and merchants. Beyond pursuing litigation, legislation and regulation, merchants are also pursuing alternate payment platforms as a means to lower payment processing costs. To the extent interchange fees are reduced, one of our current competitive advantages with our partners—that we typically do not charge interchange fees when our private label credit card products are used to purchase our partners' goods and services—may be reduced. Moreover, to the extent interchange fees are reduced, our income from those fees will be lower. We received \$880 million of interchange fees for the year ended December 31, 2021. As a result, a reduction in interchange fees could have a material adverse effect on our business and results of operations. In addition, for our Dual Cards and general purpose co-branded credit cards, we are subject to the operating regulations and procedures set forth by the interchange network, and our failure to comply with these operating regulations, which may change from time to time, could subject us to various penalties or fees, or the termination of our license to use the interchange network, all of which could have a material adverse effect on our business and results of operations.

Legal Risks

We have international operations that subject us to various international risks as well as increased compliance and regulatory risks and costs.

We have international operations, primarily in India, the Philippines and Canada, and some of our third-party service providers provide services to us from other countries, all of which subject us to a number of international risks, including, among other things, sovereign volatility and socio-political instability. For example, the Philippines has in the past experienced severe political and social instability. Any future political or social instability in the countries in which we operate could have a material adverse effect on our business operations.

U.S. regulations also govern various aspects of the international activities of domestic corporations and increase our compliance and regulatory risks and costs. Any failure on our part or the part of our service providers to comply with applicable U.S. regulations, as well as the regulations in the countries and markets in which we or they operate, could result in fines, penalties, injunctions or other similar restrictions, any of which could have a material adverse effect on our business, results of operations and financial condition.

If we are alleged to have infringed upon the intellectual property rights owned by others or are not able to protect our intellectual property, our business and results of operations could be adversely affected.

Competitors or other third parties may allege that we, or consultants or other third parties retained or indemnified by us, infringe on their intellectual property rights. We also may face allegations that our employees have misappropriated intellectual property of their former employers or other third parties. Given the complex, rapidly changing and competitive technological and business environment in which we operate, and the potential risks and uncertainties of intellectual property-related litigation, an assertion of an infringement claim against us may cause us to spend significant amounts to defend the claim (even if we ultimately prevail), pay significant money damages, lose significant revenues, be prohibited from using the relevant systems, processes, technologies or other intellectual property, cease offering certain products or services, or incur significant license, royalty or technology development expenses. Moreover, it has become common in recent years for individuals and groups to purchase intellectual property assets for the sole purpose of making claims of infringement and attempting to extract settlements from companies like ours. Even in instances where we believe that claims and allegations of intellectual property infringement against us are without merit, defending against such claims is time consuming and expensive and could result in the diversion of time and attention of our management and employees. In addition, although in some cases a third party may have agreed to indemnify us for such costs, such indemnifying party may refuse or be unable to uphold its contractual obligations.

Moreover, we rely on a variety of measures to protect our intellectual property and proprietary information, including copyrights, trademarks, patents, trade secrets and controls on access and distribution. These measures may not prevent misappropriation or infringement of our intellectual property or proprietary information and a resulting loss of competitive advantage, and in any event, we may be required to litigate to protect our intellectual property and proprietary information from misappropriation or infringement by others, which is expensive, could cause a diversion of resources and may not be successful. Third parties may challenge, invalidate or circumvent our intellectual property, or our intellectual property may not be sufficient to provide us with competitive advantages. Our competitors or other third parties may independently design around or develop similar technology, or otherwise duplicate our services or products such that we could not assert our intellectual property rights against them. In addition, our contractual arrangements may not effectively prevent disclosure of our intellectual property or confidential and proprietary information or provide an adequate remedy in the event of an unauthorized disclosure.

Litigation, regulatory actions and compliance issues could subject us to significant fines, penalties, judgments, remediation costs and/or requirements resulting in increased expenses.

Our business is subject to increased risks of litigation and regulatory actions as a result of a number of factors and from various sources, including the highly regulated nature of the financial services industry, the focus of state and federal prosecutors on banks and the financial services industry and the structure of the credit card industry.

In the normal course of business, from time to time, we have been named as a defendant in various legal actions, 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. In addition, while historically the arbitration provision in our customer agreements generally has limited our exposure to consumer class action litigation, there can be no assurance that we will be successful in enforcing our arbitration clause in the future. There may also be legislative or other efforts to directly or indirectly prohibit the use of pre-dispute arbitration clauses, or we may be compelled as a result of competitive pressure or reputational concerns to voluntarily eliminate pre-dispute arbitration clauses. If the arbitration provision is not enforceable or eliminated (for whatever reason), our exposure to class action litigation could increase significantly. Even if our arbitration clause remains enforceable, we may be subject to mass arbitrations in which large groups of consumers bring arbitrations against the Company simultaneously.

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 earnings and damage to our reputation. The current environment of additional regulation, increased regulatory compliance efforts and enhanced regulatory enforcement has resulted in significant operational and compliance costs and may prevent or make it less attractive for us to continue providing certain products and services. There is no assurance that these regulatory matters or other factors will not, in the future, affect how we conduct our business and in turn have a material adverse effect on our business, results of operations and financial condition.

We contest liability and/or the amount of damages as appropriate in each pending matter. The outcome of pending and future matters could be material to our results of operations, financial condition and cash flows depending on, among other factors, the level of our earnings for that period, and could adversely affect our business and reputation. For a discussion of certain legal proceedings, see "*Regulation—Consumer Financial Services Regulation*," and Note 16. *Legal Proceedings and Regulatory Matters* to our consolidated financial statements.

In addition to litigation and regulatory matters, from time to time, through our operational and compliance controls, we identify compliance issues that require us to make operational changes and, depending on the nature of the issue, result in financial remediation to impacted cardholders. These self-identified issues and voluntary remediation payments could be significant depending on the issue and the number of cardholders impacted. They also could generate litigation or regulatory investigations that subject us to additional adverse effects on our business, results of operations and financial condition.

General Risks

Damage to our reputation could negatively impact our business.

Maintaining a positive reputation is critical to our attracting and retaining customers, partners, investors and employees. In particular, adverse perceptions regarding our reputation could also make it more difficult for us to execute on our strategy of increasing retail deposits at the Bank and may lead to decreases in deposits. Harm to our reputation can arise from many sources, including employee misconduct, misconduct by our partners, outsourced service providers or other counterparties, litigation or regulatory actions, failure by us or our partners to meet minimum standards of service and quality, inadequate protection of customer information and compliance failures. Negative publicity regarding us (or others engaged in a similar business or activities), whether or not accurate, may damage our reputation, which could have a material adverse effect on our business, results of operations and financial condition.

Our risk management processes and procedures may not be effective in mitigating our risks.

Our risk management processes and procedures seek to appropriately balance risk and return and mitigate risks. We have established processes and procedures intended to identify, measure, monitor and control the types of risk to which we are subject, including credit risk, market risk, liquidity risk, operational risk (including compliance risk), strategic risk, and reputational risk. Credit risk is the risk of loss that arises when an obligor fails to meet the terms of an obligation. We are exposed to both consumer credit risk, from our customer loans, and institutional credit risk, principally from our partners. 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. Liquidity risk is the risk that financial condition or overall safety and soundness are adversely affected by an inability, or perceived inability, to meet obligations and support business growth. Operational risk is the risk of loss arising from inadequate or failed processes, people or systems, external events (i.e., natural disasters) or compliance, reputational or legal matters and includes those risks as they relate directly to us as well as to third parties with whom we contract or otherwise do business. Strategic risk is the risk from changes in the business environment, improper implementation of decisions or inadequate responsiveness to changes in the business environment. Reputational risk is the risk arising from negative perception on the part of customers, counterparties, shareholders, investors, rating agencies, regulators and employees that can adversely affect the Company's ability to maintain existing talent and customers and establish new business relationships with continued access to sources of funding. See *"Our Business—Credit Risk Management"* and *"Risks—Risk Management"* for additional information on the types of risks affecting our business.

We seek to monitor and control our risk exposure through a framework that includes our Risk Appetite Statement, Enterprise Risk Assessment (ERA) process, risk policies, procedures and controls, reporting requirements, and corporate culture and values in conjunction with the risk management accountability incorporated into our integrated Risk Management Framework, which includes our governance structure and three distinct Lines of Defense. Management of our risks in some cases depends upon the use of analytical and/or forecasting models. If the models that we use to manage these risks are ineffective at predicting future losses or are otherwise inadequate, we may incur unexpected losses or otherwise be adversely affected. In addition, the information we use in managing our credit and other risk may be inaccurate or incomplete as a result of error or fraud, both of which may be difficult to detect and avoid. There may also be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated including when processes are changed or new products and services are introduced. If our Risk Management Framework does not effectively identify and control our risks, we could suffer unexpected losses or be adversely affected, and that could have a material adverse effect on our business, results of operations and financial condition.

Our business could be adversely affected if we are unable to attract, retain and motivate key officers and employees.

Our success depends, in large part, on our ability to retain, recruit and motivate key officers and employees. Our senior management team has significant industry experience and would be difficult to replace. Competition for senior executives and other key talent in the financial services and payment industry has been intense and may further increase. We may not be able to attract and retain qualified personnel to replace or succeed members of our senior management team or other key personnel, particularly if we do not offer employment terms that are competitive with the rest of the labor market. Guidelines issued by the federal banking regulators prohibits our payment of "excessive" compensation, or compensation that could lead to our material financial loss, to our executives, employees, and directors. In addition, proposed rules implementing the executive compensation provisions of the Dodd-Frank Act would limit the type and structure of compensation arrangements that we may enter into with our senior executives and persons deemed "significant risk-takers." These restrictions could negatively impact our ability to compete with other companies in recruiting, retaining and motivating key personnel. Failure to retain talented senior leadership could have a material adverse effect on our business, results of operations and financial condition.

Tax legislation initiatives or challenges to our tax positions could adversely affect our results of operations and financial condition.

We operate in multiple jurisdictions and we are subject to tax laws and regulations of the U.S. federal, state and local governments, and of various foreign jurisdictions. From time to time legislative initiatives may be proposed, which may impact our effective tax rate and could adversely affect our deferred tax assets, tax positions and/or our tax liabilities. In addition, U.S. federal, state and local, as well as foreign, tax laws and regulations are extremely complex and subject to varying interpretations. There can be no assurance that our historical tax positions will not be challenged by relevant tax authorities or that we would be successful in defending our positions in connection with any such challenge.

State sales tax rules and regulations, and their application and interpretation by the respective states, could change and adversely affect our results of operations.

State sales tax rules and regulations, and their application and interpretation by the respective states, could adversely affect our results of operations. Retailers collect sales tax from retail customers and remit those collections to the applicable states. When customers fail to repay their loans, including the amount of sales tax advanced by us to the merchant on their behalf, we are entitled, in some cases, to seek a refund of the amount of sales tax from the applicable state. Sales tax laws and regulations enacted by the various states are subject to interpretation, and our compliance with such laws is routinely subject to audit and review by the states. Audit risk is concentrated in several states, and these states are conducting ongoing audits. The outcomes of ongoing and any future audits and changes in the states' interpretation of the sales tax laws and regulations involving the recovery of tax on bad debts could materially adversely impact our results of operations.

See "*Regulation—Risk Factors Relating to Regulation*" on page 97 for additional risk factors.

Risk Management

Strong risk management is at the core of our business strategy and we have developed processes to manage the major categories of risk, namely credit, market, liquidity, operational (including compliance) strategic risk and reputational risk (considered across all risk types).

As described in greater detail below under “*Risk Management Roles and Responsibilities*,” we manage enterprise risk using an integrated framework that includes board-level oversight, administration by a group of cross-functional management committees, and day-to-day implementation by a dedicated risk management team led by the Chief Risk Officer (“CRO”). We also utilize the “Three Lines of Defense” risk management model to demonstrate and structure the roles, responsibilities and accountabilities in the organization for taking and managing risk. The Risk Committee of the Board of Directors has responsibility for the oversight of the risk management program, and three other board committees have other oversight roles with respect to risk management. Several management committees and subcommittees have important roles and responsibilities in administering the risk management program, including the Enterprise Risk Management Committee (the “ERMC”), the Management Committee (the “MC”), the Asset and Liability Management Committee (the “ALCO”) and the Capital Management Committee (the “CMC”). This committee-focused governance structure provides a forum through which risk expertise is applied cross-functionally to all major decisions, including development of policies, processes and controls used by the CRO and risk management team to execute the risk management philosophy.

The enterprise risk management philosophy is to ensure that all relevant risks are appropriately identified, measured, monitored and controlled. The approach in executing this philosophy focuses on leveraging risk expertise to drive enterprise risk management using a strong governance framework structure, a comprehensive enterprise risk assessment program and an effective risk appetite framework.

Risk Categories

Risk management is organized around six major risk categories: credit risk, market risk, liquidity risk, operational risk (including compliance), strategic risk, and reputational risk. We evaluate the potential impact of a risk event on us (including subsidiaries) by assessing the partner and customer, financial, reputational, and legal and regulatory impacts.

Credit Risk

Credit risk is the risk of loss that arises when an obligor fails to meet the terms of a contract and/or the underlying collateral is insufficient to satisfy the obligation. Credit risk includes exposure to consumer credit risk from customer loans as well as institutional credit risk, principally from our partners. Consumer credit risk is one of our most significant risks. See “*Our Business—Credit Risk Management*” for a description of the customer credit risk management procedures.

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. The principal market risk exposures arise from volatility in interest rates and their impact on economic value, capitalization levels and earnings. Market risk is managed by the ALCO, and is subject to policy and risk appetite limits on sensitivity of both earnings at risk and the economic value of equity. Market risk metrics are reviewed by ALCO monthly, the Risk Committee on a quarterly basis and the Board of Directors as required.

Liquidity Risk

Liquidity risk is the risk that an institution's financial condition or overall safety and soundness are adversely affected by a real or perceived inability to meet contractual obligations and support planned growth. The primary liquidity objective is to maintain a liquidity profile that will enable us, even in times of stress or market disruption, to fund our existing assets and meet liabilities in a timely manner and at an acceptable cost. Policy and risk appetite limits require us and the Bank (and other entities within our business, as applicable) to ensure that sufficient liquid assets are available to survive liquidity stresses over a specified time period. Our Risk Appetite Statement requires funding diversification, monitoring early warning indicators in the capital markets, and other related limits. ALCO reviews liquidity exposures continuously in the context of approved policy and risk appetite limits and reports results quarterly to the Risk Committee, and the Board of Directors as required.

Operational Risk

Operational risk is the risk of loss arising from inadequate or failed processes, people or systems, external events (i.e. natural disasters) or compliance, reputational or legal matters, and includes any of those risks as they relate directly to us and our subsidiaries, as well as to third parties with whom we contract or otherwise do business. Compliance risk arises from the failure to adhere to applicable laws, rules, regulations and internal policies and procedures. Operational risk also includes model risk relating to various financial and other models used by us and our subsidiaries, including the Bank, and is subject to a formal governance process.

Strategic Risk

Strategic risk consists of the current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. The New Product Introduction ("NPI") Sub-Committee assesses the strategic viability and consistency of each new product or service. All new initiatives require the approval of the NPI Sub-Committee and a select number of new product requests are escalated to the MC and the Board of Directors, based on level of risk.

Reputational Risk

Reputational risk is the risk arising from negative perception on the part of customers, counterparties, shareholders, investors, rating agencies, regulators and employees that can adversely affect the Company's ability to maintain existing talent and customers and establish new business relationships with continued access to sources of funding.

Risk Management Roles and Responsibilities

Responsibility for risk management flows to individuals and entities throughout our Company, including the Board of Directors, various board and management committees and senior management. The corporate culture and values, in conjunction with the risk management accountability incorporated into the integrated Enterprise Risk Governance Framework, which includes governance structure and three distinct Lines of Defense, has facilitated, and will continue to facilitate, the evolution of an effective risk presence across the Company.

The "First Line of Defense" is comprised of the business areas whose day-to-day activities involve decision-making and associated risk-taking for the Company. As the business owner, the first line is responsible for identifying, assessing, managing and controlling that risk, and for mitigating our overall risk exposure. The first line formulates strategy and operates within the risk appetite and risk governance framework. The "Second Line of Defense," also known as the independent risk management organization, provides oversight of first line risk taking and management. The second line assists in determining risk capacity, risk appetite, and the strategies, policies and structure for managing risks. The second line owns the risk governance framework. The "Third Line of Defense" is comprised of Internal Audit. The third line provides independent and objective assurance to senior management and to the Board of Directors and Audit Committee that the first and second line risk management and internal control systems and its governance processes are well-designed and working as intended.

Set forth below is a further description of the roles and responsibilities related to the key elements of the Enterprise Risk Governance Framework.

Board of Directors

The Board of Directors, among other things, has approved the enterprise-wide Risk Appetite Statement for the Company, as well as certain other risk management policies and oversees the Company's strategic plan and enterprise-wide risk management program. The Board of Directors may assign certain risk management activities to applicable committees and management.

Board Committees

The Board of Directors has established four committees that assist the board in its oversight of risk management. These committees and their risk-related roles are described below.

Audit Committee

In coordination with the Risk Committees of the Company and the Bank, the Audit Committee's role, among other things, is to review: (i) the Company's major financial risk exposures and the steps management has taken to monitor and control these risks; (ii) the Company's risk assessment and risk management practices and the guidelines, policies and processes for risk assessment and risk management; (iii) the organization, performance and audit findings of our internal audit function; (iv) our public disclosures and effectiveness of internal controls; and (v) the Company's risk guidelines and policies relating to financial statements, financial systems, financial reporting processes, compliance and auditing, and allowance for credit losses.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee's role, among other things, is to: (i) review and approve certain transactions with related persons; (ii) review and resolve any conflict of interest involving directors or executive officers; (iii) oversee the risks, if any, related to corporate governance structure and practices; and (iv) identify and discuss with management the risks, if any, related to social responsibility actions and public policy initiatives.

Management Development and Compensation Committee

The Management Development and Compensation Committee's role, among other things, is to: (i) review our incentive compensation arrangements with a view to appropriately balancing risk and financial results in a manner that does not encourage employees to expose us or any of our subsidiaries to imprudent risks, and are consistent with safety and soundness; and (ii) review (with input from our CRO and the Bank's CRO) the relationship between risk management policies and practices, corporate strategies and senior executive compensation.

Risk Committee

The Risk Committee's role, among other things, is to: (i) assist the Board of Directors in its oversight of the Company's Enterprise Risk Governance Framework, including as it relates to credit, investment, market, liquidity, operational compliance strategic and reputational risks; (ii) review and, at least annually, approve the Company's Enterprise Risk Governance Framework and risk assessment and risk management practices, guidelines and policies (including significant policies that management uses to manage credit and investment, market, liquidity, operational, compliance and strategic risks); (iii) review and, at least annually, recommend to the Board of Directors for approval the Company's enterprise-wide risk appetite (including the Company's liquidity risk tolerance), and review and approve the Company's strategy relating to managing key risks and other policies on the establishment of risk limits as well as the guidelines, policies and processes for monitoring and mitigating such risks; (iv) meet separately on a regular basis with our CRO and (in coordination with the Bank's Risk Committee, as appropriate) the Bank's CRO; (v) receive periodic reports from management on metrics used to measure, monitor and manage known and emerging risks, including management's view on acceptable and appropriate levels of exposure; (vi) receive reports from our internal audit, risk management and independent liquidity review functions on the results of risk management reviews and assessments; (vii) review and approve, at least annually, the Company's enterprise-wide capital and liquidity framework (including its contingency funding plan) and, in coordination with the Bank's Risk Committee, review, at least quarterly, the Bank's, liquidity risk appetite, regulatory capital and ratios and internal capital adequacy assessment processes and, at least annually, the Bank's allowance for credit losses methodology, annual capital plan and resolution plan; (viii) review, at least semi-annually, information from senior management regarding whether the Company is operating within its established risk appetite; (ix) review the status of financial services regulatory examinations; (x) review the independence, authority and effectiveness of the Company's risk management function and independent liquidity review function; (xi) approve the appointment of, evaluate and, when appropriate, replace, the CRO; and (xii) review disclosure regarding risk contained in the Company's annual and quarterly reports.

Management Committees

There are four management committees with important roles and responsibilities in the risk management function: the MC, the ERM, the ALCO and the CMC. These committees and their risk-related roles are described below.

Management Committee

The MC is under the oversight of the Board of Directors and is comprised of our senior executives and chaired by our Chief Executive Officer. The MC has responsibility for reviewing and approving lending and investment activities of the Company, such as equity investments, acquisitions, dispositions, joint ventures, portfolio deals and investment issues regarding the Company. It is also responsible for overseeing the Company's approach to managing its investments, reviewing and approving the Company's annual strategic plan and annual operating plan, and overseeing activities administered by its Credit, Culture, Information Technology, New Product Introduction, Investment Review and Pricing subcommittees. The MC also reviews management reports provided on a periodic basis, or as requested, in order to monitor evolving issues, effectiveness of risk mitigation activities and performance against strategic plans. The MC may make decisions only within the authority that is granted to it by the Board of Directors and must escalate any investment or other proposals outside of its authority to the Board of Directors for final decision.

ERM

The ERM is a management committee under the oversight of the Risk Committee and is comprised of senior executives and chaired by the CRO. The ERM has responsibility for risk oversight across the Company and for reporting on material risks to our Risk Committee. The responsibilities of the ERM include the day-to-day oversight of risks impacting the Company, establishing a risk appetite statement and ensuring compliance across the Company with the overall risk appetite. The ERM also oversees establishment of risk management policies, the performance and functioning of the relevant overall risk management function, and the implementation of appropriate governance activities and systems that support control of risks.

ALCO

The ALCO is a management committee under the oversight of the Risk Committee and is comprised of our senior executives and chaired by the Treasurer. It identifies, measures, monitors, manages and controls market, liquidity and credit (investments and bank relationships) risks to the Company's balance sheet. ALCO activities include reviewing and monitoring cash management, investments, liquidity, funding and foreign exchange risk activities and overseeing the safe, sound and efficient operation of the Company in compliance with applicable policies, laws and regulations.

CMC

The CMC is a management committee under the oversight of the Risk Committee and is comprised of our senior executives and chaired by the SVP, Capital Management and Stress Testing. The CMC provides oversight of the Company's capital management, stress testing, and recovery and resolution planning activities. The CMC supports the Risk Committee in overseeing capital management activities such as the Annual Capital Plan, the Internal Capital Adequacy Assessment Process, stress testing, the Pre-Provision Net Revenue and Credit Loss Methodologies, the Contingent Capital Plan as needed in the event of a breach, and the Recovery and Resolution Planning Process.

Chief Executive Officer, Chief Risk Officer and Other Senior Officers

The Chief Executive Officer ("CEO") has ultimate responsibility for ensuring the management of the Company's risk in accordance with the Company's approved risk appetite statement, including through their role as chairperson of the MC. The CEO also provides leadership in communicating the risk appetite to internal and external stakeholders to help embed appropriate risk taking into the overall corporate culture of the Company.

The CRO manages our risk management team and, as chairperson of the ERM, is responsible for establishing and implementing standards for the identification, management, measurement, monitoring and reporting of risk on an enterprise-wide basis. In collaboration with our CEO and the Chief Financial Officer, the CRO has responsibility for developing an appropriate risk appetite with corresponding limits that aligns with supervisory expectations, and this risk appetite statement has been approved by the Board of Directors. The CRO regularly reports to the Board of Directors and the Risk Committee on risk management matters.

The senior executive officers who serve as leaders in the "First Line of Defense," are responsible for ensuring that their respective functions operate within established risk limits, in accordance with the Company's Risk Appetite Statement. As members of the ERM and the MC, they are also responsible for identifying risks, considering risk when developing strategic plans, budgets and new products and implementing appropriate risk controls when pursuing business strategies and objectives. In addition, senior executive officers are responsible for deploying sufficient financial resources and qualified personnel to manage the risks inherent in the Company's business activities.

Risk Management

The risk management team, including compliance, led by the CRO, provides oversight of our risk profile and is responsible for maintaining a compliance program that includes compliance risk assessment, policy development, testing and reporting activities. This team effectively serves in a "Second Line of Defense" role by overseeing the operating activities of the "First Line of Defense."

Internal Audit Team

The internal audit team is responsible for performing periodic, independent reviews and testing of compliance with the Company's and the Bank's risk management policies and standards, as well as with regulatory guidance and industry best practices. The internal audit team also assesses the design of the Company's and the Bank's policies and standards and validates the effectiveness of risk management controls, and reports the results of such reviews to the Audit Committee. The internal audit team effectively serves as the "Third Line of Defense" for the Company.

Enterprise Risk Assessment Process

The Enterprise Risk Assessment process ("ERA") is a top-down process designed to identify, assess and quantify risk across the Company's primary risk categories and serves as a basis to determine the Company's risk profile. The Enterprise Risk Management team, in collaboration with the Risk Pillar leaders, performs an independent ERA using a methodology that measures likelihood, impact, vulnerability and the speed of onset to rate risks across Synchrony. The ERA plays an important role in directing the risk management activities by helping prioritize initiatives and focus resources on the most appropriate risks. The ERA is performed annually and refreshed periodically, and is the basis of the Material Risk Inventory which is a key input in the strategic and capital planning processes.

Stress testing activities provide a forward-looking assessment of risks and losses. Stress testing is integrated into the strategic, capital and liquidity planning processes, and the results are used to identify portfolio vulnerabilities and develop risk mitigation strategies or contingency plans across a range of stressed conditions.

Risk Appetite Framework

We operate in accordance with a Risk Appetite Statement setting forth objectives, plans and limits, and expressing preferences with respect to risk-taking activities in the context of overall business goals. The risk appetite statement is approved annually by the Board of Directors, with delegated authority to the CRO for implementation throughout the Company. The Risk Appetite Statement serves as a tool to preclude activities that are inconsistent with the business and risk strategy. The Risk Appetite Statement is reviewed and approved at least annually as part of the business planning process and will be modified, as necessary, to include updated risk tolerances by risk category, enabling us to meet prescribed goals while continuing to operate within established risk boundaries.

REGULATION

Regulation Relating to Our Business

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 and collection 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. Such laws and regulations directly and indirectly affect key drivers of our profitability, including, for example, capital and liquidity, product offerings, risk management, and costs of compliance. As a savings and loan holding company and 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. The Dodd-Frank Act and regulations promulgated thereunder have had, and may continue to have, a significant impact on our business, results of operations and financial condition. As a result, the extensive laws and regulations to which we are subject and with which we must comply significantly impact our earnings, results of operations, financial condition and competitive position. The impact of such regulations on our business is discussed further below, as well as in *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* (MD&A) and *"Risk Factors Relating to Regulation"* of this Form 10-K Report.

The Dodd-Frank Wall Street Reform and Consumer Protection Act and Related Developments

The Dodd-Frank Act, which was enacted in 2010, significantly restructured the financial regulatory regime in the United States. Certain aspects of the Dodd-Frank Act are subject to rules that have been taking effect over several years or have been revised since their initial adoption.

On May 24, 2018, the President signed into law the Economic Growth, Regulatory Relief, and Consumer Protection Act ("EGRRCPA"), which amended the Dodd-Frank Act and modified certain post-crisis regulatory requirements. On October 10, 2019, the Federal Reserve Board, OCC, and FDIC issued final rules, which we refer to as the Tailoring Rules, that tailor the applicability of the Federal Reserve Board's enhanced prudential standards relating to capital liquidity, and other risk management matters, and apply certain of these standards to savings and loan holding companies (other than those substantially engaged in insurance underwriting or commercial activities) that have total consolidated assets of \$100 billion or more based on the average of the previous four quarters, referred to as "covered savings and loan holding companies." Synchrony had average total consolidated assets of \$93.9 billion for the four quarters ended December 31, 2021 and less than \$100 billion in total consolidated assets for each of those quarters. As a result, Synchrony is not currently subject to most of the enhanced prudential standards under the Tailoring Rules. However, Synchrony's average total consolidated assets have exceeded \$100 billion in the past and may exceed such threshold again in future periods. If in the future Synchrony has average total consolidated assets of \$100 billion or more based on a four quarter average, it will become subject to enhanced prudential standards following applicable transition periods.

The ongoing implementation of the Dodd-Frank Act, as well as the recent and possible future changes to the regulatory framework applicable to Synchrony and the Bank make it difficult to assess the overall financial impact of the Dodd-Frank Act and related regulatory developments on us and across the industry. See also *"Regulation—Risk Factors Relating to Regulation—The Dodd-Frank Act and other legislative and regulatory developments have had, and may continue to have, a significant impact on our business, financial condition and results of operations."*

Savings and Loan Holding Company Regulation

Overview

As a savings and loan holding company, we are required to register and file periodic reports with, and are subject to regulation, supervision and examination by, the Federal Reserve Board. The Federal Reserve Board has adopted guidelines establishing safety and soundness standards on such matters as liquidity risk management, securitizations, operational risk management, internal controls and audit systems, business continuity, and compensation and other employee benefits. We are regularly reviewed and examined by the Federal Reserve Board, which results in supervisory comments and directions relating to many aspects of our business that require our response and attention.

The Federal Reserve Board has broad enforcement authority over us and our subsidiaries (other than the Bank and its subsidiaries). Under the Dodd-Frank Act, we are required to serve as a source of financial strength for any insured depository institution that we control, such as the Bank.

Capital

As a savings and loan holding company, Synchrony is subject to capital requirements.

The following are the minimum capital ratios to which Synchrony is subject:

- under the Basel III standardized approach, a common equity Tier 1 capital to risk-weighted assets ratio of 7% (the minimum of 4.5% plus a capital conservation buffer of 2.5%), a Tier 1 capital to risk-weighted assets ratio of 8.5% (the minimum of 6% plus a capital conservation buffer of 2.5%), and a total capital to risk-weighted assets ratio of 10.5% (a minimum of 8% plus a capital conservation buffer of 2.5%); and
- a leverage ratio of Tier 1 capital to total consolidated assets of 4%.

For a discussion of our capital ratios at December 31, 2021, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations-Capital*.”

Synchrony and the Bank elected to delay until January 1, 2022 and phase in through December 31, 2024 the impact of CECL on their regulatory capital. See “—*Legislative and Regulatory Developments*” for additional information.

Under the Tailoring Rules, most covered savings and loan holding companies with average total consolidated assets of \$100 billion or more, but less than \$250 billion, are subject to supervisory stress tests on a biennial basis, in even calendar years. If in the future Synchrony has average total consolidated assets of \$100 billion or more based on a four quarter average, it will become subject to these stress tests following a transition period of at least five quarters.

Additionally, under a final rule issued on January 19, 2021, the Federal Reserve Board has subjected covered savings and loan holding companies with average total consolidated assets of \$100 billion or more to a stress capital buffer in lieu of the 2.5% capital conservation buffer. The stress capital buffer is calculated as the amount of loss of common equity Tier 1 capital incurred by the company in the severely adverse scenario of the most recent supervisory stress test exercise, assuming certain continued payments on capital instruments, and is subject to a floor of 2.5% of risk-weighted assets. If in the future Synchrony has average total consolidated assets of \$100 billion or more based on a four quarter average, it will become subject to the stress capital buffer, and as a result, its capital requirements may increase and its ability to pay dividends, make other capital distributions, or redeem or repurchase its stock may be adversely impacted. See “—*Legislative and Regulatory Developments*” for additional information.

Dividends and Stock Repurchases

We are limited in our ability to pay dividends or repurchase our stock by the Federal Reserve Board, including on the basis that doing so would be an unsafe or unsound banking practice. Where we intend to declare or pay a dividend or repurchase our stock, we are expected to inform and consult with the Federal Reserve Board in advance to ensure that such dividend or repurchase does not raise supervisory concerns. It is the policy of the Federal Reserve Board that a savings and loan holding company like us should generally pay dividends on common stock and preferred stock out of earnings, and only if prospective earnings retention is consistent with the company's capital needs and overall current and prospective financial condition.

According to guidance from the Federal Reserve Board, our dividend policies will be assessed against, among other things, our ability to achieve applicable Basel III capital ratio requirements. If we do not achieve applicable Basel III capital ratio requirements, we may not be able to pay dividends. Although we currently expect to meet applicable Basel III capital ratio requirements, inclusive of the capital conservation buffer, we cannot be sure that we will meet those requirements or that even if we do, if we will be able to pay dividends.

In evaluating the appropriateness of a proposed redemption or repurchase of stock, the Federal Reserve Board will consider, among other things, the potential loss that we may suffer from the prospective need to increase reserves and write down assets as a result of continued asset deterioration, and our ability to raise additional common equity and other capital to replace the stock that will be redeemed or repurchased. The Federal Reserve Board also will consider the potential negative effects on our capital structure of replacing common stock with any lower-tier form of regulatory capital issued. Moreover, regulatory review of any capital plan we are currently required to submit could result in restrictions on our ability to pay dividends or make other capital distributions. 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*" and "*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.*"

Under a final rule issued on January 19, 2021, the Federal Reserve Board has subjected covered savings and loan holding companies with average total consolidated assets of \$100 billion or more to formal capital plan submission requirements. If in the future Synchrony has average total consolidated assets of \$100 billion or more based on a four quarter average, it will become subject to formal capital plan submission requirements, and as a result, its capital requirements may increase and its ability to pay dividends, make other capital distributions, or redeem or repurchase its stock may be adversely impacted. See "*Legislative and Regulatory Developments*" for additional information.

Liquidity

Under the Tailoring Rules, covered savings and loan holding companies with average total consolidated assets of \$100 billion or more must comply with enhanced prudential standards with respect to liquidity management, including maintaining diversified liquidity buffers and regularly conducting liquidity stress tests. If in the future Synchrony has average total consolidated assets of \$100 billion or more based on a four quarter average, it will become subject to these enhanced prudential standards following a transition period of five quarters.

Activities

In general, savings and loan holding companies may only conduct, or acquire control of companies engaged in, financial activities as permitted under the relevant provisions of the Bank Holding Company Act and the Home Owners' Loan Act ("HOLA"). Savings and loan holding companies that have elected financial holding company status generally can engage in a broader range of financial activities than are otherwise permissible for savings and loan holding companies, including securities underwriting, dealing and making markets in securities, and making merchant banking investments in non-financial companies. Synchrony has elected for financial holding company status.

The Federal Reserve Board has the authority to limit a financial holding company's ability to conduct otherwise permissible activities if the financial holding company or any of its depository institution subsidiaries ceases to meet the applicable eligibility requirements, including requirements that the financial holding company and each of its U.S. depository institution subsidiaries maintain their status as "well-capitalized" and "well-managed." The Federal Reserve Board may also impose corrective capital and/or managerial requirements on the financial holding company and may, for example, require divestiture of the holding company's depository institutions if the deficiencies persist. Federal regulations additionally provide that if any depository institution controlled by a financial holding company fails to maintain at least a "Satisfactory" rating under the Community Reinvestment Act ("CRA"), the financial holding company and its subsidiaries are prohibited from engaging in additional activities that are permissible only for financial holding companies.

In addition, we are subject to banking laws and regulations that limit in certain respects the types of acquisitions and investments that we can make. For example, certain acquisitions of and investments in depository institutions or their holding companies that we may undertake are subject to the prior review and approval of our banking regulators, including the Federal Reserve Board, the OCC and the FDIC. Our banking regulators have broad discretion on whether to approve such acquisitions and investments. In deciding whether to approve a proposed acquisition or investment, federal bank regulators may consider, among other factors: (i) the effect of the acquisition or investment on competition, (ii) our financial condition and future prospects, including current and projected capital ratios and levels, (iii) the competence, experience and integrity of our management and its record of compliance with laws and regulations, (iv) the convenience and needs of the communities to be served, including our record of compliance under the CRA, (v) our effectiveness in combating money laundering, and (vi) any risks that the proposed acquisition poses to the U.S. banking or financial system.

Certain acquisitions of our voting stock may be subject to regulatory approval or notice under federal law. Investors are responsible for ensuring that they do not, directly or indirectly, acquire shares of our stock in excess of the amount that can be acquired without regulatory approval under the Change in Bank Control Act and the HOLA, which prohibit any person or company from acquiring control of us without, in most cases, the prior written approval of the Federal Reserve Board.

Savings Association Regulation

Overview

The Bank is required to file periodic reports with the OCC and is subject to regulation, supervision, and examination by the OCC, the FDIC, and the CFPB. The OCC has adopted guidelines establishing safety and soundness standards on such matters as loan underwriting and documentation, asset quality, earnings, internal controls and audit systems, risk management, interest rate risk exposure and compensation and other employee benefits. The Bank is periodically examined by the OCC, the FDIC, and the CFPB, which results in supervisory comments and directions relating to many aspects of the Bank's business that require the Bank's response and attention. In addition, the OCC, the FDIC, and the CFPB have broad enforcement authority over the Bank.

Capital

The Bank is required by OCC regulations to maintain specified levels of regulatory capital. Institutions that are not well-capitalized are subject to certain restrictions on brokered deposits and interest rates on deposits. The OCC is authorized and, under certain circumstances, required to take certain actions against an institution that fails to meet the minimum ratios for an adequately capitalized institution. At December 31, 2021, the Bank met or exceeded all applicable requirements to be deemed well-capitalized under OCC regulations.

The following are the minimum capital ratios to which the Bank is subject:

- under the Basel III standardized approach, a common equity Tier 1 capital to risk-weighted assets ratio of 7% (the minimum of 4.5% plus a capital conservation buffer of 2.5%), a Tier 1 capital to risk-weighted assets ratio of 8.5% (the minimum of 6% plus a capital conservation buffer of 2.5%), and a total capital to risk-weighted assets ratio of 10.5% (a minimum of 8% plus a capital conservation buffer of 2.5%); and
- a leverage ratio of Tier 1 capital to total consolidated assets of 4%.

For a discussion of the Bank's capital ratios, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital.*"

As an insured depository institution, the Bank is also subject to the FDIA, which requires, among other things, the federal banking agencies to take "prompt corrective action" in respect of depository institutions that do not meet minimum capital requirements. The FDIA sets forth the following five capital tiers: "well-capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized." A depository institution's capital tier will depend upon how its capital levels compare with various relevant capital measures and certain other factors that are established by regulation. To be well-capitalized for purposes of the FDIA, the Bank must maintain a common equity Tier 1 capital to risk-weighted assets ratio of 6.5%, a Tier 1 capital to risk-weighted assets ratio of 8%, a total capital to risk-weighted assets ratio of 10%, and a leverage ratio of Tier 1 capital to total consolidated assets of 5%, and not be subject to any written agreement, order or capital directive, or prompt corrective action directive issued by the OCC to meet or maintain a specific capital level for any capital measure. At December 31, 2021, the Bank met or exceeded all applicable requirements to be deemed well-capitalized for purposes of the FDIA.

Dividends and Stock Repurchases

OCC regulations limit the ability of savings associations to make distributions of capital, including payment of dividends, stock redemptions and repurchases, cash-out mergers and other transactions charged to the capital account. The Bank must obtain the OCC's approval or give the OCC prior notice before making a capital distribution in certain circumstances, including if the Bank proposes to make a capital distribution when it does not meet certain capital requirements (or will not do so as a result of the proposed capital distribution) or certain net income requirements. In addition, the Bank must file a prior written notice of a planned or declared dividend or other distribution with the Federal Reserve Board. The OCC or the Federal Reserve Board may object to a capital distribution if: among other things, (i) the Bank is, or as a result of such distribution would be, undercapitalized, significantly undercapitalized or critically undercapitalized, (ii) the regulators have safety and soundness concerns or (iii) the distribution violates a prohibition in a statute, regulation, agreement between us and the OCC or the Federal Reserve Board, or a condition imposed on us in an application or notice approved by the OCC or the Federal Reserve Board. Additional restrictions on dividends apply if the Bank fails the QTL test (described below under "*—Activities*").

The FDIA also prohibits any insured depository institution from making any capital distributions (including payment of a dividend) or paying any management fee to its parent holding company if the depository institution would thereafter be "undercapitalized." If a depository institution is less than adequately capitalized, it must prepare and submit a capital restoration plan to its primary federal regulator for approval. For a capital restoration plan to be acceptable, among other things, the depository institution's parent holding company must guarantee that the institution will comply with the capital restoration plan. If a depository institution fails to submit an acceptable capital restoration plan, it is treated as if it is "significantly undercapitalized." A "significantly undercapitalized" depository institution may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become "adequately capitalized," elect a new Board of Directors, reduce total assets or cease taking deposits from correspondent banks. A "critically undercapitalized" institution may be subject to the appointment of a conservator or receiver which could sell or liquidate the institution, be required to refrain from making payments on its subordinated debt, or be subject to additional restrictions on its activities.

Liquidity

The Bank is required to comply with prudential regulation in connection with liquidity. In particular, under OCC guidelines establishing heightened standards for governance and risk management (the "Heightened Standards"), the Bank is required to establish liquidity stress testing and planning processes, which the Bank has done. For a discussion of the Heightened Standards, see "*—Heightened Standards for Risk Management Governance*" below.

Activities

Under HOLA, the OCC requires the Bank to comply with the qualified thrift lender, or "QTL" test. Under the QTL test, the Bank is required to maintain at least 65% of its "portfolio assets" (total assets less (i) specified liquid assets up to 20% of total assets, (ii) intangibles, including goodwill and (iii) the value of property used to conduct business) in certain "qualified thrift investments" (primarily residential mortgages and related investments, including certain mortgage-backed securities, credit card loans, student loans and small business loans) in at least nine months of the most recent 12-month period. The Bank currently meets that test. A savings association that fails to meet the QTL test is subject to certain operating restrictions and may be required to convert to a national bank charter.

Savings associations, including the Bank, are subject to limitations on their lending and investments. These limitations include percentage of asset limitations on various types of loans the Bank may make. In addition, there are similar limitations on the types and amounts of investments the Bank may make.

Insured depository institutions, including the Bank, are subject to restrictions under Sections 23A and 23B of the Federal Reserve Act (as implemented by Federal Reserve Board Regulation W), which govern transactions between an insured depository institution and an affiliate, including an entity that is the institution's direct or indirect holding company and a nonbank subsidiary of such a holding company. Restrictions in Sections 23A and 23B of the Federal Reserve Act apply to "covered transactions" such as extensions of credit, issuances of guarantees or asset purchases. In general, these restrictions require that any extensions of credit made by the insured depository institution to an affiliate must be fully secured with qualifying collateral and that the aggregate amount of covered transactions is limited, as to any one affiliate of the Bank, to 10% of the Bank's capital stock and surplus, and, as to all of the Bank's affiliates in the aggregate, to 20% of the Bank's capital stock and surplus. In addition, transactions between the Bank and its affiliates must be on terms and conditions that are, or in good faith would be, offered by the Bank to non-affiliated companies (i.e., at arm's length).

The CRA is a federal law that generally requires an insured depository institution to identify the communities it serves and to make loans and investments, offer products and provide services, in each case designed to meet the credit needs of these communities. The CRA also requires an institution to maintain comprehensive records of CRA activities to demonstrate how it is meeting the credit needs of communities. These records are subject to periodic examination by the responsible federal banking agency of the institution. Based on these examinations, the agency rates the institution's compliance with CRA as "Outstanding," "Satisfactory," "Needs to Improve" or "Substantial Noncompliance." The CRA requires the agency to take into account the record of an institution in meeting the credit needs of the entire communities served, including low- and moderate- income neighborhoods, in determining such rating. Failure of an institution to receive at least a "Satisfactory" rating could inhibit the institution or its holding company from undertaking certain activities, including acquisitions. The Bank is currently designated as a Limited Purpose bank under the CRA and therefore is generally evaluated on the basis of its community development activity in the geographies in which its physical facilities are located. The Bank received a CRA rating of "Outstanding" as of its most recent CRA examination.

On December 15, 2021, the OCC adopted a final rule, which took effect on January 1, 2022, to rescind changes to the OCC's CRA regulations that the agency had adopted in June 2020 and to restore the CRA standards that previously applied to OCC-regulated institutions. The federal banking agencies have indicated their intent to engage in an interagency rulemaking process to modernize the CRA regulatory framework.

The FDIA prohibits insured banks from accepting brokered deposits or offering interest rates on any deposits significantly higher than the prevailing rate in the bank's normal market area or nationally (depending upon where the deposits are solicited) unless it is "well-capitalized," or it is "adequately capitalized" and receives a waiver from the FDIC. A bank that is "adequately capitalized" and that accepts brokered deposits under a waiver from the FDIC may not pay an interest rate on any deposit in excess of 75 basis points over certain prevailing market rates. There are no such restrictions under the FDIA on a bank that is "well-capitalized." Further, "undercapitalized" institutions are subject to growth limitations. At December 31, 2021, the Bank met or exceeded all applicable requirements to be deemed well-capitalized for purposes of the FDIA. An inability to accept brokered deposits in the future could materially adversely impact our funding costs and liquidity.

On December 15, 2020, the FDIC issued a final rule to revise and clarify its framework for classifying deposits as brokered deposits, including the standards for determining whether a person is a "deposit broker" and satisfies the "primary purpose" exemption from that definition. The final rule has not had a material impact on the Bank in 2021.

Deposit Insurance

The FDIA requires the Bank to pay deposit insurance assessments. Deposit insurance assessments are affected by the minimum reserve ratio with respect to the federal Deposit Insurance Fund (the "DIF"). The Dodd-Frank Act increased the minimum reserve ratio with respect to the DIF to 1.35% and removed the statutory cap on the reserve ratio. The FDIC subsequently adopted a designated ratio of 2% and may increase that ratio in the future. Since the outbreak of the COVID-19 pandemic, the amount of total estimated insured deposits has grown very rapidly while the funds in the DIF have grown at a normal rate, causing the DIF reserve ratio to fall below the statutory minimum of 1.35%. The FDIC adopted a restoration plan on September 15, 2020, to restore the DIF reserve ratio to at least 1.35% by September 30, 2028. Under the restoration plan, the FDIC will continue to closely monitor the factors that affect the DIF reserve ratio and maintain its current schedule of assessment rates.

Under the FDIC's current deposit insurance assessment methodology, the Bank is required to pay deposit insurance assessments based on its average consolidated total assets, less average tangible equity, and various other regulatory factors included in an FDIC assessment scorecard.

The FDIA creates a depositor preference regime for the resolution of all insured depository institutions, including the Bank. If any such institution is placed into receivership, the FDIC will pay (out of the remaining net assets of the failed institution and only to the extent of such assets) first secured creditors (to the extent of their security), second the administrative expenses of the receivership, third all deposits liabilities (both insured and uninsured), fourth any other general or senior liabilities, fifth any obligations subordinated to depositors or general creditors, and finally any remaining net assets to shareholders in that capacity.

Resolution Planning

Under FDIC regulations, an insured depository institution with \$50 billion or more in total assets is required annually to submit to the FDIC a plan for the institution's resolution in the event of its failure. The plan is designed to enable the FDIC, if appointed receiver for the institution, to resolve the institution under sections 11 and 13 of the FDIA in a manner that ensures that its depositors receive access to their insured deposits within one business day of the institution's failure (two business days if the failure occurs on a day other than Friday), maximizes the net present value return from the sale or disposition of the institution's assets, and minimizes the amount of any loss realized by the creditors in the resolution. The resolution plan requirement is intended to ensure that the FDIC has access to all of the material information it needs to resolve a large insured depository institution efficiently in the event of its failure. Under a moratorium that has been in place since April 2019, the FDIC has suspended requiring resolution plan submissions for insured depository institutions with less than \$100 billion in total assets.

Heightened Standards for Risk Management Governance

The OCC's Heightened Standards establish guidelines for the governance and risk management practices of large OCC-regulated institutions, including the Bank. These Heightened Standards require covered banks to establish and adhere to a written governance framework in order to manage and control their risk-taking activities, provide standards for covered banks' boards of directors to oversee the risk governance framework, and describe the appropriate risk management roles and responsibilities of front line units, independent risk management, and internal audit functions. The Bank believes it complies with the Heightened Standards.

Consumer Financial Services Regulation

The relationship between us and our U.S. customers is regulated under federal and state consumer protection laws. Federal laws include the Truth in Lending Act, the Equal Credit Opportunity Act, HOLA, the Fair Credit Reporting Act (the "FCRA"), the Gramm-Leach-Bliley Act (the "GLBA"), the CARD Act and the Dodd-Frank Act. These and other federal laws, among other things, require disclosures of the cost of credit, provide substantive consumer rights, prohibit discrimination in credit transactions, regulate the use of credit report information, provide financial privacy protections, require safe and sound banking operations, prohibit unfair, deceptive and abusive practices, restrict our ability to raise interest rates on certain credit card balances, and subject us to substantial regulatory oversight. State and, in some cases, local laws also may regulate the relationship between us and our U.S. customers in these areas, as well as in the areas of collection practices, and may provide additional consumer protections. Moreover, we are subject to the Servicemembers Civil Relief Act, which protects persons called to active military service and their dependents from undue hardship resulting from their military service, and the Military Lending Act (the "MLA"), which extends specific protections if an account holder, at the time of account opening, is a covered active duty member of the military or certain family members thereof. The Servicemembers Civil Relief Act applies to all debts incurred prior to the commencement of active duty (including credit card and other open-end debt) and limits the amount of interest, including service and renewal charges and any other fees or charges (other than bona fide insurance) that are related to the obligation or liability. The MLA applies to certain consumer loans, including credit extended pursuant to a credit card account, and extends specific protections if an account holder, at the time of account opening, is a covered active duty member of the military or certain family members thereof (collectively, the "covered borrowers"). These protections include, but are not limited to: a limit on the military annual percentage rate that can be charged to 36%, delivery of certain required disclosures and a prohibition on mandatory arbitration agreements. If we were to extend credit to a covered borrower without complying with certain MLA provisions, the credit card agreement could be void from its inception.

Violations of applicable consumer protection laws can result in significant potential liability from litigation brought by customers, including actual damages, restitution and attorneys' fees. Federal banking regulators, as well as state attorneys general and other state and local consumer protection agencies, also may seek to enforce consumer protection requirements and obtain these and other remedies, including civil money penalties and fines.

The CARD Act, which was enacted in 2009, amended the Truth in Lending Act and required us to make significant changes to many of our business practices, including marketing, underwriting, pricing and billing. The CARD Act's restrictions on our ability to increase interest rates on existing balances to respond to market conditions and credit risk ultimately limits our ability to extend credit to new customers and provide additional credit to current customers. Other CARD Act restrictions, such as limitations on late fees, have resulted and will continue to result in reduced interest income and loan fee income.

The FCRA regulates our use of credit reports and the reporting of information to credit reporting agencies, and also provides a standard for lenders to share information with affiliates and certain third parties and to provide firm offers of credit to consumers. The FCRA also places further restrictions on the use of information shared between affiliates for marketing purposes, requires the provision of disclosures to consumers when risk-based pricing is used in a credit decision, and requires safeguards to help protect consumers from identity theft.

Under HOLA, the Bank is prohibited from engaging in certain tying or reciprocity arrangements with its customers. In general, the Bank may not extend credit, lease or sell property, or furnish any services or fix or vary the consideration for these on the condition that: (i) the customer obtain or provide some additional credit, property, or services from or to the Bank or Synchrony or their subsidiaries or (ii) the customer may not obtain some other credit, property, or services from a competitor, except in each case to the extent reasonable conditions are imposed to assure the soundness of the credit extended. Certain arrangements are permissible. For example, the Bank may offer more favorable terms if a customer obtains two or more traditional bank products.

The Dodd-Frank Act established the CFPB, which regulates consumer financial products and services and certain financial services providers. The CFPB is authorized to prevent “unfair, deceptive or abusive acts or practices” and ensure consistent enforcement of laws so that all consumers have access to markets for consumer financial products and services that are fair, transparent and competitive. The CFPB has rulemaking and interpretive authority under the Dodd-Frank Act and other federal consumer financial services laws, as well as broad supervisory, examination and enforcement authority over large providers of consumer financial products and services, such as us. In addition, the CFPB has an online complaint system that allows consumers to log complaints with respect to various consumer finance products, including the products we offer. The system could inform future agency decisions with respect to regulatory, enforcement or examination focus. There continues to be uncertainty as to how the CFPB’s strategies and priorities will impact our business and our results of operations going forward. See *“Regulation—Risk Factors Relating to Regulation—There continues to be uncertainty as to how the Consumer Financial Protection Bureau’s actions will impact our business; the agency’s actions have had and may continue to have an adverse impact on our business.”*

Privacy, Information Security, and Data Protection

We are subject to various privacy, information security and data protection laws, including requirements concerning security breach notification. For example, in the United States, certain of our businesses are subject to the GLBA and implementing regulations and guidance. Among other things, the GLBA: (i) imposes certain limitations on the ability of financial institutions to share consumers’ nonpublic personal information with nonaffiliated third parties, (ii) requires that financial institutions provide certain disclosures to consumers about their information collection, sharing and security practices and affords customers the right to “opt out” of the institution’s disclosure of their personal financial information to nonaffiliated third parties (with certain exceptions) and (iii) requires financial institutions to develop, implement and maintain a written comprehensive information security program containing safeguards that are appropriate to the financial institution’s size and complexity, the nature and scope of the financial institution’s activities, the sensitivity of customer information processed by the financial institution as well as plans for responding to data security breaches.

Federal and state laws also require us to respond appropriately to data security breaches.

A final rule that the federal banking agencies issued in November 2021 requires banking organizations to notify their primary federal regulator of significant computer security incidents within 36 hours of determining that such an incident has occurred. The compliance date of this rule is May 1, 2022.

In 2018, the State of California enacted the California Consumer Privacy Act (“CCPA”). The CCPA requires covered businesses to comply with requirements that give consumers the right to know what information is being collected from them and whether such information is sold or disclosed to third parties. The statute also allows consumers to access, delete, and prevent the sale of personal information that has been collected by covered businesses in certain circumstances. The CCPA does not apply to personal information collected, processed, sold, or disclosed pursuant to the GLBA or the California Financial Information Privacy Act. We believe we are a covered business under the CCPA. The CCPA became effective on January 1, 2020. While we are continuing to evaluate the potential impact of the CCPA on our business, the CCPA could increase our costs.

We have a program to comply with applicable privacy, information security, and data protection requirements imposed by federal, state, and foreign laws. However, if we experience a significant cybersecurity incident or our regulators deemed our information security controls to be inadequate, we could be subject to supervisory criticism or penalties, and/or suffer reputational harm.

See also *“Regulation—Risk Factors Relating to Regulation—Regulations relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information and adversely affect our business opportunities.”*

Money Laundering and Terrorist Financing Prevention Program

We maintain an enterprise-wide program designed to enable us to comply with all applicable anti-money laundering and anti-terrorism financing laws and regulations, including, but not limited to, the Bank Secrecy Act and the Patriot Act. This program includes policies, procedures, processes and other internal controls designed to identify, monitor, manage and mitigate the risk of money laundering or terrorist financing posed by our products, services, customers and geographic locale. These controls include procedures and processes to detect and report suspicious transactions, perform customer due diligence, respond to requests from law enforcement, identify and verify a legal entity customer's beneficial owner(s) at the time a new account is opened and to understand the nature and purpose of the customer relationship, and meet all recordkeeping and reporting requirements related to particular transactions involving currency or monetary instruments. The program is coordinated by a compliance officer, undergoes an annual independent audit to assess its effectiveness, and requires training of employees.

See "Regulation—Risk Factors Relating to Regulation—Failure to comply with anti-money laundering and anti-terrorism financing laws could have significant adverse consequences for us."

Sanctions Programs

We have a program designed to comply with applicable economic and trade sanctions programs, including those administered and enforced by OFAC. These sanctions are usually targeted against foreign countries, terrorists, international narcotics traffickers and those believed to be involved in the proliferation of weapons of mass destruction. These regulations generally require either the blocking of accounts or other property of specified entities or individuals, but they may also require the rejection of certain transactions involving specified entities or individuals. We maintain policies, procedures and other internal controls designed to comply with these sanctions programs.

Recent Legislative and Regulatory Developments

Under a December 2018 final rule, banking organizations may elect to phase in the regulatory capital effects of the CECL model, the new accounting standard for credit losses, over three years. On March 27, 2020, the CARES Act was signed into law, and included a provision that permits financial institutions to defer temporarily the use of CECL. In a related action, the joint federal bank regulatory agencies issued an interim final rule effective March 31, 2020, that allows banking organizations that implemented CECL in 2020 to elect to mitigate the effects of the CECL accounting standard on their regulatory capital for two years. This two-year delay is in addition to the three-year transition period that the agencies had already made available in December 2018. Synchrony and the Bank have elected to defer the regulatory capital effects of CECL in accordance with the interim final rule, and not to apply the deferral of CECL available under the CARES Act. As a result, the effects of CECL on Synchrony's and the Bank's regulatory capital were delayed through the year 2021, and have begun to be phased-in over a three-year period from January 1, 2022 through December 31, 2024. Under the March 31, 2020 interim final rule, the amount of adjustments to regulatory capital deferred until the phase-in period included both the initial impact of a banking organization's adoption of CECL at January 1, 2020, and 25% of subsequent changes in its allowance for credit losses during each quarter of the two-year period ended December 31, 2021.

The CARES Act also included a provision that permits a financial institution to elect to suspend temporarily troubled debt restructuring accounting under ASC Subtopic 310-40 in certain circumstances ("section 4013"). To be eligible under section 4013 of the CARES Act, as amended by the Consolidated Appropriations Act, 2021, a loan modification must be (1) related to COVID-19; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the National Emergency or (B) January 1, 2022. In response to this section of the CARES Act, the federal banking agencies, in consultation with the Financial Accounting Standards Board, issued a revised interagency statement on April 7, 2020, that confirms that for loans not subject to section 4013, short-term modifications made on a good faith basis in response to COVID-19 are not considered troubled debt restructurings under ASC Subtopic 310-40. Modifications covered under the interagency statement include delays in payment that are insignificant or short-term (e.g., up to six months) modifications such as payment deferrals, fee waivers, and extensions of repayment terms to borrowers that were current prior to any relief. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time a modification program is implemented.

The CARES Act included a range of other provisions designed to support the U.S. economy and mitigate the impact of the COVID-19 pandemic on financial institutions and their customers, including through the authorization of various programs and measures to be implemented by the U.S. Department of the Treasury, the Small Business Administration, and the Federal Reserve Board. Further, in response to the COVID-19 pandemic, the Federal Reserve Board implemented a number of facilities to provide emergency liquidity to various segments of the U.S. economy and financial markets. Additionally, on March 15, 2020, in response to the COVID-19 pandemic, the Federal Reserve Board reduced reserve requirements for insured depository institutions to zero percent.

On January 19, 2021, the Federal Reserve Board issued a final rule to subject covered savings and loan holding companies with average total consolidated assets of \$100 billion or more to formal capital plan submission requirements and to the stress capital buffer in lieu of the 2.5% capital conservation buffer. The stress capital buffer is calculated as the amount of loss of common equity Tier 1 capital incurred by the company in the severely adverse scenario of the most recent supervisory stress test exercise, assuming certain continued payments on capital instruments, and is subject to a floor of 2.5% of risk-weighted assets. If in the future Synchrony has average total consolidated assets of \$100 billion or more based on a four quarter average, it will become subject to formal capital plan submission requirements and the stress capital buffer, and as a result, its capital requirements may increase and its ability to pay dividends, make other capital distributions, or redeem or repurchase its stock may be impacted.

Risk Factors Relating to Regulation

The following discussion of risk factors contains “forward-looking statements,” as discussed in “*Cautionary Note Regarding Forward-Looking Statements*.” These risk factors may be important to understanding any statement in this Annual Report on Form 10-K or elsewhere. The following information should be read in conjunction with “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” (MD&A), the consolidated financial statements and related notes in “*Consolidated Financial Statements and Supplementary Data*” and “*Risk Factors Relating to Our Business*” of this Form 10-K Report.

Regulatory Risks

Our business is subject to government regulation, supervision, examination and enforcement, which could adversely affect our business, results of operations and financial condition.

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 and collection 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 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. We, including the Bank, are regularly reviewed and examined by our respective regulators, which results in supervisory comments and directions relating to many aspects of our business that require response and attention. See “*Regulation*” for more information about the regulations applicable to us.

Banking laws and regulations are primarily intended to protect consumers, federally insured deposits, the DIF and the banking system as a whole, and not intended to protect our stockholders, noteholders or creditors. If we (or our service providers, including our partners) fail to satisfy applicable laws and regulations, our respective regulators have broad discretion to enforce those laws and regulations, including with respect to the operation of our business, required capital levels, payment of dividends and other capital distributions, engaging in certain activities and making acquisitions and investments. Our regulators also have broad discretion with respect to the manner in which they enforce applicable laws and regulations, including through enforcement actions that could subject us to civil money penalties, customer remediation programs, increased compliance costs, and limits or prohibitions on our ability to offer certain products and services or to engage in certain activities. In addition, to the extent we undertake actions requiring regulatory approval or non-objection, our regulators may make their approval or non-objection subject to conditions or restrictions that could have a material adverse effect on our business, results of operations and financial condition. Any other actions taken by our regulators could have a material adverse impact on our business, reputation and brand, results of operations and financial condition. Moreover, some of our competitors are subject to different, and in some cases less restrictive, statutory and/or regulatory regimes, which may have the effect of providing them with a competitive advantage over us.

New laws, regulations, policies, or practical changes in enforcement of existing laws, regulations or policies applicable to our business, or our own reexamination of our current practices, could adversely impact our profitability, limit our ability to continue existing or pursue new business activities, require us to change certain of our business practices or alter our relationships with customers, affect retention of our key personnel, affect how we interact with our partners and/or service providers, or expose us to additional costs (including increased compliance costs and/or customer remediation). These changes may also require us to invest significant management attention and resources to make any necessary changes and could adversely affect our business, results of operations and financial condition. For example, the CFPB has broad authority over our business and there continues to be uncertainty as to how the CFPB's actions will impact our business. See *“—There continues to be uncertainty as to how the Consumer Financial Protection Bureau's actions will impact our business; the agency's actions have had and may continue to have an adverse impact on our business.”*

We are also subject to potential enforcement and other actions that may be brought by state attorneys general or other state enforcement authorities and other governmental agencies. Any such actions could subject us to civil money penalties and fines, customer remediation programs and increased compliance costs, as well as damage our reputation and brand and limit or prohibit our ability to offer certain products and services or engage in certain business practices. For a discussion of risks related to actions or proceedings brought by regulatory agencies, see *“—Risk Factors Relating to Our Business—Litigation, regulatory actions and compliance issues could subject us to significant fines, penalties, judgments, remediation costs and/or requirements resulting in increased expenses.”*

The Dodd-Frank Act and other legislative and regulatory developments have had, and may continue to have, a significant impact on our business, financial condition and results of operations.

The Dodd-Frank Act and regulations promulgated thereunder have had, and may continue to have, a significant adverse impact on our business, results of operations and financial condition. For example, the Dodd-Frank Act and related regulations restrict certain business practices, impose stringent capital, liquidity and leverage ratio requirements, as well as additional costs (including increased compliance costs and increased costs of funding raised through the issuance of asset-backed securities), on us, and impact the value of our assets. In addition, the Dodd-Frank Act requires us to serve as a source of financial strength for any insured depository institution we control, such as the Bank. Such support may be required by the Federal Reserve Board at times when we might otherwise determine not to provide it or when doing so is not otherwise in the interest of Synchrony or its stockholders, noteholders or creditors. We describe certain provisions of the Dodd-Frank Act and other legislative and regulatory developments in *“Regulation—Regulation Relating to Our Business.”*

The EGRRCPA and related regulatory reform initiatives, including the Tailoring Rules, have modified many of the Dodd-Frank Act's requirements that apply to us. While certain aspects of these legislative and regulatory changes reduce regulatory burdens for us, other aspects, including the application of enhanced prudential standards, formal capital plan submission requirements, and the stress capital buffer to large covered savings and loan holding companies, would impose additional requirements and constraints on us if in the future we had average total consolidated assets of \$100 billion or more based on a four quarter average, and additional rulemaking may impose new capital requirements and limitations on our ability to pay dividends or redeem or repurchase our stock.

Further, the ongoing implementation of the Dodd-Frank Act, the recent and possible future changes to the regulatory framework applicable to Synchrony and the Bank, and additional rulemaking make it difficult to assess the overall financial impact of the Dodd-Frank Act and related regulatory developments on us and across the industry.

There is ongoing uncertainty as to how the Consumer Financial Protection Bureau's actions will impact our business; the agency's actions have had and may continue to have an adverse impact on our business.

The CFPB has broad authority over our business. This includes authority to write regulations under federal consumer financial protection laws and to enforce those laws against and examine large financial institutions, such as us, for compliance. The CFPB is authorized to prevent "unfair, deceptive or abusive acts or practices" through its regulatory, supervisory and enforcement authority. The Federal Reserve Board and the OCC and state government agencies may also invoke their supervisory and enforcement authorities to prevent unfair and deceptive acts or practices. These federal and state agencies are authorized to remediate violations of consumer protection laws in a number of ways, including collecting civil money penalties and fines and providing for customer restitution. The CFPB also engages in consumer financial education, requests data and promotes the availability of financial services to underserved consumers and communities. In addition, the CFPB maintains an online complaint system that allows consumers to log complaints with respect to various consumer finance products, including the products we offer. This system could inform future CFPB decisions with respect to its regulatory, enforcement or examination focus.

There is ongoing uncertainty as to how the CFPB's strategies and priorities, including in both its examination and enforcement processes, will impact our business and our results of operations going forward. Actions by the CFPB could result in requirements to alter or cease offering affected products and services, including deferred interest products, making them less attractive to consumers and less profitable to us and also restricting our ability to offer them. In addition, since 2013, the Bank has entered into two consent orders with the CFPB - one in 2013 (the "2013 CFPB Consent Order"), which required us to provide remediation to certain customers and to make a number of changes to our CareCredit training, sales, marketing and servicing practices; and another in 2014 (together with the 2013 CFPB Consent Order, the "Consent Orders") with respect to a debt cancellation product and sales practices and an unrelated issue that arose from the Bank's self-identified omission of certain Spanish-speaking customers and customers residing in Puerto Rico from two offers that were made to certain delinquent customers. The Bank's resolutions with the CFPB do not preclude other regulators or state attorneys general from seeking additional monetary or injunctive relief with respect to these or other issues, and any such relief could have a material adverse effect on our business, results of operations or financial condition.

Although we have committed significant resources to enhancing our compliance programs, changes by the CFPB in regulatory expectations, interpretations or practices or interpretations that are different or stricter than ours or those adopted in the past by the CFPB or other regulators could increase the risk of additional enforcement actions, fines and penalties. Most recently, the CFPB has identified certain areas of concern for consumers, including, for example, the increasing sophistication of underwriting, fair lending concerns (including in marketing), debt collection, and excessive and/or unexpected fees. Actions by the CFPB with respect to these or other areas could result in requirements to alter our products and services that may make them less attractive to consumers or less profitable to us.

Future actions by the CFPB (or other regulators) against us or our competitors that discourage the use of products we offer or suggest to consumers the desirability of other products or services could result in reputational harm and a loss of customers. If the CFPB changes regulations which it adopted in the past or which were adopted in the past by other regulators and transferred to the CFPB by the Dodd-Frank Act, or modifies, through supervision or enforcement, past related regulatory guidance or interprets existing regulations in a different or stricter manner than they have been interpreted in the past by us, the industry or other regulators, our compliance costs and litigation exposure could increase materially. If future regulatory or legislative restrictions or prohibitions are imposed that affect our ability to offer promotional financing, including deferred interest, for certain of our products or require us to make significant changes to our business practices, and we are unable to develop compliant alternatives with acceptable returns, these restrictions or prohibitions could have a material adverse impact on our business, results of operations and financial condition.

The Dodd-Frank Act authorizes state officials to enforce regulations issued by the CFPB and to enforce the Act's general prohibition against unfair, deceptive or abusive acts or practices. This could make it more difficult than in the past for federal financial regulators to declare state laws that differ from federal standards to be preempted. To the extent that states enact requirements that differ from federal standards or state officials and courts adopt interpretations of federal consumer laws that differ from those adopted by the CFPB, we may be required to alter or cease offering products or services in some jurisdictions, which would increase compliance costs and reduce our ability to offer the same products and services to consumers nationwide, and we may be subject to a higher risk of state enforcement actions.

Failure by Synchrony and the Bank to meet applicable capital adequacy and liquidity requirements could have a material adverse effect on us.

Synchrony and the Bank must meet rules for capital adequacy as discussed in "*Regulation—Regulation Relating to Our Business.*" As a stand-alone savings and loan holding company, Synchrony is subject to capital requirements similar to those that apply to the Bank.

Synchrony and the Bank may be subject to increasingly stringent capital adequacy standards in the future. For instance, if in the future Synchrony has \$100 billion or more in average total consolidated assets based on a four quarter average, Synchrony will become subject to biennial supervisory stress tests, a formal capital plan submission requirement, and the stress capital buffer. See "*Regulation—Regulation Relating to Our Business— Savings and Loan Holding Company Regulation—Capital*" and "*Regulation—Regulation Relating to Our Business— Savings and Loan Holding Company Regulation—Dividends and Stock Repurchases.*" While Synchrony had less than \$100 billion in average total consolidated assets as of December 31, 2021 and less than \$100 billion in total consolidated assets in each of the four quarters ending as of December 31, 2021, its average total consolidated assets have exceeded \$100 billion in the past and may exceed such threshold again in future periods. If Synchrony becomes subject to supervisory stress tests, a formal capital plan submission requirement, and/or the stress capital buffer, Synchrony could be subject to additional restrictions on its ability to return capital to shareholders.

Additionally, ASU 2016-13, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments, which implements an impairment model, CECL, based on expected credit losses, requires us to recognize all expected credit losses over the life of a loan based on historical experience, current conditions, and reasonable and supportable forecasts. See Note 2. *Basis of Presentation and Summary of Significant Accounting Policies — New Accounting Standards*, to our consolidated financial statements for additional information related to this accounting standard for credit losses and its impact to the Company's allowance for credit losses.

If Synchrony or the Bank fails to meet current or future minimum capital, leverage or other financial requirements, its operations, results of operations and financial condition could be materially adversely affected. Among other things, failure by Synchrony or the Bank to maintain its status as "well capitalized" (or otherwise meet current or future minimum capital, leverage or other financial requirements) could compromise our competitive position and result in restrictions imposed by the Federal Reserve Board or the OCC, including, potentially, on the Bank's ability to engage in certain activities. These could include restrictions on the Bank's ability to enter into transactions with affiliates, accept brokered deposits, grow its assets, engage in material transactions, extend credit in certain highly leveraged transactions, amend or change its charter, bylaws or accounting methods, pay interest on its liabilities without regard to regulatory caps on the rates that may be paid on deposits, and pay dividends or repurchase stock. In addition, failure to maintain the well capitalized status of the Bank could result in our having to invest additional capital in the Bank, which could in turn require us to raise additional capital. The market and demand for, and cost of, our asset-backed securities also could be adversely affected by failure to meet current or future capital requirements.

Synchrony must also continue to comply with regulatory requirements related to the maintenance, management, monitoring and reporting of liquidity as discussed in "*Regulation—Regulation Relating to Our Business.*" Under the Tailoring Rules, enhanced prudential standards with respect to liquidity management apply to covered savings and loan holding companies with \$100 billion or more in average total consolidated assets, based on a four quarter average. See "*Regulation—Regulation Relating to Our Business—Legislative and Regulatory Developments.*" If such requirements apply to us in the future, our results and operations and financial condition could be materially adversely affected.

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.

We are limited in our ability to pay dividends and repurchase our common stock by the Federal Reserve Board, which has broad authority to review our capital planning and risk management processes, and our current, projected and stressed capital levels, and to object to any capital action that the Federal Reserve Board considers to be unsafe or unsound. In addition, the declaration and amount of any future dividends to holders of our common stock or stock repurchases will be at the discretion of the Board of Directors and will depend on many factors, including our financial condition, earnings, capital and liquidity position, including the Bank, applicable regulatory requirements, corporate law and contractual restrictions and other factors that the Board of Directors deems relevant. Any inability to pay dividends or repurchase our common stock could adversely affect the market price of our common stock and market perceptions of Synchrony Financial. See *“Regulation—Regulation Relating to Our Business—Savings and Loan Holding Company Regulation-Dividends and Stock Repurchases.”*

We rely significantly on dividends and other distributions and payments from the Bank for liquidity, including to pay our obligations under our indebtedness and other indebtedness as they become due, and federal law limits the amount of dividends and other distributions and payments that the Bank may pay to us. For example, OCC regulations limit the ability of savings associations to make distributions of capital, including payment of dividends, stock redemptions and repurchases, cash-out mergers and other transactions charged to the capital account. The Bank must obtain the OCC’s approval prior to making a capital distribution in certain circumstances, including if the Bank proposes to make a capital distribution when it does not meet certain capital requirements (or will not do so as a result of the proposed capital distribution) or certain net income requirements. In addition, the Bank must file a prior written notice of a planned or declared dividend or other distribution with the Federal Reserve Board. The Federal Reserve Board or the OCC may object to a capital distribution if, among other things, the Bank is, or as a result of such dividend or distribution would be, undercapitalized or the Federal Reserve Board or OCC has safety and soundness concerns. Additional restrictions on bank dividends may apply if the Bank fails the QTL test. The application of these restrictions on the Bank’s ability to pay dividends involves broad discretion on the part of our regulators. Limitations on the Bank’s payments of dividends and other distributions and payments that we receive from the Bank could reduce our liquidity and limit our ability to pay dividends or our obligations under our indebtedness. See *“Regulation—Regulation Relating to Our Business—Savings Association Regulation—Dividends and Stock Repurchases”* and *“—Activities.”*

Regulations relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information and adversely affect our business opportunities.

We are subject to various privacy, information security and data protection laws, including requirements concerning security breach notification, and we could be negatively impacted by them. For example, in the United States, certain of our businesses are subject to the GLBA and implementing regulations and guidance. Among other things, the GLBA: (i) imposes certain limitations on the ability of financial institutions to share consumers’ nonpublic personal information with nonaffiliated third parties, (ii) requires that financial institutions provide certain disclosures to consumers about their information collection, sharing and security practices and affords customers the right to “opt out” of the institution’s disclosure of their personal financial information to nonaffiliated third parties (with certain exceptions) and (iii) requires financial institutions to develop, implement and maintain a written comprehensive information security program containing safeguards that are appropriate to the financial institution’s size and complexity, the nature and scope of the financial institution’s activities, and the sensitivity of customer information processed by the financial institution as well as plans for responding to data security breaches.

Moreover, various United States federal banking regulatory agencies, states and foreign jurisdictions have enacted data security breach notification requirements with varying levels of individual, consumer, regulatory and/or law enforcement notification in certain circumstances in the event of a security breach. Many of these requirements also apply broadly to our partners that accept our cards. In many countries that have yet to impose data security breach notification requirements, regulators have increasingly used the threat of significant sanctions and penalties by data protection authorities to encourage voluntary notification and discourage data security breaches.

Furthermore, legislators and/or regulators in the United States and other countries in which we operate are increasingly adopting or revising privacy, information security and data protection laws that potentially could have a significant impact on our current and planned privacy, data protection and information security-related practices; our collection, use, sharing, retention and safeguarding of consumer and/or employee information; and some of our current or planned business activities. This could also increase our costs of compliance and business operations and could reduce income from certain business initiatives. In the United States, this includes increased privacy-related enforcement activity at the federal level, by the Federal Trade Commission, as well as at the state level, such as with regard to mobile applications, and state legislation such as the CCPA, which could increase our costs. In the European Union, this includes the General Data Protection Regulation. See "*Regulation—Regulation Relating to Our Business—Privacy.*"

Compliance with current or future privacy, data protection and information security laws (including those regarding security breach notification and consumer privacy) affecting customer and/or employee data to which we are subject could result in higher compliance and technology costs and could restrict our ability to provide certain products and services (such as products or services that involve us sharing information with third parties or storing sensitive credit card information), which could materially and adversely affect our profitability. Our failure to comply with privacy, data protection and information security laws could result in potentially significant regulatory investigations and government actions, litigation, fines or sanctions, consumer or partner actions and damage to our reputation and our brand, all of which could have a material adverse effect on our business and results of operations.

Our use of third-party vendors and our other ongoing third-party business relationships are subject to increasing regulatory requirements and attention.

We regularly use third-party vendors and subcontractors as part of our business. We also have substantial ongoing business relationships with our partners and other third parties. These types of third-party relationships are subject to increasingly demanding regulatory requirements and attention by our federal bank regulators (the Federal Reserve Board, the OCC and the FDIC) and our consumer financial services regulator (the CFPB). Regulatory guidance requires us to enhance our due diligence, ongoing monitoring and control over our third-party vendors and subcontractors and other ongoing third-party business relationships, including with our partners. In certain cases, we may be required to renegotiate our agreements with these vendors and/or their subcontractors to meet these enhanced requirements, which could increase our costs. These regulatory expectations may change, and potentially become more rigorous in certain ways, due to an interagency effort to replace existing guidance on the risk management of third-party relationships with new guidance. We expect that our regulators will hold us responsible for deficiencies in our oversight and control of our third-party relationships and in the performance of the parties with which we have these relationships. As a result, if our regulators conclude that we have not exercised adequate oversight and control over our third-party vendors and subcontractors or other ongoing third-party business relationships, or that such third parties have not performed appropriately, we could be subject to enforcement actions, including the imposition of civil money penalties or other administrative or judicial penalties or fines as well as requirements for customer remediation.

Failure to comply with anti-money laundering and anti-terrorism financing laws could have significant adverse consequences for us.

We maintain an enterprise-wide program designed to enable us to comply with all applicable anti-money laundering and anti-terrorism financing laws and regulations, including, but not limited to, the Bank Secrecy Act and the Patriot Act. This program includes policies, procedures, processes and other internal controls designed to identify, monitor, manage and mitigate the risk of money laundering or terrorist financing posed by our products, services, customers and geographic locale. These controls include procedures and processes to detect and report suspicious transactions, perform customer due diligence, respond to requests from law enforcement, identify and verify a legal entity customer's beneficial owner(s) at the time a new account is opened and to understand the nature and purpose of the customer relationship, and meet all recordkeeping and reporting requirements related to particular transactions involving currency or monetary instruments. We cannot be sure our programs and controls will be effective to ensure our compliance with all applicable anti-money laundering and anti-terrorism financing laws and regulations, and our failure to comply could subject us to significant sanctions, fines, penalties and reputational harm, all of which could have a material adverse effect on our business, results of operations and financial condition.

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Synchrony Financial:

Opinion on Internal Control Over Financial Reporting

We have audited Synchrony Financial and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Consolidated Statements of Financial Position of the Company as of December 31, 2021 and 2020, the related Consolidated Statements of Earnings, Comprehensive Income, Changes in Equity, and Cash Flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements), and our report dated February 10, 2022 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report on Management's Assessment of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

New York, New York
February 10, 2022

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Synchrony Financial:

Opinion on the Consolidated Financial Statements

We have audited the accompanying Consolidated Statements of Financial Position of Synchrony Financial and subsidiaries (the Company) as of December 31, 2021 and 2020, the related Consolidated Statements of Earnings, Comprehensive Income, Changes in Equity, and Cash Flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 10, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for the recognition and measurement of credit losses as of January 1, 2020 due to the adoption of ASC Topic 326, *Financial Instruments – Credit Losses*.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses on Loan Receivables excluding Troubled Debt Restructurings

As discussed in Notes 2 and 4 to the consolidated financial statements, the Company's total allowance for credit losses as of December 31, 2021 was \$8,688 million, of which \$8,206 million related to the ACL for loan receivables excluding troubled debt restructurings (the December 31, 2021 non-TDR ACL). The Company estimated and recognized losses on loan receivables upon origination of the loan, based on expected credit losses for the life of the loan balance as of the period end date. Expected credit loss estimates for the December 31, 2021 non-TDR ACL involved modeling of loss projections attributable to existing loan balances, considering

historical experience, current conditions, and future expectations for pools of loans with similar risk characteristics over the reasonable and supportable forecast period. The model utilized a macroeconomic forecast, with unemployment claims as the primary macroeconomic variable. The Company used an enhanced migration analysis to estimate the likelihood that a loan will progress through the various stages of delinquency. After the reasonable and supportable forecast period, the Company reverted to historical loss information at the loan receivables segment level. The historical loss information was derived from a combination of recessionary and non-recessionary performance periods. In determining expected credit losses over the life of the loan balance, the Company utilized an approach which implicitly considered total expected future payments and applied appropriate allocations to reduce those payments in order to estimate losses pertaining to measurement date loan receivables. The Company also performed a qualitative assessment in addition to model estimates and applied qualitative adjustments as necessary.

We identified the assessment of the December 31, 2021 non-TDR ACL as a critical audit matter. A high degree of auditor effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved in the assessment of the December 31, 2021 non-TDR ACL due to significant measurement uncertainty. Specifically, the assessment encompassed the evaluation of the December 31, 2021 non-TDR ACL methodologies, including the methods and models used to estimate expected credit losses. The assessment also included an evaluation of the significant assumptions to the December 31, 2021 non-TDR ACL, which included: (1) the segmentation of the loan receivables population with similar risk characteristics, (2) the length of the historical experience, (3) the length of the reasonable and supportable forecast period, (4) the estimated life of the loan, (5) the reversion to historical loss information, and (6) the macroeconomic forecast. The assessment also included an evaluation of the conceptual soundness of the models. In addition, auditor judgment was required to evaluate the sufficiency of the audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's measurement of the December 31, 2021 non-TDR ACL, including controls over the:

- development of the December 31, 2021 non-TDR ACL methodologies
- development of the models
- identification and determination of the significant assumptions
- analysis of the December 31, 2021 non-TDR ACL results, trends, and ratios.

We evaluated the Company's process to develop the December 31, 2021 non-TDR ACL by testing certain sources of data, factors, and assumptions that the Company used, and considered the relevance and reliability of such data, factors, and assumptions. In addition, we involved credit risk professionals with specialized industry knowledge and experience, who assisted in:

- evaluating the Company's December 31, 2021 non-TDR ACL methodologies for compliance with U.S. generally accepted accounting principles
- assessing the conceptual soundness of the models used by inspecting model documentation to determine whether the models are suitable for intended use
- determining whether the loan portfolio is segmented by similar risk characteristics by comparing to the Company's business environment and evaluating statistical testing performed
- evaluating the length of the historical experience period by comparing to portfolio performance and evaluating the back-testing and sensitivity testing performed
- evaluating the length of the reasonable and supportable period by comparing to model performance, including backtesting results, the quantitative methodology, and industry practice
- determining whether the estimated life of the loan is appropriate based on empirical analysis performed and industry practice
- evaluating whether the length of the reversion period is appropriate based on empirical analysis
- evaluating whether the reversion method uses a systematic and rational approach

- assessing the historical loss information that is being reverted to by verifying whether the historical loss information captures a through the cycle estimate and evaluating the consistency of the empirical analysis performed based on industry data and established methodology
- assessing the macroeconomic forecast by evaluating the Company's process for evaluating future expectations of macroeconomic conditions, comparing to portfolio performance, and benchmarking of forecasts.

We also assessed the sufficiency of the audit evidence obtained related to the December 31, 2021 non-TDR ACL by evaluating the cumulative results of the audit procedures and potential bias in the accounting estimates.

/s/ KPMG LLP

We have served as the Company's auditor since 2013.

New York, New York
February 10, 2022

Synchrony Financial and subsidiaries Consolidated Statements of Earnings

For the years ended December 31
(\$ in millions, except per share data)

	2021	2020	2019
Interest income:			
Interest and fees on loans (Note 4)	\$ 15,228	\$ 15,950	\$ 18,705
Interest on cash and debt securities	43	117	385
Total interest income	<u>15,271</u>	<u>16,067</u>	<u>19,090</u>
Interest expense:			
Interest on deposits	566	1,094	1,566
Interest on borrowings of consolidated securitization entities	169	237	358
Interest on senior unsecured notes	297	334	367
Total interest expense	<u>1,032</u>	<u>1,665</u>	<u>2,291</u>
Net interest income	14,239	14,402	16,799
Retailer share arrangements	(4,528)	(3,645)	(3,858)
Provision for credit losses (Note 4)	726	5,310	4,180
Net interest income, after retailer share arrangements and provision for credit losses	<u>8,985</u>	<u>5,447</u>	<u>8,761</u>
Other income:			
Interchange revenue	880	652	748
Debt cancellation fees	284	278	265
Loyalty programs	(992)	(649)	(743)
Other	309	124	101
Total other income	<u>481</u>	<u>405</u>	<u>371</u>
Other expense:			
Employee costs	1,501	1,380	1,455
Professional fees	782	759	867
Marketing and business development	486	448	549
Information processing	550	492	485
Other	644	976	889
Total other expense	<u>3,963</u>	<u>4,055</u>	<u>4,245</u>
Earnings before provision for income taxes	5,503	1,797	4,887
Provision for income taxes (Note 14)	1,282	412	1,140
Net earnings	<u>\$ 4,221</u>	<u>\$ 1,385</u>	<u>\$ 3,747</u>
Net earnings available to common stockholders	<u>\$ 4,179</u>	<u>\$ 1,343</u>	<u>\$ 3,747</u>
Earnings per share			
Basic	\$ 7.40	\$ 2.28	\$ 5.59
Diluted	\$ 7.34	\$ 2.27	\$ 5.56

See accompanying notes to consolidated financial statements.

Synchrony Financial and subsidiaries Consolidated Statements of Comprehensive Income

For the years ended December 31 (\$ in millions)

	2021	2020	2019
Net earnings	\$ 4,221	\$ 1,385	\$ 3,747
Other comprehensive income (loss)			
Debt securities	(21)	26	36
Currency translation adjustments	(4)	2	4
Employee benefit plans	7	(21)	(23)
Other comprehensive income (loss)	(18)	7	17
Comprehensive income	<u>\$ 4,203</u>	<u>\$ 1,392</u>	<u>\$ 3,764</u>

Amounts presented net of taxes.

See accompanying notes to consolidated financial statements.

Synchrony Financial and subsidiaries Consolidated Statements of Financial Position

At December 31 (\$ in millions)

	2021	2020
Assets		
Cash and equivalents	\$ 8,337	\$ 11,524
Debt securities (Note 3)	5,283	7,469
Loan receivables: (Notes 4 and 5)		
Unsecuritized loans held for investment	60,211	56,472
Restricted loans of consolidated securitization entities	20,529	25,395
Total loan receivables	80,740	81,867
Less: Allowance for credit losses	(8,688)	(10,265)
Loan receivables, net	72,052	71,602
Loan receivables held for sale (Note 4)	4,361	5
Goodwill (Note 6)	1,105	1,078
Intangible assets, net (Note 6)	1,168	1,125
Other assets	3,442	3,145
Total assets	<u>\$ 95,748</u>	<u>\$ 95,948</u>
Liabilities and Equity		
Deposits: (Note 7)		
Interest-bearing deposit accounts	\$ 61,911	\$ 62,469
Non-interest-bearing deposit accounts	359	313
Total deposits	62,270	62,782
Borrowings: (Notes 5 and 8)		
Borrowings of consolidated securitization entities	7,288	7,810
Senior unsecured notes	7,219	7,965
Total borrowings	14,507	15,775
Accrued expenses and other liabilities	5,316	4,690
Total liabilities	<u>\$ 82,093</u>	<u>\$ 83,247</u>
Equity:		
Preferred stock, par share value \$0.001 per share; 750,000 shares authorized; 750,000 shares issued and outstanding at both December 31, 2021 and 2020 and aggregate liquidation preference of \$750 at both December 31, 2021 and 2020	\$ 734	\$ 734
Common stock, par share value \$0.001 per share; 4,000,000,000 shares authorized; 833,984,684 shares issued at both December 31, 2021 and 2020; 526,830,205 and 584,009,550 shares outstanding at December 31, 2021 and 2020, respectively	1	1
Additional paid-in capital	9,669	9,570
Retained earnings	14,245	10,621
Accumulated other comprehensive income (loss):		
Debt securities	4	25
Currency translation adjustments	(26)	(22)
Employee benefit plans	(47)	(54)
Treasury stock, at cost; 307,154,479 and 249,975,134 shares at December 31, 2021 and 2020, respectively	(10,925)	(8,174)
Total equity	13,655	12,701
Total liabilities and equity	<u>\$ 95,748</u>	<u>\$ 95,948</u>

See accompanying notes to consolidated financial statements.

Synchrony Financial and subsidiaries
Consolidated Statements of Changes in Equity

(\$ in millions, shares in thousands)	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
	Shares Issued	Amount	Shares Issued	Amount					
Balance at January 1, 2019	—	\$ —	833,985	\$ 1	\$ 9,482	\$ 8,986	\$ (62)	\$ (3,729)	\$ 14,678
Net earnings	—	—	—	—	—	3,747	—	—	3,747
Other comprehensive income	—	—	—	—	—	—	17	—	17
Issuance of preferred stock	750	734	—	—	—	—	—	—	734
Purchases of treasury stock	—	—	—	—	—	—	—	(3,618)	(3,618)
Stock-based compensation	—	—	—	—	55	(48)	—	104	111
Dividends - common stock (\$0.86 per share)	—	—	—	—	—	(581)	—	—	(581)
Other	—	—	—	—	—	13	(13)	—	—
Balance at December 31, 2019	750	\$ 734	833,985	\$ 1	\$ 9,537	\$ 12,117	\$ (58)	\$ (7,243)	\$ 15,088
Cumulative effect of change in accounting principle	—	—	—	—	—	(2,276)	—	—	(2,276)
Adjusted balance, beginning of period	750	734	833,985	1	9,537	9,841	(58)	(7,243)	12,812
Net earnings	—	—	—	—	—	1,385	—	—	1,385
Other comprehensive income	—	—	—	—	—	—	7	—	7
Purchases of treasury stock	—	—	—	—	—	—	—	(985)	(985)
Stock-based compensation	—	—	—	—	33	(43)	—	54	44
Dividends - preferred stock (\$56.40 per share)	—	—	—	—	—	(42)	—	—	(42)
Dividends - common stock (\$0.88 per share)	—	—	—	—	—	(520)	—	—	(520)
Other	—	—	—	—	—	—	—	—	—
Balance at December 31, 2020	750	\$ 734	833,985	\$ 1	\$ 9,570	\$ 10,621	\$ (51)	\$ (8,174)	\$ 12,701
Net earnings	—	—	—	—	—	4,221	—	—	4,221
Other comprehensive income	—	—	—	—	—	—	(18)	—	(18)
Purchases of treasury stock	—	—	—	—	—	—	—	(2,876)	(2,876)
Stock-based compensation	—	—	—	—	99	(55)	—	125	169
Dividends - preferred stock (\$56.24 per share)	—	—	—	—	—	(42)	—	—	(42)
Dividends - common stock (\$0.88 per share)	—	—	—	—	—	(500)	—	—	(500)
Other	—	—	—	—	—	—	—	—	—
Balance at December 31, 2021	750	\$ 734	833,985	\$ 1	\$ 9,669	\$ 14,245	\$ (69)	\$ (10,925)	\$ 13,655

See accompanying notes to consolidated financial statements.

Synchrony Financial and subsidiaries Consolidated Statements of Cash Flows

<i>For the years ended December 31 (\$ in millions)</i>	2021	2020	2019
Cash flows - operating activities			
Net earnings	\$ 4,221	\$ 1,385	\$ 3,747
Adjustments to reconcile net earnings to cash provided from operating activities			
Provision for credit losses	726	5,310	4,180
Deferred income taxes	219	(602)	23
Depreciation and amortization	390	383	367
(Increase) decrease in interest and fees receivable	424	339	(391)
(Increase) decrease in other assets	37	19	93
Increase (decrease) in accrued expenses and other liabilities	560	(67)	363
All other operating activities	522	720	608
Cash provided from (used for) operating activities	7,099	7,487	8,990
Cash flows - investing activities			
Maturity and sales of debt securities	5,080	8,383	8,085
Purchases of debt securities	(2,990)	(9,913)	(7,856)
Proceeds from sale of loan receivables	23	709	8,203
Net (increase) decrease in loan receivables, including held for sale	(6,378)	713	(8,033)
All other investing activities	(549)	(390)	(660)
Cash provided from (used for) investing activities	(4,814)	(498)	(261)
Cash flows - financing activities			
Borrowings of consolidated securitization entities			
Proceeds from issuance of securitized debt	2,361	675	3,345
Maturities and repayment of securitized debt	(2,886)	(3,283)	(7,377)
Senior unsecured notes			
Proceeds from issuance of senior unsecured notes	744	—	1,985
Maturities and repayment of senior unsecured notes	(1,500)	(1,500)	(2,100)
Dividends paid on preferred stock	(42)	(42)	—
Proceeds from issuance of preferred stock	—	—	734
Net increase (decrease) in deposits	(534)	(2,369)	1,117
Purchases of treasury stock	(2,876)	(985)	(3,618)
Dividends paid on common stock	(500)	(520)	(581)
All other financing activities	29	(7)	37
Cash provided from (used for) financing activities	(5,204)	(8,031)	(6,458)
Increase (decrease) in cash and equivalents, including restricted amounts	(2,919)	(1,042)	2,271
Cash and equivalents, including restricted amounts, at beginning of year	11,605	12,647	10,376
Cash and equivalents at end of year:			
Cash and equivalents	8,337	11,524	12,147
Restricted cash and equivalents included in other assets	349	81	500
Total cash and equivalents, including restricted amounts, at end of year	\$ 8,686	\$ 11,605	\$ 12,647
Supplemental disclosure of cash flow information			
Cash paid during the year for interest	\$ (1,034)	\$ (1,691)	\$ (2,272)
Cash paid during the year for income taxes	\$ (1,112)	\$ (847)	\$ (1,017)

See accompanying notes to consolidated financial statements.

Synchrony Financial and subsidiaries

Notes to Consolidated Financial Statements

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, co-brand and general purpose credit cards, as well as short- and long-term installment loans, and savings products insured by the Federal Deposit Insurance Corporation ("FDIC") 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 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 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 business within the United States and Canada and 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*.

Segment Reporting

We conduct our operations through a single business segment. Substantially all of our interest and fees on loans and long-lived assets relate to our operations within the United States. Pursuant to FASB Accounting Standards Codification ("ASC") 280, *Segment Reporting*, operating segments represent components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker in determining how to allocate resources and in assessing performance. The chief operating decision maker uses a variety of measures to assess the performance of the business as a whole, depending on the nature of the activity. Revenue activities are primarily managed through five sales platforms (Home & Auto, Digital, Diversified & Value, Health & Wellness and Lifestyle). Those platforms are organized by the types of partners we work with to reach our customers, with success principally measured based on interest and fees on loans, loan receivables, active accounts and other sales metrics. Detailed profitability information of the nature that could be used to allocate resources and assess the performance and operations for each sales platform individually, however, is not used by our chief operating decision maker. Expense activities, including funding costs, credit losses and operating expenses, are not measured for each platform but instead are managed for the Company as a whole.

Cash and Equivalents

Debt securities, money market instruments and bank deposits with original maturities of three months or less are included in cash and equivalents unless designated as available-for-sale and classified as debt securities. Cash and equivalents at December 31, 2021 primarily included cash and due from banks of \$1.5 billion and interest-bearing deposits in other banks of \$6.8 billion. Cash and equivalents at December 31, 2020 primarily included cash and due from banks of \$1.4 billion and interest-bearing deposits in other banks of \$10.1 billion.

Restricted Cash and Equivalents

Restricted cash and equivalents represent cash and equivalents that are not available to us due to restrictions related to its use. In addition, our securitization entities are required to fund segregated accounts that may only be used for certain purposes, including payment of interest and servicing fees and repayment of maturing debt. We include our restricted cash and equivalents in other assets in our Consolidated Statements of Financial Position.

Investment Securities

We report investments in debt securities and equity securities with a readily determinable fair value at fair value. See Note 9. *Fair Value Measurements* for further information on fair value. Changes in fair value on debt securities, which are classified as available-for-sale, are included in equity, net of applicable taxes. Changes in fair value on equity securities are included in earnings. We regularly review investment securities for impairment using both quantitative and qualitative criteria.

For debt securities, if we do not intend to sell the security, or it is not more likely than not, that we will be required to sell the security before recovery of our amortized cost, we evaluate other qualitative criteria to determine whether we do not expect to recover the amortized cost basis of the security, such as the financial health of, and specific prospects for the issuer, including whether the issuer is in compliance with the terms and covenants of the security. We also evaluate quantitative criteria including determining whether there has been an adverse change in expected future cash flows. If we do not expect to recover the entire amortized cost basis of the security, we consider the debt security to be impaired. If the security is impaired, we determine whether the impairment is the result of a credit loss or other factors. If a credit loss exists, an allowance for credit losses is recorded, with a related charge to earnings, limited by the amount that the fair value of the security is less than its amortized cost. Given the nature of our current portfolio, we perform a qualitative assessment to determine whether any credit loss is warranted. The assessment considers factors such as adverse conditions and payment structure of the securities, history of payment, and market conditions. If we intend to sell the security or it is more likely than not we will be required to sell the debt security before recovery of its amortized cost basis, the security is also considered impaired and we recognize the entire difference between the security's amortized cost basis and its fair value in earnings.

Realized gains and losses are accounted for on the specific identification method.

Loan Receivables

Loan receivables primarily consist of open-end consumer revolving credit card accounts, closed-end consumer installment loans and open-end commercial revolving credit card accounts. Loan receivables are reported at the amounts due from customers, including unpaid interest and fees, deferred income and costs.

Loan Receivables Held for Sale

Loans purchased or originated with the intent to sell are classified as loan receivables held for sale and carried at the lower of amortized cost or fair value. Loans initially classified as held for investment are transferred to loan receivables held for sale and carried at the lower of amortized cost or fair value once a decision has been made to sell the loans. We continue to recognize interest and fees on these loans on the accrual basis. The fair value of loan receivables held for sale is determined on an aggregate homogeneous portfolio basis.

If a loan is transferred from held for investment to held for sale, any associated allowance for credit loss is reversed through earnings, and the loan is transferred to held for sale at amortized cost. The amount by which amortized cost basis exceeds fair value is accounted for as a valuation allowance. The loan is carried at the lower of amortized cost or fair value.

Acquired Loans

To determine the fair value of loans at acquisition, we estimate expected cash flows and discount those cash flows using an observable market rate of interest, when available, adjusted for factors that a market participant would consider in determining fair value. In determining fair value, expected cash flows are adjusted to include prepayment, default rate, and loss severity estimates. The difference between the fair value and the amount contractually due is recorded as a loan discount or premium at acquisition.

Loans acquired that have experienced more-than-insignificant deterioration in credit quality since origination (referred to as "purchased credit deteriorated" or "PCD" assets) are subject to specific guidance upon acquisition. An allowance for PCD assets is added to the purchase price or fair value of the acquired loans to arrive at the amortized cost basis. Subsequent to initial recognition, the accounting for the PCD asset will generally follow the credit loss model described below.

Loans acquired without a more-than-insignificant credit deterioration since origination are measured under the Allowance for Credit Losses described below.

Allowance for Credit Losses

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326). This ASU replaced 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 adopted this guidance on a modified retrospective basis as of January 1, 2020, which resulted in the recognition of the effects of adoption through a cumulative-effect adjustment to retained earnings. As a result of adoption, we incurred an increase of \$3.0 billion, to the Company's allowance for loan losses. This guidance also applies to other financial assets, such as our debt securities, however the adoption did not have an impact on these financial statement line items. The total impact of adoption resulted in a reduction to retained earnings in our Consolidated Statement of Financial Position of \$2.3 billion, reflecting the above changes and the recognition of related additional deferred tax assets. Subsequent updates to our estimate of expected credit losses have been recorded through the provision for credit losses in our Consolidated Statement of Earnings.

Losses on loan receivables are estimated and recognized upon origination of the loan, based on expected credit losses for the life of the loan balance as of the period end date. Expected credit loss estimates involve modeling loss projections attributable to existing loan balances, considering historical experience, current conditions and future expectations for pools of loans with similar risk characteristics over the reasonable and supportable forecast period. The model utilizes a macroeconomic forecast, with unemployment claims as the primary macroeconomic variable. We also perform a qualitative assessment in addition to model estimates and apply qualitative adjustments as necessary. The reasonable and supportable forecast period is determined primarily based upon an assessment of the current economic outlook, including the effects of COVID-19 and our ability to use available data to accurately forecast losses over time. The reasonable and supportable forecast period used in our estimate of credit losses at December 31, 2021 was 12 months, consistent with the forecast period utilized since adoption of CECL. The Company reassesses the reasonable and supportable forecast period on a quarterly basis. Beyond the reasonable and supportable forecast period, we revert to historical loss information at the loan receivables segment level over a 6-month period, gradually increasing the weight of historical losses by an equal amount each month during the reversion period, and utilize historical loss information thereafter for the remaining life of the portfolio. The historical loss information is derived from a combination of recessionary and non-recessionary performance periods, weighted by the time span of each period. Similar to the reasonable and supportable forecast period, we also reassess the reversion period and historical mean on a quarterly basis, considering any required adjustments for differences in underwriting standards, portfolio mix, and other relevant data shifts over time.

We generally segment our loan receivable population into pools of loans with similar risk characteristics at the major retailer and product level. Consistent with our other assumptions, we regularly review segmentation to determine whether the segmentation pools remain relevant as risk characteristics change.

Our loan receivables generally do not have a stated life. The life of a credit card loan receivable is dependent upon the allocation of payments received, as well as a variety of other factors, including the principal balance, promotional terms, interest charges and fees and overall consumer credit profile and usage pattern. We determine the expected credit losses for credit card loan receivables as of the measurement date by using a combination of migration analysis, and other historical analyses, which implicitly consider the payments attributable to the measurement date balance. To do so, we utilize an approach which implicitly considers total expected future payments and applies appropriate allocations to reduce those payments in order to estimate losses pertaining to measurement date loan receivables. Based on our payments analyses, we also ensure payments from an account do not exceed the measurement date balance.

We evaluate each portfolio quarterly. For credit card receivables, our estimation process includes analysis of historical data, and there is a significant amount of judgment applied in selecting inputs and analyzing the results produced by the models to determine the allowance for credit losses. We use an enhanced migration analysis to estimate the likelihood that a loan will progress through the various stages of delinquency. The enhanced migration analysis considers uncollectible principal, interest and fees reflected in the loan receivables, segmented by credit and business parameters. We use other analyses to estimate expected losses on non-delinquent accounts, which include past performance, bankruptcy activity such as filings, policy changes and loan volumes and amounts. Holistically, for assessing the portfolio credit loss content, we also evaluate portfolio risk management techniques applied to various accounts, historical behavior of different account vintages, account seasoning, economic conditions, recent trends in delinquencies, account collection management, forecasting uncertainties, expectations about the future and a qualitative assessment of the adequacy of the allowance for credit losses. Key factors that impact the accuracy of our historical loss forecast estimates include the models and methodology utilized, credit strategy and trends, and consideration of material changes in our loan portfolio such as changes in growth and portfolio mix. We regularly review our collection experience (including delinquencies and net charge-offs) in determining our allowance for credit losses. We also consider our historical loss experience to date based on actual defaulted loans and overall portfolio indicators including delinquent and non-accrual loans, trends in loan volume and lending terms, credit policies and other observable environmental factors such as unemployment and home price indices. Additionally, the estimate of expected credit losses includes expected recoveries of amounts previously charged off and expected to be charged off.

The underlying assumptions, estimates and assessments we use to provide for losses are updated periodically to reflect our view of current and forecasted conditions and are subject to the regulatory examination process, which can result in changes to our assumptions. Changes in such estimates can significantly affect the allowance and provision for credit losses. It is possible that we will experience credit losses that are different from our current estimates. Charge-offs are deducted from the allowance for credit losses when we judge the principal to be uncollectible, and subsequent recoveries are added to the allowance, generally at the time cash is received on a charged-off account.

Delinquent receivables are those that are 30 days or more past due based on their contractual payments. Non-accrual loan receivables are those on which we have stopped accruing interest. We continue to accrue interest until the earlier of the time at which collection of an account becomes doubtful, or the account becomes 180 days past due, with the exception of non-credit card accounts, for which we stop accruing interest in the period that the account becomes 90 days past due.

Troubled debt restructurings ("TDR") are those loans for which we have granted a concession to a borrower experiencing financial difficulties where we do not receive adequate compensation. TDRs are identified at the point when the borrower enters into a modification program.

The same loan receivable may meet more than one of the definitions above. Accordingly, these categories are not mutually exclusive, and it is possible for a particular loan to meet the definitions of a TDR and non-accrual loan, and be included in each of these categories. The categorization of a particular loan also may not be indicative of the potential for loss.

Loan Modifications and 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 TDR. 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 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. See Note 4. *Loan Receivables and Allowance for Credit Losses* for additional information on our loan modifications and restructurings.

Our allowance for credit 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. If the loan is collateral dependent, we measure impairment based upon the fair value of the underlying collateral less estimated selling costs.

Data related to redefault experience is also considered in our overall reserve adequacy review. Once the loan has been modified, it returns to current status (re-aged), only after three consecutive minimum monthly payments are received post modification date, subject to a re-aging limitation of once a year, or twice in a five-year period in accordance with the Federal Financial Institutions Examination Council guidelines on Uniform Retail Credit Classification and Account Management policy issued in June 2000.

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, fees and third-party fraud losses from charge-offs. Charged-off and recovered accrued and unpaid finance charges and fees are included in interest and fees on loans while fraud losses are included in other expense. Charge-offs are recorded as a reduction to the allowance for credit losses, and subsequent recoveries of previously charged-off amounts are credited to the allowance for credit losses. Costs incurred to recover charged-off loans are recorded as collection expense and are included in other expense in our Consolidated Statements of Earnings.

We charge-off unsecured closed-end consumer installment loans and loans secured by collateral when they are 120 days contractually past due, and unsecured open-ended revolving loans when they are 180 days contractually past due. Unsecured consumer loans in bankruptcy are charged-off within 60 days of notification of filing by the bankruptcy court or within contractual charge-off periods, whichever occurs earlier. Credit card loans of deceased account holders are charged-off within 60 days of receipt of notification.

Goodwill and Intangible Assets

We do not amortize goodwill but test it at least annually for impairment at the reporting unit level pursuant to ASC 350, *Intangibles—Goodwill and Other*. A reporting unit is defined under GAAP as the operating segment, or one level below that operating segment (the component level) if discrete financial information is prepared and regularly reviewed by segment management. Our single operating segment comprises a single reporting unit, based on the level at which segment management regularly reviews and measures the business operating results.

Goodwill impairment risk is first assessed by performing a qualitative review of entity-specific, industry, market and general economic factors for our reporting unit. If potential goodwill impairment risk exists that indicates that it is more likely than not that the carrying value of our reporting unit exceeds its fair value, a quantitative test is performed. The quantitative test compares the reporting unit's estimated fair value with its carrying value, including goodwill. If the carrying value of our reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the amount of goodwill allocated to the reporting unit. The qualitative assessment for each period presented in the consolidated financial statements was performed without hindsight, assuming only factors and market conditions existing as of those dates, and resulted in no potential goodwill impairment risk for our reporting unit. Consequently, goodwill was not deemed to be impaired for any of the periods presented.

Definite-lived intangible assets principally consist of customer-related assets including contract acquisition costs and purchased credit card relationships. These assets are amortized over their estimated useful lives and evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The evaluation compares the cash inflows expected to be generated from each intangible asset to its carrying value. If cash flows attributable to the intangible asset are less than the carrying value, the asset is considered impaired and written down to its estimated fair value.

Revenue Recognition

Interest and Fees on Loans

We use the effective interest method to recognize income on loans. Interest and fees on loans is comprised largely of interest and late fees on credit card and other loans. Interest income is recognized based upon the amount of loans outstanding and their contractual interest rate. Late fees are recognized when billable to the customer. We continue to accrue interest and fees on credit cards until the accounts are charged-off in the period the account becomes 180 days past due. For non-credit card loans, we stop accruing interest and fees when the account becomes 90 days past due. Previously recognized interest income that was accrued but not collected from the customer is reversed. Although we stop accruing interest in advance of payments, we recognize interest income as cash is collected when appropriate, provided the amount does not exceed that which would have been earned at the historical effective interest rate; otherwise, payments received are applied to reduce the principal balance of the loan.

We resume accruing interest on non-credit card loans when the customer's account is less than 90 days past due and collection of such amounts is probable. Interest accruals on modified loans that are not considered to be TDRs may return to current status (re-aged) only after receipt of at least three consecutive minimum monthly payments subject to a re-aging limitation of once a year, or twice in a five-year period.

Direct loan origination costs on credit card loans are deferred and amortized on a straight-line basis over a one-year period, or the life of the loan for other loan receivables, and are included in interest and fees on loans in our Consolidated Statements of Earnings. See Note 4. *Loan Receivables and Allowance for Credit Losses* for further detail.

Other loan fees including miscellaneous fees charged to borrowers are recognized net of waivers and charge-offs when the related transaction or service is provided, and are included in other income in our Consolidated Statements of Earnings.

Promotional Financing

Loans originated with promotional financing may include deferred interest financing (interest accrues during a promotional period and becomes payable if the full purchase amount is not paid off during the promotional period), no interest financing (no interest accrues during a promotional period but begins to accrue thereafter on any outstanding amounts at the end of the promotional period) and reduced interest financing (interest accrues monthly at a promotional interest rate during the promotional period). For deferred interest financing, we bill interest to the borrower, retroactive to the inception of the loan, if the loan is not repaid prior to the specified date. Income is recognized on such loans when it is billable. In almost all cases, our retail partner will pay an upfront fee or reimburse us to compensate us for all or part of the costs associated with providing the promotional financing. Upfront fees are deferred and accreted to income over the promotional period. Reimbursements are estimated and accrued as income over the promotional period.

Purchased Loans

Loans acquired by purchase are recorded at fair value, which may result in the recognition of a loan premium or loan discount. For acquired loans with evidence of more-than-insignificant deterioration in credit quality since origination, the initial allowance for credit losses at acquisition is added to the purchase price to determine the initial cost basis of the loans and loan premium or loan discount. Loan premiums and loan discounts are recognized into interest income over the estimated remaining life of the loans. The Company develops an allowance for credit losses for all purchased loans, which is recognized upon acquisition, similar to that of an originated financial asset. Subsequent changes to the expected credit losses for these loans follow the allowance for credit losses methodology described above under “—Allowance for Credit Losses.”

Retailer Share Arrangements

Most of our program agreements with large retail and certain other partners contain retailer share arrangements that provide for payments to our partners if the economic performance of the program exceeds a contractually defined threshold. We also provide other economic benefits to our partners such as royalties on purchase volume or payments for new accounts, in some cases instead of retailer share arrangements (for example, on our co-branded credit cards). Although the share arrangements vary by partner, these arrangements are generally structured to measure the economic performance of the program, based typically on agreed upon program revenues (including interest income and certain other income) less agreed upon program expenses (including interest expense, provision for credit losses, retailer payments and operating expenses), and share portions of this amount above a negotiated threshold. These thresholds and the economic performance of a program are based on, among other things, agreed upon measures of program expenses. On a quarterly basis, we make a judgment as to whether it is probable that the performance threshold will be met under a particular retail partner's retailer share arrangement. The current period's estimated contribution to that ultimate expected payment is recorded as a liability. To the extent facts and circumstances change and the cumulative probable payment for prior months has changed, a cumulative adjustment is made to align the retailer share arrangement liability balance with the amount considered probable of being paid relating to past periods.

Loyalty Programs

Our loyalty programs are designed to generate increased purchase volume per customer while reinforcing the value of our credit cards and strengthening cardholder loyalty. These programs typically provide cardholders with statement credit or cash back rewards. Other programs include rewards points, which are redeemable for a variety of products or awards, or merchandise discounts that are earned by achieving a pre-set spending level on their private label credit card, Dual Card or general purpose co-branded credit card. We establish a rewards liability based on points and merchandise discounts earned that are ultimately expected to be redeemed and the average cost per point at redemption. The rewards liability is included in accrued expenses and other liabilities in our Consolidated Statements of Financial Position. Cash rebates are earned based on a tiered percentage of purchase volume. As points and discounts are redeemed or cash rebates are issued, the rewards liability is relieved. The estimated cost of loyalty programs is classified as a reduction to other income in our Consolidated Statements of Earnings.

Fraud Losses

We experience third-party fraud losses from the unauthorized use of credit cards and when loans are obtained through fraudulent means. Fraud losses are included as a charge within other expense in our Consolidated Statements of Earnings, net of recoveries, when such losses are probable. Loans are charged off, as applicable, after the investigation period has completed.

Income Taxes

We recognize the current and deferred tax consequences of all transactions that have been recognized in the financial statements using the provisions of the enacted tax laws. The effects of tax adjustments and settlements from taxing authorities are presented in our consolidated financial statements in the period they occur.

Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax laws and rates that will be in effect when the differences are expected to reverse. We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. In making decisions regarding our ability to realize tax assets, we evaluate all positive and negative evidence, including projected future taxable income, taxable income in carryback periods, expected reversal of deferred tax liabilities and the implementation of available tax planning strategies.

We recognize the financial statement impact of uncertain income tax positions when we conclude that it is more likely than not, based on the technical merits of a position, that the position will be sustained upon examination. In certain situations, 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. We recognize accrued interest and penalties related to unrecognized tax benefits as interest expense and provision for income taxes, respectively, in our Consolidated Statements of Earnings.

Fair Value Measurements

Fair value is the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1— Quoted prices for identical instruments in active markets.

Level 2— Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3— Significant inputs to the valuation are unobservable.

We maintain policies and procedures to value instruments using the best and most relevant data available. In addition, we have risk management teams that review valuations, including independent price validation for certain instruments. We use non-binding broker quotes and third-party pricing services, when available, as our primary basis for valuation when there is limited or no relevant market activity for a specific instrument or for other instruments that share similar characteristics. We have not adjusted prices that we have obtained. In the absence of such data, such measurements involve developing assumptions based on internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

The third-party brokers and third-party pricing services do not provide us access to their proprietary valuation models, inputs and assumptions. Accordingly, our risk management, treasury and/or finance personnel conduct reviews of these brokers and services, as applicable. In addition, we conduct internal reviews of pricing provided by our third-party pricing service for all investment securities on a quarterly basis to ensure reasonableness of valuations used in the consolidated financial statements. These reviews are designed to identify prices that appear stale, those that have changed significantly from prior valuations and other anomalies that may indicate that a price may not be accurate. Based on the information available, we believe that the fair values provided by the third-party brokers and pricing services are representative of prices that would be received to sell the assets at the measurement date (exit prices) and are classified appropriately in the hierarchy.

Recurring Fair Value Measurements

Our investments in debt and certain equity securities, as well as certain financial assets and liabilities for which we have elected the fair value option, are measured at fair value every reporting period on a recurring basis.

Non-Recurring Fair Value Measurements

Certain assets are measured at fair value on a non-recurring basis. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances. Assets that are written down to fair value when impaired are not subsequently adjusted to fair value unless further impairment occurs.

Equity Securities Without Readily Determinable Fair Values

The company measures certain equity securities without readily determinable fair values using observable price changes in orderly transactions for the identical or a similar investment of the same issuer when they occur. Changes in observable price changes are recognized in other income in our Consolidated Statement of Income.

Financial Assets and Financial Liabilities Carried at Other than Fair Value

The following is a description of the valuation techniques used to estimate the fair values of the financial assets and liabilities carried at other than fair value.

Loan receivables, net

In estimating the fair value for our loan receivables, we use a discounted future cash flow model. We use various unobservable inputs including estimated interest and fee income, payment rates, loss rates and discount rates (which consider current market interest rate data adjusted for credit risk and other factors) to estimate the fair values of loans. When collateral dependent, loan receivables may be valued using collateral values.

Deposits

For demand deposits with no defined maturity, carrying value approximates fair value due to the liquid nature of these deposits. For fixed-maturity certificates of deposit, fair values are estimated by discounting expected future cash flows using market rates currently offered for deposits with similar remaining maturities.

Borrowings

The fair values of borrowings of consolidated securitization entities are based on valuation methodologies that utilize current market interest rate data, which are comparable to market quotes adjusted for our non-performance risk. Borrowings that are publicly traded securities are classified as level 2. Borrowings that are not publicly traded are classified as level 3.

The fair values of the senior unsecured notes are based on secondary market trades and other observable inputs and are classified as level 2.

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:

	December 31, 2021				December 31, 2020			
	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	\$ 2,222	\$ —	\$ (2)	\$ 2,220	\$ 3,926	\$ 1	\$ —	\$ 3,927
State and municipal	13	—	—	13	40	—	(1)	39
Residential mortgage-backed ^(a)	597	12	(3)	606	817	25	—	842
Asset-backed ^(b)	2,432	2	(4)	2,430	2,652	9	—	2,661
Other	13	1	—	14	—	—	—	—
Total	\$ 5,277	\$ 15	\$ (9)	\$ 5,283	\$ 7,435	\$ 35	\$ (1)	\$ 7,469

(a) All of our residential mortgage-backed securities have been issued by government-sponsored entities and are collateralized by U.S. mortgages. At December 31, 2021 and 2020, \$145 million and \$229 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) Our asset-backed securities are collateralized by credit card and auto 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 December 31, 2021</i>				
U.S. government and federal agency	\$ 563	\$ (2)	\$ —	\$ —
State and municipal	4	—	—	—
Residential mortgage-backed	105	(2)	27	(1)
Asset-backed	1,653	(4)	—	—
Total	\$ 2,325	\$ (8)	\$ 27	\$ (1)
<i>At December 31, 2020</i>				
U.S. government and federal agency	\$ —	\$ —	\$ —	\$ —
State and municipal	3	—	21	(1)
Residential mortgage-backed	6	—	—	—
Asset-backed	242	—	—	—
Total	\$ 251	\$ —	\$ 21	\$ (1)

We regularly review debt securities for impairment resulting from credit loss using both qualitative and quantitative criteria, as necessary based on the composition of the portfolio at period end. Based on our assessment, no material impairments for credit losses were recognized during the period.

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.

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

At December 31, 2021 (\$ in millions)	Amortized cost	Estimated fair value	Weighted Average yield ^(a)
Due			
Within one year	\$ 3,440	\$ 3,440	0.3 %
After one year through five years	\$ 1,231	\$ 1,227	0.5 %
After five years through ten years	\$ 333	\$ 341	1.9 %
After ten years	\$ 273	\$ 275	1.7 %

(a) 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.

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 years ended December 31, 2021, 2020 and 2019.

Although we generally do not have the intent to sell any specific securities held at December 31, 2021, 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 CREDIT LOSSES

At December 31 (\$ in millions)	2021	2020
Credit cards	\$ 76,628	\$ 78,455
Consumer installment loans	2,675	2,125
Commercial credit products	1,372	1,250
Other	65	37
Total loan receivables, before allowance for credit losses^{(a)(b)}	\$ 80,740	\$ 81,867

(a) Total loan receivables include \$20.5 billion and \$25.4 billion of restricted loans of consolidated securitization entities at December 31, 2021 and 2020, respectively. See Note 5. *Variable Interest Entities* for further information on these restricted loans.

(b) At December 31, 2021 and 2020, loan receivables included deferred costs, net of deferred income, of \$211 million and \$153 million, respectively.

Loan Receivables Held for Sale

In August 2021, we entered into an agreement to sell loan receivables associated with our program agreement with Gap Inc. In addition, in December 2021 we entered into an agreement to sell loan receivables associated with our program agreement with BP. As a result, at December 31, 2021, \$4.4 billion of loan receivables are classified as loan receivables held for sale on our Consolidated Statement of Financial Position.

During the year ended December 31, 2021 we recorded reserve reductions of \$345 million in our provision for credit losses related to the planned dispositions and the reclassification of the portfolios to loan receivables held for sale. Restricted loans of our consolidated securitization entities at December 31, 2021 include \$1.4 billion of the loan receivables held for sale. See Note 5. *Variable Interest Entities* for further information. The sale of both portfolios, which are subject to customary closing conditions, are expected to be completed in the second quarter of 2022.

Allowance for Credit Losses^(a)

(\$ in millions)	Balance at January 1, 2021	Provision charged to operations	Gross charge- offs	Recoveries	Other	Balance at December 31, 2021
Credit cards	\$ 10,076	\$ 671	\$ (3,056)	\$ 821	\$ —	\$ 8,512
Consumer installment loans	127	25	(55)	17	1	115
Commercial credit products	61	28	(36)	6	—	59
Other	1	2	(1)	—	—	2
Total	<u>\$ 10,265</u>	<u>\$ 726</u>	<u>\$ (3,148)</u>	<u>\$ 844</u>	<u>\$ 1</u>	<u>\$ 8,688</u>

(\$ in millions)	Balance at January 1, 2020	Impact of ASU 2016-13 Adoption	Post-Adoption Balance at January 1, 2020	Provision charged to operations	Gross charge- offs	Recoveries	Balance at December 31, 2020
Credit cards	\$ 5,506	\$ 2,989	\$ 8,495	\$ 5,171	\$ (4,505)	\$ 915	\$ 10,076
Consumer installment loans	46	26	72	92	(51)	14	127
Commercial credit products	49	6	55	47	(50)	9	61
Other	1	—	1	—	—	—	1
Total	<u>\$ 5,602</u>	<u>\$ 3,021</u>	<u>\$ 8,623</u>	<u>\$ 5,310</u>	<u>\$ (4,606)</u>	<u>\$ 938</u>	<u>\$ 10,265</u>

Allowance for Loan Losses^(b)

(\$ in millions)	Balance at January 1, 2019	Provision charged to operations	Gross charge- offs	Recoveries	Balance at December 31, 2019
Credit cards	\$ 6,327	\$ 4,083	\$ (5,907)	\$ 1,003	\$ 5,506
Consumer installment loans	44	51	(66)	17	46
Commercial credit products	55	45	(58)	7	49
Other	1	1	(1)	—	1
Total	<u>\$ 6,427</u>	<u>\$ 4,180</u>	<u>\$ (6,032)</u>	<u>\$ 1,027</u>	<u>\$ 5,602</u>

(a) The allowance for credit losses at December 31, 2021 and December 31, 2020 reflects our estimate of expected credit losses for the life of the loan receivables on our Consolidated Statements of Financial Position at December 31, 2021 and December 31, 2020, which include the consideration of current and expected macroeconomic conditions that existed at those dates.

(b) Comparative information is presented in accordance with applicable accounting standards in effect prior to the adoption of ASU 2016-13.

The reasonable and supportable forecast period used in our estimate of credit losses at December 31, 2021 was 12 months, consistent with the forecast period utilized since the adoption of CECL. Beyond the reasonable and supportable forecast period, we revert to historical loss information at the loan receivables segment level over a 6-month period, gradually increasing the weight of historical losses by an equal amount each month during the reversion period, and utilize historical loss information thereafter for the remaining life of the portfolio. The reversion period and methodology remain unchanged since the adoption of CECL.

Losses on loan receivables are estimated and recognized upon origination of the loan, based on expected credit losses for the life of the loan balance at December 31, 2021. Expected credit loss estimates are developed using both quantitative models and qualitative adjustments, and incorporates a macroeconomic forecast. The current and forecasted economic conditions at the balance sheet date including the impact of the COVID-19 pandemic influenced our current estimate of expected credit losses. These conditions have improved as compared to December 31, 2020. We also continue to experience improvements in customer payment behavior, which include the effects of governmental stimulus actions, that has contributed to a reduction in loan receivables balances and delinquent accounts. Our allowance for credit losses decreased by \$1.6 billion to \$8.7 billion during the year ended December 31, 2021 primarily due to these conditions. See Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* for additional information on our significant accounting policies related to our allowance for credit losses.

Delinquent and Non-accrual Loans

	30-89 days delinquent	90 or more days delinquent	Total past due	90 or more days delinquent and accruing	Total non-accruing
<i>At December 31, 2021 (\$ in millions)</i>					
Credit cards	\$ 1,111	\$ 923	\$ 2,034	\$ 923	\$ —
Consumer installment loans	35	6	41	—	6
Commercial credit products	26	13	39	13	—
Total delinquent loans	\$ 1,172	\$ 942	\$ 2,114	\$ 936	\$ 6
Percentage of total loan receivables	1.5 %	1.2 %	2.6 %	1.2 %	— %
<i>At December 31, 2020 (\$ in millions)</i>					
Credit cards	\$ 1,325	\$ 1,128	\$ 2,453	\$ 1,128	\$ —
Consumer installment loans	26	5	31	—	5
Commercial credit products	20	10	30	10	—
Total delinquent loans	\$ 1,371	\$ 1,143	\$ 2,514	\$ 1,138	\$ 5
Percentage of total loan receivables	1.7 %	1.4 %	3.1 %	1.4 %	— %

Delinquency trends are the primary credit quality indicator for our consumer installment loans, which we use to monitor credit quality and risk within the portfolio. Total consumer installment past due of \$41 million and \$31 million at December 31, 2021 and 2020, respectively, were not material.

Troubled Debt Restructurings

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 or short-term modifications made on a good faith basis in response to COVID-19.

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 our TDR loan modifications during the periods presented:

	2021	2020
<i>For the years ended December 31 (\$ in millions)</i>		
Credit cards	\$ 770	\$ 851
Consumer installment loans	—	—
Commercial credit products	2	3
Total	\$ 772	\$ 854

Our allowance for credit 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 on an individual basis but instead estimate an allowance for credit losses on a collective basis.

	Total recorded investment	Related allowance	Net recorded investment	Unpaid principal balance
<i>At December 31, 2021 (\$ in millions)</i>				
Credit cards	\$ 1,171	\$ (481)	\$ 690	\$ 1,053
Consumer installment loans	—	—	—	—
Commercial credit products	3	(1)	2	3
Total	\$ 1,174	\$ (482)	\$ 692	\$ 1,056

	Total recorded investment	Related allowance	Net recorded investment	Unpaid principal balance
<i>At December 31, 2020 (\$ in millions)</i>				
Credit cards	\$ 1,238	\$ (561)	\$ 677	\$ 1,084
Consumer installment loans	—	—	—	—
Commercial credit products	4	(2)	2	4
Total	\$ 1,242	\$ (563)	\$ 679	\$ 1,088

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.

	2021			2020			2019		
	Interest income recognized during period when loans were modified	Interest income that would have been recorded with original terms	Average recorded investment	Interest income recognized during period when loans were modified	Interest income that would have been recorded with original terms	Average recorded investment	Interest income recognized during period when loans were modified	Interest income that would have been recorded with original terms	Average recorded investment
<i>Years ended December 31,</i>									
<i>(\$ in millions)</i>									
Credit cards	\$ 39	\$ 311	\$ 1,222	\$ 44	\$ 279	\$ 1,151	\$ 45	\$ 268	\$ 1,111
Consumer installment loans	—	—	—	—	—	—	—	—	—
Commercial credit products	—	1	4	—	1	3	—	1	4
Total	\$ 39	\$ 312	\$ 1,226	\$ 44	\$ 280	\$ 1,154	\$ 45	\$ 269	\$ 1,115

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 and charged-off during the periods presented.

	2021		2020		2019	
	Accounts defaulted	Loans defaulted	Accounts defaulted	Loans defaulted	Accounts defaulted	Loans defaulted
<i>Years ended December 31,</i>						
<i>(\$ in millions)</i>						
Credit cards	40,776	\$ 103	30,743	\$ 80	39,233	\$ 98
Consumer installment loans	—	—	—	—	—	—
Commercial credit products	91	—	164	1	114	1
Total	40,867	\$ 103	30,907	\$ 81	39,347	\$ 99

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, including delinquency information, as well as information from credit bureaus relating to the customer's broader credit performance. We utilize VantageScore credit scores to assist in our assessment of credit quality. VantageScore credit scores are 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) 651 or higher, which are considered the strongest credits; (ii) 591 to 650, considered moderate credit risk; and (iii) 590 or less, which are considered weaker credits. There are certain customer accounts for which a VantageScore score is not available where we use alternative sources to assess their credit quality and predict behavior. The following table provides the most recent VantageScore scores available for our customers at December 31, 2021 and 2020, respectively, as a percentage of each class of loan receivable. The table below excludes 0.4% and 0.3% of our total loan receivables balance at each of December 31, 2021 and 2020, respectively, which represents those customer accounts for which a VantageScore score is not available.

At December 31

	2021			2020		
	651 or higher	591 to 650	590 or less	651 or higher	591 to 650	590 or less
Credit cards	78 %	17 %	5 %	77 %	17 %	6 %
Consumer installment loans	79 %	17 %	4 %	78 %	18 %	4 %
Commercial credit products	92 %	5 %	3 %	92 %	5 %	3 %

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 \$431 billion and \$413 billion at December 31, 2021 and 2020, 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:

For the years ended December 31 (\$ in millions)

	2021	2020	2019
Credit cards ^(a)	\$ 14,880	\$ 15,672	\$ 18,384
Consumer installment loans	241	168	182
Commercial credit products	103	108	137
Other	4	2	2
Total	\$ 15,228	\$ 15,950	\$ 18,705

(a) Interest income on credit cards that was reversed related to accrued interest receivables written off was \$1.0 billion and \$1.5 billion for the years ended December 31, 2021 and 2020, respectively.

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 years ended December 31, 2021 and 2020. 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.

At December 31 (\$ in millions)

	2021	2020
Assets		
Loan receivables, net ^(a)	\$ 18,594	\$ 22,683
Loan receivables held for sale	1,398	—
Other assets ^(b)	292	52
Total	\$ 20,284	\$ 22,735
Liabilities		
Borrowings	\$ 7,288	\$ 7,810
Other liabilities	14	23
Total	\$ 7,302	\$ 7,833

(a) Includes \$1.9 billion and \$2.7 billion of related allowance for credit losses resulting in gross restricted loans of \$20.5 billion and \$25.4 billion at December 31, 2021 and 2020, respectively.

(b) Includes \$288 million and \$48 million of segregated funds held by the VIEs at December 31, 2021 and 2020, respectively, which are classified as restricted cash and equivalents and included as a component of other assets in our Consolidated Statements of Financial Position.

The balances presented above are net of intercompany balances and transactions that are eliminated in our 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 \$4.1 billion, \$4.9 billion and \$5.2 billion for the years ended December 31, 2021, 2020 and 2019, respectively. Related expenses consisted primarily of provision for credit losses of \$(105) million, \$1.5 billion and \$1.1 billion for the years ended December 31, 2021, 2020 and 2019, respectively, and interest expense of \$169 million, \$237 million and \$358 million for the years ended December 31, 2021, 2020 and 2019, respectively. These amounts do not include intercompany transactions, principally fees and interest, which are eliminated in our consolidated financial statements.

Non-consolidated VIEs

As part of our community reinvestment initiatives, we invest in affordable housing properties and receive affordable housing tax credits for these investments. These investments included in our Consolidated Statement of Financial Position totaled \$441 million and \$338 million at December 31, 2021 and December 31, 2020 respectively, and represents our total exposure for these entities. Additionally, we have other investments in non-consolidated VIEs which totaled \$184 million and \$86 million at December 31, 2021 and December 31, 2020, respectively. At December 31, 2021, the Company also has investment commitments of \$199 million related to these investments.

For the years ended December 31, 2021 and 2020, we recognized amortization of \$35 million and \$32 million, respectively, and tax credits and other tax benefits of \$41 million and \$36 million, respectively, associated with investments in affordable housing properties within income tax expense or benefit.

NOTE 6. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

(\$ in millions)

	2021	2020
Balance at January 1	\$ 1,078	\$ 1,078
Acquisitions	27	—
Balance at December 31	<u>\$ 1,105</u>	<u>\$ 1,078</u>

Intangible Assets Subject to Amortization

At December 31 (\$ in millions)	2021			2020		
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Customer-related	\$ 1,797	\$ (1,222)	\$ 575	\$ 1,734	\$ (1,081)	\$ 653
Capitalized software and other	1,407	(814)	593	1,043	(571)	472
Total	<u>\$ 3,204</u>	<u>\$ (2,036)</u>	<u>\$ 1,168</u>	<u>\$ 2,777</u>	<u>\$ (1,652)</u>	<u>\$ 1,125</u>

During the year ended December 31, 2021, we recorded additions to intangible assets subject to amortization of \$437 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 years ended December 31, 2021 and 2020, we recorded additions to customer-related intangible assets subject to amortization of \$67 million and \$31 million, respectively, primarily related to payments made to acquire and extend certain retail partner relationships. These additions had a weighted average amortizable life of 5 years and 7 years for the years ended December 31, 2021 and 2020, respectively.

Amortization expense related to retail partner contracts was \$126 million, \$128 million and \$133 million for the years ended December 31, 2021, 2020 and 2019, respectively, and is included as a component of marketing and business development expense in our Consolidated Statements of Earnings. All other amortization expense was \$213 million, \$199 million and \$168 million for the years ended December 31, 2021, 2020 and 2019, respectively. Additionally, we incurred impairment charges of \$50 million, \$30 million, and \$7 million for the years ended December 31, 2021, 2020 and 2019, respectively. Other amortization expense and impairment charges are included as components of other expense in our Consolidated Statements of Earnings.

We estimate annual amortization expense for existing intangible assets over the next five calendar years to be as follows:

(\$ in millions)	2022	2023	2024	2025	2026
Amortization expense	\$ 310	\$ 249	\$ 211	\$ 164	\$ 98

NOTE 7. DEPOSITS

Deposits

At December 31 (\$ in millions)	2021		2020	
	Amount	Average rate ^(a)	Amount	Average rate ^(a)
Interest-bearing deposits	\$ 61,911	0.9 %	\$ 62,469	1.7 %
Non-interest-bearing deposits	359	—	313	—
Total deposits	\$ 62,270		\$ 62,782	

(a) Based on interest expense for the years ended December 31, 2021 and 2020 and average deposits balances.

At December 31, 2021 and 2020, interest-bearing deposits included \$5.0 billion and \$6.5 billion, respectively, of certificates of deposit that exceeded applicable FDIC insurance limits, which are generally \$250,000 per depositor.

At December 31, 2021, our interest-bearing time deposits maturing over the next five years and thereafter were as follows:

(\$ in millions)	2022	2023	2024	2025	2026	Thereafter
Deposits	\$ 17,485	\$ 5,283	\$ 2,887	\$ 662	\$ 671	\$ 69

The above maturity table excludes \$29.6 billion of demand deposits with no defined maturity, of which \$28.2 billion are savings accounts. In addition, at December 31, 2021, we had \$5.2 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 2023 and 2027.

NOTE 8. BORROWINGS

At December 31 (\$ in millions)	2021			2020	
	Maturity date	Interest Rate	Weighted average interest rate	Outstanding Amount ^(a)	Outstanding Amount ^(a)
Borrowings of consolidated securitization entities:					
Fixed securitized borrowings	2022 - 2023	2.34% - 3.87%	2.83 %	\$ 3,188	\$ 5,510
Floating securitized borrowings	2022 - 2024	0.74% - 0.89%	0.80 %	4,100	2,300
Total borrowings of consolidated securitization entities			1.69 %	7,288	7,810
Senior unsecured notes:					
<i>Synchrony Financial senior unsecured notes:</i>					
Fixed senior unsecured notes	2022 - 2031	2.85% - 5.15%	3.98 %	6,470	6,468
<i>Synchrony Bank senior unsecured notes:</i>					
Fixed senior unsecured notes	2022	3.00%	3.00 %	749	1,497
Total senior unsecured notes			3.88 %	7,219	7,965
Total borrowings				\$ 14,507	\$ 15,775

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

Debt Maturities

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

<i>(\$ in millions)</i>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Thereafter</u>
Borrowings	\$ 4,608	\$ 2,707	\$ 3,325	\$ 1,000	\$ 500	\$ 2,400

Third-Party Debt

2021 Issuance (\$ in millions):

Synchrony Financial

<u>Issuance Date</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>
October 2021	\$ 750	2031	2.875%

Credit Facilities

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

At December 31, 2021, we had an aggregate of \$2.2 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*.

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

Recurring Fair Value Measurements

At December 31, 2021 (\$ in millions)

	Level 1	Level 2	Level 3	Total ^(a)
Assets				
Debt securities				
U.S. government and federal agency	\$ —	\$ 2,220	\$ —	\$ 2,220
State and municipal	—	—	13	13
Residential mortgage-backed	—	606	—	606
Asset-backed	—	2,430	—	2,430
Other	—	—	14	14
Other ^(b)	15	—	34	49
Total	\$ 15	\$ 5,256	\$ 61	\$ 5,332
Liabilities				
Other ^(c)				
	—	—	14	14
Total	\$ —	\$ —	\$ 14	\$ 14

At December 31, 2020 (\$ in millions)

	Level 1	Level 2	Level 3	Total ^(a)
Assets				
Debt securities				
U.S. government and federal agency	\$ —	\$ 3,927	\$ —	\$ 3,927
State and municipal	—	—	39	39
Residential mortgage-backed	—	842	—	842
Asset-backed	—	2,661	—	2,661
Other ^(b)	16	—	14	30
Total	\$ 16	\$ 7,430	\$ 53	\$ 7,499
Liabilities				
Contingent consideration				
	—	—	11	11
Total	\$ —	\$ —	\$ 11	\$ 11

(a) For the years ended December 31, 2021 and 2020, there were no fair value measurements transferred between levels.

(b) Other is primarily comprised of equity investments measured at fair value, which are included in Other assets in our Statement of Financial Position, as well as certain financial assets for which we have elected the fair value option which are included in Loan receivables in our Statement of Financial Position.

(c) Other is primarily comprised of certain financial liabilities for which we have elected the fair value option, which are included in Accrued expenses and other liabilities in our Statement of Financial Position.

Level 3 Fair Value Measurements

Our Level 3 recurring fair value measurements primarily relate to state and municipal and corporate debt instruments, which are valued using non-binding broker quotes or other third-party sources, and financial assets and liabilities for which we have elected the fair value option. For a description of our process to evaluate third-party pricing servicers, see Note 2. *Basis of Presentation and Summary of Significant Accounting Policies*. 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 years ended December 31, 2021 and 2020 were not material.

Financial Assets and Financial Liabilities Carried at Other Than Fair Value

At December 31, 2021 (\$ 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)	\$ 8,337	\$ 8,337	\$ 8,337	\$ —	\$ —
Other assets ^{(a)(b)}	\$ 349	\$ 349	\$ 349	\$ —	\$ —
Financial assets carried at other than fair value:					
Loan receivables, net ^(c)	\$ 72,034	\$ 84,483	\$ —	\$ —	\$ 84,483
Loan receivables held for sale ^(c)	\$ 4,361	\$ 4,499	\$ —	\$ —	\$ 4,499
Financial Liabilities					
Financial liabilities carried at other than fair value:					
Deposits	\$ 62,270	\$ 62,486	\$ —	\$ 62,486	\$ —
Borrowings of consolidated securitization entities	\$ 7,288	\$ 7,359	\$ —	\$ 3,238	\$ 4,121
Senior unsecured notes	\$ 7,219	\$ 7,662	\$ —	\$ 7,662	\$ —
<hr/>					
At December 31, 2020 (\$ 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)	\$ 11,524	\$ 11,524	\$ 11,524	\$ —	\$ —
Other assets ^{(a)(b)}	\$ 81	\$ 81	\$ 81	\$ —	\$ —
Financial assets carried at other than fair value:					
Loan receivables, net ^(c)	\$ 71,602	\$ 85,234	\$ —	\$ —	\$ 85,234
Loan receivables held for sale ^(c)	\$ 5	\$ 5	\$ —	\$ —	\$ 5
Financial Liabilities					
Financial liabilities carried at other than fair value:					
Deposits	\$ 62,782	\$ 63,382	\$ —	\$ 63,382	\$ —
Borrowings of consolidated securitization entities	\$ 7,810	\$ 7,977	\$ —	\$ 5,680	\$ 2,297
Senior unsecured notes	\$ 7,965	\$ 8,704	\$ —	\$ 8,704	\$ —

(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 of three months or less or acquired within three months or less of their maturity.

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

(c) Excludes financial assets for which we have elected the fair value option. Under certain retail partner program agreements, the expected sales proceeds in the event of a 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.

Equity Securities Without Readily Determinable Fair Values

At or for the year ended December 31 (\$ in millions)

	2021		2020	
Carry Value	\$	232	\$	76
Upward adjustments ^(a)		148		26
Downward adjustments ^(a)		(2)		(2)

(a) Between January 1, 2018 and December 31, 2021, cumulative upward and downward carrying value adjustments were \$181 million and \$(8) million, respectively.

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 Wall Street Reform and Consumer Protection 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 FDIC.

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 table 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.

In March 2020 the joint federal bank regulatory agencies issued an interim final rule that allows banking organizations that implemented CECL in 2020 to mitigate the effects of the CECL accounting standard in their regulatory capital for two years. The Company elected to adopt the option provided by the interim final rule, which largely delayed the effects of CECL on its regulatory capital through the end of 2021, after which the effects will now be phased-in over a three-year period through 2024 and effects fully phased-in beginning in the first quarter of 2025. Under the interim final rule, the amount of adjustments to regulatory capital deferred until the phase-in period include both the initial impact of our adoption of CECL at January 1, 2020 and 25% of subsequent changes in our allowance for credit losses during each quarter of the two-year period ended December 31, 2021, collectively the "CECL regulatory capital transition adjustment".

At December 31, 2021 and 2020, Synchrony Financial met all applicable requirements to be deemed well-capitalized pursuant to Federal Reserve Board regulations. At December 31, 2021 and 2020, 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 December 31, 2021 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

	Actual		Minimum for capital adequacy purposes	
	Amount	Ratio ^(a)	Amount	Ratio ^(b)
At December 31, 2021 (\$ in millions)				
Total risk-based capital	\$ 15,122	17.8 %	\$ 6,796	8.0 %
Tier 1 risk-based capital	\$ 14,003	16.5 %	\$ 5,097	6.0 %
Tier 1 leverage	\$ 14,003	14.7 %	\$ 3,800	4.0 %
Common equity Tier 1 capital	\$ 13,269	15.6 %	\$ 3,823	4.5 %

	Actual		Minimum for capital adequacy purposes	
	Amount	Ratio ^(a)	Amount	Ratio ^(b)
At December 31, 2020 (\$ in millions)				
Total risk-based capital	\$ 14,604	18.1 %	\$ 6,445	8.0 %
Tier 1 risk-based capital	\$ 13,525	16.8 %	\$ 4,834	6.0 %
Tier 1 leverage	\$ 13,525	14.0 %	\$ 3,869	4.0 %
Common equity Tier 1 capital	\$ 12,791	15.9 %	\$ 3,625	4.5 %

Synchrony Bank

	Actual		Minimum for capital adequacy purposes		Minimum to be well-capitalized under prompt corrective action provisions	
	Amount	Ratio ^(a)	Amount	Ratio ^(b)	Amount	Ratio
At December 31, 2021 (\$ in millions)						
Total risk-based capital	\$ 14,091	18.3 %	\$ 6,175	8.0 %	\$ 7,718	10.0 %
Tier 1 risk-based capital	\$ 13,075	16.9 %	\$ 4,631	6.0 %	\$ 6,175	8.0 %
Tier 1 leverage	\$ 13,075	15.1 %	\$ 3,455	4.0 %	\$ 4,318	5.0 %
Common equity Tier 1 capital	\$ 13,075	16.9 %	\$ 3,473	4.5 %	\$ 5,017	6.5 %

	Actual		Minimum for capital adequacy purposes		Minimum to be well-capitalized under prompt corrective action provisions	
	Amount	Ratio ^(a)	Amount	Ratio ^(b)	Amount	Ratio
At December 31, 2020 (\$ in millions)						
Total risk-based capital	\$ 12,784	17.8 %	\$ 5,747	8.0 %	\$ 7,184	10.0 %
Tier 1 risk-based capital	\$ 11,821	16.5 %	\$ 4,310	6.0 %	\$ 5,747	8.0 %
Tier 1 leverage	\$ 11,821	13.6 %	\$ 3,484	4.0 %	\$ 4,356	5.0 %
Common equity Tier 1 capital	\$ 11,821	16.5 %	\$ 3,233	4.5 %	\$ 4,669	6.5 %

(a) Capital ratios are calculated based on the Basel III Standardized Approach rules. Capital amounts and ratios at December 31, 2021 in the above tables reflect the application of the CECL regulatory capital transition adjustment.

(b) At December 31, 2021 and 2020, 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 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. EMPLOYEE BENEFIT PLANS

The following summarizes information related to the Synchrony benefit plans and our remaining obligations to General Electric Company and its subsidiaries ("GE") related to certain of their plans.

Savings Plan

Our U.S. employees are eligible to participate in a qualified defined contribution savings plan that allows them to contribute a portion of their pay to the plan on a pre-tax basis. We make employer contributions to the plan equal to 3% of eligible compensation and make matching contributions of up to 4% of eligible compensation. We also provide certain additional contributions to the plan for employees who were participants in GE's pension plan at the time of Synchrony's separation from GE in November 2015 (the "Separation"). The expenses incurred associated with this plan were \$69 million for each of the years ended December 31, 2021, 2020 and 2019, respectively.

Health and Welfare Benefits

We provide health and welfare benefits to our employees, including health, dental, prescription drug and vision for which we are self-insured. The expenses incurred associated with these benefits were \$111 million, \$107 million and \$119 million for the years ended December 31, 2021, 2020 and 2019, respectively.

GE Benefit Plans and Reimbursement Obligations

Prior to Separation, our employees participated in various GE retirement and retiree health and life insurance benefit plans. Certain of these retirement benefits vested as a result of Separation. Under the terms of the Employee Matters Agreement between us and GE, GE will continue to pay for these benefits and we are obligated to reimburse them. The principal retirement benefits subject to this arrangement are fixed, life-time annuity payments. The estimated liability for our reimbursement obligations to GE for retiree benefits was \$228 million and \$234 million at December 31, 2021 and 2020, respectively, and is included in other liabilities in our Consolidated Statement of Financial Position.

NOTE 12. 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 common share reflects the assumed conversion of all dilutive securities.

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

	Years ended December 31,		
	2021	2020	2019
<i>(in millions, except per share data)</i>			
Net earnings	\$ 4,221	\$ 1,385	\$ 3,747
Preferred stock dividends	(42)	(42)	—
Net earnings available to common stockholders	<u>\$ 4,179</u>	<u>\$ 1,343</u>	<u>\$ 3,747</u>
Weighted average common shares outstanding, basic	564.6	589.0	670.2
Effect of dilutive securities	4.7	1.8	3.3
Weighted average common shares outstanding, dilutive	<u>569.3</u>	<u>590.8</u>	<u>673.5</u>
Earnings per basic common share	<u>\$ 7.40</u>	<u>\$ 2.28</u>	<u>\$ 5.59</u>
Earnings per diluted common share	<u>\$ 7.34</u>	<u>\$ 2.27</u>	<u>\$ 5.56</u>

We have issued certain stock-based awards under the Synchrony Financial 2014 Long-Term Incentive Plan. A total of 1 million, 7 million and 3 million shares for the years ended December 31, 2021, 2020 and 2019, respectively, related to these awards, were considered anti-dilutive and therefore were excluded from the computation of diluted earnings per common share.

NOTE 13. EQUITY AND OTHER STOCK RELATED INFORMATION

Preferred Stock

The following table summarizes the Company's preferred stock issued and outstanding at December 31, 2021 and 2020.

Series	Issuance Date	Redeemable by Issuer Beginning	Per Annum Dividend Rate	Liquidation Preference per Share	Total Shares Outstanding	December 31, 2021	December 31, 2020
<i>(\$ in millions, except per share data)</i>							
Series A ^(a)	November 14, 2019	November 15, 2024	5.625%	\$1,000	750,000	\$ 734	\$ 734
						<u>\$ 734</u>	<u>\$ 734</u>

(a) Issued as depository shares, each representing a 1/40th interest in a share of the corresponding series of non-cumulative perpetual preferred stock. Dividends are payable quarterly on February 15, May 15, August 15 and November 15 at a fixed rate, in each case when, as and if declared by the Board of Directors.

Dividends and Share Repurchases

During the years ended December 31, 2021, 2020 and 2019, we declared and paid cash dividends of \$0.88, \$0.88 and \$0.86 per share of common stock, or \$500 million, \$520 million and \$581 million, respectively. In 2019, we issued depository shares representing \$750 million of non-cumulative perpetual preferred stock. We declared and paid preferred stock dividends of \$56.24 per share, or \$42 million, for both the year ended December 31, 2021 and 2020.

During the year ended December 31, 2021, the Company resumed share repurchase activities under various share repurchase programs authorized by our Board of Directors, and repurchased an aggregate of 61.0 million shares of our common stock for \$2.9 billion. In January 2021, we announced that the Board of Directors approved a new share repurchase program of up to \$1.6 billion through December 31, 2021 (the "January 2021 Share Repurchase Program"). In May 2021 we announced that the Board of Directors authorized a new share repurchase program of up to \$2.9 billion for the period which commenced April 1, 2021 through June 30, 2022 (the "May 2021 Share Repurchase Program"), which superseded the January 2021 Share Repurchase Program. Finally, in December 2021, the Board of Directors authorized an increase to the May 2021 Share Repurchase Program of \$1.0 billion, through the period ending June 30, 2022. In all instances, these share repurchase programs are subject to market conditions and other factors, including legal and regulatory restrictions and required approvals.

Synchrony Financial Incentive Programs

We have established the Synchrony Financial 2014 Long-Term Incentive Plan, which we refer to as the "Incentive Plan." The Incentive Plan permits us to issue stock-based, stock-denominated and other awards to officers, employees, consultants and non-employee directors providing services to the Company and our participating affiliates. Available awards under the Incentive Plan include stock options and stock appreciation rights, restricted stock and restricted stock units ("RSUs"), performance awards and other awards valued in whole or in part by reference to or otherwise based on our common stock (other stock-based awards), and dividend equivalents. Each RSU is convertible into one share of Synchrony Financial common stock. A total of 39.9 million shares of our common stock (including authorized and unissued shares) are available for granting awards under the Incentive Plan.

Our grants generally vest over 3 to 5 year terms on either an annual pro rata proportional basis, starting with the first anniversary of the award date, or at the end of the term of the award on a cliff basis, provided that the employee has remained continuously employed by the Company through such vesting date.

The total compensation expense recorded for these awards was not material for all periods presented. At December 31, 2021, there were 5.6 million RSUs unvested and 4.8 million stock options issued and outstanding and \$105 million of total unrecognized compensation cost related to these awards, which is expected to be amortized over a weighted average period of 1.8 years.

NOTE 14. INCOME TAXES

Earnings before Provision for Income Taxes

For the years ended December 31 (\$ in millions)

	2021	2020	2019
U.S.	\$ 5,483	\$ 1,780	\$ 4,870
Non-U.S.	20	17	17
Earnings before provision for income taxes	<u>\$ 5,503</u>	<u>\$ 1,797</u>	<u>\$ 4,887</u>

Provision for Income Taxes

For the years ended December 31 (\$ in millions)

Current provision for income taxes

	2021	2020	2019
U.S. Federal	\$ 895	\$ 843	\$ 949
U.S. state and local	163	167	167
Non-U.S.	5	4	1
Total current provision for income taxes	<u>1,063</u>	<u>1,014</u>	<u>1,117</u>

Deferred provision (benefit) for income taxes

U.S. Federal	180	(486)	19
U.S. state and local	40	(115)	2
Non-U.S.	(1)	(1)	2
Deferred provision (benefit) for income taxes	<u>219</u>	<u>(602)</u>	<u>23</u>
Total provision for income taxes	<u>\$ 1,282</u>	<u>\$ 412</u>	<u>\$ 1,140</u>

Reconciliation of Our Effective Tax Rate to the U.S. Federal Statutory Income Tax Rate

For the years ended December 31

	2021	2020	2019
U.S. federal statutory income tax rate	21.0 %	21.0 %	21.0 %
U.S. state and local income taxes, net of federal benefit	3.4	3.6	3.1
Release of uncertain tax positions, net of federal benefit	(1.0)	(1.7)	(0.4)
All other, net	(0.1)	—	(0.4)
Effective tax rate	<u>23.3 %</u>	<u>22.9 %</u>	<u>23.3 %</u>

Significant Components of Our Net Deferred Income Taxes

At December 31 (\$ in millions)

	2021	2020
Assets		
Allowance for credit losses	\$ 2,166	\$ 2,559
Compensation and employee benefits	134	122
Other assets	190	163
Total deferred income tax assets before valuation allowance	<u>2,490</u>	<u>2,844</u>
Valuation allowance	—	—
Total deferred income tax assets	<u>\$ 2,490</u>	<u>\$ 2,844</u>
Liabilities		
Original issue discount	\$ (637)	\$ (815)
Goodwill and identifiable intangibles	(197)	(203)
Software amortization	(88)	(107)
Other liabilities	(177)	(114)
Total deferred income tax liabilities	<u>(1,099)</u>	<u>(1,239)</u>
Net deferred income tax assets	<u>\$ 1,391</u>	<u>\$ 1,605</u>

Unrecognized Tax Benefits

Reconciliation of Unrecognized Tax Benefits

(\$ in millions)	2021	2020
Balance at January 1	\$ 268	\$ 255
Additions:		
Tax positions of the current year	113	91
Tax positions of prior years	3	7
Reductions:		
Prior year tax positions	(78)	(54)
Settlements with tax authorities	(1)	(2)
Expiration of the statute of limitation	(31)	(29)
Balance at December 31	<u>\$ 274</u>	<u>\$ 268</u>
Portion of balance that, if recognized, would impact the effective income tax rate	<u>\$ 160</u>	<u>\$ 183</u>

The amount of unrecognized tax benefits that is reasonably possible to be resolved in the next twelve months is expected to be \$104 million, of which, \$25 million, if recognized, would reduce the company's tax expense and effective tax rate. Included in the \$104 million of unrecognized benefits are certain temporary differences that would not affect the effective tax rate if they were recognized in the Consolidated Statement of Earnings.

Additionally, there are unrecognized tax benefits of \$18 million and \$19 million for the years ended December 31, 2021 and 2020, respectively, that are included in the tabular reconciliation above but recorded in the Consolidated Statement of Financial Position as a reduction of the related deferred tax asset.

The Company continued to participate voluntarily in the IRS Compliance Assurance Process ("CAP") program for the 2021 tax year, and thus the tax year is under IRS review. We expect that the IRS review of our 2021 return will be substantially completed prior to its filing in 2022. During the current year, the IRS completed its examination of our 2017-2020 tax years, which were our only open years subject to IRS examination. Additionally, we are under examination in various states going back to 2014.

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.

Interest expense and penalties related to income tax liabilities recognized in our Consolidated Statements of Earnings were not material for all periods presented.

NOTE 15. PARENT COMPANY FINANCIAL INFORMATION

The following tables present parent company financial statements for Synchrony Financial. At December 31, 2021, restricted net assets of our subsidiaries were \$12.0 billion.

Condensed Statements of Earnings

For the years ended December 31 (\$ in millions)

	2021	2020	2019
Interest income:			
Interest income from subsidiaries	\$ 67	\$ 110	\$ 207
Interest on cash and debt securities	1	3	12
Total interest income	<u>68</u>	<u>113</u>	<u>219</u>
Interest expense:			
Interest on senior unsecured notes	264	272	300
Total interest expense	<u>264</u>	<u>272</u>	<u>300</u>
Net interest income (expense)	(196)	(159)	(81)
Dividends from bank subsidiaries	2,600	1,325	3,900
Dividends from nonbank subsidiaries	147	51	309
Other income	327	117	144
Other expense	<u>292</u>	<u>125</u>	<u>162</u>
Earnings before benefit from income taxes	2,586	1,209	4,110
Benefit from income taxes	(26)	(42)	(19)
Equity in undistributed net earnings (loss) of subsidiaries	<u>1,609</u>	<u>134</u>	<u>(382)</u>
Net earnings	<u>\$ 4,221</u>	<u>\$ 1,385</u>	<u>\$ 3,747</u>
Comprehensive income	<u>\$ 4,203</u>	<u>\$ 1,392</u>	<u>\$ 3,764</u>

Condensed Statements of Financial Position

At December 31 (\$ in millions)

	2021	2020
Assets		
Cash and equivalents	\$ 3,546	\$ 3,721
Debt securities	94	136
Investments in and amounts due from subsidiaries ^(a)	16,899	15,931
Goodwill	59	59
Other assets	<u>293</u>	<u>167</u>
Total assets	<u>\$ 20,891</u>	<u>\$ 20,014</u>
Liabilities and Equity		
Amounts due to subsidiaries	\$ 276	\$ 268
Senior unsecured notes	6,470	6,468
Accrued expenses and other liabilities	<u>490</u>	<u>577</u>
Total liabilities	7,236	7,313
Equity:		
Total equity	<u>13,655</u>	<u>12,701</u>
Total liabilities and equity	<u>\$ 20,891</u>	<u>\$ 20,014</u>

(a) Includes investments in and amounts due from bank subsidiaries of \$12.7 billion and \$11.2 billion at December 31, 2021 and 2020, respectively.

Condensed Statements of Cash Flows

For the years ended December 31 (\$ in millions)

Cash flows - operating activities

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net earnings	\$ 4,221	\$ 1,385	\$ 3,747
Adjustments to reconcile net earnings to cash provided from operating activities			
Deferred income taxes	34	31	(1)
(Increase) decrease in other assets	(117)	(70)	14
Increase (decrease) in accrued expenses and other liabilities	26	(41)	(15)
Equity in undistributed net (earnings) loss of subsidiaries	(1,609)	(134)	382
All other operating activities	106	96	38
Cash provided from (used for) operating activities	<u>2,661</u>	<u>1,267</u>	<u>4,165</u>

Cash flows - investing activities

Net (increase) decrease in investments in and amounts due from subsidiaries	645	109	210
Maturity and sales of debt securities	44	370	972
Purchases of debt securities	(5)	—	(597)
All other investing activities	(132)	(10)	(100)
Cash provided from (used for) investing activities	<u>552</u>	<u>469</u>	<u>485</u>

Cash flows - financing activities

Senior unsecured notes			
Proceeds from issuance of senior unsecured notes	744	—	1,985
Maturities and repayment of senior unsecured notes	(750)	(1,000)	(2,100)
Dividends paid on preferred stock	(42)	(42)	—
Proceeds from issuance of preferred stock	—	—	734
Purchases of treasury stock	(2,876)	(985)	(3,618)
Dividends paid on common stock	(500)	(520)	(581)
Increase (decrease) in amounts due to subsidiaries	4	45	28
All other financing activities	32	(4)	37
Cash provided from (used for) financing activities	<u>(3,388)</u>	<u>(2,506)</u>	<u>(3,515)</u>
Increase (decrease) in cash and equivalents	(175)	(770)	1,135
Cash and equivalents at beginning of year	3,721	4,491	3,356
Cash and equivalents at end of year	<u>\$ 3,546</u>	<u>\$ 3,721</u>	<u>\$ 4,491</u>

NOTE 16. 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 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.

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 March 26, 2020, the District Court recaptioned the case *In re Synchrony Financial Securities Litigation* and on March 31, 2020, the District Court granted the defendants' motion to dismiss the complaint with prejudice. On April 20, 2020, plaintiffs filed a notice to appeal the decision to the United States Court of Appeals for the Second Circuit. On February 16, 2021, the Court of Appeals affirmed the District Court's dismissal of the Securities Act claims and all of the claims under the Exchange Act with the exception of a claim relating to a single statement on January 19, 2018 regarding whether Synchrony was receiving pushback on credit from its retail partners.

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. On March 26, 2020, the District Court recaptioned the *Gilbert* and *Aldridge* cases as *In re Synchrony Financial Derivative Litigation*.

On April 30, 2014 *Belton et al. v. GE Capital Consumer Lending*, a putative class action adversary proceeding was filed in the U.S. Bankruptcy Court for the Southern District of New York. 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 June 16, 2020, the Court of Appeals for the Second Circuit denied the Bank's appeal of the District Court's decision. On October 5, 2021, the plaintiff filed a motion for preliminary approval of a class action settlement. Under the settlement, if approved by the court, the Bank will pay up to \$8.5 million to class members, and implement or maintain certain practices with respect to credit reporting of sold accounts. On October 28, 2021, the Bankruptcy Court issued an order preliminarily approving the settlement. A hearing for final approval of the settlement is scheduled for the first quarter of 2022 before the District Court.

Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), and based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2021.

Changes in Internal Control Over Financial Reporting

There was no change in internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report on Management's Assessment of Internal Control Over Financial Reporting

The management of Synchrony Financial ("the Company") is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined by Exchange Act Rules 13a-15 and 15d-15. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are made only in accordance with authorizations of the Company's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Although any system of internal control can be compromised by human error or intentional circumvention of required procedures, we believe our system provides reasonable assurance that financial transactions are recorded and reported properly, providing an adequate basis for reliable financial statements.

The Company's management has used the criteria established in Internal Control - Integrated Framework (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to evaluate the effectiveness of the Company's internal control over financial reporting.

The Company's management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2021 and has concluded that such internal control over financial reporting is effective. There are no material weaknesses in the Company's internal control over financial reporting that have been identified by the Company's management.

KPMG LLP, an independent registered public accounting firm, has audited the consolidated financial statements of the Company for the year ended December 31, 2021 and has also issued an audit report, which is included in "*Consolidated Financial Statements and Supplementary Data*" of this Form 10-K Report, on internal control over financial reporting as of December 31, 2021 under Auditing Standard No. 2201 of the Public Company Accounting Oversight Board ("PCAOB").

OTHER KEY INFORMATION

Properties

Our corporate headquarters are located on a site in Stamford, Connecticut that we lease from a third party.

In addition to those set forth below, we maintain small offices at a few of our U.S. partner locations pursuant to servicing, lease or license agreements.

We believe our space is adequate for our current needs and that suitable additional or substitute space will be available to accommodate the foreseeable expansion of our operations.

The table below sets out selected information on our principal facilities.

Location	Owned/Leased
Corporate Headquarters:	
Stamford, CT	Leased
Bank Headquarters:	
Draper, UT	Leased
Customer Service Centers:	
Altamonte Springs, FL	Leased
Canton, OH	Leased
Charlotte, NC	Leased
Hyderabad, India	Leased
Manila, Philippines	Leased
Cebu, Philippines	Leased
San Juan, Puerto Rico	Leased
Merriam, KS	Leased
Phoenix, AZ	Leased
Other Support Centers:	
Alpharetta, GA	Leased
Bentonville, AR	Leased
Burlingame, CA	Leased
Champaign, IL	Leased
Chicago, IL	Leased
Costa Mesa, CA	Leased
New York, NY	Leased
San Francisco, CA	Leased
St. Paul, MN	Leased
Washington, DC	Leased

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

Market Information

Our common stock trades on the New York Stock Exchange under the symbol "SYF."

The following table reflects the cash dividends we declared for the periods indicated.

	Cash dividends declared	
<i>(\$ in dollars)</i>		
2021		
Fourth quarter	\$	0.22
Third quarter	\$	0.22
Second quarter	\$	0.22
First quarter	\$	0.22
2020		
Fourth quarter	\$	0.22
Third quarter	\$	0.22
Second quarter	\$	0.22
First quarter	\$	0.22

Holders

At February 4, 2022, the approximate number of holders of record of common stock was 2,382.

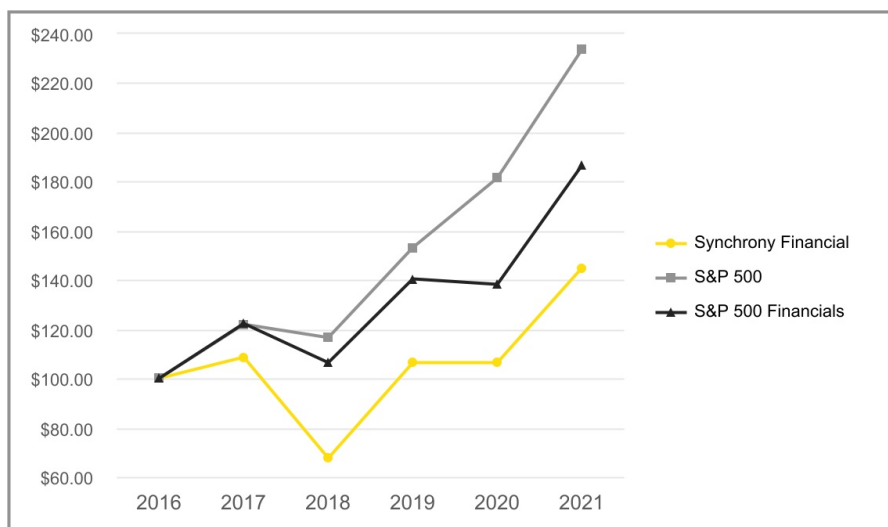
Dividends

Dividend Policy. The declaration and payment of any future dividends to holders of our common or preferred stock or stock repurchases will be at the discretion of Synchrony's Board of Directors and will depend on many factors, including the financial condition, earnings, capital and liquidity requirements of us and the Bank, applicable regulatory restrictions, corporate law and contractual restrictions and other factors that the Board of Directors deems relevant.

As a savings and loan holding company, our ability to pay dividends to our stockholders or to repurchase our stock is subject to regulation by the Federal Reserve Board. In addition, as a holding company, we rely significantly on dividends, distributions and other payments from the Bank to fund dividends to our stockholders. The ability of the Bank to make dividends and other distributions and payments to us is subject to regulation by the OCC and the Federal Reserve Board. 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" and "—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."

Performance Graph

The following graph compares the cumulative total stockholders return (rounded to the nearest whole dollar) of the Company's common stock, the S&P 500 Stock Index and the S&P 500 Financials Index for the period from December 31, 2016 through December 31, 2021. The graph assumes an initial investment of \$100 on December 31, 2016. The cumulative returns for the Company's common stock and financial indices assume full reinvestment of dividends. This graph does not forecast future performance of the Company's common stock.



	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Synchrony Financial	\$ 100.00	\$ 108.35	\$ 67.40	\$ 106.12	\$ 106.16	\$ 144.79
S&P 500	\$ 100.00	\$ 121.83	\$ 116.49	\$ 153.17	\$ 181.35	\$ 233.41
S&P 500 Financials	\$ 100.00	\$ 122.18	\$ 106.26	\$ 140.40	\$ 138.02	\$ 186.38

Issuer Purchases of Equity Securities

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 December 31, 2021.

<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 Program^(c)	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Program^(b)
October 1 - 31, 2021	5,268,432	\$ 48.01	5,262,648	\$ 947.3
November 1 - 30, 2021	9,874,677	\$ 48.48	9,874,673	\$ 468.6
December 1 - 31, 2021	5,353,566	\$ 46.80	5,353,500	\$ 1,218.0
Total	20,496,675	\$ 47.92	20,490,821	\$ 1,218.0

(a) Includes 5,784 shares, 4 shares and 66 shares withheld in October, November and December, 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) In January 2021, the Board of Directors authorized a share repurchase program of up to \$1.6 billion through December 31, 2021. In May 2021 the Board of Directors approved a new share repurchase program of up to \$2.9 billion for the period which commenced April 1, 2021 through June 30, 2022. This share repurchase program superseded the program previously announced in January 2021. In December 2021, the Board of Directors authorized an increase to the May 2021 Share Repurchase Program of \$1.0 billion, through the period ending June 30, 2022.

Exhibits and Financial Statement Schedules

(a) Documents filed as part of this Form 10-K:

1. Consolidated Financial Statements

The consolidated financial statements required to be filed in this annual report on Form 10-K are listed below and appear herein on the pages indicated.

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Reports of Independent Registered Public Accounting Firm (KPMG LLP, New York, New York, PCAOB ID 185)	103
Consolidated Statements of Earnings for the years ended December 31, 2021, 2020 and 2019	107
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Notes to the Consolidated Financial Statements	112

2. Financial Statement Schedules

Separate financial statement schedules have been omitted either because they are not applicable or because the required information is included in the consolidated financial statements.

3. Exhibits

A list of the exhibits being filed or furnished with or incorporated by reference into this annual report on Form 10-K is provided below:

EXHIBIT INDEX

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Synchrony Financial (incorporated by reference to Exhibit 3.2 of Amendment No. 5 to Form S-1 Registration Statement filed by Synchrony Financial on July 18, 2014 (No. 333-194528))
3.2	Amended and Restated Bylaws of Synchrony Financial (incorporated by reference to Exhibit 3.1 of Form 8-K filed by Synchrony Financial on November 1, 2016)
4.1	Indenture, dated as of August 11, 2014, between Synchrony Financial and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.1 of Form 8-K filed by Synchrony Financial on August 13, 2014)
4.2	First Supplemental Indenture, dated as of August 11, 2014, between Synchrony Financial and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.2 of Form 8-K filed by Synchrony Financial on August 13, 2014)
4.3	Third Supplemental Indenture, dated as of July 23, 2015, between Synchrony Financial and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.1 of Form 8-K filed by Synchrony Financial on July 23, 2015)
4.4	Sixth Supplemental Indenture, dated as of August 4, 2016, between Synchrony Financial and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.1 of Form 8-K filed by Synchrony Financial on August 4, 2016)
4.5	Seventh Supplemental Indenture, dated as of December 1, 2017, between Synchrony Financial and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.1 of Form 8-K filed by Synchrony Financial on December 1, 2017)
4.6	Eighth Supplemental Indenture, dated as of March 19, 2019, between Synchrony Financial and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.1 of Form 8-K filed by Synchrony Financial on March 19, 2019)
4.7	Ninth Supplemental Indenture, dated as of July 25, 2019, between Synchrony Financial and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.1 of Form 8-K filed by Synchrony Financial on July 25, 2019)
4.8	Tenth Supplemental Indenture, dated as of October 28, 2021, between Synchrony Financial and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.1 of Form 8-K filed by Synchrony Financial on October 28, 2021)

4.9	Form of 4.500% Senior Notes due 2025 (incorporated by reference to Exhibit 4.2 of Form 8-K filed by Synchrony Financial on July 23, 2015).
4.10	Form of 3.700% Senior Notes due 2026 (incorporated by reference to Exhibit 4.2 of Form 8-K filed by Synchrony Financial on August 4, 2016).
4.11	Form of 3.950% Senior Notes due 2027 (incorporated by reference to Exhibit 4.2 of Form 8-K filed by Synchrony Financial on December 1, 2017).
4.12	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 of Amendment No. 5 to Form S-1 Registration Statement filed by Synchrony Financial on July 18, 2014 (No. 333-194528)).
4.13	Form of 4.375% Senior Notes due 2024 (incorporated by reference to Exhibit 4.2 of Form 8-K filed by Synchrony Financial on March 19, 2019).
4.14	Form of 5.150% Senior Notes due 2029 (incorporated by reference to Exhibit 4.3 of Form 8-K filed by Synchrony Financial on March 19, 2019).
4.15	Form of 2.850% Senior Notes due 2022 (incorporated by reference to Exhibit 4.2 of Form 8-K filed by Synchrony Financial on July 25, 2019).
4.16	Form of 2.875% Senior Notes due 2031 (incorporated by reference to Exhibit 4.1 of Form 8-K filed by Synchrony Financial on October 28, 2021).
4.17	Certificate of Designations of 5.625% Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A, dated November 13, 2019, (incorporated by reference to Exhibit 4.1 of Form 8-K filed by Synchrony Financial on November 14, 2019).
4.18	Deposit Agreement, dated November 14, 2019, by and among the Company, Computershare Inc. and Computershare Trust Company, N.A., collectively as Depository, and the holders from time to time of the depository receipts described therein. (incorporated by reference to Exhibit 4.2 of Form 8-K filed by Synchrony Financial on November 14, 2019).
4.19*	Description of Registrant's Securities
10.1	Master Agreement, dated as of July 30, 2014, among General Electric Capital Corporation, Synchrony Financial, and, solely for purposes of certain sections and articles set forth therein, General Electric Company (incorporated by reference to Exhibit 10.1 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on August 1, 2014 (333-197244)).
10.2	Transitional Services Agreement, dated August 5, 2014, by and among General Electric Capital Corporation, Synchrony Financial and Retail Finance International Holdings, Inc. (incorporated by reference to Exhibit 10.1 of Form 8-K filed by Synchrony Financial on August 11, 2014).
10.3	Employee Matters Agreement, dated as of August 5, 2014, by and among General Electric Company, General Electric Capital Corporation and Synchrony Financial (incorporated by reference to Exhibit 10.4 of Form 8-K filed by Synchrony Financial on August 11, 2014).
10.4	Transitional Trademark License Agreement, dated as of August 5, 2014, by and between GE Capital Registry, Inc. and Synchrony Financial (incorporated by reference to Exhibit 10.5 of Form 8-K filed by Synchrony Financial on August 11, 2014).
10.5	Intellectual Property Cross License Agreement, dated as of August 5, 2014, by and between General Electric Company and General Electric Capital Corporation, on the one hand, and Synchrony Financial, on the other hand (incorporated by reference to Exhibit 10.6 of Form 8-K filed by Synchrony Financial on August 11, 2014).
10.6+	Form of agreement for awards of Performance Share Units under Synchrony 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q filed by Synchrony Financial on April 28, 2016).
10.7	Master Indenture, dated as of September 25, 2003, between Synchrony Credit Card Master Note Trust (formerly known as GE Capital Credit Card Master Note Trust), as Issuer and Deutsche Bank Trust Company Americas, as Indenture Trustee (incorporated by reference to Exhibit 4.1 of Amendment No. 1 to Form S-3 Registration Statement filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 20, 2004 (No. 333-107495, 333-107495-01 and 333-107495-02)).
10.8	Omnibus Amendment No. 1 to Securitization Documents, dated as of February 9, 2004, among RFS Holding, L.L.C., RFS Funding Trust, GE Capital Retail Bank (formerly known as Monogram Credit Card Bank of Georgia), Synchrony Credit Card Master Note Trust, Deutsche Bank Trust Company Delaware, as Trustee of RFS Funding Trust, RFS Holding, Inc. and Deutsche Bank Trust Company Americas, as Indenture Trustee (incorporated by reference to Exhibit 4.16 of Amendment No. 1 to Form S-3 Registration Statement filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 20, 2004 (No. 333-107495, 333-107495-01 and 333-107495-02)).
10.9	Second Amendment to Master Indenture, dated as of June 17, 2004, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.4 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on July 2, 2004).

- [10.10](#) [Third Amendment to Master Indenture, dated as of August 31, 2006, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on September 5, 2006\).](#)
- [10.11](#) [Fourth Amendment to Master Indenture, dated as of June 28, 2007, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas \(incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on July 3, 2007\).](#)
- [10.12](#) [Fifth Amendment to Master Indenture, dated as of May 22, 2008, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 28, 2008\).](#)
- [10.13](#) [Sixth Amendment to Master Indenture, dated as of August 7, 2009, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on August 7, 2009\).](#)
- [10.14](#) [Seventh Amendment to Master Indenture, dated as of January 21, 2014, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on January 21, 2014\).](#)
- [10.15](#) [Eighth Amendment to Master Indenture and Omnibus Supplement to Specified Indenture Supplements, dated as of March 11, 2014, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 14, 2014\).](#)
- [10.16](#) [Ninth Amendment to Master Indenture, dated as of November 24, 2015, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on November 25, 2015\).](#)
- [10.17](#) [Tenth Amendment to Master Indenture, dated as of March 3, 2016, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 7, 2016\).](#)
- [10.18](#) [Eleventh Amendment to Master Indenture, dated as of April 21, 2017, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on April 26, 2017\).](#)
- [10.19](#) [Twelfth Amendment to Master Indenture, dated as of March 16, 2021, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas \(incorporated by reference to Exhibit 4.3 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 17, 2021\).](#)
- [10.20](#) [Second Omnibus Supplement to Specified Indenture Supplements, dated as of April 21, 2017, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas \(incorporated by reference to Exhibit 4.6 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on April 26, 2017\).](#)
- [10.21](#) [Form of Indenture Supplement, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas \(incorporated by reference to Exhibit 4.8 of Form S-3 Registration Statement filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 16, 2012 \(333-181466\)\).](#)
- [10.22](#) [Form of Indenture Supplement, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas \(incorporated by reference to Exhibit 4.12 of Form SF-3 Registration Statement filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on December 30, 2015 \(333-206176\)\).](#)
- [10.23](#) [Form of VFN Indenture Supplement, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas \(incorporated by reference to Exhibit 10.24 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on August 1, 2014 \(333-197244\)\).](#)
- [10.24](#) [Form of Loan Agreement \(VFN Series, Class A\), among Synchrony Credit Card Master Note Trust, the Lenders party thereto from time to time, and the Managing Agents party thereto from time to time \(incorporated by reference to Exhibit 10.25 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on August 1, 2014 \(333-197244\)\).](#)
- [10.25](#) [Trust Agreement, dated as of September 25, 2003, between RFS Holding, L.L.C. and The Bank of New York \(Delaware\) \(incorporated by reference to Exhibit 4.3 of Amendment No. 1 to Form S-3 Registration Statement filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 20, 2004 \(No. 333-107495, 333-107495-01 and 333-107495-02\)\).](#)

- [10.26](#) [First Amendment to Trust Agreement, dated as of January 21, 2014, between RFS Holding, L.L.C. and BNY Mellon Trust of Delaware \(incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Master Note Trust and RFS Holding, L.L.C. on January 21, 2014\)](#)
- [10.27](#) [Second Amendment to Trust Agreement, dated as of September 8, 2014, between RFS Holding, L.L.C. and BNY Mellon Trust of Delaware \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Master Note Trust and RFS Holding, L.L.C. on September 11, 2014\)](#)
- [10.28](#) [Third Amendment to Trust Agreement, dated as of April 21, 2017, between RFS Holding, L.L.C. and BNY Mellon Trust of Delaware \(incorporated by reference to Exhibit 4.5 of the current report on Form 8-K filed by Synchrony Credit Master Note Trust and RFS Holding, L.L.C. on April 26, 2017\)](#)
- [10.29](#) [Custody and Control Agreement, dated as of September 25, 2003 by and among Deutsche Bank Trust Company of Americas, in its capacity as Custodian and in its capacity as Indenture Trustee, and Synchrony Credit Card Master Note Trust \(incorporated by reference to Exhibit 4.8 of Amendment No. 1 to Form S-3 Registration Statement filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 20, 2004 \(No. 333-107495, 333-107495-01 and 333-107495-02\)\)](#)
- [10.30](#) [Receivables Sale Agreement, dated as of June 27, 2003, between GE Capital Retail Bank \(formerly known as Monogram Credit Card Bank of Georgia\) and RFS Holding, L.L.C. \(incorporated by reference to Exhibit 4.9 of Amendment No. 1 to Form S-3 Registration Statement filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 20, 2004 \(No. 333-107495, 333-107495-01 and 333-107495-02\)\)](#)
- [10.31](#) [RSA Assumption Agreement and Second Amendment to Receivables Sale Agreement, dated as of February 7, 2005, between GE Capital Retail Bank \(formerly known as GE Money Bank\) and RFS Holding, L.L.C. \(incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on February 11, 2005\)](#)
- [10.32](#) [Third Amendment to Receivables Sale Agreement, dated as of December 21, 2006, between GE Capital Retail Bank \(formerly known as GE Money Bank\) and RFS Holding, L.L.C. \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on December 21, 2006\)](#)
- [10.33](#) [Fourth Amendment to Receivables Sale Agreement, dated as of May 21, 2008, between GE Capital Retail Bank \(formerly known as GE Money Bank\) and RFS Holding, L.L.C. \(incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 28, 2008\)](#)
- [10.34](#) [Designation of Removed Accounts and Fifth Amendment to Receivables Sale Agreement, dated as of December 29, 2008, between GE Capital Retail Bank \(formerly known as GE Money Bank\) and RFS Holding, L.L.C. \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on December 30, 2008\)](#)
- [10.35](#) [Designation of Removed Accounts and Sixth Amendment to Receivables Sale Agreement, dated as of February 26, 2009, between GE Capital Retail Bank \(formerly known as GE Money Bank\) and RFS Holding, L.L.C. \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on February 26, 2009\)](#)
- [10.36](#) [Seventh Amendment to Receivables Sale Agreement, dated as of November 23, 2010, between GE Capital Retail Bank \(formerly known as GE Money Bank\), and RFS Holding, L.L.C. \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on November 24, 2010\)](#)
- [10.37](#) [Eighth Amendment to Receivables Sale Agreement, dated as of March 20, 2012, among GE Capital Retail Bank, RFS Holding, Inc., PLT Holding, L.L.C. and RFS Holding, L.L.C. \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 21, 2012\)](#)
- [10.38](#) [Ninth Amendment to Receivables Sale Agreement, dated as of March 11, 2014, among GE Capital Retail Bank, RFS Holding, Inc., PLT Holding, L.L.C. and RFS Holding, L.L.C. \(incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 14, 2014\)](#)
- [10.39](#) [Designation of Removed Accounts and Tenth Amendment to Receivables Sale Agreement, dated as of November 7, 2014, among Synchrony Bank \(formerly known as GE Capital Retail Bank\), RFS Holding Inc., PLT Holding, L.L.C. and RFS Holding, L.L.C. \(incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on November 14, 2014\)](#)
- [10.40](#) [Eleventh Amendment to Receivables Sale Agreement, dated as of March 3, 2016 among Synchrony Bank \(formerly known as GE Capital Retail Bank\), RFS Holding Inc., PLT Holding, L.L.C. and RFS Holding, L.L.C. \(incorporated by reference to Exhibit 4.3 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 7, 2016\)](#)

- [10.41](#) [Twelfth Amendment to Receivables Sale Agreement, dated as of April 21, 2017 between Synchrony Bank \(formerly known as GE Capital Retail Bank\) and RFS Holding, L.L.C. \(incorporated by reference to Exhibit 4.4 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on April 26, 2017\).](#)
- [10.42](#) [Thirteenth Amendment to Receivables Sale Agreement, dated as of May 31, 2017 between Synchrony Bank \(formerly known as GE Capital Retail Bank\) and RFS Holding, L.L.C. \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on June 2, 2017\).](#)
- [10.43](#) [Designation of Removed Accounts and Fourteenth Amendment to Receivables Sale Agreement, dated as of October 11, 2019 between Synchrony Bank \(formerly known as GE Capital Retail Bank\) and RFS Holding, L.L.C. \(incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on October 15, 2019\).](#)
- [10.44](#) [Fifteenth Amendment to Receivables Sale Agreement, dated as of March 16, 2021, between Synchrony Bank \(formerly known as GE Capital Retail Bank\) and RFS Holding, L.L.C. \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 17, 2021\).](#)
- [10.45](#) [Transfer Agreement, dated as of September 25, 2003, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust \(incorporated by reference to Exhibit 4.12 of Amendment No. 1 to Form S-3 Registration Statement filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 20, 2004 \(No. 333-107495, 333-107495-01 and 333-107495-02\)\).](#)
- [10.46](#) [Second Amendment to Transfer Agreement, dated as of June 17, 2004, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust \(incorporated by reference to Exhibit 4.3 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on July 2, 2004\).](#)
- [10.47](#) [Third Amendment to Transfer Agreement, dated as of November 21, 2004, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on November 24, 2004\).](#)
- [10.48](#) [Fourth Amendment to Transfer Agreement, dated as of August 31, 2006, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust \(incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on September 5, 2006\).](#)
- [10.49](#) [Fifth Amendment to Transfer Agreement, dated as of December 21, 2006, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust \(incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on December 21, 2006\).](#)
- [10.50](#) [Sixth Amendment to Transfer Agreement, dated as of May 21, 2008, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust \(incorporated by reference to Exhibit 4.4 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 28, 2008\).](#)
- [10.51](#) [Reassignment of Receivables in Removed Accounts and Seventh Amendment to Transfer Agreement, dated as of December 29, 2008, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust \(incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on December 30, 2008\).](#)
- [10.52](#) [Reassignment No. 4 of Receivables in Removed Accounts and Eighth Amendment to Transfer Agreement, dated as of February 26, 2009, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust \(incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on February 26, 2009\).](#)
- [10.53](#) [Ninth Amendment to Transfer Agreement, dated as of March 31, 2010, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust \(incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 31, 2010\).](#)
- [10.54](#) [Tenth Amendment to Transfer Agreement, dated as of March 20, 2012, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust \(incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 21, 2012\).](#)
- [10.55](#) [Eleventh Amendment to Transfer Agreement, dated as of March 3, 2016, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust \(incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 7, 2016\).](#)
- [10.56](#) [Twelfth Amendment to Transfer Agreement, dated as of February 23, 2017, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on February 28, 2017\).](#)

- [10.57](#) [Thirteenth Amendment to Transfer Agreement, dated as of April 21, 2017, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust \(incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on April 26, 2017\)](#)
- [10.58](#) [Fourteenth Amendment to Transfer Agreement, dated as of March 16, 2021, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust \(incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 17, 2021\)](#)
- [10.59](#) [Servicing Agreement, dated as of June 27, 2003, by and among RFS Funding Trust Synchrony Credit Card Master Note Trust and General Electric Capital Corporation, successor to GE Capital Retail Bank \(formerly known as Monogram Credit Card Bank of Georgia\) \(incorporated by reference to Exhibit 4.13 of Amendment No. 1 to Form S-3 Registration Statement filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 20, 2004 \(No. 333-107495, 333-107495-01 and 333-107495-02\)\)](#)
- [10.60](#) [Servicing Assumption Agreement, dated as of February 7, 2005, by GE Capital Retail Bank \(formerly known as GE Money Bank\) \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on February 11, 2005\)](#)
- [10.61](#) [First Amendment to Servicing Agreement, dated as of May 22, 2006, between Synchrony Credit Card Master Note Trust and GE Capital Retail Bank \(formerly known as GE Money Bank\) \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 25, 2006\)](#)
- [10.62](#) [Second Amendment to Servicing Agreement, dated as of June 28, 2007, between Synchrony Credit Card Master Note Trust and GE Capital Retail Bank \(formerly known as GE Money Bank\) \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on June 28, 2007\)](#)
- [10.63](#) [Instrument of Resignation, Appointment and Acceptance and Third Amendment to Servicing Agreement, dated as of May 22, 2008, by and among Synchrony Credit Card Master Note Trust, GE Capital Retail Bank \(formerly known as GE Money Bank\) and General Electric Capital Corporation \(incorporated by reference to Exhibit 4.3 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 28, 2008\)](#)
- [10.64](#) [Fourth Amendment to Servicing Agreement, dated as of July 16, 2014, between Synchrony Credit Card Master Note Trust and General Electric Capital Corporation \(incorporated by reference to Exhibit 4.14 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on July 16, 2014\)](#)
- [10.65](#) [Fifth Amendment to Servicing Agreement, dated as of November 24, 2015, between Synchrony Credit Card Master Note Trust and General Electric Capital Corporation \(incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on November 25, 2015\)](#)
- [10.66](#) [Sixth Amendment to Servicing Agreement, dated as of April 21, 2017, between Synchrony Credit Card Master Note Trust and Synchrony Financial \(incorporated by reference to Exhibit 4.3 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on April 26, 2017\)](#)
- [10.67](#) [Instrument of Resignation, Appointment and Acceptance, dated as of December 2, 2015, by and among Synchrony Credit Card Master Note Trust, General Electric Capital LLC and Synchrony Financial \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on December 4, 2015\)](#)
- [10.68](#) [Administration Agreement, dated as of September 25, 2003, among Synchrony Credit Card Master Note Trust, General Electric Capital Corporation, as Administrator, and The Bank of New York \(Delaware\), not in its individual capacity but solely as Trustee \(incorporated by reference to Exhibit 4.14 of Amendment No. 1 to Form S-3 Registration Statement filed on May 20, 2004 \(No. 333-107495, 333-107495-01 and 333-107495-02\)\)](#)
- [10.69](#) [Asset Representations Review Agreement, dated as of March 4, 2016, among Synchrony Bank, RFS Holding, L.L.C., Synchrony Credit Card Master Note Trust, Synchrony Financial and Clayton Fixed Income Services LLC \(incorporated by reference to Exhibit 4.4 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 7, 2016\)](#)
- [10.70](#) [First Amendment to Administration Agreement, dated as of May 4, 2009, between Synchrony Credit Card Master Note Trust and General Electric Capital Corporation \(incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 6, 2009\)](#)
- [10.71](#) [Instrument of Resignation, Appointment and Acceptance, dated as of July 16, 2014, by and among GE Capital Credit Card Master Note Trust, BNY Mellon Trust of Delaware and General Electric Capital Corporation \(incorporated by reference to Exhibit 4.13 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on July 16, 2014\)](#)

- [10.72](#) [Master Indenture, dated as of February 29, 2012, between GE Sales Finance Master Trust and Deutsche Bank Trust Company Americas \(incorporated by reference to Exhibit 10.55 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 \(No. 333-194528\)\).](#)
- [10.73](#) [Supplement No. 1 to Master Indenture, dated as of September 19, 2012, between GE Sales Finance Master Trust and Deutsche Bank Trust Company Americas \(incorporated by reference to Exhibit 10.56 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 \(No. 333-194528\)\).](#)
- [10.74](#) [Supplement No. 2 to Master Indenture, dated as of March 21, 2014, between GE Sales Finance Master Trust and Deutsche Bank Trust Company Americas \(incorporated by reference to Exhibit 10.57 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 \(No. 333-194528\)\).](#)
- [10.75](#) [Form of Indenture Supplement, between GE Sales Finance Master Trust and Deutsche Bank Trust Company Americas \(incorporated by reference to Exhibit 10.58 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on August 1, 2014 \(333-197244\)\).](#)
- [10.76](#) [Form of Loan Agreement, among GE Sales Finance Master Trust, the Lenders party thereto from time to time, and the Lender Group Agents for the Lender Groups party thereto from time to time \(incorporated by reference to Exhibit 10.59 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on August 1, 2014 \(333-197244\)\).](#)
- [10.77](#) [Amended and Restated Trust Agreement of GE Sales Finance Master Trust, dated as of February 29, 2012, between GE Sales Finance Holding, L.L.C. and BNY Mellon Trust of Delaware \(incorporated by reference to Exhibit 10.60 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 \(No. 333-194528\)\).](#)
- [10.78](#) [Amended and Restated Receivables Participation Agreement, dated as of February 29, 2012, between GE Capital Retail Bank and GEMB Lending Inc. \(incorporated by reference to Exhibit 10.61 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 \(No. 333-194528\)\).](#)
- [10.79](#) [First Amendment to Amended and Restated Receivables Participation Agreement, dated as of August 17, 2012, between GE Capital Retail Bank and GEMB Lending Inc. \(incorporated by reference to Exhibit 10.62 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 \(No. 333-194528\)\).](#)
- [10.80](#) [Second Amendment to Amended and Restated Receivables Participation Agreement, dated as of August 5, 2013, between GE Capital Retail Bank and GEMB Lending Inc. \(incorporated by reference to Exhibit 10.63 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 \(No. 333-194528\)\).](#)
- [10.81](#) [Participation Interest Sale Agreement, dated as of February 29, 2012, between GEMB Lending Inc. and GE Sales Finance Holding, L.L.C. \(incorporated by reference to Exhibit 10.64 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 \(No. 333-194528\)\).](#)
- [10.82](#) [First Amendment to Participation Interest Sale Agreement, dated as of September 19, 2012, between GEMB Lending Inc. and GE Sales Finance Holding, L.L.C. \(incorporated by reference to Exhibit 10.65 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 \(No. 333-194528\)\).](#)
- [10.83](#) [Second Amendment to Participation Interest Sale Agreement, dated as of March 21, 2014, between GEMB Lending Inc. and GE Sales Finance Holding, L.L.C. \(incorporated by reference to Exhibit 10.66 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 \(No. 333-194528\)\).](#)
- [10.84](#) [Transfer Agreement, dated as of February 29, 2012, between GE Sales Finance Holding, L.L.C. and GE Sales Finance Master Trust \(incorporated by reference to Exhibit 10.67 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 \(No. 333-194528\)\).](#)
- [10.85](#) [First Amendment to Transfer Agreement, dated as of September 19, 2012, between GE Sales Finance Holding, L.L.C. and GE Sales Finance Master Trust \(incorporated by reference to Exhibit 10.68 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 \(No. 333-194528\)\).](#)
- [10.86](#) [Second Amendment to Transfer Agreement, dated as of March 21, 2014, between GE Sales Finance Holding, L.L.C. and GE Sales Finance Master Trust \(incorporated by reference to Exhibit 10.69 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 \(No. 333-194528\)\).](#)
- [10.87](#) [Servicing Agreement, dated as of February 29, 2012, between GE Capital Retail Bank and GE Sales Finance Master Trust \(incorporated by reference to Exhibit 10.70 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 \(No. 333-194528\)\).](#)
- [10.88](#) [Administration Agreement, dated as of February 29, 2012, between GE Sales Finance Master Trust and GE Capital Retail Bank \(incorporated by reference to Exhibit 10.71 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 \(No. 333-194528\)\).](#)

10.89+	General Electric Supplementary Pension Plan, as amended effective January 1, 2011 (incorporated by reference to Exhibit 10(g) of the annual report on Form 10-K filed by General Electric Company on February 25, 2011)
10.90+	Form of Indemnification Agreement for directors, executive officers and key employees (incorporated by reference to Exhibit 10.89 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on August 1, 2014 (333-197244))
10.91+	Synchrony Financial Non-Employee Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.91 of Amendment No. 5 to Form S-1 Registration Statement filed by Synchrony Financial on July 18, 2014 (No. 33-194528))
10.92+	Form of Synchrony Financial Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to Form 8-K filed by Synchrony Financial on September 22, 2014)
10.93+	First Amendment to the Synchrony Financial Deferred Compensation Plan (incorporated by reference to Exhibit 10.109 to 2014 Annual Report on Form 10-K filed by Synchrony Financial on February 23, 2015)
10.94+	Form of Restricted Stock Unit and Non-Qualified Stock Option Award (incorporated by reference to Exhibit 10.2 to Form 8-K filed by Synchrony Financial on September 22, 2014)
10.95+	Form of Synchrony Financial Amended and Restated Annual Incentive Plan (incorporated by reference to Exhibit 10.1 to Form 10-Q filed by Synchrony Financial on October 21, 2021)
10.96+	Form of Synchrony Financial Amended and Restated Restoration Plan (incorporated by reference to Exhibit 10.3 to Form 10-Q filed by Synchrony Financial on July 28, 2017)
10.97+	Form of Synchrony Financial Change in Control Severance Plan (incorporated by reference to Exhibit 10.3 to Form 8-K filed by Synchrony Financial on May 27, 2015)
10.98+	Synchrony Financial Amended and Restated 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to Form 10-Q filed by Synchrony Financial on October 21, 2021)
10.99+	Services Agreement, dated as of September 15, 2015, between Retail Finance Servicing, LLC and First Data Resources, LLC (incorporated by reference to Exhibit 10.1 to Form 8-K filed by Synchrony Financial on September 15, 2015)
10.100	Letter, dated as of October 19, 2015, delivered by General Electric Capital Corporation and acknowledged and agreed to by General Electric Company and Synchrony Financial (incorporated by reference to Exhibit 10.116 of Form S-4 Registration Statement filed by Synchrony Financial on October 19, 2015 (No. 333-207479))
10.101+	Amended and Restated form of agreement for awards of Restricted Stock Units and Non-Qualified Stock Options under Synchrony 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Form 10-Q filed by Synchrony Financial on April 26, 2018)
10.102+	Amended and Restated form of agreement for awards of Performance Share Units under Synchrony 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to Form 10-Q filed by Synchrony Financial on April 26, 2018)
10.103+	Form of agreement for awards of Restricted Stock Units under Synchrony 2014 Long-Term Incentive Plan to directors of Synchrony Financial (incorporated by reference to Exhibit 10.3 to Form 10-Q filed by Synchrony Financial on April 26, 2018)
10.104+	Amended and Restated Executive Severance Plan (incorporated by reference to Exhibit 10.4 to Form 10-Q filed by Synchrony Financial on April 26, 2018)
10.105+	First Amendment to the Amended and Restated Executive Severance Plan (incorporated by reference to Exhibit 10.2 to Form 10-Q filed by Synchrony Financial on October 22, 2020)
10.106	Amended and Restated Master Indenture, dated as of May 1, 2018, between Synchrony Card Issuance Trust, as Issuer and The Bank of New York Mellon, as Indenture Trustee (incorporated by reference to Exhibit 4.1 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))
10.107	Form of Class A Terms Document, between Synchrony Card Issuance Trust and The Bank of New York Mellon (incorporated by reference to Exhibit 4.3 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))
10.108	Form of Class B Terms Document, between Synchrony Card Issuance Trust and The Bank of New York Mellon (incorporated by reference to Exhibit 4.4 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))
10.109	Form of Class C Terms Document, between Synchrony Card Issuance Trust and The Bank of New York Mellon (incorporated by reference to Exhibit 4.5 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))
10.110	Form of Class D Terms Document, between Synchrony Card Issuance Trust and The Bank of New York Mellon (incorporated by reference to Exhibit 4.6 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))

<u>10.111</u>	<u>Amended and Restated Trust Agreement, among Synchrony Card Funding, LLC, Citibank, N.A. and Citicorp Trust Delaware, National Association (incorporated by reference to Exhibit 4.7 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))</u>
<u>10.112</u>	<u>Custody and Control Agreement, dated as of November 17, 2017, by and among The Bank of New York Mellon, in its capacity as Custodian and in its capacity as Indenture Trustee, and Synchrony Card Issuance Trust (incorporated by reference to Exhibit 4.8 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))</u>
<u>10.113</u>	<u>Amended and Restated Receivables Sale Agreement, dated as of May 1, 2018, between Synchrony Bank and Synchrony Card Funding, LLC (incorporated by reference to Exhibit 4.9 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))</u>
<u>10.114</u>	<u>Amended and Restated Transfer Agreement, dated as of May 1, 2018, between Synchrony Card Funding, LLC and Synchrony Card Issuance Trust (incorporated by reference to Exhibit 4.10 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))</u>
<u>10.115</u>	<u>Amended and Restated Servicing Agreement, dated as of May 1, 2018, between Synchrony Card Issuance Trust and Synchrony Bank (incorporated by reference to Exhibit 4.11 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))</u>
<u>10.116</u>	<u>Form of Risk Retention Agreement, among Synchrony Bank, Synchrony Card Funding, LLC and Synchrony Card Issuance Trust (incorporated by reference to Exhibit 4.12 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))</u>
<u>10.117</u>	<u>Administration Agreement, dated as of November 30, 2017, between Synchrony Card Issuance Trust and Synchrony Bank (incorporated by reference to Exhibit 4.13 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))</u>
<u>10.118</u>	<u>Asset Representations Review Agreement, dated as of August 15, 2018, among Synchrony Bank, Synchrony Card Funding, LLC, Synchrony Card Issuance Trust and Clayton Fixed Income Services LLC (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on August 20, 2018)</u>
<u>10.119</u>	<u>Synchrony Series Indenture Supplement, dated as of September 26, 2018, between Synchrony Card Issuance Trust and The Bank of New York Mellon (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on October 2, 2018)</u>
<u>10.120</u>	<u>Supplement No. 1 to Synchrony Series Indenture Supplement, dated as of May 28, 2021, between Synchrony Card Issuance Trust and The Bank of New York Mellon (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on June 2, 2021)</u>
<u>10.121</u>	<u>Amended and Restated form of agreement for awards under Synchrony 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 of the quarterly report on Form 10-Q filed by Synchrony Financial on April 25, 2019)</u>
<u>10.122</u>	<u>Amended and Restated form of agreement for awards of Performance Share Units under Synchrony 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 of the quarterly report on Form 10-Q filed by Synchrony Financial on April 25, 2019)</u>
<u>10.123</u>	<u>Synchrony Financial Amended and Restated 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 of the quarterly report on Form 10-Q filed by Synchrony Financial on October 24, 2019)</u>
<u>10.124</u>	<u>Synchrony Financial Amended and Restated Change in Control Severance Plan (incorporated by reference to Exhibit 10.2 of the quarterly report on Form 10-Q filed by Synchrony Financial on October 24, 2019)</u>
<u>10.125</u>	<u>First Amendment to Synchrony Financial Amended and Restated Change in Control Severance Plan (incorporated by reference to Exhibit 10.1 of the quarterly report on Form 10-Q filed by Synchrony Financial on October 22, 2020)</u>
<u>10.126</u>	<u>First Amendment to the Synchrony Financial Restoration Plan (incorporated by reference to Exhibit 10.3 of the quarterly report on Form 10-Q filed by Synchrony Financial on October 24, 2019)</u>
<u>10.127+</u>	<u>Separation Agreement and Release, dated as of December 9, 2020, between Synchrony Bank and Neeraj Mehta (incorporated by reference to Exhibit 10.127 of the annual report on Form 10-K filed by Synchrony Financial on February 11, 2021)</u>
<u>21.1*</u>	<u>Subsidiaries of the Registrant</u>
<u>23.1*</u>	<u>Consent of KPMG LLP</u>
<u>24.1*</u>	<u>Powers of Attorney (included on the signature page)</u>

31(a)*	Certification Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended
31(b)*	Certification Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended
32*	Certification Pursuant to 18 U.S.C. Section 1350
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 Annual Report on Form 10-K for the year ended December 31, 2021, formatted in Inline XBRL (included as Exhibit 101)

* Filed electronically herewith.

† Confidential treatment granted to certain portions, which portions have been provided separately to the Securities and Exchange Commission.

+ Management contract or compensatory plan or arrangement required to be filed as an exhibit to Form 10-K pursuant to Item 15(b) of this report.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report on Form 10-K for the fiscal year ended December 31, 2021, to be signed on its behalf by the undersigned, and in the capacity indicated, thereunto duly authorized in the City of Stamford and State of Connecticut on the 10th day of February 2022.

Synchrony Financial
(Registrant)

/s/ Brian J. Wenzel Sr.

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

Power of Attorney

Each person whose signature appears below hereby constitutes and appoints Brian D. Doubles, Brian J. Wenzel and Jonathan S. Mothner, and each of them acting individually, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, to execute for him or her and in his or her name, place and stead, in any and all capacities, any and all amendments to this annual report on Form 10-K, and to file the same, with all exhibits thereto and any other documents required in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and their substitutes, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Brian D. Doubles</u> Brian D. Doubles Director and Chief Executive Officer	Principal Executive Officer Director	February 10, 2022
<u>/s/ Brian J. Wenzel Sr.</u> Brian J. Wenzel Sr. Executive Vice President and Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)	Principal Financial Officer	February 10, 2022
<u>/s/ David P. Melito</u> David P. Melito Senior Vice President and Controller	Principal Accounting Officer	February 10, 2022
<u>/s/ Fernando Aguirre</u> Fernando Aguirre	Director	February 10, 2022
<u>/s/ Paget L. Alves</u> Paget L. Alves	Director	February 10, 2022
<u>/s/ Arthur W. Coviello, Jr.</u> Arthur W. Coviello, Jr.	Director	February 10, 2022
<u>/s/ William W. Graylin</u> William W. Graylin	Director	February 10, 2022
<u>/s/ Roy A. Guthrie</u> Roy A. Guthrie	Director	February 10, 2022
<u>/s/ Margaret M. Keane</u> Margaret M. Keane	Director	February 10, 2022
<u>/s/ Jeffrey G. Naylor</u> Jeffrey G. Naylor	Director	February 10, 2022
<u>/s/ P.W. Parker</u> P.W. Parker	Director	February 10, 2022
<u>/s/ Laurel J. Richie</u> Laurel J. Richie	Director	February 10, 2022
<u>/s/ Olympia J. Snowe</u> Olympia J. Snowe	Director	February 10, 2022
<u>/s/ Ellen M. Zane</u> Ellen M. Zane	Director	February 10, 2022

DESCRIPTION OF REGISTRANT'S SECURITIES

As of the date of the Annual Report on Form 10-K of which this Exhibit is a part, Synchrony Financial, a Delaware corporation, had two classes of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended: Common Stock, par value \$0.001 per share (the "common stock") and depositary shares, each representing a 1/40th interest in a share of 5.625% Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A (the "depositary shares"). The following summary provides a brief description of our common stock and depositary shares, as well as certain additional information.

This description does not purport to be complete and is qualified in its entirety by reference to the full text of our amended and restated certificate of incorporation (our "certificate of incorporation"), amended and restated bylaws (our "bylaws") and deposit agreement (as defined below). You should read the full text of our certificate of incorporation, bylaws and deposit agreement, as well as the applicable provisions of the General Corporation Law of the State of Delaware (the "DGCL").

References in this exhibit to "we," "us" and "our" refer to SYNCHRONY FINANCIAL and not to any of its subsidiaries.

General

Under our certificate of incorporation, we have authority to issue (i) 4,000,000,000 shares of common stock, par value \$0.001 per share, and (ii) 300,000,000 shares of preferred stock, par value \$0.001 per share.

Description of Common Stock

Voting Rights

Holders of common stock are entitled to one vote per share with respect to each matter presented to our stockholders on which the holders of common stock are entitled to vote. Holders of common stock do not have cumulative voting rights in the election of directors.

Dividend Rights

Subject to the prior rights of holders of preferred stock, if any, holders of common stock are entitled to receive, on a pro rata basis, such dividends and distributions, if any, as may be lawfully declared from time to time by our board of directors. Declaration and payment of dividends are subject to the discretion of our board of directors.

Other Rights

Upon any liquidation, dissolution or winding up of us, whether voluntary or involuntary, holders of common stock will be entitled to receive such assets as are available for distribution to stockholders after there shall have been paid or set apart for payment of the full amounts necessary to satisfy any preferential or participating rights to which the holders of any outstanding series of preferred stock are entitled by the express terms of such series.

Preferred Stock

Our board of directors has the authority, without stockholder approval, to issue preferred stock in one or more series and to fix the preferences, limitations and rights of the shares of each series, including:

- the designation of the series;
- the number of shares constituting the series;
- dividend rights;
- conversion or exchange rights; and
- the terms of redemption and liquidation preferences.

Anti-Takeover Effects of Provisions of the DGCL, Federal Reserve Board Regulations and Our Certificate of Incorporation and Bylaws

The DGCL, Federal Reserve Board regulations and our certificate of incorporation and bylaws contain provisions that may delay, deter, prevent or render more difficult a takeover attempt that our stockholders might consider to be in their best interests. Even in the absence of a takeover attempt, these provisions may also adversely affect the prevailing market price for our common stock if they are viewed as limiting the liquidity of our common stock or discouraging takeover attempts in the future.

Federal Reserve Board Requirements

Under Federal Reserve Board regulations, takeover attempts, business combinations and certain acquisitions of our common stock may require the prior approval of or notice to the Federal Reserve Board. If an entity seeks to acquire, either acting alone or in concert with others, 25% or more of any class of our voting stock, acquire control of the election or appointment of a majority of the directors on our board of directors, or exercise a controlling influence over our management or policies, it would be required to obtain the prior approval of the Federal Reserve Board. An existing bank holding company generally would need to obtain the Federal Reserve Board's approval before acquiring 5% or more of any class of our voting stock. In addition, under other Federal Reserve Board regulations, if any individual or entity seeks to acquire, either acting alone or in concert with others, 25% or more of any class of our voting stock, the individual or entity generally is required to provide 60 days' prior notice to the Federal Reserve Board. An individual or entity is presumed to control us, and therefore generally required to provide 60 days' prior notice to the Federal Reserve Board, if the individual or entity acquires 10% or more of any class of our voting stock, although the individual or entity may seek to rebut the presumption of control based on the facts.

Authorized but Unissued Common and Preferred Stock

The existence of authorized and unissued common and preferred stock may enable our board of directors to issue shares to persons friendly to current management, which could render more difficult or discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise, and could thereby protect the continuity of our management and possibly deprive stockholders of opportunities to sell common stock they own at prices higher than prevailing market prices.

Stockholder Action

Our certificate of incorporation provides that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders; provided, however, that any action required or permitted to be taken by the holders of any series of preferred stock, voting separately as a series or separately as a class with one or more other such series, may be taken without a meeting, without prior notice and without a vote, to the extent expressly so provided by the applicable preferred stock designation.

Our certificate of incorporation also provides that, except as required by law and subject to the rights of any holders of preferred stock, special meetings of our stockholders for any purpose or purposes may be called only (i) by or at the direction of our board of directors, any committee of our board of directors, our Chairman of the board of directors or our Chief Executive Officer or (ii) by our corporate secretary upon the written request of holders of a majority of our issued and outstanding common stock. No business other than that stated in the notice will be transacted at any special meeting. These provisions may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

Advance Notice Requirements for Nominations of Directors or Other Stockholder Proposals; Proxy Access

Our bylaws require stockholders seeking to nominate persons for election as directors at an annual or special meeting of stockholders, or to bring other business before an annual or special meeting (other than a matter brought under Rule 14a-8 under the Exchange Act), to provide timely notice in writing. To be timely, a stockholder's notice generally must be delivered to our corporate secretary, in the case of an annual meeting, not later than the close of business on the 90th day, nor earlier than the close of business on the 120th day, prior to the anniversary date of the immediately preceding annual meeting of stockholders. However, if the annual meeting is called for a date that is more than 30 days before or more than 70 days after that anniversary date, or in the case of a special meeting, to be timely, a stockholder's notice must be received by our corporate secretary not earlier than the close of business on the 120th day prior to such meeting and not later than the close of business on the later of the 90th day prior to such meeting or the tenth day following the day on which public announcement is first made by us of the date of such meeting.

A stockholder's notice to our corporate secretary must be in proper written form and must set forth information related to the stockholder giving the notice and the beneficial owner (if any) on whose behalf the nomination is made, including:

- the name and record address of the stockholder and the beneficial owner;
- information as to the ownership by the stockholder and the beneficial owner of our capital stock, derivative instruments, short positions and related information;
- a representation that the stockholder is a holder of record of our stock entitled to vote at that meeting and that the stockholder intends to appear in person or by proxy at the meeting to propose such nomination or business; and
- a representation whether the stockholder or the beneficial owner intends or is part of a group which intends to deliver a proxy statement or form of proxy to holders of at least the percentage of our outstanding capital stock required to elect the nominee, or otherwise to solicit proxies from stockholders in support of such nomination or proposal.

As to each person whom the stockholder proposes to nominate for election as a director, the notice shall include, among other information, the following:

- all information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election contest, or otherwise required, pursuant to the Exchange Act;
- the person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected;
- a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made;
- the person's written representation and agreement that: (i) except as has been disclosed to us, such person is not and will not become a party to any voting commitment or compensation, reimbursement or indemnification arrangement in connection with service as a director and (ii) such person would, if elected as a director, comply with all of our corporate governance, ethics, conflict of interest, confidentiality and stock ownership and trading policies and guidelines applicable generally to our directors; and
- such other information as required under our bylaws.

As to any other business that the stockholder proposes to bring before the meeting, the notice shall include, among other information, the following:

- a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the complete text of any resolutions or bylaw amendment proposed for consideration), the reasons for conducting the business at the meeting and any material interest in such business of such stockholder and beneficial owner on whose behalf the proposal is made; and
- a description of all agreements, arrangements and understandings between the stockholder and beneficial owner and any other person or persons acting in concert with them in connection with the proposal.

Our bylaws also have proxy access procedures for stockholders to make nominations of candidates for election for directors at our annual meeting of stockholders.

Delaware Business Combination Statute

Our certificate of incorporation does not exempt us from the application of Section 203 of the DGCL.

Section 203 of the DGCL provides that, subject to exceptions set forth therein, an interested stockholder of a Delaware corporation shall not engage in any business combination, including mergers or consolidations or acquisitions of additional shares of the corporation from the corporation, with the corporation for a three-year period following the time that such stockholder became an interested stockholder unless:

- prior to such time, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an “interested stockholder,” the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, other than statutorily excluded shares; or
- at or subsequent to such time, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Except as otherwise set forth in Section 203 of the DGCL, an interested stockholder is defined to include:

- any person that is the owner of 15% or more of the outstanding voting stock of the corporation, or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within three years immediately prior to the date of determination; and
- the affiliates and associates of any such person.

Description of Depositary Shares

The following description summarizes specific terms and provisions of the depositary shares relating to our Series A Preferred Stock.

General

Our depositary shares represent proportional fractional interests in shares of our Series A Preferred Stock. Each depositary share represents a 1/40th interest in a share of the Series A Preferred Stock, and are evidenced by depositary receipts (the “depositary shares”). We will deposit the underlying shares of the Series A Preferred Stock with a depositary pursuant to a deposit agreement among us, Computershare Trust Company, N.A., and Computershare Inc. collectively acting as depositary (the “depositary”) and the holders from time to time of the depositary receipts evidencing the depositary shares (the “deposit agreement”). Subject to the terms of the deposit agreement, each holder of a depositary share is entitled, through the depositary, in proportion to the applicable fraction of a share of Series A Preferred Stock represented by such depositary share, to all the rights and preferences of the Series A Preferred Stock represented thereby (including dividend, voting, redemption and liquidation rights). The depositary’s principal executive office is located at 150 Royall Street, Canton, Massachusetts 02021.

Series A Preferred Stock

Shares of the Series A Preferred Stock: (i) ranks senior to our common stock; (ii) ranks junior to any of our existing and future indebtedness and (iii) at least equally with each other series of preferred stock we may issue if provided for in the certificate of designations relating to such preferred stock or otherwise (except for any senior stock that may be issued with the requisite consent of the holders of the Series A Preferred Stock and all other parity stock, if any), with respect to the payment of dividends and distributions of assets upon liquidation, dissolution or winding up.

The Series A Preferred Stock will not be convertible into, or exchangeable for, shares of any other class or series of stock or other securities of Synchrony. The Series A Preferred Stock has no stated maturity and will not be subject to any sinking fund or other obligation of Synchrony Financial to redeem or repurchase the Series A Preferred Stock.

Shares of the Series A Preferred Stock, upon issuance against full payment of the purchase price for the depositary shares, will be fully paid and nonassessable. The depositary will be the sole holder of shares of the Series A Preferred Stock. The holders of depositary shares will be required to exercise their proportional rights in the Series A Preferred Stock through the depositary, as described below.

Dividends and Other Distributions

Each dividend payable on a depositary share will be in an amount equal to 1/40th of the dividend declared and payable on the related share of the Series A Preferred Stock.

The depositary will distribute any cash dividends or other cash distributions received in respect of the deposited Series A Preferred Stock to the record holders of depositary shares relating to the underlying Series A Preferred Stock in proportion to the number of depositary shares held by the holders. If we make a distribution other than in cash, the depositary will distribute any property received by it to the record holders of depositary shares entitled to those distributions, unless it determines that the distribution cannot be made proportionally among those holders or that it is not feasible to make a distribution. In that event, the depositary may, with our approval, sell the property and distribute the net proceeds from the sale to the holders of the depositary shares.

Record dates for the payment of dividends and other matters relating to the depositary shares will be the same as the corresponding record dates for the Series A Preferred Stock.

The amounts distributed to holders of depositary shares will be reduced by any amounts required to be withheld by the depositary or by us on account of taxes or other governmental charges. The depositary may refuse to make any payment or distribution, or any transfer, exchange, or withdrawal of any depositary shares or the shares of the Series A Preferred Stock until such taxes or other governmental charges are paid.

Redemption of Depositary Shares

If we redeem the Series A Preferred Stock represented by the depositary shares, the depositary shares will be redeemed from the proceeds received by the depositary resulting from the redemption of the Series A Preferred Stock held by the depositary. The redemption price per depositary share is expected to be equal to 1/40th of the redemption price per share payable with respect to the Series A Preferred Stock (or \$25 per depositary share), plus any declared and unpaid dividends.

Whenever we redeem shares of Series A Preferred Stock held by the depositary, the depositary will redeem, as of the same redemption date, the number of depositary shares representing shares of Series A Preferred Stock so redeemed. If fewer than all of the outstanding depositary shares are redeemed, the depositary will select the depositary shares to be redeemed pro rata or by lot or in such other manner determined by us to be fair and equitable. The depositary will send notice of redemption to record holders of the depositary receipts not less than 30 and not more than 60 days prior to the date fixed for redemption of the Series A Preferred Stock and the related depositary shares.

Restrictions upon the Right to Deposit or Withdrawal of Series A Preferred Stock

The deposit of the Series A Preferred Stock may be refused, the delivery of receipts against Series A Preferred Stock may be suspended, the registration of transfer of receipts may be refused and the registration of transfer, surrender or exchange of outstanding receipts may be suspended (i) during any period when the register of stockholders of Synchrony Financial is closed or (ii) if any such action is deemed necessary or advisable by the depositary, any of the depositary's agents or Synchrony Financial at any time or from time to time because of any requirement of law or of any government or governmental body or commission or under any provision of the deposit agreement.

Upon surrender of a receipt or receipts at the depositary's office or at such other offices as it may designate for the purpose of effecting a split-up or combination of such receipt or receipts, and subject to the terms and conditions of this deposit agreement, the depositary shall execute a new receipt or receipts in the authorized denomination or denominations requested, evidencing the aggregate number of depositary shares evidenced by the receipt or receipts surrendered, and shall deliver such new receipt or receipts to or upon the order of the holder of the receipt or receipts so surrendered. If the depositary receipts delivered by the holder evidence a number of depositary shares in excess of the number of depositary shares representing the number of whole shares of the Series A Preferred Stock to be withdrawn, the depositary will deliver to the holder at the same time a new depositary receipt evidencing such excess number of depositary shares.

In no event will fractional shares of Series A Preferred Stock (or any cash payment in lieu thereof) be delivered by the depositary. Delivery of the Series A Preferred Stock and money and other property, if any, being withdrawn may be made by the delivery of such certificates, documents of title and other instruments as the depositary may deem appropriate

Voting the Series A Preferred Stock

Because each depositary share represents a 1/40th interest in a share of the Series A Preferred Stock, holders of depositary receipts will be entitled to 1/40th of a vote per depositary share under those limited circumstances in which holders of the Series A Preferred Stock are entitled to a vote.

When the depositary receives notice of any meeting at which the holders of the Series A Preferred Stock are entitled to vote, the depositary will send the information contained in the notice to the record holders of the depositary shares relating to the Series A Preferred Stock. Each record holder of the depositary shares on the record date, which will be the same date as the record date for the Series A Preferred Stock, may instruct the depositary to vote the amount of the Series A Preferred Stock represented by the holder's depositary shares. To the extent possible, the depositary will vote the amount of the Series A Preferred Stock represented by depositary shares in accordance with the instructions it receives. We will agree to take all reasonable actions that the depositary determines are necessary to enable the depositary to vote as instructed. If the depositary does not receive specific instructions from the holders of any depositary shares representing the Series A Preferred Stock, it will not vote the amount of the Series A Preferred Stock represented by such depositary shares.

Amendment and Termination of Depositary Agreement

We and the depositary at any time may amend the form of depositary receipt evidencing the depositary shares and any provision of the deposit agreement. However, any amendment which materially and adversely alters the rights of the holders of depositary shares will not be effective unless such amendment has been approved by the holders of at least a two-thirds majority of the depositary shares then outstanding. We or the depositary may terminate the deposit agreement only if all outstanding depositary shares have been redeemed, there has been a final distribution in respect of the preferred stock in connection with any liquidation, dissolution or winding up of Synchrony Financial and such distribution has been distributed to the holders of depositary receipts, or upon the consent of the holders of receipts representing not less than two-thirds of the depositary shares outstanding.

Charges of Depositary

We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We will pay charges of the depositary in connection with the initial deposit of the preferred stock and any redemption of the preferred stock. Holders of depositary receipts will pay other transfer and other taxes and governmental charges and such other charges as are expressly provided in the deposit agreement to be for their accounts.

Rights of Holders of Receipts to Inspect the Transfer Books of the Depositary

The depositary will keep a receipt register at the depositary's office for the registration of depositary receipts and transfers of depositary receipts during business hours at the office of the depositary's agents for inspection by the holders.

Miscellaneous

The depositary shall furnish to holders of receipts any reports and communications received from the us which is received by the depositary and which Synchrony Financial is required to furnish to the holders of the Series A Preferred Stock.

Under the terms of the deposit agreement, the depositary will treat the persons in whose names the depositary shares, including the depositary receipts, are registered as the owners of such securities for the purpose of receiving payments and for all other purposes. Consequently, neither we, nor any depositary, nor any agent of us or any such depositary will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the depositary receipts, for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Neither the depositary nor any depositary's agent, nor any registrar, transfer Agent, redemption agent or dividend disbursing agent nor Synchrony Financial shall be liable for any action or any failure to act by it in reliance upon the written advice of legal counsel or accountants, or information from any person presenting Series A Preferred Stock for deposit, any Holder of a Receipt or any other person believed by it in good faith to be competent to give such information. The depositary, any depositary's agent, registrar, transfer agent, redemption agent or dividend disbursing agent and Synchrony Financial may each rely and shall each be protected in acting upon or omitting to act upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

List of Subsidiaries

Name of Subsidiary	Jurisdiction of Organization
CareCredit LLC	California
Loop Commerce, Inc.	Delaware
Pets Best Insurance Services, LLC	Idaho
Retail Finance Credit Services, LLC	Delaware
Retail Finance International Holdings, Inc.	Delaware
Retail Finance Servicing, LLC	Delaware
RFS Holding, Inc.	Delaware
RFS Holding, L.L.C.	Delaware
Sherman Clay & Co., LLC	Delaware
Synchrony Bank	United States
Synchrony Financial Canada	Ontario
Synchrony Financial Canada Company	Nova Scotia
Synchrony Global Services Philippines, Inc.	Philippines
Synchrony Holding Company	Nova Scotia
Synchrony International Resource Management, LLC	Delaware
Synchrony International Services Private Limited	India
Synchrony Lending, Inc.	Delaware
Synchrony Sales Finance Holding, LLC	Delaware
Synchrony Card Funding, LLC	Delaware
Synchrony Financial Services Puerto Rico, LLC	Delaware

Securitization Trusts

Without taking a position as to whether they are “subsidiaries” within the meaning of Rule 405, the following securitization entities are consolidated within the Company’s financial statements:

Name of Trust	Jurisdiction of Organization
Synchrony Credit Card Master Note Trust	Delaware
Synchrony Sales Finance Master Trust	Delaware
Synchrony Card Issuance Trust	Delaware

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Synchrony Financial

We consent to the incorporation by reference in the registration statement (No. 333-232821) on Form S-3 and in the registration statement (No. 333-232818) on Form S-8 of Synchrony Financial of our reports dated February 10, 2022, with respect to the Consolidated Statements of Financial Position of Synchrony Financial and subsidiaries as of December 31, 2021 and 2020, the related Consolidated Statements of Earnings, Comprehensive Income, Changes in Equity, and Cash Flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of December 31, 2021, which reports appear in the December 31, 2021 annual report on Form 10-K of Synchrony Financial.

/s/ KPMG LLP

New York, New York
February 10, 2022

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

I, Brian D. Doubles, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 10, 2022

/s/ Brian D. Doubles

Brian D. Doubles
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 annual report on Form 10-K 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: February 10, 2022

/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 Annual Report of Synchrony Financial (the "registrant") on Form 10-K for the period ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "report"), we, Brian D. Doubles, 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: February 10, 2022

/s/ Brian D. Doubles
Brian D. Doubles
Chief Executive Officer

/s/ Brian J. Wenzel Sr.
Brian J. Wenzel Sr.
Chief Financial Officer