

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

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

For the quarterly period ended **June 30, 2017**

OR

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

For the transition period from to

001-36560
(Commission File Number)



SYNCHRONY FINANCIAL

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

51-0483352
(I.R.S. Employer
Identification No.)

777 Long Ridge Road
Stamford, Connecticut
(Address of principal executive offices)

06902
(Zip Code)

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

The number of shares of the registrant's common stock, par value \$0.001 per share, outstanding as of July 24, 2017 was 795,335,232.

Synchrony Financial

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Certain Defined Terms

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

- “we,” “us,” “our” and the “Company” are to SYNCHRONY FINANCIAL and its subsidiaries;
- “Synchrony” are to SYNCHRONY FINANCIAL only;
- “GE” are to General Electric Company and its subsidiaries;
- the “Bank” are to Synchrony Bank (a subsidiary of Synchrony);
- the “Bank Term Loan” are to the term loan agreement, dated as of July 30, 2014, among Synchrony, as borrower, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders from time to time party thereto, as amended;
- the “Board of Directors” are to Synchrony’s board of directors; and
- “FICO” score are to a credit score developed by Fair Isaac & Co., which is widely used as a means of evaluating the likelihood that credit users will pay their obligations.

We provide a range of credit products through programs we have established with a diverse group of national and regional retailers, local merchants, manufacturers, buying groups, industry associations and healthcare service providers, which, in our business and in this report, we refer to as our “partners.” The terms of the programs all require cooperative efforts between us and our partners of varying natures and degrees to establish and operate the programs. Our use of the term “partners” to refer to these entities is not intended to, and does not, describe our legal relationship with them, imply that a legal partnership or other relationship exists between the parties or create any legal partnership or other relationship. The “average length of our relationship” with respect to a specified group of partners or programs is measured on a weighted average basis by interest and fees on loans for the year ended December 31, 2016 for those partners or for all partners participating in a program, based on the date each partner relationship or program, as applicable, started.

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

For a description of certain other terms we use, including “active account” and “purchase volume,” see the notes to “ *Item 7. Management’s Discussion and Analysis—Other Financial and Statistical Data*” in our Annual Report on Form 10-K for the year ended December 31, 2016 (our “2016 Form 10-K”). There is no standard industry definition for many of these terms, and other companies may define them differently than we do.

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

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

Cautionary Note Regarding Forward-Looking Statements:

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

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

For the reasons described above, we caution you against relying on any forward-looking statements, which should also be read in conjunction with the other cautionary statements that are included elsewhere in this report and in our public filings, including under the heading "Risk Factors" in our 2016 Form 10-K. You should not consider any list of such factors to be an exhaustive statement of all of the risks, uncertainties, or potentially inaccurate assumptions that could cause our current expectations or beliefs to change. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as otherwise may be required by the federal securities laws.

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this quarterly report and in our 2016 Form 10-K. The discussion below contains forward-looking statements that are based upon current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations. See "*Cautionary Note Regarding Forward-Looking Statements.*"

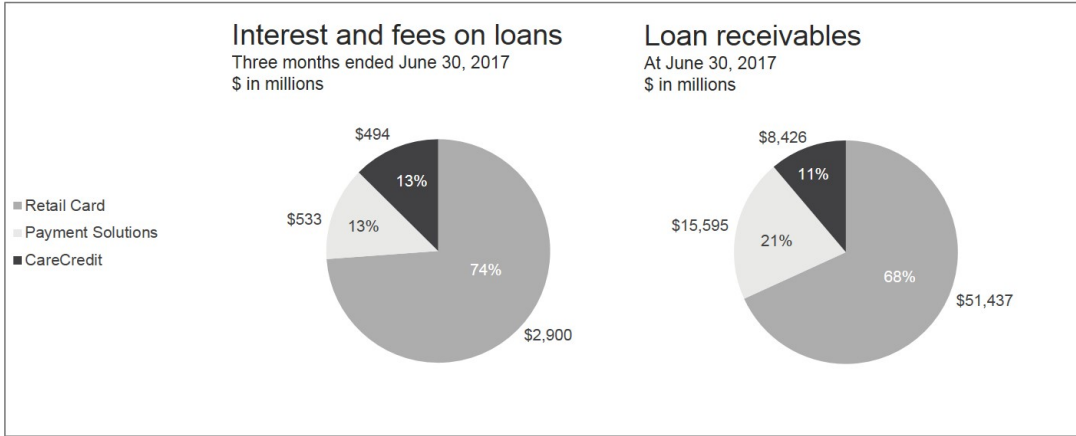
Introduction and Business Overview

We are one of the premier consumer financial services companies in the United States. 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 we refer to as our "partners." For the three and six months ended June 30, 2017, we financed \$33.5 billion and \$62.4 billion of purchase volume and had 68.6 million and 69.3 million average active accounts, respectively and at June 30, 2017, we had \$75.5 billion of loan receivables. For the three and six months ended June 30, 2017, we had net earnings of \$496 million and \$995 million, respectively, representing a return on assets of 2.2% for both periods.

We offer our credit products primarily through our wholly-owned subsidiary, Synchrony Bank (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 June 30, 2017, we had \$52.9 billion in deposits, which represented 72% of our total funding sources.

Our Sales Platforms

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



Retail Card

Retail Card is a leading provider of private label credit cards, and also provides Dual Cards, general purpose co-branded credit cards and small- and medium-sized business credit products. We offer one or more of these products primarily through 28 national and regional retailers with which we have ongoing program agreements. The average length of our relationship with these Retail Card partners is 19 years. Retail Card's revenue primarily consists of interest and fees on our loan receivables. Other income primarily consists of interchange fees earned when our Dual Card or general purpose co-branded credit cards are used outside of our partners' sales channels and fees paid to us by customers who purchase our debt cancellation products, less loyalty program payments. In addition, the Retail Card sales platform includes the majority of our retailer share arrangements, which generally provide for payment to our partner if the economic performance of the program exceeds a contractually-defined threshold. Substantially all of the credit extended in this platform is on standard terms.

Payment Solutions

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

CareCredit

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

Our Credit Products

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

The following table sets forth each credit product by type and indicates the percentage of our total loan receivables that are under standard terms only or pursuant to a promotional financing offer at June 30, 2017.

Credit Product	Standard Terms Only	Promotional Offer		Total
		Deferred Interest	Other Promotional	
Credit cards	66.7 %	16.2 %	13.2 %	96.1 %
Commercial credit products	1.8	—	—	1.8
Consumer installment loans	—	—	2.0	2.0
Other	0.1	—	—	0.1
Total	68.6 %	16.2 %	15.2 %	100.0 %

Credit Cards

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. In Retail Card, credit under our private label credit cards typically is extended on standard terms only, and in Payment Solutions and CareCredit, credit under our private label credit cards typically is extended pursuant to a promotional financing offer.
- **Dual Cards and General Purpose Co-Brand Cards.** Our patented Dual Cards are credit cards that function as private label credit cards when used to purchase goods and services from our partners and as general purpose credit cards when used elsewhere. We also offer general purpose co-branded credit cards that do not function as private label cards. Credit extended under our Dual Cards and general purpose co-branded credit cards typically is extended under standard terms only. Currently, only our Retail Card platform offers Dual Cards and general purpose co-branded credit cards. At June 30, 2017, we offered these credit cards through 20 of our 28 ongoing Retail Card programs, of which the majority are Dual Cards.

Commercial Credit Products

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

Installment Loans

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

Business Trends and Conditions

We believe our business and results of operations will be impacted in the future by various trends and conditions. For a discussion of these trends and conditions, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Trends and Conditions*" in our 2016 Form 10-K. For a discussion of how these trends and conditions impacted the three and six months ended June 30, 2017, see "*—Results of Operations.*"

Seasonality

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

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

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

Results of Operations

Highlights for the Three and Six Months Ended June 30, 2017

Below are highlights of our performance for the three and six months ended June 30, 2017 compared to the three and six months ended June 30, 2016, as applicable, except as otherwise noted.

- Net earnings increased 1.4% to \$496 million for the three months ended June 30, 2017, driven by higher net interest income, partially offset by increases in provision for loan losses and other expense. Net earnings decreased 7.1% to \$995 million for the six months ended June 30, 2017, driven by increases in provision for loan losses and other expense, partially offset by higher net interest income.
- Loan receivables increased 10.5% to \$75,458 million at June 30, 2017 compared to June 30, 2016, primarily driven by higher purchase volume and average active account growth.
- Net interest income increased 13.2% to \$3,637 million and 12.5% to \$7,224 million for the three and six months ended June 30, 2017, respectively, primarily due to higher average loan receivables.
- Retailer share arrangements remained relatively flat for the three and six months ended June 30, 2017, primarily as a result of growth and improved performance of the programs in which we have retailer share arrangements, largely offset by higher provision for loan losses and loyalty costs associated with these programs.
- Over-30 day loan delinquencies as a percentage of period-end loan receivables increased 46 basis points to 4.25% at June 30, 2017 from 3.79% at June 30, 2016, and net charge-off rate increased 91 basis points to 5.42% and 74 basis points to 5.37% for the three and six months ended June 30, 2017, respectively.
- Provision for loan losses increased by \$305 million, or 29.9%, for the three months ended June 30, 2017, primarily due to higher net charge-offs and loan receivables growth. Provision for loan losses increased by \$708 million, or 36.8%, for the six months ended June 30, 2017, primarily due to an increase in net charge-offs and higher loan loss reserve. Our allowance coverage ratio (allowance for loan losses as a percent of end of period loan receivables) increased to 6.63% at June 30, 2017, as compared to 5.70% at June 30, 2016.
- Other expense increased by \$72 million, or 8.6%, and \$180 million, or 11.0%, for the three and six months ended June 30, 2017, respectively, primarily driven by business growth.
- We continue to invest in our direct banking activities to grow our deposit base. Total deposits increased 1.6% to \$52.9 billion at June 30, 2017, compared to December 31, 2016, driven primarily by growth in our direct deposits of 6.6% to \$40.4 billion, partially offset by a reduction in our brokered deposits.
- On May 18, 2017, the Board announced plans to increase our quarterly dividend to \$0.15 per share commencing in the third quarter of 2017 and approval of a share repurchase program of up to \$1.64 billion through June 30, 2018. During the six months ended June 30, 2017, we repurchased \$676 million of our outstanding common stock, and declared and paid cash dividends of \$0.26 per share, or \$210 million.
- During the six months ended June 30, 2017, we announced our acquisition of GPSHopper, a developer of mobile applications that offers retailers and brands a full suite of commerce, engagement and analytical tools.

New and Extended Partner Agreements during the six months ended June 30, 2017

- We extended our Retail Card program agreements with Belk and QVC, launched our new programs with Cathay Pacific, Nissan and Infiniti and announced our new partnership with zulily.
- We launched our Synchrony Car Care program in our Payment Solutions sales platform and extended our program agreements with MEGA Group USA, City Furniture and Midas.

- In our CareCredit sales platform, we acquired the Citi Health Card portfolio and renewed National Veterinary Associates in our network of providers.

Summary Earnings

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

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Interest income	\$ 3,970	\$ 3,515	\$ 7,883	\$ 7,035
Interest expense	333	303	659	614
Net interest income	3,637	3,212	7,224	6,421
Retailer share arrangements	(669)	(664)	(1,353)	(1,334)
Net interest income, after retailer share arrangements	2,968	2,548	5,871	5,087
Provision for loan losses	1,326	1,021	2,632	1,924
Net interest income, after retailer share arrangements and provision for loan losses	1,642	1,527	3,239	3,163
Other income	57	83	150	175
Other expense	911	839	1,819	1,639
Earnings before provision for income taxes	788	771	1,570	1,699
Provision for income taxes	292	282	575	628
Net earnings	\$ 496	\$ 489	\$ 995	\$ 1,071

Other Financial and Statistical Data

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

(\$ in millions)	At and for the Three months ended June 30,		At and for the Six months ended June 30,	
	2017	2016	2017	2016
Financial Position Data (Average):				
Loan receivables, including held for sale	\$ 74,090	\$ 66,561	\$ 74,111	\$ 66,377
Total assets	\$ 89,394	\$ 81,413	\$ 89,431	\$ 81,962
Deposits	\$ 52,054	\$ 45,731	\$ 52,062	\$ 45,135
Borrowings	\$ 20,146	\$ 19,137	\$ 20,114	\$ 20,362
Total equity	\$ 14,442	\$ 13,543	\$ 14,383	\$ 13,236
Selected Performance Metrics:				
Purchase volume ⁽¹⁾	\$ 33,476	\$ 31,507	\$ 62,356	\$ 58,484
Retail Card	\$ 27,101	\$ 25,411	\$ 50,053	\$ 46,961
Payment Solutions	\$ 3,930	\$ 3,903	\$ 7,616	\$ 7,295
CareCredit	\$ 2,445	\$ 2,193	\$ 4,687	\$ 4,228
Average active accounts (in thousands) ⁽²⁾	68,635	65,531	69,307	65,996
Net interest margin ⁽³⁾	16.20%	15.94%	16.19%	15.89%
Net charge-offs	\$ 1,001	\$ 747	\$ 1,975	\$ 1,527
Net charge-offs as a % of average loan receivables, including held for sale	5.42%	4.51%	5.37%	4.63%
Allowance coverage ratio ⁽⁴⁾	6.63%	5.70%	6.63%	5.70%
Return on assets ⁽⁵⁾	2.2%	2.4%	2.2%	2.6%
Return on equity ⁽⁶⁾	13.8%	14.5%	14.0%	16.3%
Equity to assets ⁽⁷⁾	16.16%	16.63%	16.08%	16.15%
Other expense as a % of average loan receivables, including held for sale	4.93%	5.07%	4.95%	4.97%
Efficiency ratio ⁽⁸⁾	30.1%	31.9%	30.2%	31.1%
Effective income tax rate	37.1%	36.6%	36.6%	37.0%
Selected Period-End Data:				
Loan receivables	\$ 75,458	\$ 68,282	\$ 75,458	\$ 68,282
Allowance for loan losses	\$ 5,001	\$ 3,894	\$ 5,001	\$ 3,894
30+ days past due as a % of period-end loan receivables ⁽⁹⁾	4.25%	3.79%	4.25%	3.79%
90+ days past due as a % of period-end loan receivables ⁽⁹⁾	1.90%	1.67%	1.90%	1.67%
Total active accounts (in thousands) ⁽²⁾	69,277	66,491	69,277	66,491

(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. Purchase volume includes activity related to our portfolios classified as held for sale.

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

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

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

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

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

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

(8) Efficiency ratio represents (i) other expense, divided by (ii) net interest income, after retailer share arrangements, plus other income.

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

Average Balance Sheet

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

	2017			2016		
	Average Balance	Interest Income / Expense	Average Yield / Rate ⁽¹⁾	Average Balance	Interest Income/ Expense	Average Yield / Rate ⁽¹⁾
<i>Three months ended June 30 (\$ in millions)</i>						
Assets						
Interest-earning assets:						
Interest-earning cash and equivalents ⁽²⁾	\$ 10,758	\$ 28	1.04%	\$ 11,623	\$ 14	0.48%
Securities available for sale	5,195	15	1.16%	2,858	7	0.99%
Loan receivables⁽³⁾:						
Credit cards, including held for sale	71,206	3,858	21.73%	63,876	3,432	21.61%
Consumer installment loans	1,461	34	9.33%	1,233	28	9.13%
Commercial credit products	1,378	34	9.90%	1,388	33	9.56%
Other	45	1	NM	64	1	NM
Total loan receivables	74,090	3,927	21.26%	66,561	3,494	21.11%
Total interest-earning assets	90,043	3,970	17.68%	81,042	3,515	17.44%
Non-interest-earning assets:						
Cash and due from banks	829			895		
Allowance for loan losses	(4,781)			(3,732)		
Other assets	3,303			3,208		
Total non-interest-earning assets	(649)			371		
Total assets	\$ 89,394			\$ 81,413		
Liabilities						
Interest-bearing liabilities:						
Interest-bearing deposit accounts	\$ 51,836	\$ 202	1.56%	\$ 45,523	\$ 179	1.58%
Borrowings of consolidated securitization entities	12,213	63	2.07%	12,211	59	1.94%
Bank term loan	—	—	—%	65	7	NM
Senior unsecured notes	7,933	68	3.44%	6,861	58	3.40%
Total interest-bearing liabilities	71,982	333	1.86%	64,660	303	1.88%
Non-interest-bearing liabilities:						
Non-interest-bearing deposit accounts	218			208		
Other liabilities	2,752			3,002		
Total non-interest-bearing liabilities	2,970			3,210		
Total liabilities	74,952			67,870		
Equity						
Total equity	14,442			13,543		
Total liabilities and equity	\$ 89,394			\$ 81,413		
Interest rate spread⁽⁵⁾			15.82%			15.56%
Net interest income		\$ 3,637			\$ 3,212	
Net interest margin⁽⁶⁾			16.20%			15.94%

	2017			2016		
	Average Balance	Interest Income / Expense	Average Yield / Rate ⁽¹⁾	Average Balance	Interest Income/ Expense	Average Yield / Rate ⁽¹⁾
<i>Six months ended June 30 (\$ in millions)</i>						
Assets						
Interest-earning assets:						
Interest-earning cash and equivalents ⁽²⁾	\$ 10,656	\$ 49	0.93%	\$ 11,957	\$ 30	0.50%
Securities available for sale	5,204	30	1.16%	2,918	13	0.90%
Loan receivables⁽³⁾:						
Credit cards, including held for sale	71,285	7,669	21.69%	63,781	6,868	21.65%
Consumer installment loans	1,425	66	9.34%	1,194	55	9.26%
Commercial credit products	1,348	68	10.17%	1,350	68	10.13%
Other	53	1	3.80%	52	1	3.87%
Total loan receivables	74,111	7,804	21.23%	66,377	6,992	21.18%
Total interest-earning assets	89,971	7,883	17.67%	81,252	7,035	17.41%
Non-interest-earning assets:						
Cash and due from banks	816			1,131		
Allowance for loan losses	(4,595)			(3,661)		
Other assets	3,239			3,240		
Total non-interest-earning assets	(540)			710		
Total assets	\$ 89,431			\$ 81,962		
Liabilities						
Interest-bearing liabilities:						
Interest-bearing deposit accounts	\$ 51,833	\$ 396	1.54%	\$ 44,914	\$ 351	1.57%
Borrowings of consolidated securitization entities	12,267	128	2.10%	12,535	117	1.88%
Bank term loan ⁽⁴⁾	—	—	—%	1,118	31	5.58%
Senior unsecured notes	7,847	135	3.47%	6,709	115	3.45%
Total interest-bearing liabilities	71,947	659	1.85%	65,276	614	1.89%
Non-interest-bearing liabilities:						
Non-interest-bearing deposit accounts	229			221		
Other liabilities	2,872			3,229		
Total non-interest-bearing liabilities	3,101			3,450		
Total liabilities	75,048			68,726		
Equity						
Total equity	14,383			13,236		
Total liabilities and equity	\$ 89,431			\$ 81,962		
Interest rate spread⁽⁵⁾			15.82%			15.52%
Net interest income		\$ 7,224			\$ 6,421	
Net interest margin⁽⁶⁾			16.19%			15.89%

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

(2) Includes average restricted cash balances of \$464 million and \$641 million for the three months ended June 30, 2017 and 2016, respectively and \$578 million and \$536 million for the six months ended June 30, 2017 and 2016, respectively.

(3) Interest income on loan receivables includes fees on loans of \$625 million and \$570 million for the three months ended June 30, 2017 and 2016, respectively, and \$1,253 million and \$1,154 million for the six months ended June 30, 2017 and 2016 respectively.

(4) The effective interest rates for the Bank term loan for the six months ended June 30, 2016 was 2.48%. The Bank term loan's effective rate excludes the impact of charges incurred in connection with prepayments of the loan.

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

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

For a summary description of the composition of our key line items included in our Statements of Earnings, see *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our 2016 Form 10-K.

Interest Income

Interest income increased by \$455 million, or 12.9%, and by \$848 million, or 12.1%, for the three and six months ended June 30, 2017, respectively, driven primarily by growth in our average loan receivables.

Average interest-earning assets

Three months ended June 30 (\$ in millions)

	2017	%	2016	%
Loan receivables, including held for sale	\$ 74,090	82.3%	\$ 66,561	82.1%
Liquidity portfolio and other	15,953	17.7%	14,481	17.9%
Total average interest-earning assets	\$ 90,043	100.0%	\$ 81,042	100.0%

Six months ended June 30 (\$ in millions)

	2017	%	2016	%
Loan receivables, including held for sale	\$ 74,111	82.4%	\$ 66,377	81.7%
Liquidity portfolio and other	15,860	17.6%	14,875	18.3%
Total average interest-earning assets	\$ 89,971	100.0%	\$ 81,252	100.0%

The increases in average loan receivables of 11.3% and 11.7% for the three and six months ended June 30, 2017, respectively, were driven primarily by higher purchase volume of 6.2% and 6.6% and average active account growth of 4.7% and 5.0%, respectively.

Average active accounts increased to 68.6 million and 69.3 million for the three and six months ended June 30, 2017, and the average balances per these active accounts increased 6.3% for both periods.

Yield on average interest-earning assets

The yield on average interest-earning assets increased for the three and six months ended June 30, 2017. The increase in the three months ended June 30, 2017 was primarily due to an increase in the yield on our average loan receivables of 15 basis points to 21.26%. The increase in yield was primarily driven by higher revolve rates as well as a higher benchmark interest rate.

The increase in the six months ended June 30, 2017 was primarily due to an increase in the percentage of average interest-earning assets attributable to loan receivables.

Interest Expense

Interest expense increased by \$30 million, or 9.9%, and by \$45 million, or 7.3%, for the three and six months ended June 30, 2017, respectively, driven primarily by the growth in our deposit liabilities. Our cost of funds decreased slightly to 1.86% and 1.85% for the three and six months ended June 30, 2017, respectively, compared to 1.88% and 1.89% for the three and six months ended June 30, 2016, primarily due to a more favorable funding mix as deposits were a larger proportion of our funding.

Average interest-bearing liabilities

Three months ended June 30 (\$ in millions)

2017	%	2016	%
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Interest-bearing deposit accounts	\$ 51,836	72.0%	\$ 45,523	70.4%
Borrowings of consolidated securitization entities	12,213	17.0%	12,211	18.9%
Third-party debt	7,933	11.0%	6,926	10.7%
Total average interest-bearing liabilities	\$ 71,982	100.0%	\$ 64,660	100.0%

Six months ended June 30 (\$ in millions)

	<u>2017</u>	<u>%</u>	<u>2016</u>	<u>%</u>
Interest-bearing deposit accounts	\$ 51,833	72.0%	\$ 44,914	68.8%
Borrowings of consolidated securitization entities	12,267	17.1%	12,535	19.2%
Third-party debt	7,847	10.9%	7,827	12.0%
Total average interest-bearing liabilities	\$ 71,947	100.0%	\$ 65,276	100.0%

The increase in average interest-bearing liabilities for the three and six months ended June 30, 2017 was driven primarily by growth in our direct deposits. The increase in the six months ended June 30, 2017 was partially offset by lower securitized financings.

Net Interest Income

Net interest income increased by \$425 million, or 13.2%, and by \$803 million, or 12.5%, for the three and six months ended June 30, 2017, primarily driven by higher average loan receivables.

Retailer Share Arrangements

Retailer share arrangements remained relatively flat for the three and six months ended June 30, 2017, driven primarily by the growth and improved performance of the programs in which we have retailer share arrangements, partially offset by higher provision for loan losses and loyalty costs associated with these programs.

Provision for Loan Losses

Provision for loan losses increased by \$305 million, or 29.9%, for the three months ended June 30, 2017, primarily due to higher net charge-offs and loan receivables growth. Provision for loan losses increased by \$708 million, or 36.8%, for the six months ended June 30, 2017, primarily due to an increase in net charge-offs and higher loan loss reserve.

Our allowance coverage ratio increased to 6.63% at June 30, 2017, as compared to 5.70% at June 30, 2016, reflecting the increase in forecasted losses inherent in our loan portfolio.

Other Income

(\$ in millions)	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Interchange revenue	\$ 165	\$ 151	\$ 310	\$ 281
Debt cancellation fees	68	63	136	127
Loyalty programs	(206)	(135)	(343)	(245)
Other	30	4	47	12
Total other income	\$ 57	\$ 83	\$ 150	\$ 175

Other income decreased by \$26 million, or 31.3%, and by \$25 million, or 14.3%, for the three and six months ended June 30, 2017, respectively. These decreases were primarily due to higher loyalty costs, which included the impact from higher reward redemption rates we experienced in one of our programs. The increases in loyalty costs were partially offset by increased interchange revenue driven by increased purchase volume outside of our retail partners' sales.

channels and a pre-tax gain of \$18 million associated with the sale of contractual relationships related to processing of general purpose card transactions for certain merchants.

Other Expense

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Employee costs	\$ 321	\$ 301	\$ 646	\$ 581
Professional fees	158	154	309	300
Marketing and business development	124	107	218	201
Information processing	88	81	178	163
Other	220	196	468	394
Total other expense	\$ 911	\$ 839	\$ 1,819	\$ 1,639

Other expense increased by \$72 million, or 8.6%, and by \$180 million, or 11.0%, for the three and six months ended June 30, 2017, respectively, primarily due to increases in employee costs, marketing and business development, information processing and other expenses.

The increases in employee costs were primarily due to new employees added to support the continued growth of the business and replacement of certain third-party services. Marketing and business development expense increased primarily due to strategic investments in our sales platforms, increased marketing on retail deposits and higher amortization expense associated with retail partner contract acquisitions and extensions. Information processing costs increased primarily due to higher information technology investment and higher transaction volume. The increases in "other" were primarily driven by higher operational losses and growth of the business.

Provision for Income Taxes

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Effective tax rate	37.1%	36.6%	36.6%	37.0%
Provision for income taxes	\$ 292	\$ 282	\$ 575	\$ 628

The effective tax rate for the three months ended June 30, 2017 increased compared to the same period in the prior year primarily due to the discrete impact of a research and development credit and an additional tax benefit reimbursable to GE, that were both recorded in the prior year. The effective tax rate for the six months ended June 30, 2017 decreased compared to the same period in the prior year primarily due to state-related discrete items recorded during the current year. In each period the effective tax rate differs from the U.S. federal statutory rate of 35% primarily due to state income taxes.

Platform Analysis

As discussed above under "—Our Sales Platforms," we offer our products through three sales platforms (Retail Card, Payment Solutions and CareCredit), which management measures based on their revenue-generating activities. The following is a discussion of certain supplemental information for the three and six months ended June 30, 2017, for each of our sales platforms.

Retail Card

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Purchase volume	\$ 27,101	\$ 25,411	\$ 50,053	\$ 46,961
Period-end loan receivables	\$ 51,437	\$ 46,705	\$ 51,437	\$ 46,705
Average loan receivables, including held for sale	\$ 50,533	\$ 45,593	\$ 50,588	\$ 45,536
Average active accounts (in thousands)	54,058	52,314	54,729	52,798
Interest and fees on loans	\$ 2,900	\$ 2,585	\$ 5,788	\$ 5,199
Retailer share arrangements	\$ (657)	\$ (656)	\$ (1,338)	\$ (1,317)
Other income	\$ 25	\$ 69	\$ 102	\$ 148

Retail Card interest and fees on loans increased by \$315 million, or 12.2%, and by \$589 million, or 11.3%, for the three and six months ended June 30, 2017, respectively. These increases were primarily the result of growth in average loan receivables.

Retailer share arrangements remained relatively flat, for the three and six months ended June 30, 2017, respectively, primarily as a result of the factors discussed under the heading "Retailer Share Arrangements" above.

Other income decreased by \$44 million, or 63.8%, and by \$46 million, or 31.1%, for the three and six months ended June 30, 2017, respectively, as a result of higher loyalty costs, partially offset by increased interchange revenue driven by increased purchase volume outside of our retail partners' sales channels.

Payment Solutions

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Purchase volume	\$ 3,930	\$ 3,903	\$ 7,616	\$ 7,295
Period-end loan receivables	\$ 15,595	\$ 13,997	\$ 15,595	\$ 13,997
Average loan receivables	\$ 15,338	\$ 13,554	\$ 15,381	\$ 13,492
Average active accounts (in thousands)	9,031	8,153	9,061	8,148
Interest and fees on loans	\$ 533	\$ 467	\$ 1,048	\$ 924
Retailer share arrangements	\$ (9)	\$ (7)	\$ (10)	\$ (14)
Other income	\$ 6	\$ 3	\$ 10	\$ 7

Payment Solutions interest and fees on loans increased by \$66 million, or 14.1%, and by \$124 million, or 13.4%, for the three and six months ended June 30, 2017, respectively. These increases were primarily driven by growth in average loan receivables.

CareCredit

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Purchase volume	\$ 2,445	\$ 2,193	\$ 4,687	\$ 4,228
Period-end loan receivables	\$ 8,426	\$ 7,580	\$ 8,426	\$ 7,580
Average loan receivables	\$ 8,219	\$ 7,414	\$ 8,142	\$ 7,349
Average active accounts (in thousands)	5,546	5,064	5,517	5,050
Interest and fees on loans	\$ 494	\$ 442	\$ 968	\$ 869
Retailer share arrangements	\$ (3)	\$ (1)	\$ (5)	\$ (3)
Other income	\$ 26	\$ 11	\$ 38	\$ 20

CareCredit interest and fees on loans increased by \$52 million, or 11.8%, and by \$99 million, or 11.4%, for the three and six months ended June 30, 2017, respectively. These increases were primarily driven by growth in average loan receivables.

Investment Securities

The following discussion provides supplemental information regarding our investment securities portfolio. All of our investment securities are classified as available-for-sale at June 30, 2017 and December 31, 2016, and are held to meet our liquidity objectives and to comply with the Community Reinvestment Act. Investment securities classified as available-for-sale are reported in our Condensed Consolidated Statements of Financial Position at fair value.

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

(\$ in millions)	At June 30, 2017		At December 31, 2016	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Debt:				
U.S. government and federal agency	\$ 2,576	\$ 2,576	\$ 3,676	\$ 3,676
State and municipal	45	44	47	46
Residential mortgage-backed	1,384	1,362	1,400	1,373
Equity	15	15	15	15
Total	\$ 4,020	\$ 3,997	\$ 5,138	\$ 5,110

Unrealized gains and losses, net of the related tax effects, on available-for-sale securities that are not other-than-temporarily impaired are excluded from earnings and are reported as a separate component of comprehensive income (loss) until realized. At June 30, 2017, our investment securities had gross unrealized gains of \$4 million and gross unrealized losses of \$27 million. At December 31, 2016, our investment securities had gross unrealized gains of \$3 million and gross unrealized losses of \$31 million.

Our investment securities portfolio had the following maturity distribution at June 30, 2017. Equity securities have been excluded from the table because they do not have a maturity.

<i>(\$ in millions)</i>	Due in 1 Year or Less	Due After 1 through 5 Years	Due After 5 through 10 Years	Due After 10 years	Total
Debt:					
U.S. government and federal agency	\$ 2,300	\$ 276	\$ —	\$ —	\$ 2,576
State and municipal	—	—	2	42	44
Residential mortgage-backed	—	—	—	1,362	1,362
Total ⁽¹⁾	<u>\$ 2,300</u>	<u>\$ 276</u>	<u>\$ 2</u>	<u>\$ 1,404</u>	<u>\$ 3,982</u>
Weighted average yield ⁽²⁾	0.9%	1.9%	3.4%	2.8%	1.6%

(1) Amounts stated represent estimated fair value.

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

At June 30, 2017, we did not hold investments in any single issuer with an aggregate book value that exceeded 10% of equity, excluding obligations of the U.S. government.

Loan Receivables

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

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

<i>(\$ in millions)</i>	At June 30, 2017	(%)	At December 31, 2016	(%)
Loans				
Credit cards	\$ 72,492	96.1%	\$ 73,580	96.4%
Consumer installment loans	1,514	2.0	1,384	1.8
Commercial credit products	1,386	1.8	1,333	1.7
Other	66	0.1	40	0.1
Total loans	<u>\$ 75,458</u>	<u>100.0%</u>	<u>\$ 76,337</u>	<u>100.0%</u>

Loan receivables decreased by \$879 million, or 1.2%, at June 30, 2017 compared to December 31, 2016, primarily driven by the seasonality of our business.

Loan receivables increased by \$7,176 million, or 10.5%, at June 30, 2017 compared to June 30, 2016, primarily driven by higher purchase volume and average active account growth.

Our loan receivables portfolio had the following geographic concentration at June 30, 2017.

(\$ in millions)

State	Loan Receivables Outstanding	% of Total Loan Receivables Outstanding
Texas	\$ 7,686	10.2 %
California	\$ 7,545	10.0 %
Florida	\$ 6,139	8.1 %
New York	\$ 4,208	5.6 %
Pennsylvania	\$ 3,213	4.3 %

Impaired Loans and Troubled Debt Restructurings

Our loss mitigation strategy is intended to minimize economic loss and at times can result in rate reductions, principal forgiveness, extensions or other actions, which may cause the related loan to be classified as a Troubled Debt Restructuring ("TDR") and also be impaired. We primarily use long-term (12 to 60 months) modification programs for borrowers experiencing financial difficulty as a loss mitigation strategy to improve long-term collectability of the loans that are classified as TDRs. The long-term program involves changing the structure of the loan to a fixed payment loan with a maturity no longer than 60 months and reducing the interest rate on the loan. The long-term program does not normally provide for the forgiveness of unpaid principal, but may allow for the reversal of certain unpaid interest or fee assessments. We also make loan modifications for some customers who request financial assistance through external sources, such as a consumer credit counseling agency program. The loans that are modified typically receive a reduced interest rate but continue to be subject to the original minimum payment terms and do not normally include waiver of unpaid principal, interest or fees. The determination of whether these changes to the terms and conditions meet the TDR criteria includes our consideration of all relevant facts and circumstances.

Loans classified as TDRs are recorded at their present value with impairment measured as the difference between the loan balance and the discounted present value of cash flows expected to be collected, discounted at the original effective interest rate of the loan.

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

(\$ in millions)

	At June 30, 2017	At December 31, 2016
Non-accrual loan receivables	\$ 2	\$ 4
Loans contractually 90 days past-due and still accruing interest	1,433	1,542
Earning TDRs ⁽¹⁾	854	802
Non-accrual, past-due and restructured loan receivables	<u>\$ 2,289</u>	<u>\$ 2,348</u>

(1) At June 30, 2017 and December 31, 2016, balances exclude \$78 million and \$66 million, respectively, of TDRs which are included in loans contractually 90 days past-due and still accruing interest on the balance. See Note 4. *Loan Receivables and Allowance for Loan Losses* to our condensed consolidated financial statements for additional information on the financial effects of TDRs for the three and six months ended June 30, 2017 and 2016.

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Gross amount of interest income that would have been recorded in accordance with the original contractual terms	\$ 53	\$ 43	\$ 104	\$ 85
Interest income recognized	11	12	23	24
Total interest income foregone	<u>\$ 42</u>	<u>\$ 31</u>	<u>\$ 81</u>	<u>\$ 61</u>

Delinquencies

Over-30 day loan delinquencies as a percentage of period-end loan receivables increased to 4.25% at June 30, 2017 from 3.79% at June 30, 2016, and decreased from 4.32% at December 31, 2016. The 46 basis point increase compared to the same period in the prior year was primarily driven by the factors discussed in "Business Trends and Conditions — Stable Asset Quality" in our 2016 Form 10-K. The decrease as compared to December 31, 2016, was primarily driven by the seasonality of our business, partially offset by the various factors referenced above.

Net Charge-Offs

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

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Ratio of net charge-offs to average loan receivables, including held for sale	5.42%	4.51%	5.37%	4.63%

Allowance for Loan Losses

The allowance for loan losses totaled \$5,001 million at June 30, 2017 compared with \$4,344 million at December 31, 2016 and \$3,894 million at June 30, 2016, representing our best estimate of probable losses inherent in the portfolio. Our allowance for loan losses as a percentage of total loan receivables increased to 6.63% at June 30, 2017, from 5.69% at December 31, 2016 and 5.70% at June 30, 2016, which reflects the increase in forecasted net charge-offs over the next twelve months. See "Business Trends and Conditions — Stable Asset Quality" in our 2016 Form 10-K for discussion of the various factors that contribute to forecasted net charge-offs over the next twelve months.

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

(\$ in millions)	Balance at April 1, 2017	Provision charged to operations	Gross charge-offs	Recoveries	Balance at June 30, 2017
Credit cards	\$ 4,585	\$ 1,301	\$ (1,194)	\$ 214	\$ 4,906
Consumer installment loans	40	1	(11)	4	34
Commercial credit products	50	24	(16)	2	60
Other	1	—	—	—	1
Total	\$ 4,676	\$ 1,326	\$ (1,221)	\$ 220	\$ 5,001

(\$ in millions)	Balance at April 1, 2016	Provision charged to operations	Gross charge-offs	Recoveries	Balance at June 30, 2016
Credit cards	\$ 3,543	\$ 988	\$ (947)	\$ 216	\$ 3,800
Consumer installment loans	31	14	(9)	3	39
Commercial credit products	44	19	(13)	3	53
Other	2	—	—	—	2
Total	\$ 3,620	\$ 1,021	\$ (969)	\$ 222	\$ 3,894

<i>(\$ in millions)</i>	Balance at January 1, 2017	Provision charged to operations	Gross charge-offs	Recoveries	Balance at June 30, 2017
Credit cards	\$ 4,254	\$ 2,579	\$ (2,378)	\$ 451	\$ 4,906
Consumer installment loans	37	14	(25)	8	34
Commercial credit products	52	39	(34)	3	60
Other	1	—	—	—	1
Total	\$ 4,344	\$ 2,632	\$ (2,437)	\$ 462	\$ 5,001

<i>(\$ in millions)</i>	Balance at January 1, 2016	Provision charged to operations	Gross charge- offs	Recoveries	Balance at June 30, 2016
Credit cards	\$ 3,420	\$ 1,872	\$ (1,901)	\$ 409	\$ 3,800
Consumer installment loans	26	27	(20)	6	39
Commercial credit products	50	24	(26)	5	53
Other	1	1	—	—	2
Total	\$ 3,497	\$ 1,924	\$ (1,947)	\$ 420	\$ 3,894

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 third-party debt.

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

<i>Three months ended June 30 (\$ in millions)</i>	2017			2016		
	Average Balance	%	Average Rate	Average Balance	%	Average Rate
Deposits ⁽¹⁾	\$ 51,836	72.0%	1.6%	\$ 45,523	70.4%	1.6%
Securitized financings	12,213	17.0	2.1	12,211	18.9	1.9
Senior unsecured notes	7,933	11.0	3.4	6,861	10.6	3.4
Bank term loan	—	—	—	65	0.1	NM
Total	\$ 71,982	100.0%	1.9%	\$ 64,660	100.0%	1.9%

(1) Excludes \$218 million and \$208 million average balance of non-interest-bearing deposits for the three months ended June 30, 2017 and 2016, respectively. Non-interest-bearing deposits comprise less than 10% of total deposits for the three months ended June 30, 2017 and 2016.

Six months ended June 30 (\$ in millions)	2017			2016		
	Average Balance	%	Average Rate	Average Balance	%	Average Rate
Deposits ⁽¹⁾	\$ 51,833	72.0%	1.5%	\$ 44,914	68.8%	1.6%
Securitized financings	12,267	17.1	2.1	12,535	19.2	1.9
Senior unsecured notes	7,847	10.9	3.5	6,709	10.3	3.4
Bank term loan	—	—	—	1,118	1.7	5.6
Total	\$ 71,947	100.0%	1.8%	\$ 65,276	100.0%	1.9%

(1) Excludes \$229 million and \$221 million average balance of non-interest-bearing deposits for the six months ended June 30, 2017 and 2016, respectively. Non-interest-bearing deposits comprise less than 10% of total deposits for the three months ended June 30, 2017 and 2016.

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 June 30, 2017, we had \$40.4 billion in direct deposits (which includes deposits from banks and financial institutions) and \$12.5 billion in deposits originated through brokerage firms (including network deposit sweeps procured through a program arranger that channels brokerage account deposits to us). A key part of our liquidity plan and funding strategy is to continue to expand our direct deposits base as a source of stable and diversified low cost funding.

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

Brokered deposits are primarily from retail customers of large brokerage firms. We have relationships with 10 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 June 30, 2017, had a weighted average remaining life of 3.2 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:

	2017			2016		
	Average Balance	% of Total	Average Rate	Average Balance	% of Total	Average Rate
<i>Three months ended June 30 (\$ in millions)</i>						
Direct deposits:						
Certificates of deposit (including IRA certificates of deposit)	\$ 21,825	42.1%	1.6%	\$ 19,393	42.6%	1.5%
Savings accounts (including money market accounts)	17,607	34.0	1.1	13,708	30.1	1.0
Brokered deposits	12,404	23.9	2.3	12,422	27.3	2.2
Total interest-bearing deposits	\$ 51,836	100.0%	1.6%	\$ 45,523	100.0%	1.6%

	2017			2016		
	Average Balance	% of Total	Average Rate	Average Balance	% of Total	Average Rate
<i>Six months ended June 30 (\$ in millions)</i>						
Direct deposits:						
Certificates of deposit (including IRA certificates of deposit)	\$ 21,532	41.6%	1.6%	\$ 18,856	42.0%	1.5%
Savings accounts (including money market accounts)	17,477	33.7	1.1	13,168	29.3%	1.0
Brokered deposits	12,824	24.7	2.2	12,890	28.7%	2.2
Total interest-bearing deposits	\$ 51,833	100.0%	1.5%	\$ 44,914	100.0%	1.6%

Our deposit liabilities provide funding with maturities ranging from one day to ten years. At June 30, 2017, the weighted average maturity of our interest-bearing time deposits was 1.9 years. See Note 7. *Deposits* to our condensed consolidated financial statements for more information on their maturities.

The following table summarizes deposits by contractual maturity at June 30, 2017.

	3 Months or Less	Over 3 Months but within 6 Months	Over 6 Months but within 12 Months	Over 12 Months	Total
U.S. deposits (less than \$100,000)⁽¹⁾	\$ 7,335	\$ 1,211	\$ 3,334	\$ 10,650	\$ 22,530
U.S. deposits (\$100,000 or more)					
Direct deposits:					
Certificates of deposit (including IRA certificates of deposit)	2,349	1,748	4,559	6,447	15,103
Savings accounts (including money market accounts)	13,669	—	—	—	13,669
Brokered deposits:					
Sweep accounts	1,583	—	—	—	1,583
Total	\$ 24,936	\$ 2,959	\$ 7,893	\$ 17,097	\$ 52,885

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

Securitized Financings

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

The following table summarizes expected contractual maturities of the investors' interests in securitized financings, excluding debt premiums, discounts and issuance cost at June 30, 2017.

<i>(\$ in millions)</i>	Less Than One Year	One Year Through Three Years	After Three Through Five Years	After Five Years	Total
Scheduled maturities of long-term borrowings—owed to securitization investors:					
SYNCT ⁽¹⁾	\$ 3,604	\$ 4,753	\$ 959	\$ —	\$ 9,316
SFT	242	2,658	—	—	2,900
Total long-term borrowings—owed to securitization investors	\$ 3,846	\$ 7,411	\$ 959	\$ —	\$ 12,216

(1) Excludes subordinated classes of SYNCT notes that we own.

We retain exposure to the performance of trust assets through: (i) in the case of SYNCT and SFT, subordinated retained interests in the receivables transferred to the trust in excess of the principal amount of the notes for a given series to provide credit enhancement for a particular series, as well as a pari passu seller's interest in each trust and (ii) subordinated classes of SYNCT 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 loans 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 falls below zero. Following an early amortization event, principal collections on the loans in our trusts are applied to repay principal of the 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 or SFT.

The following table summarizes for each of our trusts the three-month rolling average excess spread at June 30, 2017.

	Note Principal Balance (\$ in millions)	# of Series Outstanding	Three-Month Rolling Average Excess Spread⁽¹⁾
SYNCT ⁽²⁾	\$ 10,840	18	~14.8% to 17.5%
SFT	\$ 2,900	10	12.0%

(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 each trust (or, in the case of SYNCT, represents a range of the excess spreads relating to the particular series issued within the trust), in each case calculated in accordance with the applicable trust or series documentation, for the three securitization monthly periods ending prior to June 30, 2017.

(2) Includes subordinated classes of SYNCT notes that we own.

Third-Party Debt

Senior Unsecured Notes

The following table provides a summary of our outstanding senior unsecured notes at June 30, 2017.

(\$ in millions)	<u>Maturity</u>	<u>Principal Amount Outstanding⁽¹⁾</u>
Fixed rate senior unsecured notes:		
<i>Synchrony Financial</i>		
1.875% senior unsecured notes	August, 2017	\$ 500
2.600% senior unsecured notes	January, 2019	1,000
3.000% senior unsecured notes	August, 2019	1,100
2.700% senior unsecured notes	February, 2020	750
3.750% senior unsecured notes	August, 2021	750
4.250% senior unsecured notes	August, 2024	1,250
4.500% senior unsecured notes	July, 2025	1,000
3.700% senior unsecured notes	August, 2026	500
<i>Synchrony Bank</i>		
3.000% senior unsecured notes	June, 2022	750
Total fixed rate senior unsecured notes		<u>\$ 7,600</u>
Floating rate senior unsecured notes:		
<i>Synchrony Financial</i>		
Three-month LIBOR plus 1.40% senior unsecured notes	November, 2017	\$ 700
Three-month LIBOR plus 1.23% senior unsecured notes	February, 2020	\$ 250
Total floating rate senior unsecured notes		<u>\$ 950</u>

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

At June 30, 2017, the aggregate amount of outstanding senior unsecured notes was \$8.5 billion and the weighted average interest rate was 3.27%.

Short-Term Borrowings

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

Undrawn Credit Facilities

At June 30, 2017, we had an aggregate of \$6.1 billion of undrawn committed capacity on our securitized financings, subject to customary borrowing conditions, from private lenders under our two existing securitization programs, and an aggregate of \$0.5 billion of undrawn committed capacity under our unsecured revolving credit facility with private lenders.

Other

At June 30, 2017, we had more than \$25.0 billion of unencumbered assets in the Bank available to be used to generate additional liquidity through secured borrowings or asset sales or to be pledged to the Federal Reserve Board for credit at the discount window.

Covenants

The indenture pursuant to which our senior unsecured notes have been issued includes various covenants. If we do not satisfy any of these covenants, the maturity of amounts outstanding thereunder may be accelerated and become payable. We were in compliance with all of these covenants at June 30, 2017.

Our real estate leases also include various covenants, but typically do not include financial covenants. If we do not satisfy the covenants in the real estate leases, the leases may be terminated and we may be liable for damage claims.

At June 30, 2017, we were not in default under any of our credit facilities or senior unsecured notes and had not received any notices of default under any of our real estate leases.

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.

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

Liquidity

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

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

We maintain a liquidity portfolio, which at June 30, 2017 had \$15.3 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 \$13.6 billion of liquid assets at December 31, 2016. The increase in liquid assets was primarily due to the retention of excess cash flows from operations within our Company.

As additional sources of liquidity, at June 30, 2017, we had an aggregate of \$6.6 billion of undrawn credit facilities, subject to customary borrowing conditions, from private lenders under our existing securitization programs and an unsecured revolving credit facility, 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 "Item 1A. Risk Factors—Risks 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" in our 2016 Form 10-K.

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.

Our capital adequacy assessment also includes tax and accounting considerations in accordance with regulatory guidance. We maintain a net deferred tax asset on our balance sheet, and we include this asset when calculating our regulatory capital levels. However, for regulatory capital purposes, deferred tax assets are limited to (i) the amount of taxes previously paid that a company could recover through loss carrybacks; and (ii) 10% of the amount of our Tier 1 capital. At June 30, 2017, no portion of our deferred tax asset was disallowed for regulatory capital purposes.

Synchrony and the Bank are required to conduct stress tests on an annual basis. Under the Office of the Comptroller of the Currency of the U.S. Treasury's (the "OCC") and the Federal Reserve Board's stress test regulations, the Bank and Synchrony are required to use stress-testing methodologies providing for results under various scenarios of economic and financial market stress. In addition, while as a savings and loan holding company we currently are not subject to the Federal Reserve Board's capital planning rule, we submitted a capital plan to the Federal Reserve Board in April 2017.

Dividend and Share Repurchases

Cash Dividends Declared	Month of Payment	Amount per Common Share	Amount
<i>(\$ in millions, except per share data)</i>			
Three months ended March 31, 2017	February 2017	\$ 0.13	\$ 105
Three months ended June 30, 2017	May 2017	\$ 0.13	\$ 105
Total dividends declared		<u>\$ 0.26</u>	<u>\$ 210</u>

On May 18, 2017, the Board announced plans to increase the quarterly dividend to \$0.15 per share commencing in the third quarter of 2017. The declaration and payment of future dividends to holders of our common stock will be at the discretion of the Board and will depend on many factors, including the financial condition, earnings, capital and liquidity requirements of us and the Bank, regulatory restrictions, corporate law and contractual restrictions and other factors that our Board of Directors deems relevant. In addition, banking laws and regulations and our banking regulators may limit our ability to pay dividends and make repurchases of our stock. For a discussion of regulatory restrictions on our and the Bank's ability to pay dividends and repurchase stock, see "Risk Factors—Risks Relating to Regulation—Synchrony is subject to restrictions that limit its ability to pay dividends and repurchase its common stock; the Bank is subject to restrictions that limit its ability to pay dividends to Synchrony, which could limit Synchrony's ability to pay dividends, repurchase its common stock or make payments on its indebtedness" in our 2016 Form 10-K.

Shares Repurchased Under Publicly Announced Programs	Total Number of Shares Purchased	Dollar Value of Share Purchased
<i>(\$ and shares in millions)</i>		
Three months ended March 31, 2017	6.6	\$ 238
Three months ended June 30, 2017	15.7	438
Total	<u>22.3</u>	<u>\$ 676</u>

In May 2017 we completed our initial share repurchase program of up to \$952 million (the "2016 Share Repurchase Program"). On May 18, 2017, the Company approved a share repurchase program of up to \$1.64 billion through June 30, 2018 (the "2017 Share Repurchase Program"). We made and expect to continue to make share repurchases subject to market conditions and other factors, including legal and regulatory restrictions and required approvals.

Regulatory Capital Requirements - Synchrony Financial

As a savings and loan holding company, we are required to maintain minimum capital ratios, under the applicable U.S. Basel III capital rules. For more information, see "*Regulation—Savings and Loan Holding Company Regulation*" in our 2016 Form 10-K.

For Synchrony Financial to be a well-capitalized savings and loan holding company, Synchrony Bank must be well-capitalized and Synchrony Financial must not be subject to any written agreement, order, capital directive, or prompt corrective action directive issued by the Federal Reserve Board to meet and maintain a specific capital level for any capital measure. As of June 30, 2017, Synchrony Financial met all the requirements to be deemed well-capitalized.

The following table sets forth at June 30, 2017 and December 31, 2016 the composition of our capital ratios for the Company calculated under the Basel III regulatory capital standards, respectively.

<i>(\$ in millions)</i>	Basel III Transition (unless otherwise stated)			
	At June 30, 2017		At December 31, 2016	
	Amount	Ratio ⁽¹⁾	Amount	Ratio ⁽¹⁾
Total risk-based capital	\$ 14,022	18.7%	\$ 14,129	18.5%
Tier 1 risk-based capital	\$ 13,037	17.4%	\$ 13,135	17.2%
Tier 1 leverage	\$ 13,037	14.8%	\$ 13,135	15.0%
Common equity Tier 1 capital	\$ 13,037	17.4%	\$ 13,135	17.2%
Common equity Tier 1 capital - fully phased-in (estimated)	\$ 12,891	17.2%	\$ 12,872	17.0%

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

The increase in our Common equity Tier 1 capital ratio was primarily due to the decrease in risk-weighted assets in the six months ended June 30, 2017. The decrease in risk-weighted assets was primarily due to the seasonal decrease in our loan receivables.

Non-GAAP Measures

The capital ratios presented above include Common equity Tier 1 capital ("CET1") as calculated under the U.S. Basel III capital rules on a fully phased-in basis, which is not currently required by our regulators to be disclosed and, as such, is considered to be a non-GAAP measure. We believe that this capital ratio is a useful measure to investors because it is widely used by analysts and regulators to assess the capital position of financial services companies, although this ratio may not be comparable to similarly titled measures reported by other companies. The following table sets forth a reconciliation of the components of our CET1 capital ratio as calculated on a fully phased-in basis set forth above, to the comparable GAAP components at June 30, 2017 and December 31, 2016.

(\$ in millions)	At June 30, 2017		At December 31, 2016	
Basel III - Common equity Tier 1 (transition)	\$	13,037	\$	13,135
Adjustments related to capital components during transition ⁽¹⁾		(146)		(263)
Basel III - Common equity Tier 1 (fully phased-in)	\$	12,891	\$	12,872
Risk-weighted assets - Basel III (transition)	\$	74,792	\$	76,179
Adjustments related to risk weighted assets during transition ⁽²⁾		(44)		(238)
Risk-weighted assets - Basel III (fully phased-in)	\$	74,748	\$	75,941

(1) Adjustments related to capital components to determine CET1 (fully phased-in) include the phase-in of the intangible asset exclusion.

(2) Key differences between Basel III transition rules and fully phased-in Basel III rules relate to the calculation of risk-weighted assets including, but not limited to, adjustments for certain intangible assets and risk weighting of deferred tax assets.

Regulatory Capital Requirements - Synchrony Bank

At June 30, 2017 and December 31, 2016, 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 rules at June 30, 2017 and December 31, 2016.

(\$ in millions)	At June 30, 2017		At December 31, 2016		Minimum to be Well-Capitalized under Prompt Corrective Action Provisions - Basel III	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital	\$ 10,193	16.8%	\$ 10,101	16.7%	\$ 6,067	10.0%
Tier 1 risk-based capital	\$ 9,391	15.5%	\$ 9,312	15.4%	\$ 4,853	8.0%
Tier 1 leverage	\$ 9,391	13.1%	\$ 9,312	13.2%	\$ 3,581	5.0%
Common equity Tier 1 capital	\$ 9,391	15.5%	\$ 9,312	15.4%	\$ 3,943	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 "Risk Factors—Risks Relating to Regulation—Failure by Synchrony and the Bank to meet applicable capital adequacy and liquidity requirements could have a material adverse effect on us" in our 2016 Form 10-K.

Off-Balance Sheet Arrangements and Unfunded Lending Commitments

We do not have any significant 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 June 30, 2017, we had not recorded any contingent liabilities in our Condensed Consolidated Statement of Financial Position related to any guarantees.

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

Critical Accounting Estimates

In preparing our condensed consolidated financial statements, we have identified certain accounting estimates and assumptions that we consider to be the most critical to an understanding of our financial statements because they involve significant judgments and uncertainties. The critical accounting estimates we have identified relate to allowance for loan losses, asset impairment, income taxes and fair value measurements. All of 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, future impairments of investment securities, goodwill and intangible assets, and the establishment of valuation allowances on deferred tax assets and increases in our tax liabilities, among other effects. See “*Management’s Discussion and Analysis—Critical Accounting Estimates*” in our 2016 Form 10-K, for a detailed discussion of these critical accounting estimates.

New Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. In July 2015, the FASB approved a one-year deferral of this standard, with a revised effective date for annual and interim reporting periods beginning after December 15, 2017. The scope of ASU 2014-09 excludes interest and fee income on loans and gains and losses on investment securities, derivatives and the sales of financial instruments, and as a result, the majority of the Company’s revenue will not be affected by the ASU. The standard permits the use of either the retrospective or modified retrospective (cumulative effect) transition method. We do not expect the guidance to have a material impact on the timing or measurement of the Company’s revenues.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments. This ASU replaces the existing incurred loss impairment guidance with a new impairment model known as the Current Expected Credit Loss (“CECL”) model, which is based on expected credit losses. The CECL model 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. This standard is effective for annual and interim reporting periods for fiscal years beginning after December 15, 2019, with early adoption permitted for annual and interim periods for fiscal years beginning after December 15, 2018. The amendments in this standard will be recognized through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. While we are evaluating the effect that ASU 2016-13 will have on our consolidated financial statements and related disclosures, this standard is expected to result in an increase to the Company’s allowance for loan losses given the change to expected losses for the estimated life of the financial asset. The extent of the increase will depend on the asset quality of the portfolio, and economic conditions and forecasts at adoption.

Regulation and Supervision

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

As a savings and loan holding company and, as of June 2017, a financial holding company, Synchrony is subject to regulation, supervision and examination by the Federal Reserve Board. As a large provider of consumer financial services, we are also subject to regulation, supervision and examination by the CFPB.

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

See "*Regulation*" in our 2016 Form 10-K for additional information. See also "*Capital*" above, for discussion of the impact of regulations and supervision on our capital and liquidity, including our ability to pay dividends and repurchase stock.

ITEM 1. FINANCIAL STATEMENTS

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
<i>(\$ in millions, except per share data)</i>				
Interest income:				
Interest and fees on loans (Note 4)	\$ 3,927	\$ 3,494	\$ 7,804	\$ 6,992
Interest on investment securities	43	21	79	43
Total interest income	3,970	3,515	7,883	7,035
Interest expense:				
Interest on deposits	202	179	396	351
Interest on borrowings of consolidated securitization entities	63	59	128	117
Interest on third-party debt	68	65	135	146
Total interest expense	333	303	659	614
Net interest income	3,637	3,212	7,224	6,421
Retailer share arrangements	(669)	(664)	(1,353)	(1,334)
Net interest income, after retailer share arrangements	2,968	2,548	5,871	5,087
Provision for loan losses (Note 4)	1,326	1,021	2,632	1,924
Net interest income, after retailer share arrangements and provision for loan losses	1,642	1,527	3,239	3,163
Other income:				
Interchange revenue	165	151	310	281
Debt cancellation fees	68	63	136	127
Loyalty programs	(206)	(135)	(343)	(245)
Other	30	4	47	12
Total other income	57	83	150	175
Other expense:				
Employee costs	321	301	646	581
Professional fees	158	154	309	300
Marketing and business development	124	107	218	201
Information processing	88	81	178	163
Other	220	196	468	394
Total other expense	911	839	1,819	1,639
Earnings before provision for income taxes	788	771	1,570	1,699
Provision for income taxes (Note 12)	292	282	575	628
Net earnings	\$ 496	\$ 489	\$ 995	\$ 1,071
Earnings per share				
Basic	\$ 0.62	\$ 0.59	\$ 1.23	\$ 1.28
Diluted	\$ 0.61	\$ 0.58	\$ 1.23	\$ 1.28
Dividends declared per common share	\$ 0.13	\$ —	\$ 0.26	\$ —

See accompanying notes to condensed consolidated financial statements.

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

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net earnings	\$ 496	\$ 489	\$ 995	\$ 1,071
Other comprehensive income (loss)				
Investment securities	4	6	3	17
Currency translation adjustments	2	5	1	6
Employee benefit plans	—	—	—	(2)
Other comprehensive income (loss)	6	11	4	21
Comprehensive income	\$ 502	\$ 500	\$ 999	\$ 1,092

Amounts presented net of taxes.

See accompanying notes to condensed consolidated financial statements.

Synchrony Financial and subsidiaries

Condensed Consolidated Statements of Financial Position

(\$ in millions)	At June 30, 2017 (Unaudited)	At December 31, 2016
Assets		
Cash and equivalents	\$ 12,020	\$ 9,321
Investment securities (Note 3)	3,997	5,110
Loan receivables: (Notes 4 and 5)		
Unsecuritized loans held for investment	52,550	52,332
Restricted loans of consolidated securitization entities	22,908	24,005
Total loan receivables	75,458	76,337
Less: Allowance for loan losses	(5,001)	(4,344)
Loan receivables, net	70,457	71,993
Goodwill	991	949
Intangible assets, net (Note 6)	787	712
Other assets(a)	2,888	2,122
Total assets	<u>\$ 91,140</u>	<u>\$ 90,207</u>
Liabilities and Equity		
Deposits: (Note 7)		
Interest-bearing deposit accounts	\$ 52,659	\$ 51,896
Non-interest-bearing deposit accounts	226	159
Total deposits	52,885	52,055
Borrowings: (Notes 5 and 8)		
Borrowings of consolidated securitization entities	12,204	12,388
Senior unsecured notes	8,505	7,759
Total borrowings	20,709	20,147
Accrued expenses and other liabilities	3,214	3,809
Total liabilities	<u>\$ 76,808</u>	<u>\$ 76,011</u>
Equity:		
Common Stock, par share value \$0.001 per share; 4,000,000,000 shares authorized; 833,984,684 shares issued at both June 30, 2017 and December 31, 2016; 795,324,028 and 817,352,328 shares outstanding at June 30, 2017 and December 31, 2016, respectively	\$ 1	\$ 1
Additional paid-in capital	9,415	9,393
Retained earnings	6,109	5,330
Accumulated other comprehensive income (loss):		
Investment securities	(15)	(18)
Currency translation adjustments	(19)	(20)
Other	(15)	(15)
Treasury Stock, at cost; 38,660,656 and 16,632,356 shares at June 30, 2017 and December 31, 2016, respectively	(1,144)	(475)
Total equity	14,332	14,196
Total liabilities and equity	<u>\$ 91,140</u>	<u>\$ 90,207</u>

(a) Other assets include restricted cash and equivalents of \$867 million and \$347 million at June 30, 2017 and December 31, 2016, respectively.

See accompanying notes to condensed consolidated financial statements.

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

(\$ in millions, shares in thousands)	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
	Shares Issued	Amount					
Balance at January 1, 2016	833,828	\$ 1	\$ 9,351	\$ 3,293	\$ (41)	\$ —	\$ 12,604
Net earnings	—	—	—	1,071	—	—	1,071
Other comprehensive income	—	—	—	—	21	—	21
Stock-based compensation	93	—	19	—	—	—	19
Balance at June 30, 2016	<u>833,921</u>	<u>\$ 1</u>	<u>\$ 9,370</u>	<u>\$ 4,364</u>	<u>\$ (20)</u>	<u>\$ —</u>	<u>\$ 13,715</u>
Balance at January 1, 2017	833,985	\$ 1	\$ 9,393	\$ 5,330	\$ (53)	\$ (475)	\$ 14,196
Net earnings	—	—	—	995	—	—	995
Other comprehensive income	—	—	—	—	4	—	4
Purchases of treasury stock	—	—	—	—	—	(676)	(676)
Stock-based compensation	—	—	22	(6)	—	7	23
Dividends - common stock	—	—	—	(210)	—	—	(210)
Balance at June 30, 2017	<u>833,985</u>	<u>\$ 1</u>	<u>\$ 9,415</u>	<u>\$ 6,109</u>	<u>\$ (49)</u>	<u>\$ (1,144)</u>	<u>\$ 14,332</u>

See accompanying notes to condensed consolidated financial statements.

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

(\$ in millions)	Six months ended June 30,	
	2017	2016
Cash flows - operating activities		
Net earnings	\$ 995	\$ 1,071
Adjustments to reconcile net earnings to cash provided from operating activities		
Provision for loan losses	2,632	1,924
Deferred income taxes	(181)	97
Depreciation and amortization	118	108
(Increase) decrease in interest and fees receivable	(96)	(35)
(Increase) decrease in other assets	(31)	42
Increase (decrease) in accrued expenses and other liabilities	(242)	(496)
All other operating activities	323	261
Cash provided from (used for) operating activities	3,518	2,972
Cash flows - investing activities		
Maturity and redemption of investment securities	2,075	996
Purchases of investment securities	(966)	(565)
Acquisition of loan receivables	(73)	(54)
Net (increase) decrease in restricted cash and equivalents	(520)	87
Net (increase) decrease in loan receivables	(1,179)	(1,613)
All other investing activities	(297)	(86)
Cash provided from (used for) investing activities	(960)	(1,235)
Cash flows - financing activities		
Borrowings of consolidated securitization entities		
Proceeds from issuance of securitized debt	1,570	2,167
Maturities and repayment of securitized debt	(1,758)	(3,524)
Third-party debt		
Proceeds from issuance of third-party debt	741	498
Maturities and repayment of third-party debt	—	(4,151)
Net increase (decrease) in deposits	478	2,737
Purchases of treasury stock	(676)	—
Dividends paid on common stock	(210)	—
All other financing activities	(4)	(2)
Cash provided from (used for) financing activities	141	(2,275)
Increase (decrease) in cash and equivalents	2,699	(538)
Cash and equivalents at beginning of period	9,321	12,325
Cash and equivalents at end of period	\$ 12,020	\$ 11,787

See accompanying notes to condensed consolidated financial statements.

Synchrony Financial and subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1. BUSINESS DESCRIPTION

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

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

In November 2015, Synchrony Financial became a stand-alone savings and loan holding company following the completion of General Electric Company's ("GE") exchange offer, in which GE exchanged shares of GE common stock for all of the remaining shares of our common stock it owned (the "Separation").

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

Basis of Presentation

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

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

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

Consolidated Basis of Presentation

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

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

Interim Period Presentation

The condensed consolidated financial statements and notes thereto are unaudited. These statements include all adjustments (consisting of normal recurring accruals) that we considered necessary to present a fair statement of our results of operations, financial position and cash flows. The results reported in these condensed consolidated financial statements should not be considered as necessarily indicative of results that may be expected for the entire year. These condensed consolidated financial statements should be read in conjunction with our 2016 annual consolidated and combined financial statements and the related notes in our Annual Report on Form 10-K for the year ended December 31, 2016 (our "2016 Form 10-K").

Summary of Significant Accounting Policies

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. In July 2015, the FASB approved a one-year deferral of this standard, with a revised effective date for annual and interim reporting periods beginning after December 15, 2017. The scope of ASU 2014-09 excludes interest and fee income on loans and gains and losses on investment securities, derivatives and the sales of financial instruments, and as a result, the majority of our revenue will not be affected by the ASU. The standard permits the use of either the retrospective or modified retrospective (cumulative effect) transition method. We do not expect the guidance to have a material impact on the timing or measurement of the Company's revenues.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments. This ASU replaces the existing incurred loss impairment guidance with a new impairment model known as the Current Expected Credit Loss ("CECL") model, which is based on expected credit losses. The CECL model 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. This standard is effective for annual and interim reporting periods for fiscal years beginning after December 15, 2019, with early adoption permitted for annual and interim periods for fiscal years beginning after December 15, 2018. The amendments in this standard will be recognized through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. While we are evaluating the effect that ASU 2016-13 will have on our consolidated financial statements and related disclosures, this standard is expected to result in an increase to our allowance for loan losses given the change to expected losses for the estimated life of the financial asset. The extent of the increase will depend on the asset quality of the portfolio, and economic conditions and forecasts at adoption.

See Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* to our 2016 annual consolidated and combined financial statements in our 2016 Form 10-K, for additional information on our significant accounting policies.

NOTE 3. INVESTMENT SECURITIES

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

	June 30, 2017				December 31, 2016			
	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>								
Debt								
U.S. government and federal agency	\$ 2,576	\$ 2	\$ (2)	\$ 2,576	\$ 3,676	\$ 1	\$ (1)	\$ 3,676
State and municipal	45	—	(1)	44	47	—	(1)	46
Residential mortgage-backed ^(a)	1,384	2	(24)	1,362	1,400	2	(29)	1,373
Equity	15	—	—	15	15	—	—	15
Total	<u>\$ 4,020</u>	<u>\$ 4</u>	<u>\$ (27)</u>	<u>\$ 3,997</u>	<u>\$ 5,138</u>	<u>\$ 3</u>	<u>\$ (31)</u>	<u>\$ 5,110</u>

(a) All of our residential mortgage-backed securities have been issued by government-sponsored entities and are collateralized by U.S. mortgages. At June 30, 2017 and December 31, 2016, \$381 million and \$363 million, respectively, are pledged by the Bank as collateral to the Federal Reserve to secure Federal Reserve Discount Window advances.

The following table presents the estimated fair values and gross unrealized losses of our available-for-sale investment 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 June 30, 2017</i>				
Debt				
U.S. government and federal agency	\$ 2,300	\$ (2)	\$ —	\$ —
State and municipal	32	(1)	3	—
Residential mortgage-backed	1,183	(22)	55	(2)
Equity	14	—	—	—
Total	<u>\$ 3,529</u>	<u>\$ (25)</u>	<u>\$ 58</u>	<u>\$ (2)</u>
<i>At December 31, 2016</i>				
Debt				
U.S. government and federal agency	\$ 1,701	\$ (1)	\$ —	\$ —
State and municipal	35	(1)	4	—
Residential mortgage-backed	1,235	(28)	35	(1)
Equity	14	—	1	—
Total	<u>\$ 2,985</u>	<u>\$ (30)</u>	<u>\$ 40</u>	<u>\$ (1)</u>

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

There were no other-than-temporary impairments recognized for the three and six months ended June 30, 2017 and 2016.

Contractual Maturities of Investments in Available-for-Sale Debt Securities (excluding residential mortgage-backed securities)

At June 30, 2017 (\$ in millions)	Amortized cost	Estimated fair value
Due		
Within one year	\$ 2,302	\$ 2,300
After one year through five years	\$ 274	\$ 276
After five years through ten years	\$ 3	\$ 2
After ten years	\$ 42	\$ 42

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 three and six months ended June 30, 2017 and 2016.

Although we generally do not have the intent to sell any specific securities held at June 30, 2017, in the ordinary course of managing our investment securities portfolio, we may sell securities prior to their maturities for a variety of reasons, including diversification, credit quality, yield, liquidity requirements and funding obligations.

NOTE 4. LOAN RECEIVABLES AND ALLOWANCE FOR LOAN LOSSES

(\$ in millions)	June 30, 2017	December 31, 2016
Credit cards	\$ 72,492	\$ 73,580
Consumer installment loans	1,514	1,384
Commercial credit products	1,386	1,333
Other	66	40
Total loan receivables, before allowance for losses ^{(a)(b)}	<u>\$ 75,458</u>	<u>\$ 76,337</u>

(a) Total loan receivables include \$22.9 billion and \$24.0 billion of restricted loans of consolidated securitization entities at June 30, 2017 and December 31, 2016, respectively. See Note 5. *Variable Interest Entities* for further information on these restricted loans.

(b) At June 30, 2017 and December 31, 2016, loan receivables included deferred expense, net of deferred income, of \$98 million and \$82 million, respectively.

Allowance for Loan Losses

(\$ in millions)	Balance at April 1, 2017	Provision charged to operations	Gross charge-offs	Recoveries	Balance at June 30, 2017
Credit cards	\$ 4,585	\$ 1,301	\$ (1,194)	\$ 214	\$ 4,906
Consumer installment loans	40	1	(11)	4	34
Commercial credit products	50	24	(16)	2	60
Other	1	—	—	—	\$ 1
Total	<u>\$ 4,676</u>	<u>\$ 1,326</u>	<u>\$ (1,221)</u>	<u>\$ 220</u>	<u>\$ 5,001</u>

<i>(\$ in millions)</i>	Balance at April 1, 2016	Provision charged to operations	Gross charge-offs	Recoveries	Balance at June 30, 2016
Credit cards	\$ 3,543	\$ 988	\$ (947)	\$ 216	\$ 3,800
Consumer installment loans	31	14	(9)	3	39
Commercial credit products	44	19	(13)	3	53
Other	2	—	—	—	\$ 2
Total	<u>\$ 3,620</u>	<u>\$ 1,021</u>	<u>\$ (969)</u>	<u>\$ 222</u>	<u>\$ 3,894</u>

<i>(\$ in millions)</i>	Balance at January 1, 2017	Provision charged to operations	Gross charge-offs	Recoveries	Balance at June 30, 2017
Credit cards	\$ 4,254	\$ 2,579	\$ (2,378)	\$ 451	\$ 4,906
Consumer installment loans	37	14	(25)	8	34
Commercial credit products	52	39	(34)	3	60
Other	1	—	—	—	\$ 1
Total	<u>\$ 4,344</u>	<u>\$ 2,632</u>	<u>\$ (2,437)</u>	<u>\$ 462</u>	<u>\$ 5,001</u>

<i>(\$ in millions)</i>	Balance at January 1, 2016	Provision charged to operations	Gross charge-offs	Recoveries	Balance at June 30, 2016
Credit cards	\$ 3,420	\$ 1,872	\$ (1,901)	\$ 409	\$ 3,800
Consumer installment loans	26	27	(20)	6	39
Commercial credit products	50	24	(26)	5	53
Other	1	1	—	—	2
Total	<u>\$ 3,497</u>	<u>\$ 1,924</u>	<u>\$ (1,947)</u>	<u>\$ 420</u>	<u>\$ 3,894</u>

Delinquent and Non-accrual Loans

<i>At June 30, 2017 (\$ in millions)</i>	30-89 days delinquent	90 or more days delinquent	Total past due	90 or more days delinquent and accruing	Total non- accruing
Credit cards	\$ 1,727	\$ 1,415	\$ 3,142	\$ 1,415	\$ —
Consumer installment loans	18	2	20	—	2
Commercial credit products	28	18	46	18	—
Total delinquent loans	<u>\$ 1,773</u>	<u>\$ 1,435</u>	<u>\$ 3,208</u>	<u>\$ 1,433</u>	<u>\$ 2</u>
Percentage of total loan receivables	<u>2.4%</u>	<u>1.9%</u>	<u>4.3%</u>	<u>1.9%</u>	<u>—%</u>

<i>At December 31, 2016 (\$ in millions)</i>	30-89 days delinquent	90 or more days delinquent	Total past due	90 or more days delinquent and accruing	Total non- accruing
Credit cards	\$ 1,695	\$ 1,524	\$ 3,219	\$ 1,524	\$ —
Consumer installment loans	19	4	23	—	4
Commercial credit products	35	18	53	18	—
Total delinquent loans	<u>\$ 1,749</u>	<u>\$ 1,546</u>	<u>\$ 3,295</u>	<u>\$ 1,542</u>	<u>\$ 4</u>
Percentage of total loan receivables	<u>2.3%</u>	<u>2.0%</u>	<u>4.3%</u>	<u>2.0%</u>	<u>—%</u>

Impaired Loans and Troubled Debt Restructurings

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

We have both internal and external loan modification programs. We primarily use long-term (12 to 60 months) modification programs for borrowers experiencing financial difficulty as a loss mitigation strategy to improve long-term collectability of the loans that are classified as TDRs. The long-term program involves changing the structure of the loan to a fixed payment loan with a maturity no longer than 60 months and reducing the interest rate on the loan. The long-term program does not normally provide for the forgiveness of unpaid principal but may allow for the reversal of certain unpaid interest or fee assessments. We also make loan modifications for customers who request financial assistance through external sources, such as consumer credit counseling agency programs. These loans typically receive a reduced interest rate but continue to be subject to the original minimum payment terms and do not normally include waiver of unpaid principal, interest or fees. The following table provides information on loans that entered a loan modification program during the periods presented:

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Credit cards	\$ 175	\$ 119	\$ 347	\$ 251
Consumer installment loans	—	—	—	—
Commercial credit products	1	—	2	1
Total	\$ 176	\$ 119	\$ 349	\$ 252

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

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

At June 30, 2017 (\$ in millions)	Total recorded investment	Related allowance	Net recorded investment	Unpaid principal balance
Credit cards	\$ 927	\$ (355)	\$ 572	\$ 823
Consumer installment loans	—	—	—	—
Commercial credit products	5	(2)	3	5
Total	\$ 932	\$ (357)	\$ 575	\$ 828

At December 31, 2016 (\$ in millions)	Total recorded investment	Related allowance	Net recorded investment	Unpaid principal balance
Credit cards	\$ 862	\$ (321)	\$ 541	\$ 761
Consumer installment loans	—	—	—	—
Commercial credit products	6	(3)	3	5
Total	\$ 868	\$ (324)	\$ 544	\$ 766

Financial Effects of TDRs

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

Three months ended June 30,

	2017			2016		
	Interest income recognized during period when loans were impaired	Interest income that would have been recorded with original terms	Average recorded investment	Interest income recognized during period when loans were impaired	Interest income that would have been recorded with original terms	Average recorded investment
(\$ in millions)						
Credit cards	\$ 11	\$ 53	\$ 910	\$ 12	\$ 43	\$ 773
Consumer installment loans	—	—	—	—	—	—
Commercial credit products	—	—	6	—	—	6
Total	\$ 11	\$ 53	\$ 916	\$ 12	\$ 43	\$ 779

Six months ended June 30,

	2017			2016		
	Interest income recognized during period when loans were impaired	Interest income that would have been recorded with original terms	Average recorded investment	Interest income recognized during period when loans were impaired	Interest income that would have been recorded with original terms	Average recorded investment
(\$ in millions)						
Credit cards	\$ 23	\$ 104	\$ 894	\$ 24	\$ 85	\$ 768
Consumer installment loans	—	—	—	—	—	—
Commercial credit products	—	—	6	—	—	6
Total	\$ 23	\$ 104	\$ 900	\$ 24	\$ 85	\$ 774

Payment Defaults

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

Three months ended June 30,

	2017		2016	
	Accounts defaulted	Loans defaulted	Accounts defaulted	Loans defaulted
(\$ in millions)				
Credit cards	19,318	\$ 40	7,735	\$ 25
Consumer installment loans	—	—	—	—
Commercial credit products	44	—	44	—
Total	19,362	\$ 40	7,779	\$ 25

Six months ended June 30,

	2017		2016	
	Accounts defaulted	Loans defaulted	Accounts defaulted	Loans defaulted
(\$ in millions)				
Credit cards	35,399	\$ 73	18,024	\$ 46
Consumer installment loans	—	—	—	—
Commercial credit products	84	1	81	—
Total	35,483	\$ 74	18,105	\$ 46

Credit Quality Indicators

Our loan receivables portfolio includes both secured and unsecured loans. Secured loan receivables are largely comprised of consumer installment loans secured by equipment. Unsecured loan receivables are largely comprised of our open-ended consumer and commercial revolving credit card loans. As part of our credit risk management activities, on an ongoing basis, we assess overall credit quality by reviewing information related to the performance of a customer's account with us, as well as information from credit bureaus, such as a Fair Isaac Corporation ("FICO") or other credit scores, relating to the customer's broader credit performance. FICO scores are generally obtained at origination of the account and are refreshed, at a minimum quarterly, but could be as often as weekly, to assist in predicting customer behavior. We categorize these credit scores into the following three credit score categories: (i) 661 or higher, which are considered the strongest credits; (ii) 601 to 660, considered moderate credit risk; and (iii) 600 or less, which are considered weaker credits. There are certain customer accounts for which a FICO score is not available where we use alternative sources to assess their credit and predict behavior. The following table provides the most recent FICO scores available for our customers at June 30, 2017 and December 31, 2016, respectively, as a percentage of each class of loan receivable. The table below excludes 0.7%, 0.7% and 0.9% of our total loan receivables balance at June 30, 2017, December 31, 2016 and June 30, 2016, respectively, which represents those customer accounts for which a FICO score is not available.

	June 30, 2017			December 31, 2016			June 30, 2016		
	661 or higher	601 to 660	600 or less	661 or higher	601 to 660	600 or less	661 or higher	601 to 660	600 or less
Credit cards	72%	20%	8%	73%	20%	7%	73%	20%	7%
Consumer installment loans	78%	16%	6%	78%	16%	6%	79%	16%	5%
Commercial credit products	89%	7%	4%	87%	9%	4%	87%	9%	4%

Unfunded Lending Commitments

We manage the potential risk in credit commitments by limiting the total amount of credit, both by individual customer and in total, by monitoring the size and maturity of our portfolios and by applying the same credit standards for all of our credit products. Unused credit card lines available to our customers totaled approximately \$360 billion and \$348 billion at June 30, 2017 and December 31, 2016, 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 from our loan receivables, including held for sale:

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Credit cards	\$ 3,858	\$ 3,432	\$ 7,669	\$ 6,868
Consumer installment loans	34	28	66	55
Commercial credit products	34	33	68	68
Other	1	1	1	1
Total	\$ 3,927	\$ 3,494	\$ 7,804	\$ 6,992

NOTE 5. VARIABLE INTEREST ENTITIES

We use VIEs to securitize loans and arrange asset-backed financing in the ordinary course of business. Investors in these entities only have recourse to the assets owned by the entity and not to our general credit. We do not have implicit support arrangements with any VIE and we did not provide non-contractual support for previously transferred loan receivables to any VIE in the three and six months ended June 30, 2017 and 2016. 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 loans 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 random removal of accounts provisions. All loan receivables held by a VIE are subject to claims of third-party investors.

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

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

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

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

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

<i>(\$ in millions)</i>	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Assets		
Loan receivables, net ^(a)	\$ 21,707	\$ 22,892
Other assets ^(b)	670	107
Total	<u>\$ 22,377</u>	<u>\$ 22,999</u>
Liabilities		
Borrowings	\$ 12,204	\$ 12,388
Other liabilities	19	21
Total	<u>\$ 12,223</u>	<u>\$ 12,409</u>

(a) Includes \$1.2 billion and \$1.1 billion of related allowance for loan losses resulting in gross restricted loans of \$22.9 billion and \$24.0 billion at June 30, 2017 and December 31, 2016, respectively.

(b) Includes \$665 million and \$100 million of segregated funds held by the VIEs at June 30, 2017 and December 31, 2016, respectively, which are classified as restricted cash and equivalents and included as a component of other assets in our Condensed Consolidated Statements of Financial Position.

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

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

Income (principally, interest and fees on loans) earned by our consolidated VIEs was \$1.1 billion for both the three months ended June 30, 2017 and 2016. Related expenses consisted primarily of provision for loan losses of \$303 million and \$275 million for the three months ended June 30, 2017 and 2016, respectively, and interest expense of \$63 million and \$59 million for the three months ended June 30, 2017 and 2016, respectively.

Income (principally, interest and fees on loans) earned by our consolidated VIEs was \$2.1 billion and \$2.3 billion for the six months ended June 30, 2017 and 2016, respectively. Related expenses consisted primarily of provision for loan losses of \$601 million and \$517 million for the six months ended June 30, 2017 and 2016, respectively, and interest expense of \$128 million and \$117 million for the six months ended June 30, 2017 and 2016, respectively.

NOTE 6. INTANGIBLE ASSETS

<i>(\$ in millions)</i>	<u>June 30, 2017</u>			<u>December 31, 2016</u>		
	<u>Gross carrying amount</u>	<u>Accumulated amortization</u>	<u>Net</u>	<u>Gross carrying amount</u>	<u>Accumulated amortization</u>	<u>Net</u>
Customer-related	\$ 1,207	\$ (616)	\$ 591	\$ 1,069	\$ (560)	\$ 509
Capitalized software	343	(147)	196	318	(115)	203
Total	<u>\$ 1,550</u>	<u>\$ (763)</u>	<u>\$ 787</u>	<u>\$ 1,387</u>	<u>\$ (675)</u>	<u>\$ 712</u>

During the six months ended June 30, 2017, we recorded additions to intangible assets subject to amortization of \$175 million, primarily related to customer-related intangible assets, as well as capitalized software expenditures.

Customer-related intangible assets primarily relate to retail partner contract acquisitions and extensions, as well as purchased credit card relationships. During the six months ended June 30, 2017 and 2016, we recorded additions to customer-related intangible assets subject to amortization of \$150 million and \$25 million, respectively, primarily related to payments made to acquire and extend certain retail partner relationships. These additions had a weighted average amortizable life of 11 years and 9 years for the six months ended June 30, 2017 and 2016, respectively.

Amortization expense related to retail partner contracts was \$28 million and \$25 million for the three months ended June 30, 2017 and 2016, respectively, and \$55 million and \$50 million for the six months ended June 30, 2017 and 2016, respectively and is included as a component of marketing and business development expense in our Condensed Consolidated Statements of Earnings. All other amortization expense was \$20 million and \$19 million for both the three months ended June 30, 2017 and 2016, respectively and \$38 million and \$37 million for the six months ended June 30, 2017 and 2016, respectively and is included as a component of other expense in our Condensed Consolidated Statements of Earnings.

NOTE 7. DEPOSITS

(\$ in millions)	June 30, 2017		December 31, 2016	
	Amount	Average rate ^(a)	Amount	Average rate ^(a)
Interest-bearing deposits	\$ 52,659	1.5 %	\$ 51,896	1.5 %
Non-interest-bearing deposits	226	—	159	—
Total deposits	<u>\$ 52,885</u>		<u>\$ 52,055</u>	

(a) Based on interest expense for the six months ended June 30, 2017 and the year ended December 31, 2016 and average deposits balances.

At June 30, 2017 and December 31, 2016, interest-bearing deposits included \$15.1 billion and \$14.2 billion of certificates of deposit of \$100,000 or more, respectively. Of the total certificates of deposit of \$100,000 or more, \$4.8 billion and \$4.4 billion were certificates of deposit of \$250,000 or more at June 30, 2017 and December 31, 2016, respectively.

At June 30, 2017, our interest-bearing time deposits maturing for the remainder of 2017 and over the next four years and thereafter were as follows:

(\$ in millions)	2017	2018	2019	2020	2021	Thereafter
Deposits	\$ 7,058	\$ 10,999	\$ 5,373	\$ 3,119	\$ 2,257	\$ 3,246

The above maturity table excludes \$17.5 billion of demand deposits with no defined maturity, of which \$15.6 billion are savings accounts. In addition, at June 30, 2017, we had \$3.1 billion of broker network deposit sweeps procured through a program arranger who channels brokerage account deposits to us. Unless extended, the contracts associated with these broker network deposit sweeps will terminate between 2019 and 2021.

NOTE 8. BORROWINGS

(\$ in millions)	June 30, 2017			December 31, 2016	
	Maturity date	Interest Rate	Weighted average interest rate	Outstanding Amount(a)	Outstanding Amount(a)
Borrowings of consolidated securitization entities:					
Fixed securitized borrowings	2017 - 2021	1.35% - 2.64%	1.83%	\$ 9,304	\$ 8,731
Floating securitized borrowings	2018 - 2020	1.70% - 2.04%	1.82%	2,900	3,657
Total borrowings of consolidated securitization entities			1.83%	12,204	12,388
Synchrony Financial senior unsecured notes:					
Fixed senior unsecured notes	2017 - 2026	1.87% - 4.50%	3.41%	6,815	6,811
Floating senior unsecured notes	2017 - 2020	2.40% - 2.59%	2.53%	949	948
Synchrony Bank senior unsecured notes:					
Fixed senior unsecured notes	2022	3.00%	3.00%	741	—
Total senior unsecured notes			3.27%	8,505	7,759
Total borrowings				\$ 20,709	\$ 20,147

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

Debt Maturities

The following table summarizes the maturities of the principal amount of our borrowings of consolidated securitization entities and senior unsecured notes for the remainder of 2017 and over the next four years and thereafter:

(\$ in millions)	2017	2018	2019	2020	2021	Thereafter
Borrowings	\$ 3,153	\$ 2,749	\$ 6,810	\$ 3,146	\$ 1,408	\$ 3,500

Third-Party Debt

Senior Unsecured Notes

On June 12, 2017, the Bank issued a total of \$750 million principal amount of 3.000% senior unsecured notes due 2022.

Credit Facilities

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

At June 30, 2017, we had an aggregate of \$6.1 billion of undrawn committed capacity under our securitization financings, subject to customary borrowing conditions, from private lenders under our two existing securitization programs, and an aggregate of \$0.5 billion of undrawn committed capacity under our unsecured revolving credit facility with private lenders.

NOTE 9. FAIR VALUE MEASUREMENTS

For a description of how we estimate fair value, see Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* in our 2016 annual consolidated and combined financial statements in our 2016 Form 10-K.

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

Recurring Fair Value Measurements

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

<i>At June 30, 2017 (\$ in millions)</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Investment securities				
Debt				
U.S. Government and Federal Agency	\$ —	\$ 2,576	\$ —	\$ 2,576
State and municipal	—	—	44	44
Residential mortgage-backed	—	1,362	—	1,362
Equity	15	—	—	15
Total	<u>\$ 15</u>	<u>\$ 3,938</u>	<u>\$ 44</u>	<u>\$ 3,997</u>

At December 31, 2016 (\$ in millions)

Assets				
Investment securities				
Debt				
U.S. Government and Federal Agency	\$ —	\$ 3,676	\$ —	\$ 3,676
State and municipal	—	—	46	46
Residential mortgage-backed	—	1,373	—	1,373
Equity	15	—	—	15
Total	<u>\$ 15</u>	<u>\$ 5,049</u>	<u>\$ 46</u>	<u>\$ 5,110</u>

For the six months ended June 30, 2017, there were no securities transferred between Level 1 and Level 2 or between Level 2 and Level 3. At June 30, 2017 and December 31, 2016, we did not have any significant liabilities measured at fair value on a recurring basis.

Our Level 3 recurring fair value measurements primarily relate to state and municipal debt instruments which are valued using non-binding broker quotes or other third-party sources. For a description of our process to evaluate third-party pricing services, see Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* in our 2016 annual consolidated and combined financial statements in our 2016 Form 10-K. Our state and municipal debt securities are classified as available-for-sale with changes in fair value included in accumulated other comprehensive income.

The following table presents the changes in our Level 3 debt instruments that are measured on a recurring basis for the three and six months ended June 30, 2017 and 2016.

Changes in Level 3 Instruments

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Balance at beginning of period	\$ 43	\$ 48	\$ 46	\$ 49
Net realized/unrealized gains (losses)	—	1	—	2
Purchases	1	—	1	—
Settlements	—	—	(3)	(2)
Balance at end of period	<u>\$ 44</u>	<u>\$ 49</u>	<u>\$ 44</u>	<u>\$ 49</u>

Non-Recurring Fair Value Measurements

We hold certain assets that have been measured at fair value on a non-recurring basis at June 30, 2017 and 2016. These assets can include repossessed assets and cost method investments that are written down to fair value when they are impaired, as well as loan receivables held for sale. Assets that are written down to fair value when impaired are not subsequently adjusted to fair value unless further impairment occurs. The assets held by us that were measured at fair value on a non-recurring basis and the effects of the remeasurement to fair value were not material for all periods presented.

Financial Assets and Financial Liabilities Carried at Other than Fair Value

At June 30, 2017 (\$ 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)	\$ 12,020	\$ 12,020	\$ 12,020	\$ —	\$ —
Other assets ^(b)	\$ 867	\$ 867	\$ 867	\$ —	\$ —
Financial assets carried at other than fair value:					
Loan receivables, net ^(c)	\$ 70,457	\$ 78,695	\$ —	\$ —	\$ 78,695
Financial Liabilities					
Financial liabilities carried at other than fair value:					
Deposits	\$ 52,885	\$ 53,333	\$ —	\$ 53,333	\$ —
Borrowings of consolidated securitization entities	\$ 12,204	\$ 12,225	\$ —	\$ 9,322	\$ 2,903
Senior unsecured notes	\$ 8,505	\$ 8,641	\$ —	\$ 8,641	\$ —
At December 31, 2016 (\$ in millions)					
At December 31, 2016 (\$ in millions)	Carrying value	Corresponding fair value amount			
		Total	Level 1	Level 2	Level 3
Financial Assets					
Financial assets for which carrying values equal or approximate fair value:					
Cash and equivalents ^(a)	\$ 9,321	\$ 9,321	\$ 9,321	\$ —	\$ —
Other assets ^(b)	\$ 347	\$ 347	\$ 347	\$ —	\$ —
Financial assets carried at other than fair value:					
Loan receivables, net ^(c)	\$ 71,993	\$ 79,566	\$ —	\$ —	\$ 79,566
Financial Liabilities					
Financial liabilities carried at other than fair value:					
Deposits	\$ 52,055	\$ 52,507	\$ —	\$ 52,507	\$ —
Borrowings of consolidated securitization entities	\$ 12,388	\$ 12,402	\$ —	\$ 9,191	\$ 3,211
Senior unsecured notes	\$ 7,759	\$ 7,875	\$ —	\$ 7,875	\$ —

(a) For cash and equivalents, carrying value approximates fair value due to the liquid nature and short maturity of these instruments.

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

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

NOTE 10. REGULATORY AND CAPITAL ADEQUACY

As a savings and loan holding company and, as of June 2017, a financial holding company, we are subject to regulation, supervision and examination by the Federal Reserve Board and subject to the capital requirements as prescribed by Basel III capital rules and the requirements of the Dodd-Frank Act. The Bank is a federally chartered savings association. As such, the Bank is subject to regulation, supervision and examination by the Office of the Comptroller of the Currency of the U.S. Treasury (the "OCC"), which is its primary regulator, and by the Consumer Financial Protection Bureau ("CFPB"). In addition, the Bank, as an insured depository institution, is supervised by the Federal Deposit Insurance Corporation.

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

Quantitative measures established by regulation to ensure capital adequacy require us and the Bank to maintain minimum amounts and ratios (set forth in the 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.

At June 30, 2017 and December 31, 2016, Synchrony Financial met all applicable requirements to be deemed well-capitalized pursuant to Federal Reserve Board regulations. At June 30, 2017 and December 31, 2016, 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 June 30, 2017 that management believes have changed the Company's or the Bank's capital category.

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

Synchrony Financial

At June 30, 2017 (\$ in millions)

	Actual		Minimum for capital adequacy purposes	
	Amount	Ratio ^(a)	Amount	Ratio
Total risk-based capital	\$ 14,022	18.7%	\$ 5,983	8.0%
Tier 1 risk-based capital	\$ 13,037	17.4%	\$ 4,488	6.0%
Tier 1 leverage	\$ 13,037	14.8%	\$ 3,523	4.0%
Common equity Tier 1 Capital	\$ 13,037	17.4%	\$ 3,366	4.5%

At December 31, 2016 (\$ in millions)

	Actual		Minimum for capital adequacy purposes	
	Amount	Ratio ^(a)	Amount	Ratio
Total risk-based capital	\$ 14,129	18.5%	\$ 6,094	8.0%
Tier 1 risk-based capital	\$ 13,135	17.2%	\$ 4,571	6.0%
Tier 1 leverage	\$ 13,135	15.0%	\$ 3,508	4.0%
Common equity Tier 1 Capital	\$ 13,135	17.2%	\$ 3,428	4.5%

Synchrony Bank

At June 30, 2017 (\$ in millions)

	Actual		Minimum for capital adequacy purposes		Minimum to be well-capitalized under prompt corrective action provisions	
	Amount	Ratio ^(a)	Amount	Ratio ^(b)	Amount	Ratio
Total risk-based capital	\$ 10,193	16.8%	\$ 4,853	8.0%	\$ 6,067	10.0%
Tier 1 risk-based capital	\$ 9,391	15.5%	\$ 3,640	6.0%	\$ 4,853	8.0%
Tier 1 leverage	\$ 9,391	13.1%	\$ 2,864	4.0%	\$ 3,581	5.0%
Common equity Tier I capital	\$ 9,391	15.5%	\$ 2,730	4.5%	\$ 3,943	6.5%

At December 31, 2016 (\$ in millions)

	Actual		Minimum for capital adequacy purposes		Minimum to be well-capitalized under prompt corrective action provisions	
	Amount	Ratio ^(a)	Amount	Ratio ^(b)	Amount	Ratio
Total risk-based capital	\$ 10,101	16.7%	\$ 4,825	8.0%	\$ 6,031	10.0%
Tier 1 risk-based capital	\$ 9,312	15.4%	\$ 3,619	6.0%	\$ 4,825	8.0%
Tier 1 leverage	\$ 9,312	13.2%	\$ 2,816	4.0%	\$ 3,520	5.0%
Common equity Tier I capital	\$ 9,312	15.4%	\$ 2,714	4.5%	\$ 3,920	6.5%

(a) Capital ratios are calculated based on the Basel III Standardized Approach rules, subject to applicable transition provisions, at June 30, 2017 and December 31, 2016.

(b) At June 30, 2017 and at December 31, 2016, 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 1.25 percentage points and 0.625 percentage points, respectively, to avoid limits on capital distributions and certain discretionary bonus payments to executive officers and similar employees.

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

NOTE 11. EARNINGS PER SHARE

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

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
(in millions, except per share data)				
Net earnings	\$ 496	\$ 489	\$ 995	\$ 1,071
Weighted average common shares outstanding, basic	804.0	833.9	808.5	833.9
Effect of dilutive securities	3.4	2.3	3.7	1.9
Weighted average common shares outstanding, dilutive	807.4	836.2	812.2	835.8
Earnings per basic common share	\$ 0.62	\$ 0.59	\$ 1.23	\$ 1.28
Earnings per diluted common share	\$ 0.61	\$ 0.58	\$ 1.23	\$ 1.28

We have issued certain stock based awards under the Synchrony Financial 2014 Long-Term Incentive Plan. A total of 5 million and 3 million shares for the three months ended June 30, 2017 and 2016, respectively, and 3 million shares for both the six months ended June 30, 2017 and 2016, related to these awards were considered anti-dilutive and therefore were excluded from the computation of diluted earnings per share.

NOTE 12. INCOME TAXES

We now file consolidated U.S. federal and state income tax returns separate and apart from GE. For periods up to and including the date of Separation, we were included in the consolidated U.S. federal and state income tax returns of GE, where applicable, but also filed certain separate state and foreign income tax returns. The tax provision is presented on a separate company basis as if we were a separate filer for tax purposes for all periods presented. The effects of tax adjustments and settlements from taxing authorities are presented in our condensed consolidated financial statements in the period in which they occur. Our current obligations for taxes are settled with the relevant tax authority, or GE, as applicable, on an estimated basis and adjusted in later periods as appropriate and are reflected in our consolidated financial statements in the periods in which those settlements occur. 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. In calculating the provision for interim period income taxes, in accordance with Accounting Standards Codification 740, *Income Taxes*, we estimate the effective tax rate expected to be applicable for the full fiscal year and apply that estimated annual effective tax rate to year-to-date ordinary income. Adjustments to tax expense are made for year-to-date discrete items. See “*Management’s Discussion and Analysis—Critical Accounting Estimates*” in our 2016 Form 10-K, for a discussion of the significant judgments and estimates related to income taxes.

For periods prior to Separation, we are under continuous examination by the Internal Revenue Service (“IRS”) and the tax authorities of various states as part of their audit of GE’s tax returns. The IRS is currently auditing GE’s consolidated U.S. income tax returns for 2012 and 2013. We are under examination in various states going back to 2008 as part of their audit of GE’s tax returns. We are not currently under audit with respect to any post-Separation periods. 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.

Tax Sharing and Separation Agreement

In connection with our initial public offering in August 2014 (“IPO”), we entered into a Tax Sharing and Separation Agreement (“TSSA”), which governs certain Separation-related tax matters between the Company and GE following the IPO. The TSSA governs the allocation of the responsibilities for the taxes of the GE group between GE and the Company. The TSSA also allocates rights, obligations and responsibilities in connection with certain administrative matters relating to the preparation of tax returns and control of tax audits and other proceedings relating to taxes. See Note 14. *Income Taxes* to our 2016 annual consolidated and combined financial statements in our 2016 Form 10-K for additional information on the TSSA.

Unrecognized Tax Benefits

<i>(\$ in millions)</i>	June 30, 2017	December 31, 2016
Unrecognized tax benefits, excluding related interest expense and penalties	\$ 163	\$ 150
Portion that, if recognized, would reduce tax expense and effective tax rate ^(a)	108	99
Accrued interest on unrecognized tax benefits	9	6
Accrued penalties on unrecognized tax benefits	—	—

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

We compute our unrecognized tax benefits on a separate return basis. For unrecognized tax benefits associated with periods prior to 2014, we will settle our liabilities, as required, in accordance with the TSSA. The amount of unrecognized tax benefits that may be resolved in the next twelve months is not expected to be material to our results of operations.

NOTE 13. LEGAL PROCEEDINGS AND REGULATORY MATTERS

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

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

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

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

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

Regulatory Matters

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

On October 15, 2015, the Bank received a Civil Investigative Demand from the CFPB seeking information related to the Bank's credit bureau reporting with respect to sold accounts. The information sought by the CFPB generally relates to the allegations made in *Belton et al. v. GE Capital Consumer Lending*. On May 9, 2016, the Bank received a NORA (Notice of Opportunity to Respond and Advise) letter from the CFPB indicating that the CFPB Office of Enforcement is considering whether to recommend that the CFPB take legal action relating to this matter.

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

Other Matters

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

In addition to the TCPA class action lawsuits related to phone calls, the Company is a defendant in a putative class action lawsuit alleging claims under the TCPA relating to facsimiles. In *Michael W. Kincaid, DDS et al. v. Synchrony Financial*, plaintiff alleges that the Company violated the TCPA by sending fax advertisements without consent and without required notices, and seeks up to \$1,500 for each violation. The amount of damages sought in the aggregate is unspecified. The original complaint was filed in U.S. District Court for the Northern District of Illinois on January 20, 2016. On August 11, 2016, the Court granted the Company's motion to dismiss based on the lack of personal jurisdiction. On August 15, 2016, the plaintiff re-filed the case in the Southern District of Ohio.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

As of June 30, 2017, assuming an immediate 100 basis point increase in the interest rates affecting all interest rate sensitive assets and liabilities, we estimate that net interest income over the following 12-month period would increase by approximately \$143 million. This estimate projects net interest income over the following 12-month period and takes into consideration future growth and balance sheet composition.

For a more detailed discussion of our exposure to market risk, refer to “ *Management’s Discussion and Analysis—Quantitative and Qualitative Disclosures about Market Risk*” in our 2016 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated our disclosure controls and procedures, and our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2017.

No change in internal control over financial reporting occurred during the quarter ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors included in our 2016 Form 10-K under the heading “ *Risk Factors*”.

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

The table below sets forth information regarding purchases of our common stock primarily related to our share repurchase program that were made by us or on our behalf during the three months ended June 30, 2017.

<i>(\$ in millions, except per share data)</i>	Total Number of Shares Purchased^(a)	Average Price Paid Per Share^(b)	Total Number of Shares Purchased as Part of Publicly Announced Programs^(c)	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Programs^(b)
April 1 - 30, 2017	122,602	\$ 34.30	—	\$ 238.0
May 1 - 31, 2017	11,677,143	27.90	11,677,143	1,552.2
June 1 - 30, 2017	4,019,033	27.92	4,016,882	1,440.0
Total	<u>15,818,778</u>	<u>\$ 27.96</u>	<u>15,694,025</u>	<u>\$ 1,440.0</u>

(a) Primarily represents repurchases of shares of common stock under our publicly announced share repurchase programs of up to \$952 million of our outstanding shares of common stock for the four quarters ending June 30, 2017 (the “2016 Share Repurchase Program”) and up to \$1.64 billion of our outstanding shares of common stock through June 30, 2018 (the “2017 Share Repurchase Program”). Also includes 122,602 shares, 0 shares and 2,151 shares withheld in April, May and June, respectively, to offset tax withholding obligations that occur upon the delivery of outstanding shares underlying restricted stock awards or upon the exercise of stock options.

(b) Amounts exclude commission costs.

(c) During the three months ended June 30, 2017, we completed our 2016 Share Repurchase Program. On May 18, 2017, our Board of Directors approved the 2017 Share Repurchase Program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

See "Exhibit Index" for documents filed herewith and incorporated herein by reference.

Signatures

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

Synchrony Financial
(Registrant)

July 28, 2017

/s/ Brian D. Doubles

Date

Brian D. Doubles
Executive Vice President and Chief Financial
Officer
(Duly Authorized Officer and Principal Financial
Officer)

EXHIBIT INDEX

Exhibit Number	Description
4*	Instruments defining rights of holders of long-term debt
10.1	Synchrony Financial Amended and Restated 2014 Long-Term Incentive Plan
10.2	Synchrony Financial Amended and Restated Executive Severance Plan
10.3	Synchrony Financial Amended and Restated Restoration Plan
12.1	Statement of Ratio of Earnings to Fixed Charges
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	The following materials from Synchrony Financial's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Earnings for the three and six months ended June 30, 2017 and 2016, (ii) Condensed Consolidated Statements of Comprehensive Income for the three months and six months ended June 30, 2017 and 2016, (iii) Condensed Consolidated Statements of Financial Position at June 30, 2017 and December 31, 2016, (iv) Condensed Consolidated Statements of Changes in Equity for the six months ended June 30, 2017 and 2016, (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016, and (vi) Notes to Condensed Consolidated Financial Statements.

(*) Pursuant to Item 601(4)(iii) of Regulation S-K, the Company is not required to file any instrument with respect to long-term debt not being registered if the total amount of securities authorized thereunder does not exceed 10 percent of the total assets of the Company and its subsidiaries on a consolidated basis. The Company hereby agrees to furnish a copy of any such instrument to the SEC upon request.

SYNCHRONY FINANCIAL
AMENDED AND RESTATED 2014 LONG-TERM INCENTIVE PLAN

SECTION 1. PURPOSE

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

SECTION 2. DEFINITIONS

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

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

- (ii) the cessation of individuals who, as of the date of grant of the Award, constitute the Board (the “Incumbent Board”) to constitute at least a majority of such Board; provided that any individual who becomes a director of the Company subsequent to the date of grant of the Award whose election, or nomination for election by the Company’s stockholders, was approved by the vote of at least a majority of the directors then comprising the Incumbent Board shall be deemed a member of the Incumbent Board; and provided further, that any individual who was initially elected as a director of the Company as a result of an actual or threatened solicitation by a Person other than the Board for the purpose of opposing a solicitation by any other Person with respect to the election or removal of directors, or any other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Board shall not be deemed a member of the Incumbent Board; or
 - (iii) the consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a “Corporate Transaction”); excluding, however, a Corporate Transaction pursuant to which (A) all or substantially all of the individuals or entities who are the beneficial owners, respectively, of the Outstanding Common Stock and the Outstanding Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock, and the combined voting power of the outstanding securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns, directly or indirectly,
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the Company or all or substantially all of the Company's assets) in substantially the same proportions relative to each other as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Common Stock and the Outstanding Voting Securities, as the case may be, (B) no Person (other than: the Company; any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; the corporation resulting from such Corporate Transaction; and any Person which beneficially owned, immediately prior to such Corporate Transaction, directly or indirectly, 30% or more of the Outstanding Common Stock or the Outstanding Voting Securities, as the case may be) will beneficially own, directly or indirectly, 30% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding securities of such corporation entitled to vote generally in the election of directors, and (C) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction.

- (f) "Code" shall mean the Internal Revenue Code of 1986, as amended.
 - (g) "Committee" shall mean a committee of the Board, acting in accordance with the provisions of Section 3, designated by the Board to administer the Plan and composed of not less than two non-employee directors.
 - (h) "Dividend Equivalent" shall mean any right granted under Section 7(e) of the Plan.
 - (i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.
 - (j) "Fair Market Value" shall mean, with respect to any Shares or other securities, the closing price of a Share on the date as of which the determination is being made as reported on the principal national stock exchange on which the Shares are then traded or, if there shall be no reported transactions for such date, on the next preceding date for which transactions were reported; provided, however, that if the Shares are not listed on a national stock exchange or if the closing price of a Share for any date cannot be so determined, Fair Market Value shall be determined by the Committee by whatever means or method as the Committee, in the good faith exercise of its discretion, shall at such time deem appropriate and, to the extent applicable, in compliance with Section 409A of the Code; provided, further, in the case of grants made in connection with the Initial Public Offering, Fair Market Value shall mean the price per Share at which the Shares are initially offered for sale to the public by the Company's underwriters in the Initial Public Offering.
 - (k) "Incentive Stock Option" shall mean an option granted under Section 7(a) of the Plan that is intended to meet the requirements of Sections 422 of the Code, or any successor provision thereto.
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- (l)“Initial Public Offering” shall mean the initial public offering of the Company registered on Form S-1 (or any successor form under the Securities Act of 1933, as amended).
- (m)“Non-Employee Director” shall mean any director of the Company who is not an officer or employee of the Company or any Affiliate.
- (n)“Non-Qualified Stock Option” shall mean an option granted under Section 7(a) of the Plan that is not intended to be an Incentive Stock Option.
- (o)“Option” shall mean an Incentive Stock Option or a Non-Qualified Stock Option.
- (p)“Other Stock-Based Award” shall mean any right granted under Section 7(f) of the Plan.
- (q)“Participant” shall mean an officer, employee or consultant of the Company or any of its Affiliates or a Non-Employee Director, in each case, as designated to be granted an Award under the Plan.
- (r)“Performance Award” shall mean any right granted under Section 7(d) of the Plan.
- (s)“Performance Criteria” shall mean any quantitative and/or qualitative measures, as determined by the Committee, which may be used to measure the level of performance of the Company or any individual Participant during a Performance Period, including any Qualifying Performance Criteria.
- (t)“Performance Period” shall mean any period as determined by the Committee in its sole discretion.
- (u)“Person” shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, or government or political subdivision thereof.
- (v)“Qualifying Performance Criteria” shall mean, to the extent necessary to qualify an Award as “performance-based compensation” under Section 162(m) of the Code, one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either the company as a whole or to a business unit or related company, and measured on an absolute basis or relative to a pre-established target, to a previous year’s results or to a designated comparison group, in each case as specified by the Committee in the Award: purchase volume; loan receivables; Tier 1 common ratio; liquidity as a percentage of total assets; liquidity coverage ratio; tangible common equity to tangible assets ratio; platform revenue; net earnings; earnings per share; diluted earnings per share; return on average assets; return on capital or invested capital; return on equity; cash flow; gross or operating profit and margin rate; net interest margin; other expense efficiency; active accounts; new accounts; the attainment by a Share of a specified Fair Market Value for a specified
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period of time; increase in stockholder value; return on investments; total stockholder return; earnings or income of the Company before or after taxes and/or interest; earnings before interest, taxes, depreciation and amortization (“EBITDA”); EBITDA margin; operating income; operating expenses, attainment of expense levels or cost reduction goals; net charge-offs and net charge-off percent; delinquency rates; won, lost and extended deals; market share; interest expense; economic value created; net cash provided by operations; price-to-earnings growth; and strategic business criteria, consisting of one or more objectives based on meeting specified goals relating to compliance, market penetration, customer acquisition, business expansion, cost targets, customer satisfaction, reductions in errors and omissions, reductions in lost business, management of employment practices and employee benefits, supervision of litigation and information technology, quality and quality audit scores, efficiency, and acquisitions or divestitures, or any combination of the foregoing. The applicable performance measures may be applied on a pre- or post-tax basis and may be adjusted in accordance with Section 162(m) of the Code to include or exclude objectively determinable components of any performance measure, including, without limitation, charges for restructurings, discontinued operations, extraordinary items and all items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence, related to the disposal of a segment or a business, or related to a change in accounting principle or otherwise. With respect to Participants who are not “covered employees” within the meaning of Section 162(m) of the Code and who, in the Committee’s judgment, are not likely to be covered employees at any time during the applicable Performance Period or during any period in which an award may be paid following a Performance Period, the Performance Criteria may consist of any objective or subjective corporate-wide or subsidiary, division, operating unit or individual measures, whether or not listed herein. If the Committee determines that it is advisable to grant Awards that are not intended to qualify as performance-based compensation under Section 162(m) of the Code, the Committee may grant such awards without satisfying the requirements of Section 162(m) of the Code and that use Performance Criteria other than those specified herein.

- (w) “Restricted Securities” shall mean Awards of Restricted Stock or other Awards under which issued and outstanding Shares are held subject to certain restrictions.
 - (x) “Restricted Stock” shall mean any award of Shares granted under Section 7(c) of the Plan.
 - (y) “Restricted Stock Unit” shall mean any right granted under Section 7(c) of the Plan that is denominated in Shares.
 - (z) “Shares” shall mean the common shares of the Company, \$0.01 par value, and such other securities as may become the subject of Awards, or become subject to Awards, pursuant to an adjustment made under Section 4(b) of the Plan.
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(aa)“Stock Appreciation Right” shall mean any right granted under Section 7(b) of the Plan.

SECTION 3. ADMINISTRATION

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

(a)Subject to the terms of the Plan and applicable law, the Committee shall have full power and authority to:

(i)designate Participants;

(ii)determine the type or types of Awards to be granted to each Participant under the Plan;

(iii)determine the number of Shares to be covered by (or with respect to which payments, rights, or other matters are to be calculated in connection with) Awards;

(iv)determine the terms and conditions of any Award, including any restrictive covenants, clawback or recoupment provisions or requirements that a Participant execute a waiver and release;

(v)determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, or other Awards, or canceled, forfeited, or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited, or suspended;

(vi)determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee;

(vii)interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan;

(viii)establish, amend, suspend, or waive such rules and guidelines;

(ix)appoint such agents as it shall deem appropriate for the proper administration of the Plan;

(x)make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan; and

(xi)correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

(b)Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time, and shall be final, conclusive, and binding upon all Persons, including the Company, any Affiliate, any Participant, any holder or beneficiary of any Award, any shareowner, and any employee of the Company or of any Affiliate. To the extent permitted by Section 162(m) of the Code and Section 16 of the Exchange Act, actions of the Committee may be taken by:

(i)the Chairman of the Committee;

(ii)a subcommittee, designated by the Committee;

(iii)the Committee but with one or more members abstaining or recusing himself or herself from acting on the matter, so long as two or more members remain to act on the matter. Such action, authorized by such a subcommittee or by the Committee upon the abstention or recusal of such members, shall be the action of the Committee for purposes of the Plan; or

(iv)one or more officers or managers of the Company or any Affiliate, or a committee of such officers or managers whose authority is subject to such terms and limitations set forth by the Committee, and only with respect to employees who are not officers or Non-Employee Directors of the Company for purposes of Section 16 of the Exchange Act. This delegation shall include modifications necessary to accommodate changes in the laws or regulations of jurisdictions outside the U.S.

SECTION 4. SHARES AVAILABLE FOR AWARDS

(a)SHARES AVAILABLE. Subject to adjustment as provided in Section 4(b):

(i)The total number of Shares reserved and available for delivery pursuant to Awards granted under the Plan shall be 62,605,417. If any Shares covered by an Award granted under the Plan, or to which such an Award relates, are forfeited, or if an Award otherwise terminates without the delivery of Shares or of other consideration, or if an Award is settled in cash, then the Shares covered by such Award, or to which such Award relates, or the number of Shares otherwise counted against the aggregate number of Shares available under the Plan with respect to such Award, to the extent of any such forfeiture,

termination or cash settlement, shall again be available for granting Awards under the Plan. The full number of Shares available for delivery under the Plan may be delivered pursuant to Incentive Stock Options, except that in calculating the number of Shares that remain available for Awards of Incentive Stock Options, the rules set forth in this Section shall not apply to the extent not permitted by Section 422 of the Code.

(ii) ACCOUNTING FOR AWARDS. For purposes of this Section
4,

- (A) If an Award (other than a Dividend Equivalent) is denominated in Shares, the number of Shares covered by such Award, or to which such Award relates, shall be counted on the date of grant of such Award against the aggregate number of Shares available for granting Awards under the Plan; provided, however that if an Award is settled or paid by the Company in whole or in part through the delivery of consideration other than Shares, or by delivery of fewer than the full number of Shares that was counted against the Shares available for delivery as provided above, there shall be added back to the number of Shares available for delivery pursuant to Awards the excess of the number of Shares that had been so counted over the number of Shares (if any) actually delivered upon payment or settlement of the Award (including with respect to Awards that are outstanding as of the effective date of the amendment and restatement of the Plan).
 - (B) If an Award is not denominated in Shares, the number of Shares available for delivery shall be reduced by the number of Shares actually delivered upon payment or settlement of the Award.
 - (C) Dividend Equivalents denominated in Shares and Awards not denominated, but potentially payable, in Shares shall be counted against the aggregate number of Shares available for granting Awards under the Plan in such amount and at such time as the Dividend Equivalents and such Awards are settled in Shares; provided, however, that Awards that operate in tandem with (whether granted simultaneously with or at a different time from), or that are substituted for, other Awards may only be counted once against the aggregate number of Shares available, and the Committee shall adopt procedures, as it deems appropriate, in order to avoid double counting. Any Shares that are delivered by the Company, and any Awards that are granted by, or become obligations of, the Company through the assumption by the Company or an Affiliate of, or in substitution for, outstanding awards previously granted by an acquired company, shall not be counted against the Shares available for granting Awards under this Plan.
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- (D) Notwithstanding anything herein to the contrary, any Shares related to Awards which terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of such Shares, are settled in cash in lieu of Shares, or are exchanged with the Committee's permission, prior to the issuance of Shares, for Awards not involving Shares, shall be available again for grant under this Plan. Shares subject to an Award under the Plan may not again be made available for issuance under the Plan if such Shares are: (x) Shares that were subject to an Option or a stock-settled Stock Appreciation Right and were not issued upon the net settlement or net exercise of such Option or Stock Appreciation Right, (y) Shares delivered to or withheld by the Company to pay the exercise price or the withholding taxes under Options or Stock Appreciation Rights, or (z) Shares repurchased on the open market with the proceeds of an Option exercise. Shares delivered to or withheld by the Company to pay the withholding taxes for Awards other than Options and Stock Appreciation Rights shall again be available for issuance under this Plan.

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

(b)ADJUSTMENTS.

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

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

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

(ii)ADJUSTMENTS OF AWARDS UPON CERTAIN ACQUISITIONS. In the event the Company or any Affiliate shall assume outstanding employee awards or the right or obligation to make future such awards in connection with the acquisition of another business or another corporation or business entity, the Committee may make such adjustments, not inconsistent with the terms of the Plan, in the terms of Awards as it shall deem appropriate in order to achieve reasonable comparability or other equitable relationship between the assumed awards and the Awards granted under the Plan as so adjusted.

(iii)ADJUSTMENTS OF AWARDS UPON THE OCCURRENCE OF CERTAIN UNUSUAL OR NONRECURRING EVENTS. The Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits to be made available under the Plan.

SECTION 5. VESTING CONDITIONS

- (a)MINIMUM VESTING REQUIREMENT. No Option, Stock Appreciation Right, Restricted Stock or Restricted Stock Unit granted under the Plan after the date hereof shall become exercisable or vested prior to the one-year anniversary of the date of grant. Notwithstanding the foregoing, this Section 5(a) shall not restrict the right of the Committee to provide in an Award Agreement for the vesting or exercisability of an Award upon or after a Change in Control or termination of employment, including due to death or disability, in each case as specified in the Award Agreement.
 - (b)NO DISCRETION TO ACCELERATE VESTING. Notwithstanding Section 3, other than in connection with a Change in Control or the death or disability of a Participant, the Committee shall not have the discretion to accelerate the vesting or exercisability of any outstanding Award.
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SECTION 6. ELIGIBILITY

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

SECTION 7. AWARDS

- (a)OPTIONS. The Committee is hereby authorized to grant Options to Participants with the following terms and conditions and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine:
- (i) EXERCISE PRICE. The purchase price per Share purchasable under an Option shall be determined by the Committee; provided, however, and except as provided in Section 4(b), that such purchase price shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Option.
 - (ii)OPTION TERM. The term of each Option shall not exceed ten (10) years from the date of grant.
 - (iii)TIME AND METHOD OF EXERCISE. The Committee shall establish in the applicable Award Agreement the time or times at which an Option may be exercised in whole or in part, and the method or methods by which, and the form or forms, including, without limitation, cash, Shares, or other Awards, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price, in which, payment of the exercise price with respect thereto may be made or deemed to have been made.
 - (iv)INCENTIVE STOCK OPTIONS. The terms of any Incentive Stock Option granted under the Plan shall be designed to comply in all respects with the provisions of Sections 422 of the Code, or any successor provision thereto, and any regulations promulgated thereunder. Notwithstanding anything in this Section 7(a) to the contrary, Options designated as Incentive Stock Options shall not be eligible for treatment under the Code as Incentive Stock Options (and will be deemed to be Non-Qualified Stock Options) to the extent that either (A) the aggregate Fair Market Value of Shares (determined as of the time of grant) with respect to which such Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any subsidiary) exceeds \$100,000, taking Options into account in the order in which they were granted, or (B) such Options otherwise remain exercisable but are not exercised within three (3) months of termination of employment (or such other period of time provided in Section 422 of the Code).
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(b)STOCK APPRECIATION RIGHTS. The Committee is hereby authorized to grant Stock Appreciation Rights to Participants. Subject to the terms of the Plan and any applicable Award Agreement, a Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive, upon exercise thereof, the excess of (i) the Fair Market Value of one Share on the date of exercise over (ii) the grant price of the right as specified by the Committee.

(i)GRANT PRICE. Shall be determined by the Committee, provided, however, and except as provided in Section 4(b), that such price shall not be less than 100% of the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right, except that if a Stock Appreciation Right is at any time granted in tandem to an Option, the grant price of the Stock Appreciation Right shall not be less than the exercise price of such Option.

(ii)TERM. The term of each Stock Appreciation Right shall not exceed ten (10) years from the date of grant.

(iii)TIME AND METHOD OF EXERCISE. The Committee shall establish in the applicable Award Agreement the time or times at which a Stock Appreciation Right may be exercised in whole or in part.

(c)RESTRICTED STOCK AND RESTRICTED STOCK UNITS.

(i)ISSUANCE. The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants. Subject to the terms of the Plan or the applicable Award Agreement, a Restricted Stock Unit may be payable in Shares or cash.

(ii)RESTRICTIONS. Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may establish in the applicable Award Agreement (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate; provided, however, that any dividend shall be subject to the same restrictions as the underlying Award. Unrestricted Shares, evidenced in such manner as the Committee shall deem appropriate, shall be delivered to the holder of Restricted Stock promptly after such restrictions have lapsed.

(iii)REGISTRATION. Any Restricted Stock or Restricted Stock Units granted under the Plan may be evidenced in such manner as the Committee may deem appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of Shares of Restricted Stock granted under the Plan, such certificate shall be registered in the name of the Participant and shall bear an

appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

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

(d)PERFORMANCE AWARDS. The Committee is hereby authorized to grant Performance Awards to Participants. Performance Awards include arrangements under which the grant, issuance, retention, vesting and/or transferability of any Award is subject to such Performance Criteria and such additional conditions or terms as the Committee may designate. Subject to the terms of the Plan and any applicable Award Agreement, a Performance Award granted under the Plan:

(i)may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock), other securities, or other Awards; and

(ii)shall confer on the holder thereof rights valued as determined by the Committee and payable to, or exercisable by, the holder of the Performance Award, in whole or in part, upon the achievement of such Performance Criteria during such Performance Periods as the Committee shall establish.

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

(f)OTHER STOCK-BASED AWARDS. The Committee is hereby authorized to grant to Participants such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as are deemed by the Committee to be consistent with the purposes of the Plan, provided, however, that such grants must comply with applicable law. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the terms and conditions of such Awards. Shares or other securities delivered pursuant to a purchase right granted under this Section 7(f) shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms, including, without limitation, cash, Shares, other securities, or other Awards, or any combination thereof, as the Committee shall determine, the value of which consideration, as

established by the Committee, and except as provided in Section 4(b), shall not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

(g)GENERAL.

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

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

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

SECTION 8. AMENDMENT AND TERMINATION

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

- (a)AMENDMENTS TO THE PLAN. The Board may amend, alter, suspend, discontinue, or terminate the Plan, in whole or in part; provided, however, that without the prior approval of the Company's shareowners, no material amendment shall be made if shareowner approval is required by law, regulation, or stock exchange on which the Company is listed, and; provided, further, that, notwithstanding any other provision of the Plan or any Award Agreement, no such amendment, alteration, suspension, discontinuation, or termination shall be made without the approval of the shareowners of the Company that would:
- (i)increase the total number of Shares available for Awards under the Plan, except as provided in Section 4 hereof;
or
- (ii)except as provided in Section 4(b), permit Options, Stock Appreciation Rights, or other Stock-Based Awards encompassing rights to purchase Shares to be re-priced, replaced, or re-granted through cancellation, or by lowering the exercise price of a previously granted Option or the grant price of a previously granted Stock Appreciation Right, or the purchase price of a previously granted Other Stock-Based Award.
- (b)AMENDMENTS TO AWARDS. The Committee may waive any conditions or rights under, amend any terms of, or amend, alter, suspend, discontinue, or terminate, any Awards theretofore granted, prospectively or retroactively. No such amendment or alteration shall be made which would impair the rights of any Participant, without such Participant's consent, under any Award theretofore granted, provided that no such consent shall be required with respect to any amendment or alteration if the Committee determines in its sole discretion that such amendment or alteration either
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(i) is required or advisable in order for the Company, the Plan or the Award to satisfy or conform to any law or regulation or to meet the requirements of any accounting standard, or (ii) is not reasonably likely to significantly diminish the benefits provided under such Award.

SECTION 9. GENERAL PROVISIONS

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

- (g)NO TRUST OR FUND CREATED. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.
 - (h)NO FRACTIONAL SHARES. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, or other securities shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated, or otherwise eliminated.
 - (i)HEADINGS. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.
 - (j)INDEMNIFICATION. Subject to requirements of Delaware State law, each individual who is or shall have been a member of the Board, or a Committee appointed by the Board, or an officer of the Company to whom authority was delegated in accordance with Section 3, shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under this Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his/her own behalf, unless such loss, cost, liability, or expense is a result of his/her own willful misconduct or except as expressly provided by statute. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such individuals may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.
 - (k)COMPLIANCE WITH SECTION 409A OF THE CODE. Except to the extent specifically provided otherwise by the Committee, Awards under the Plan are intended to satisfy the requirements of Section 409A of the Code (and the Treasury Department guidance and regulations issued thereunder) so as to avoid the imposition
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of any additional taxes or penalties under Section 409A of the Code. If the Committee determines that an Award, Award Agreement, payment, distribution, deferral election, transaction or any other action or arrangement contemplated by the provisions of the Plan or any Award Agreement would, if undertaken, cause a Participant to become subject to any additional taxes or other penalties under Section 409A of the Code, then unless the Committee specifically provides otherwise, such Award, Award Agreement, payment, distribution, deferral election, transaction or other action or arrangement shall not be given effect to the extent it causes such result and the related provisions of the Plan and/or Award Agreement will be deemed modified, or, if necessary, suspended in order to comply with the requirements of Section 409A of the Code to the extent determined appropriate by the Committee, in each case without the consent of or notice to the Participant.

- (l)NO REPRESENTATIONS OR COVENANTS WITH RESPECT TO TAX QUALIFICATION. Although the Company may endeavor to (i) qualify an Award for favorable U.S. or foreign tax treatment (e.g., incentive stock options under Section 422 of the Code) or (ii) avoid adverse tax treatment (e.g., under Section 409A of the Code), the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment. The Company shall be unconstrained in its corporate activities without regard to the potential negative tax impact on holders of Awards under the Plan.
- (m)AWARDS TO NON-U.S. EMPLOYEES. The Committee shall have the power and authority to determine which Affiliates shall be covered by this Plan and which employees outside the U.S. shall be eligible to participate in the Plan. The Committee may adopt, amend or rescind rules, procedures or sub-plans relating to the operation and administration of the Plan to accommodate the specific requirements of local laws, procedures, and practices. Without limiting the generality of the foregoing, the Committee is specifically authorized to adopt rules, procedures and sub-plans with provisions that limit or modify rights on death, disability or retirement or on termination of employment; available methods of exercise or settlement of an award; payment of income, social insurance contributions and payroll taxes; the withholding procedures and handling of any stock certificates or other indicia of ownership which vary with local requirements. The Committee may also adopt rules, procedures or sub-plans applicable to particular Affiliates or locations.
- (n)COMPLIANCE WITH LAWS. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or stock exchanges on which the Company is listed as may be required. The Company shall have no obligation to issue or deliver evidence of title for Shares issued under the Plan prior to:
- (i)obtaining any approvals from governmental agencies that the Company determines are necessary or advisable;
and
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(ii) completion of any registration or other qualification of the Shares under any applicable national or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable or at a time when any such registration or qualification is not current, has been suspended or otherwise has ceased to be effective.

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

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

SECTION 10. EFFECTIVE DATE; STOCKHOLDER APPROVAL

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

SECTION 11. TERM OF THE PLAN

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

SYNCHRONY FINANCIAL
EXECUTIVE SEVERANCE PLAN

This document constitutes the Synchrony Financial Executive Severance Plan (the “Plan”). The Plan is intended to secure the continued services and ensure the continued dedication of the Participants. The purpose of the Plan is to provide benefits to a group of employees of the Company and its participating Affiliates that constitutes a “select group of management or highly compensated employees” within the meaning of Department of Labor Regulation §2520.104-24.

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

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

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

(c) “Chief Executive Officer” means the Chief Executive Officer of the Company.

(d) “Code” means the Internal Revenue Code of 1986, as amended.

(e) “Company” means Synchrony Financial, a Delaware corporation.

(f) “Comparable Employment” means employment that does not materially reduce a Participant’s rate of annual base salary or incentive opportunity and does not change the Participant’s primary employment location to a location that is more than forty (40) miles from the then primary location of the Participant’s employment, in each case unless consented to by the Participant, all as determined by the Plan Administrator.

(g) “Confidential Information” means information and data concerning the Company, any Affiliates, the business of the Company and its Affiliates, the customers, suppliers, clients and employees of the Company and its Affiliates (including, without limitation, contact information, compensation and benefits information and performance information) and all technical information relating to such business (including, without limitation, information related to know-how, trade secrets, processes, reports, manuals, purchases, sales, customers, customer lists, confidential information, financial and marketing data, business plans and the strategic direction of the Company and its Affiliates).

With respect to any particular Participant, “Confidential Information” does not include any of the following:

(i) Information that is or becomes generally available to the public through no act or omission on the part of the Participant. Information shall be deemed

part of the public domain solely to the extent that it is generally known to the public, is found in any one public source or is readily ascertainable from a public domain source or sources or from other publicly available information; or

(ii) Information that the Participant receives from a third party who is free to make such disclosure without breach of any contractual or other legal obligation.

(h) “Employer” means the Company and any Affiliate which has adopted the Plan with the consent of the Company.

(i) “Group One Participant” means a Participant whose role as of his or her Termination Date is in “Level 15”, Level “16” or “Level 17”, or any comparable role or position (including any similar role or position if an Employer does not use the foregoing designations), all as determined by the Plan Administrator, in its sole discretion.

(j) “Group Two Participant” means a Participant whose role as of his or her Termination Date is in “Level 18” or above, other than the Chief Executive Officer, or any comparable role or position (including any similar role or position if an Employer does not use the foregoing designations), all as determined by the Plan Administrator, in its sole discretion.

(k) “Group Three Participant” means a Participant who is the Chief Executive Officer as of his or her Termination Date.

(l) “Participant” means any employee of an Employer whose role is “Level 15” or above, or any comparable role or position (including any similar role or position if an Employer does not use the foregoing designations), all as determined by the Plan Administrator, in its sole discretion.

(m) “Plan Administrator” means the Executive Vice President, Human Resources or other person holding the most senior position in the human resources department of the Company.

(n) “Qualifying Termination” means (i) the termination of a Participant’s employment by his or her Employer due to layoff, redundancy or reorganization, as determined by the Plan Administrator in accordance with the Company’s policies, or (ii) a Separation for the Good of the Company, in each case unless the Participant receives an offer of employment from, or is transferred to another role with, the Company or an Affiliate contemporaneously therewith, and such offer of employment constitutes Comparable Employment, as determined by the Plan Administrator. In addition, terminations of employment in the following circumstances shall not constitute a “Qualifying Termination”: (x) a termination of employment for “cause”, as determined by the Plan Administrator (which may but will not necessarily include poor performance or misconduct (such as a breach of the Participant’s duties or responsibilities, the commission of or conviction in connection with a felony or an act of fraud, embezzlement, theft or misrepresentation and any gross or willful misconduct, violation of law or violation of Company policy)) or in connection with a Participant’s death, disability or commission of an act that would prohibit the Participant from being employed by the Company or its Affiliates

pursuant to the Federal Deposit Insurance Act of 1950 or other applicable law, as determined by the Plan Administrator, nor (y) a termination of the Participant's employment in connection with a sale of the assets of the Company or an Affiliate if the Participant receives an offer of Comparable Employment from the acquiror shall constitute a "Qualifying Termination." In addition, if a Participant is given a notice of termination of employment by the Company that specifies a termination date and the Participant terminates his or her employment prior to such date without the agreement of the Company, the termination of employment will not be considered a Qualifying Termination, even if such termination would otherwise have been considered a Qualifying Termination.

(o) "Separation for the Good of the Company" means a termination of a Participant's employment by his or her Employer which is deemed to be for the good of, or in the interests of, the Company or any Affiliate, as determined by the Plan Administrator in its sole discretion.

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

(q) "Severance Base Salary Amount" means, as determined by the Plan Administrator:

(i) with respect to a Group One Participant, six (6) months' of such Participant's annual base salary;

(ii) with respect to a Group Two Participant, twelve (12) months' of such Participant's annual base salary; and

(iii) with respect to a Group Three Participant, eighteen (18) months' of such Participant's annual base salary.

(r) "Severance Period" means the period commencing on a Participant's Termination Date and ending,

(i) with respect to a Group One Participant, six (6) months after the Termination Date;

(ii) with respect to a Group Two Participant, twelve (12) months after the Termination Date; and

(iii) with respect to a Group Three Participant, eighteen (18) months after the Termination Date.

(s) "Termination Date" with respect to a Participant means the date on which the Participant incurs a Separation from Service by reason of a Qualifying Termination.

2. Payments and Benefits Upon Separation from Service. If a Participant incurs a Separation from Service by reason of a Qualifying Termination, and the Participant (or

the Participant's executor or other legal representative in the case of the Participant's death or disability following such termination) executes an agreement regarding the clawback and restrictive covenants described in Section 3 and a general release in a form acceptable to the Company in its sole discretion (the "Release") within forty-five (45) days (or such shorter period included in the Release) following the Participant's receipt of the Release and does not revoke the Release, the Company shall provide to the Participant, as compensation for services rendered to the Company and its Affiliates, and in consideration of the Release, a severance benefit (the "Severance Benefit") equal to the excess, if any, of (i) the Participant's Severance Base Salary Amount, less (ii) any severance or similar benefit payable in cash to, or on behalf of, the Participant in connection with the Participant's Separation from Service pursuant to law, contract or other arrangement (including any other severance plan, policy or arrangement maintained by the Company or its Affiliates, and including enhanced or additional severance benefits payable under any other plan, including a retirement or bonus plan), all as determined by the Plan Administrator ("Other Severance Benefits"). For the avoidance of doubt, if the Plan Administrator determines that the value of the Participant's Other Severance Benefits is equal to or greater than the amount described in clause (i) of the immediately preceding sentence, then the Participant will not be entitled to any Severance Benefit under the Plan. Subject to Sections 6 and 19, the Severance Benefit, if any, will be paid in a lump sum less than seventy-five (75) days after the Termination Date.

3. Clawback and Restrictive Covenants. The Company may recover from a Participant, as determined by the Plan Administrator, all or a portion of any Severance Benefit paid pursuant to this Plan, as follows:

(a) Subsequent Employment. In the event that the Participant is hired by the Company or any Affiliate during the Severance Period, the Company may recover from the Participant a prorated portion of the Severance Benefit, based on the number of months in which the Participant is employed for at least one (1) business day during the Severance Period divided by the total number of months in the Severance Period, all as determined by the Plan Administrator.

(b) Non-Competition, Non-Solicitation and Non-Disclosure of Confidential Information. The Company may recover from the Participant the entire Severance Benefit, to the extent permitted under applicable law, in the event that the Participant, without the prior written consent of the Executive Vice President, Human Resources (or other person holding the most senior position in the human resources department of the Company):

(i) during the eighteen (18) month period following the Participant's Termination Date:

(A) directly or indirectly owns any interest in, manages, controls, participates in, consults with, renders services for or in any manner engages in any business that is the same as, substantially similar to or competitive with the Company's business, as determined by the Plan Administrator; or

(B) promotes or assists, financially or otherwise, any firm, corporation or other entity engaged in any business which competes with the Company's business, as determined by the Plan Administrator; or

(C) directly or indirectly solicits or endeavors to solicit or gain the business of, canvas or interfere with the relationship of the Company or its Affiliates with any person that:

a. was a customer of the Company or its Affiliates while the Participant was employed by the Company or as of the Termination Date;

b. was a customer of the Company or its Affiliates at any time within twelve (12) months prior to the Termination Date; or

c. has been pursued as a prospective customer by or on behalf of the Company or its Affiliates at any time within twelve (12) months prior to the Termination Date and in respect of whom the Company and its Affiliates have not determined to cease all such pursuit;

in each case with respect to Sections 3(b)(i)(C)(I) – (III), provided that the Participant either had contact with such customer or prospective customer at any time during the twenty-four (24) month period prior to the Participant's Termination Date or had obtained Confidential Information concerning such customer or prospective customer.

Nothing herein shall prohibit the Participant from being a passive owner of not more than 2% of the outstanding stock of any class of a corporation which is publicly traded, so long as the Participant has no active participation in the business of such corporation.

(ii) without the prior consent of the Company, directly or indirectly, during the eighteen (18) month period following the Participant's Termination Date, for whatever reason, either individually, or in partnership, or jointly, or in conjunction with any person as principal, agent, employee or shareholder or in any other manner whatsoever on the Participant's own behalf or on behalf of any third party:

(A) induces or endeavors to induce any other employee of the Company to leave his or her employment with the Company; or

(B) employs or attempts to employ or assist any person to employ any employee of the Company.

(iii) at any time, discloses Confidential Information.

(c) Severability. If any provision of this Section 3 shall be held invalid or unenforceable in any jurisdiction or as to any Participant, such provision shall be construed and

deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without materially altering the intent of the Plan, as determined by the Plan Administrator, such provision shall be stricken as to such jurisdiction or Participant, and the remainder of Section 3 shall remain in full force and effect as if such provision had not been included.

The Release referenced in Section 2 above, the execution and non-revocation of which is a condition to the receipt of any benefits under the Plan, may include terms addressing the clawback and restrictive covenants described in this Section 3, including (i) an agreement and acknowledgment from the Participant that the Company, in addition to being entitled to the clawback of the Severance Benefit or other monetary damages that flow from the breach, will be entitled to injunctive relief in a court of appropriate jurisdiction in the event of any such act or breach, or threatened act or breach, by the Participant under Section 3(b) (and parallel provisions included in the Release), (ii) a confirmation from the Participant that all restrictions in Section 3(b) (and parallel provisions included in the Release) are separate and distinct and reasonable, and a waiver of all defenses to the strict enforcement thereof, and (iii) other provisions that the Plan Administrator deems appropriate to enforce this Section 3.

4. Plan Administration.

(a) The Plan shall be interpreted and administered by the Plan Administrator, who shall have complete authority, in its sole discretion subject to the express provisions of the Plan, to make all determinations necessary or advisable for the administration of the Plan (including determining whether any Separation from Service constitutes a Qualifying Termination). All questions arising in connection with the interpretation of the Plan or its administration shall be submitted to and determined by the Plan Administrator in a fair and equitable manner.

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

5. Claims Procedure.

(a) If any Participant or other person believes he or she is entitled to benefits in an amount greater than those which he or she is receiving or has received, such Participant or other such person or his or her authorized representative may file a claim with the most senior employee of the Company and its Affiliates whose responsibilities and duties are primarily related to compensation matters (the "Claims Administrator") or such other employee of the Company which from time to time assumes the responsibilities with respect to the Plan which

are allocated to the Claims Administrator. Such a claim shall be in writing and state the nature of the claim, the facts supporting the claim, the amount claimed, and the address of the claimant. The Claims Administrator shall review the claim and, unless special circumstances require an extension of time shall, within ninety (90) days after receipt of the claim, give written notice by registered or certified mail to the claimant of his or her decision with respect to the claim. If special circumstances require an extension of time, the claimant shall be so advised in writing within the initial ninety (90) day period and in no event shall such an extension exceed ninety (90) days. The notice of the decision of the Claims Administrator with respect to the claim shall be written in a manner calculated to be understood by the claimant and, if the claim is wholly or partially denied, set forth the specific reasons for the denial, specific references to the pertinent Plan provisions on which the denial is based, a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and an explanation of the claim review procedure under the Plan and the time limits applicable to such procedure, including a statement of the claimant's right to bring a claim under Section 502(a) of ERISA following an adverse benefit determination upon review. The Claims Administrator also shall advise the claimant that such claimant or his or her duly authorized representative may request a review by the Plan Administrator of the denial by filing with the Plan Administrator within sixty (60) days after notice of the denial has been received by the claimant, a written request for such review. The claimant shall be informed, within the same sixty (60) day period, that he or she (i) may be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claimant's claims for benefits and (ii) may submit written comments, documents, records and other information relating to the claim for benefits to the Plan Administrator. If a request is so filed, review of the denial shall be made by the Plan Administrator within, unless special circumstances require an extension of time, sixty (60) days after receipt of such request, and the claimant shall be given written notice of the Plan Administrator's final decision. If special circumstances require an extension of time, the claimant shall be so advised in writing within the initial sixty (60) day period and in no event shall such an extension exceed sixty (60) days. The review shall take into account all comments, documents, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The notice of the Plan Administrator's final decision shall be written in a manner calculated to be understood by the claimant and shall include specific reasons for the decision, specific references to the pertinent Plan provisions on which the decision is based and shall be written in a manner calculated to be understood by the claimant, a statement that the claimant is entitled to receive, upon request and free of charge, access to and copies of all documents, records and other information relevant to the benefit claim and a statement that the claimant has the right to bring a claim under Section 502(a) of ERISA.

(b) No legal action for benefits or eligibility under the Plan or otherwise related to the Plan, including without limitation any lawsuit or any matter subject to the dispute resolution program described in Section 12, may be brought by the Participant if he or she has not timely filed a claim and a review for such benefits or other matter pursuant to Section 5(a) and otherwise exhausted all administrative remedies under the Plan. No legal action, including without limitation any lawsuit or any matter subject to the dispute resolution program described

in Section 12, may be brought in connection with any matter related to the Plan more than one (1) year after the date the Plan Administrator provides written notice of its final decision on the underlying claim.

6. Withholding Taxes and Offset. All payments due under the Plan shall be subject to required tax or other withholding or garnishment obligations, if any. The Company shall be authorized to withhold cash from any payment due to satisfy statutory withholding obligations for the payment of such taxes. The Participant shall pay to or reimburse the Company for any federal, state, local or foreign taxes required to be withheld and paid over by it, at such time and upon such terms and conditions as the Company may prescribe before the Company shall be required to make any additional payments to the Participant. The Company also may, in its discretion and to the extent permitted under applicable law, offset against the Participant's benefits hereunder the value of any unreturned property and any outstanding loan, debt or other amount the Participant owes to the Company or its Affiliates.

7. Amendment and Termination. The Plan may be amended or terminated at any time by the Management Development and Compensation Committee of the Board (the "Committee") (or a duly authorized delegate thereof). The Plan Administrator shall have the right to amend the Plan at any time if such amendment (a) is required or advisable to satisfy or conform to any law or regulation or (b) is administrative in nature.

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

9. Payments to Minors, Incompetents and Beneficiaries. Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of giving a receipt therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Company, the Employers, the Plan Administrator and all other parties with respect thereto. If a Participant shall die while any amounts would be payable to the Participant under the Plan had the Participant continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of the Plan to the estate of the Participant.

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

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

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

13. Successors; Binding Agreement. The Plan shall inure to the benefit of and be binding upon the beneficiaries, heirs, executors, administrators, successors and assigns of the parties, including each Participant, present and future, and any successor to the Company or an Affiliate. The Plan shall not be terminated by any merger or consolidation of the Company whereby the Company is or is not the surviving or resulting corporation or as a result of any transfer of all or substantially all of the assets of the Company. In the event of any such merger, consolidation or transfer of assets, the provisions of the Plan shall be binding upon the surviving or resulting corporation or the person or entity to which such assets are transferred.

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

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

16. Effective Date. The Plan shall be effective, as amended and restated, as of the date hereof and shall remain in effect unless and until terminated by the Committee pursuant to Section 7 hereof.

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

18. Governing Law and Venue; Validity. The Plan shall be governed by, and construed and enforced in accordance with, the internal laws of the State of Delaware (without regard to principles of conflicts of laws) to the extent not preempted by Federal law, which shall otherwise control. To the extent any claim or other legal action involving or related to the Plan may be brought in any court notwithstanding Section 12 of the Plan, such legal action must be brought in the United States District Court for the Northern District of New York and no other federal or state court. If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and the Plan shall be construed and enforced as if such provision had not been included.

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

IN WITNESS WHEREOF, on behalf of the Company, the Committee has caused this Synchrony Financial Executive Severance Plan, as amended and restated, to be adopted effective as of the 26th of July, 2017.

SYNCHRONY FINANCIAL

By: /s/ Marc Chini

SYNCHRONY FINANCIAL
RESTORATION PLAN

This document constitutes the Synchrony Financial Restoration Plan (the “Plan”). The Plan is intended to be maintained and administered in connection with the Qualified Plan for the benefit of certain employees of Synchrony Financial, a Delaware corporation, and certain of its Affiliates, whose benefits under the Qualified Plan are restricted by the limitations set forth in Sections 401(a)(17) and 415 of the Code. The Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, and Department of Labor Regulation Section 2520.104-23, and is intended to satisfy the requirements of Section 409A(a)(2), (3) and (4) of the Code.

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

- (a) “Account Balance” means the full amount credited to a Participant’s Company Account at any time.
- (b) “Affiliate” means (i) any entity that, directly or through one or more intermediaries, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, as determined by the Plan Administrator.
- (c) “Age Election” has the meaning set forth in Section 6(d)(ii).
- (d) “Beneficiary” means the person or entity designated by a Participant in the manner determined by the Plan Administrator to receive the Participant’s benefit under the Plan in the event of the Participant’s death.
- (e) “Board” means the Board of Directors of the Company.
- (f) “Break in Service” means a period during which an individual who was previously an employee of an Employer is not such an employee, as determined by the Plan Administrator.
- (g) “Cause” means:
 - (i) a material breach by the Participant of his or her duties and responsibilities (other than as a result of incapacity due to physical or mental illness) without reasonable belief that such breach is in the best interests of the Company;
 - (ii) any act that would prohibit the Participant from being employed by the Company and its Affiliates (including, for the avoidance of doubt, Synchrony Bank) pursuant to the Federal Deposit Insurance Act of 1950, as amended, or other applicable law;

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

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

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

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

(ii) during any twelve (12) month period, the cessation of individuals who constitute the Board (the "Incumbent Board") to constitute at least a majority of such Board; provided that any individual who becomes a director of the Company during such twelve (12) month period whose election, or nomination for election by the Company's stockholders, was approved by the vote of at least a majority of the directors then comprising the Incumbent Board shall be deemed a member of the Incumbent Board; and provided further, that any individual who was initially elected as a director of the

Company as a result of an actual or threatened solicitation by a Person other than the Board for the purpose of opposing a solicitation by any other Person with respect to the election or removal of directors, or any other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Board shall not be deemed a member of the Incumbent Board; or

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

- (i) "Code" means the Internal Revenue Code of 1986, as amended.
- (j) "Company" means Synchrony Financial, a Delaware corporation.
- (k) "Company Account" has the meaning assigned to such term in Section 4(b).
- (l) "Company Amount" means the amount credited to a Participant's Company Account in accordance with Section 4.
- (m) "Company Core Contributions" has the meaning assigned to such term in the Qualified Plan.

(n) “Company Matching Contributions” has the meaning assigned to such term in the Qualified Plan.

(o) “Company Matching Contribution Restoration Credit” means (i) for the Plan Year ended December 31, 2015, with respect to a Participant whose Elective Deferral Contributions, together with his or her elective pre-tax and designated Roth deferral contributions under a qualified defined contribution retirement plan maintained by General Electric Company, equal or exceed \$18,000, or (ii) for any Plan Year, with respect to a Participant whose Elective Deferral Contributions for a Plan Year equal or exceed the maximum Company Matching Contribution the Participant could receive under the Qualified Plan for such Plan Year (for 2017, this amount is \$10,800 (representing 4% of \$270,000)), an amount equal to the difference of (x) 4% of the Participant’s Restoration Plan Compensation for such Plan Year, less (y) the Company Matching Contributions made for the benefit of the Participant under the Qualified Plan for such Plan Year. For the avoidance of doubt, a Participant whose Elective Deferral Contributions do not equal or exceed the amount described above with respect to a Plan Year shall not receive a Company Matching Contribution Restoration Credit for such Plan Year.

(p) “Company Plus Contributions” has the meaning assigned to such term in the Qualified Plan.

(q) “Compensation Limit” means, with respect to any Plan Year, the maximum dollar amount prescribed by Section 401(a)(17) of the Code as in effect for such Plan Year.

(r) “Continuous Service” means the sum of an Eligible Employee’s (i) service credited under the GE Retirement Savings Plan immediately prior to the Effective Date, as determined by the Plan Administrator based on records and data provided to the Company by General Electric Company and its affiliates, to the extent such Eligible Employee was employed by the Company on the date of the Split-Off, and (ii) service with the Company or any Affiliates on and after the Effective Date, as determined by the Plan Administrator, which shall include, in the event of a Break in Service of less than three consecutive years, any such service credited prior to the Break in Service, as calculated starting from the Participant’s “Continuous Service Date” (as determined by the Plan Administrator consistent with the Company’s use of such term). In no event shall an Eligible Employee receive credit under both clauses (i) and (ii) for the same period of service. For the purposes of this subsection, “Split-Off” means the reduction of General Electric Company’s ownership in Company common stock to a level below 50% (which occurred on November 18, 2015).

(s) “Disability” means the Participant is, by reason of any medically determinable physical or mental impairment that can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the an Employer, as provided in Section 409A of the Code and the regulations thereunder.

(t) “Earnings Equivalent” has the meaning assigned to such term in Section 4(b).

(u) "Effective Date" means November 18, 2015.

(v) "Elective Deferral Contributions" has the meaning assigned to such term in the Qualified Plan.

(w) "Eligible Employee" means (i) with respect to any Plan Year that begins on or prior to the fourth anniversary of the Effective Date, any employee of an Employer whose position is assigned to Level 12 or above or any comparable role or position (including any similar role or position if an Employer does not use the foregoing designations), and (ii) with respect to any other Plan Year, any employee of an Employer whose position is assigned to Level 15 or above or any comparable role or position (including any similar role or position if an Employer does not use the foregoing designations), all as determined by the Plan Administrator, in its sole discretion. Notwithstanding the foregoing, (i) an individual who is not eligible to participate in the Qualified Plan shall not be considered an "Eligible Employee" and (ii) no person who is not considered under the personnel policies of an Employer to be an employee of that Employer will be considered an "Eligible Employee" even if such person is (A) determined to be a "common law" employee or a leased employee, or (B) classified or reclassified to be an employee (including, without limitation, as a common law or statutory employee) for any purpose or reason, and through any means (including, without limitation, by any action of an Employer or as a result of any lawsuit, action or administrative proceeding).

(x) "Employer" means the Company and any Affiliate who has adopted the Plan with the consent of the Company.

(y) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

(z) "Participant" means an Eligible Employee on whose behalf a Company Account is maintained. Any person who becomes a Participant shall continue to be a Participant until his or her entire Account Balance has been paid to, or on behalf of, such person, or is forfeited in accordance with Section 3.

(aa) "Plan Administrator" means the Executive Vice President, Human Resources or other person holding the most senior position in the human resources department of the Company.

(bb) "Plan Year" means the calendar year; provided, however, that for the calendar year that includes the Effective Date, the Plan Year means the period beginning on the Effective Date and ending on December 31 of such calendar year.

(cc) "Qualified Plan" means the Synchrony Financial My Savings Plan, as amended from time to time.

(dd) "Restoration Plan Compensation" means, with respect to any Plan Year, the sum of (i) the Participant's "Compensation" as defined in the Qualified Plan, and (ii) the amount deferred by the Participant under the Synchrony Financial Deferred Compensation Plan

during such Plan Year. For the avoidance of doubt, no payment received by the Participant that is considered a severance benefit, as determined by the Plan Administrator, will be considered Restoration Plan Compensation. In addition, for 2016 only, the term “Restoration Plan Compensation” shall include any amount (i) received by a Participant while he or she is an Eligible Employee that was paid by General Electric Company or any of its affiliates, and (ii) that would have been paid by General Electric Company or any of its affiliates to a Participant while he or she was an Eligible Employee absent a deferral election by the Participant under a non-qualified deferred compensation plan maintained by General Electric Company, in each case, in satisfaction of obligations under the Company’s Annual Incentive Plan.

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

(ff) “Time and Form Election” means, with respect to Company Amounts made with respect to a Plan Year, an election (or deemed election) regarding that time at which, and/or the form in which, such Company Amounts will be distributed.

2. Eligibility. An Eligible Employee is eligible to participate in the Plan with respect to a Plan Year if he or she is eligible to participate in the Qualified Plan for such Plan Year.

3. Forfeiture. Subject to the following sentence, if a Participant incurs a Separation from Service before attaining both age sixty (60) and earning three (3) years of Continuous Service, he or she shall permanently forfeit his or her Account Balance upon such Separation from Service and shall not be entitled to any payment or other benefit under the Plan. Notwithstanding the foregoing, if a Participant incurs a Separation from Service on account of (i) his or her death or Disability, or (ii) an involuntary termination of employment by his or her Employer (other than for Cause), as determined by the Plan Administrator, regardless of how the Employer or the Participant otherwise describes such involuntary termination and provided that the Participant executes, returns and does not revoke any separation documents required by the Company, then the Participant shall not forfeit his or her Account Balance due to such Separation from Service.

4. Company Amounts.

(a) Amount. For each Plan Year, a Company Amount shall be credited to the Company Account of each Participant for such Plan Year in an amount equal to (i) the sum of (I) the excess of (A) the aggregate amount of the Company Core Contributions, Company Matching Contributions and Company Plus Contributions that would have been allocated to the account of the Participant under the Qualified Plan for such Plan Year if such contributions had been made to the Qualified Plan without regard to the Compensation Limit or the limitations set forth in Section 415 of the Code, over (B) the aggregate amount of the Company Core Contributions, Company Matching Contributions and Company Plus Contributions actually allocated to the account of the Participant under the Qualified Plan for such Plan Year, and (II) the Participant’s Company Matching Contribution Restoration Credit, reduced by (ii) Federal Insurance Contributions Act (FICA) and Federal Unemployment Taxes Act (FUTA) withholding on the amount of any Company Amounts (and interest thereon) made in such Plan Year that are

nonforfeitable. For purposes of clause (i)(A) above, the aggregate amount of Company Core Contributions, Company Matching Contributions and Company Plus Contributions shall be determined as if the Qualified Plan based such calculation on the Participant's Restoration Plan Compensation. Notwithstanding the foregoing:

(ii) No Participant shall receive a Company Amount attributable to Company Matching Contributions, including a Company Matching Contribution Restoration Credit, if he or she does not make Elective Deferral Contributions under the Qualified Plan in an amount equal to the amount necessary to receive the maximum Company Matching Contribution under the Qualified Plan.

(iii) No Participant shall receive a Company Amount attributable to Company Matching Contributions, including a Company Matching Contribution Restoration Credit, unless his or her Restoration Plan Compensation exceeds the Compensation Limit.

(b) Company Account. The Company shall establish on its books an account (a "Company Account") for each Participant. Each Company Account shall be divided into a separate subaccount with respect to Company Amounts made for a Participant with respect to each Plan Year. Each subaccount shall also be credited or debited with the amount ("Earnings Equivalents") equal to the rate of return or loss, as the case may be, attributable to the Participant's earnings elections. In addition, when amounts credited to a Participant's subaccount become nonforfeitable, and employment taxes are owed as a result, then the Company may remit any required employment taxes, and related income tax withholding, to the taxing authority and the amount credited to such subaccount shall be reduced to reflect such remittance. Company Accounts and the respective subaccounts shall be for bookkeeping purposes only, and neither the Company nor any Affiliate shall be obligated to set aside or segregate any assets in respect of such accounts.

(c) Timing for Crediting Company Amounts. The Company shall credit Company Amounts to the Company Accounts on a monthly basis, or at such other times determined appropriate by the Plan Administrator.

5. Earnings Elections. The Plan Administrator shall from time to time designate two or more investment benchmarks, the rates of return or loss of which, based upon a Participant's earnings election, shall be used to determine the rate of return or loss to be credited to the subaccounts established within the Participant's Company Account. A Participant's earnings election shall specify the percentages (in whole percentage increments) of the investment benchmarks that shall be used to determine the rate of return or loss applicable to his or her Company Account, and the Participant may change his or her earnings election at such time and in such manner as shall be specified by the Plan Administrator from time to time.

6. Time and Form Elections

(a) In General. Each Time and Form Election shall indicate the following: (i) the time at which the Participant's Company Account shall be paid to, or on behalf of, the

Participant, and (ii) the form in which such payment shall be made. An Eligible Employee's Time and Form Elections shall remain in effect until cancelled or modified.

(b) Timing of Elections.

(i) Annual Elections. Time and Form Elections shall be made on or before December 31 (or such other date, as determined by the Plan Administrator) of the year prior to the calendar year to which the Time and Form Election applies. Any Time and Form Election under this paragraph shall (A) be irrevocable, except as otherwise determined by the Plan Administrator; provided, however, that in no event may such a Time and Form Election be modified or revoked after December 31st of the year prior to the calendar year in which such election is to be effective, and (B) apply only with respect to compensation for services performed during the calendar year following the calendar year in which such election is made.

(ii) Initial Eligibility. If permitted by the Plan Administrator, any individual who (A) first becomes an Eligible Employee after January 1 of any year, and (B) is not already eligible to participate in another nonqualified deferred compensation plan that would be aggregated with the Plan for purposes of Section 409A of the Code, may make an initial Time and Form Election applicable with respect to services performed (Y) after the date such election is effective, and (Z) during the calendar year in which such election was made. Any such Time and Form Election must be made no later than the thirtieth (30th) day after the date on which such individual becomes an Eligible Employee and shall be irrevocable. If the Plan Administrator does not permit such an election or such an individual does not make such an election, then the default elections described in Section 6(f) shall apply with respect to any Company Amounts made with respect to the Plan Year in which such individual became an Eligible Employee.

(c) Form of Distributions. A Time and Form Election shall indicate that the Company Amounts subject to such Time and Form Election (as adjusted for Earnings Equivalents and employment taxes) shall be paid in one of the following forms:

- (i) Lump sum payment,
- (ii) Five (5) annual installments;
- (iii) Ten (10) annual installments; or
- (iv) Fifteen (15) annual installments.

The amount of each such installment shall, subject to Section 7, be equal to the balance of the portion of the Participant's Company Account attributable to such Time and Form Election, determined as of the close of business on the day before the distribution, divided by the number of remaining installments.

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

- (i) The month following the six (6) month anniversary of the Participant's Separation from Service; and
- (ii) The month in which the Participant attains age 65 or 70, as elected by the Participant (the "Age Election").

(e) Subsequent Deferral Elections. Subject to rules established by the Plan Administrator, a Participant may modify the "Form of Distribution" and/or the "Age Election" components of his or her Time and Form Election (a "Subsequent Deferral Election") in accordance with the following:

- (i) a Participant may only make one (1) Subsequent Deferral Election with respect to each Deferral Election;
- (ii) the Subsequent Deferral Election must be made at least twelve (12) months prior to the date on which the Participant would have received a distribution had no Subsequent Deferral Election been made;
- (iii) the Subsequent Deferral Election will not take effect until twelve (12) months after such Subsequent Deferral Election was made;
- (iv) the Subsequent Deferral Election will cause the Participant to receive a distribution no earlier than the fifth (5th) anniversary of the date the Participant would have received a distribution had no Subsequent Deferral Election been made; and
- (v) the Subsequent Deferral Election will be irrevocable.

(f) Default Elections. If a Participant does not make a valid Time and Form Election, the Participant shall be deemed to have elected to receive any Company Amounts for which no valid Time and Form Election was made (i) in the month following the month in which the six (6) month anniversary of the Participant's Separation from Service occurs, and (ii) in a lump sum payment.

7. Distribution.

(a) In General. Subject to the following subsections of this Section 7, distributions of amounts credited to a Participant's Company Account shall be made at the time and in the manner indicated in such Participant's Time and Form Elections, taking into account any valid Subsequent Deferral Election. The amount of any distribution pursuant to this Section 7 shall be reduced by any amount required by law to be deducted or withheld, including income tax withholding.

(b) Separations from Service before Attaining Age 60. Subject to subsection (c) below, if a Participant incurs a Separation from Service prior to attaining age sixty (60), but in circumstances in which such Participant does not forfeit his Account Balance pursuant to Section 3, then his or her Account Balance shall be distributed in a lump sum in the month following the six (6) month anniversary of such Separation from Service.

(c) Distributions in the Event of Death. In the event of a Participant's death, the balance of the Participant's Company Account, if any, shall be distributed to the Participant's Beneficiary in a single lump sum within ninety (90) days following the Participant's death; provided, however, that if installment payments have commenced to the Participant, then all amounts subject to such installment payments shall continue to the Participant's Beneficiary.

(d) Small Amount Cash-Outs. Notwithstanding anything herein to the contrary, if the balance of a Participant's Company Account is, at any time following the Participant's Separation from Service equal to or less than the then applicable amount prescribed by Section 402(g) of the Code, then the balance of the Company Account will be paid to the Participant or his or her Beneficiary, as applicable, in a lump sum during the later of (i) the month following the six (6) month anniversary of the Participant's Separation from Service, and (ii) the calendar month following the date such balance is determined to be equal to or less than such applicable amount.

(e) Distributions in the Event of a Change in Control. In the event of a Change in Control, the balance of the Participant's Company Account, if any, shall be distributed to the Participant or his or her Beneficiary, as applicable, in a single lump sum within ninety (90) days following such Change in Control.

8. Amendment and Termination. The Plan may be amended or terminated at any time by the Management Development and Compensation Committee of the Board (or a duly authorized delegate thereof), except that no such amendment or termination shall reduce or otherwise adversely affect the rights of a Participant in respect of amounts credited to his or her Company Account as of the date of such amendment or termination; provided, however, that the distribution of Company Accounts in connection with an amendment or termination of the Plan, any amendment freezing benefit accruals (without changing the time, manner and amount of distributions as provided in Sections 6 and 7) or any amendment to Section 9(c) in respect of the Company's obligation to establish or fund a trust upon a Change in Control shall be deemed not to constitute a reduction of, or to otherwise adversely affect, a Participant's rights in respect of amounts credited to his or her Company Account. The Plan Administrator shall have the right to amend the Plan at any time if such amendment (a) is required or advisable to satisfy or conform to any law or regulation or (b) is administrative in nature.

9. Application of ERISA.

(a) Plan Not Funded. The Plan shall not be a funded plan, and neither the Company nor any Affiliate shall be under any obligation to set aside any funds for the purpose of making payments under the Plan. Any payments hereunder shall be made out of the general assets of the Company.

(b) Trust. The Company may establish a trust subject to Sections 671, et seq., of the Code to hold assets for the purposes of satisfying the Company's obligations under the Plan. Such trust shall not permit a reversion of any assets of the Company or any Affiliate following a Change in Control. Neither the establishment of, nor the contribution of assets to, any such trust shall relieve the Company of its liabilities hereunder, but such liabilities shall be reduced to the extent of any assets paid by such trust to a Participant.

(c) Funding upon a Change in Control. Immediately upon a Change in Control, the Company shall establish the trust described in Section 9(b) to the extent such a trust has not already been established, and the Company shall deposit in such trust assets sufficient to satisfy its obligations under the Plan, determined as of the date of the Change in Control.

10. Administration.

(a) Except as otherwise provided herein, the Plan shall be administered by the Plan Administrator. The Plan Administrator may delegate all or any of his or her authority hereunder. The Plan Administrator shall be charged with the administration of the Plan and shall have the power to interpret the Plan and to adopt such rules and guidelines for implementing the terms of the Plan as it may deem appropriate. Benefits will be paid under the Plan only if the Plan Administrator decides in its sole discretion that an individual is entitled to such benefits.

(b) Subject to the terms of the Plan and applicable law, the Plan Administrator shall have full power and authority to:

(i) interpret and administer the Plan and any instrument or agreement relating to the Plan;

(ii) establish, amend, suspend or waive rules and guidelines of the Plan;

(iii) appoint such agents as it shall deem appropriate for the proper administration of the Plan;

(iv) make any other determination and take any other action that the Plan Administrator deems necessary or desirable for the administration of the Plan; and

(v) correct any defect, supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent it shall deem desirable to carry the Plan into effect.

(c) Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan shall be within the sole discretion of the Plan Administrator, may be made at any time and shall be final, conclusive and binding upon all persons, including the Company, any Affiliate, any Participant and any employee of the Company or of any Affiliate.

11. Claims Procedure.

(a) If any Participant or distributee believes he or she is entitled to benefits in an amount greater than those which he or she is receiving or has received, such Participant or distributee or his or her authorized representative may file a claim with the most senior employee of the Company and its Affiliates whose responsibilities and duties are primarily related to compensation matters (the "Claims Administrator") or such other employee of the Company which from time to time assumes the responsibilities with respect to the Plan which are allocated to the Claims Administrator. Such a claim shall be in writing and state the nature of the claim, the facts supporting the claim, the amount claimed, and the address of the claimant. The Claims Administrator shall review the claim and, unless special circumstances require an extension of time, within ninety (90) days after receipt of the claim, give written notice by registered or certified mail to the claimant of his or her decision with respect to the claim. If special circumstances require an extension of time, the claimant shall be so advised in writing within the initial ninety (90) day period and in no event shall such an extension exceed ninety (90) days. The notice of the decision of the Claims Administrator with respect to the claim shall be written in a manner calculated to be understood by the claimant and, if the claim is wholly or partially denied, set forth the specific reasons for the denial, specific references to the pertinent Plan provisions on which the denial is based, a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and an explanation of the claim review procedure under the Plan and the time limits applicable to such procedure, including a statement of the claimant's right to bring a claim under Section 502(a) of ERISA following an adverse benefit determination upon review. The Claims Administrator also shall advise the claimant that such claimant or his or her duly authorized representative may request a review by the Plan Administrator of the denial by filing with the Plan Administrator within sixty (60) days after notice of the denial has been received by the claimant, a written request for such review. The claimant shall be informed, within the same sixty (60) day period, that he or she (i) may be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claimant's claims for benefits and (ii) may submit written comments, documents, records and other information relating to the claim for benefits to the Plan Administrator. If a request is so filed, review of the denial shall be made by the Plan Administrator within, unless special circumstances require an extension of time, sixty (60) days after receipt of such request, and the claimant shall be given written notice of the Plan Administrator's final decision. If special circumstances require an extension of time, the claimant shall be so advised in writing within the initial sixty (60) day period and in no event shall such an extension exceed sixty (60) days. The review shall take into account all comments, documents, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The notice of the Plan Administrator's final decision shall be written in a manner calculated to be understood by the claimant and shall include specific reasons for the decision, specific references to the pertinent Plan provisions on which the decision is based, a statement that the claimant is entitled to receive, upon request and free of charge, access to and copies of all documents, records and other information relevant to the benefit claim and a statement that the claimant has the right to bring a claim under Section 502(a) of ERISA.

(b) No legal action for benefits or eligibility under the Plan or otherwise related to the Plan, including without limitation any lawsuit or any matter subject to the dispute resolution program described in Section 12, may be brought by the Participant if he or she has not timely filed a claim and a review for such benefits or other matter pursuant to Section 11(a) and otherwise exhausted all administrative remedies under the Plan. No legal action, including without limitation any lawsuit or any matter subject to the dispute resolution program described in Section 12, may be brought in connection with any matter related to the Plan more than one (1) year after the date the Plan Administrator provides written notice of its final decision on the underlying claim.

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

13. Nonassignment of Benefits. Unless the Plan Administrator agrees, in its sole discretion, to the assignment, alienation or transfer of benefits under the Plan (e.g., in connection with a domestic relations order), it shall be a condition of the payment of benefits under the Plan that neither such benefits nor any portion thereof shall be assigned, alienated or transferred to any person voluntarily or by operation of any law, including any assignment, division or awarding of property under state domestic law (including community property law).

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

15. Miscellaneous.

(a) FICA Taxes. All federal and state income taxes and the tax imposed by Section 3121 of the Code with respect to any amount deferred pursuant to the Plan shall be treated in accordance with Section 4(a) and (b).

(b) Successors; Binding Agreement. The Plan shall inure to the benefit of and be binding upon the beneficiaries, heirs, executors, administrators, successors and assigns of the Company and the Participants, and any successor to the Company or an Affiliate.

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

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

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

(f) Governing Law and Venue; Validity. The Plan shall be governed by, and construed and enforced in accordance with, the internal laws of the State of Delaware (without regard to principles of conflicts of laws) to the extent not preempted by federal law, which shall otherwise control. To the extent any claim or other legal action involving or related to the Plan may be brought in any court notwithstanding Section 12 of the Plan, such legal action must be brought in the United States District Court for the Northern District of New York and no other Federal or state court. If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and the Plan shall be construed and enforced as if such provision had not been included.

(g) Section 409A. The Plan is intended to comply with the requirements of Section 409A of the Code and the regulations thereunder (“Section 409A”) and shall be interpreted and construed consistently with such intent. In the event the terms of the Plan would subject any Participant or Beneficiary to taxes or penalties under Section 409A (“409A Penalties”), the Company may amend the terms of the Plan to avoid such 409A Penalties, to the extent possible. Notwithstanding the foregoing, under no circumstances shall the Company be responsible for any taxes, penalties, interest or other losses or expenses incurred by a Participant or other person due to any failure to comply with Section 409A and the Participant shall remain liable for all 409A Penalties as required by applicable law.

IN WITNESS WHEREOF, on behalf of the Company, the Executive Vice President, Human Resources has caused this Synchrony Financial Restoration Plan, as amended and restated, to be adopted effective as of the 10th of July, 2017, pursuant to the Plan Administrator's authority to make administrative amendments under Section 8 of the Plan.

SYNCHRONY FINANCIAL

By: /s/ Marc Chini

SYNCHRONY FINANCIAL

Ratio of Earnings to Fixed Charges

	Six months ended	Year ended December 31,				
	June 30,	2016	2015	2014	2013	2012
	2017					
Earnings (a)	\$ 1,570	\$ 3,570	\$ 3,531	\$ 3,386	\$ 3,142	\$ 3,376
Plus:						
Interest included in expense (b)	638	1,184	1,063	877	703	694
Amortization of debt expense and discount or premium on indebtedness	21	64	72	45	39	51
One third of rental expense (c)	13	25	28	21	17	17
Adjusted "earnings"	<u>\$ 2,242</u>	<u>\$ 4,843</u>	<u>\$ 4,694</u>	<u>\$ 4,329</u>	<u>\$ 3,901</u>	<u>\$ 4,138</u>
Fixed Charges:						
Interest included in expense (b)	\$ 638	\$ 1,184	\$ 1,063	\$ 877	\$ 703	\$ 694
Amortization of debt expense and discount or premium on indebtedness	21	64	72	45	39	51
One third of rental expense (c)	13	25	28	21	17	17
Total fixed charges	<u>\$ 672</u>	<u>\$ 1,273</u>	<u>\$ 1,163</u>	<u>\$ 943</u>	<u>\$ 759</u>	<u>\$ 762</u>
Ratio of earnings to fixed charges	<u>3.3</u>	<u>3.8</u>	<u>4.0</u>	<u>4.6</u>	<u>5.1</u>	<u>5.4</u>

(a) Earnings before income taxes

(b) Includes interest on tax deficiencies

(c) Considered to be representative of interest factor in rental expense

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

I, Margaret M. Keane, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Synchrony Financial;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2017

/s/ Margaret M. Keane

Margaret M. Keane
President and 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 D. Doubles, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Synchrony Financial;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2017

/s/ Brian D. Doubles

Brian D. Doubles
Chief Financial Officer

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

In connection with the Quarterly Report of Synchrony Financial (the “registrant”) on Form 10-Q for the period ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “report”), we, Margaret M. Keane, President and Chief Executive Officer, and Brian D. Doubles, 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: July 28, 2017

/s/ Margaret M. Keane

Margaret M. Keane
President and Chief Executive Officer

/s/ Brian D. Doubles

Brian D. Doubles
Chief Financial Officer