

# 1Q'15 Financial Results

## April 17, 2015

# Disclaimers

## Cautionary Statement Regarding Forward-Looking Statements

The following slides are part of a presentation by Synchrony Financial in connection with reporting quarterly financial results. No representation is made that the information in these slides is complete. For additional information, see the earnings release and financial supplement included as exhibits to our Current Report on Form 8-K filed today and available on our website ([www.synchronyfinancial.com](http://www.synchronyfinancial.com)) and the SEC's website ([www.sec.gov](http://www.sec.gov)). All references to net earnings and net income are intended to have the same meaning.

This presentation contains certain 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, which are subject to the "safe harbor" created by those sections. Forward-looking statements may be identified by words such as "outlook," "expects," "intends," "anticipates," "plans," "believes," "seeks," "targets," "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 platform revenue in a small number of Retail Card partners, promotion and support of our products by our partners, and financial performance of our partners; our need for additional financing, 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 reliance on dividends, distributions and other payments from Synchrony Bank; 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; cyber-attacks or other security breaches; 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; significant and extensive regulation, supervision, examination and enforcement of our business by governmental authorities, the impact of the Dodd-Frank Act and the impact of the CFPB's regulation of our business; changes to our methods of offering our CareCredit products; impact of capital adequacy rules; restrictions that limit Synchrony Bank's ability to pay dividends; regulations relating to privacy, information security and data protection; use of third-party vendors and ongoing third-party business relationships; failure to comply with anti-money laundering and anti-terrorism financing laws; effect of General Electric Capital Corporation being subject to regulation by the Federal Reserve Board both as a savings and loan holding company and as a systemically important financial institution; General Electric Company (GE) not completing the separation from us as planned or at all, GE's inability to obtain savings and loan holding company deregistration (GE SLHC Deregistration) and GE continuing to have significant control over us; completion by the Federal Reserve Board of a review (with satisfactory results) of our preparedness to operate on a standalone basis, independently of GE, and Federal Reserve Board approval required for us to continue to be a savings and loan holding company, including the timing of the approval and the imposition of any significant additional capital or liquidity requirements; our need to establish and significantly expand many aspects of our operations and infrastructure; delays in receiving or failure to receive Federal Reserve Board agreement required for us to be treated as a financial holding company after the GE SLHC Deregistration; loss of association with GE's strong brand and reputation; limited right to use the GE brand name and logo and need to establish a new brand; GE has significant control over us; terms of our arrangements with GE may be more favorable than what we will be able to obtain from unaffiliated third parties; obligations associated with being a public company; our incremental cost of operating as a standalone public company could be substantially more than anticipated; GE could engage in businesses that compete with us, and conflicts of interest may arise between us and GE; and failure caused by us of GE's distribution of our common stock to its stockholders in exchange for its common stock to qualify for tax-free treatment, which may result in significant tax liabilities to GE for which we may be required to indemnify GE. 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 presentation and in our public filings, including under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, as filed on February 23, 2015. You should not consider any list of such factors to be an exhaustive statement of all of the risks, uncertainties, or potentially inaccurate assumptions that could cause our current expectations or beliefs to change. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as otherwise may be required by law. Differences between this presentation and the supplemental financials may occur due to rounding.

## Non-GAAP Measures

The information provided herein includes measures we refer to as "platform revenue" and "platform revenue excluding retailer share arrangements" and certain capital ratios, which are not prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The reconciliations of such measures to the most directly comparable GAAP measures are included in the appendix of this presentation.

# 1Q'15 Highlights

## Financial highlights

- \$552 million Net earnings, \$0.66 EPS
- Strong growth across the business
  - ✓ Purchase volume +10%, Loan receivables +7%, Platform revenue +5%
- Asset quality continues to improve
  - ✓ Net charge-offs improved from 4.86% to 4.53% compared to prior year
  - ✓ 30+ delinquency improved 30bps. compared to prior year
- Expenses in-line with expectations
- Delivering on our funding plan, deposits +\$7.6 billion compared to prior year
- Strong capital and liquidity
  - ✓ 16.9% T1C (B1)
  - ✓ \$13.8 billion high quality liquid assets

## Business highlights

- ✓ Extended Amazon to a long-term renewal



- ✓ Added a new top 40 partnership



- ✓ Added a new CareCredit endorsement



- ✓ Separation progress on track

# Digital, Loyalty and Analytics Capabilities

## Proprietary Closed-Loop Network

- Enables valuable data capture

- No interchange fees

### ONLINE

- Partnered with retailers growing online  
  
   

- CareCredit  
Provider Locator
- 31% of apps through digital channels in 2014<sup>(a)</sup>
- 2014 digital purchase volume up 18% vs. 2013

### MOBILE

- Digital wallets:  
Apple Pay  
Samsung Pay  
CurrentC
- Mobile services:
  - ✓ Application
  - ✓ Servicing
  - ✓ Rewards
  - ✓ Payment
- Digital cards
- GPSshopper investment

### LOYALTY

- Integrated multi-tender loyalty solution
- Ability to deliver targeted offers across channels
- Seamlessly migrate non-credit customers to credit products

### ANALYTICS

- Receive SKU/category level data on over 50% of SYF's network transactions
- Actionable retail analytics, market research and creative services
- Dedicated analytic centers and Synchrony Connect advisory team to drive growth

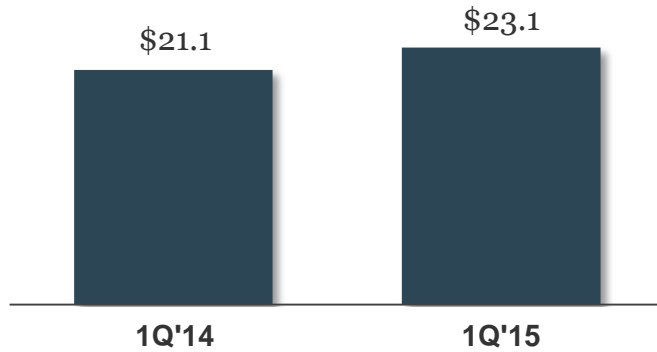
(a) Includes online and mobile

# Growth Metrics

## Purchase volume

\$ in billions

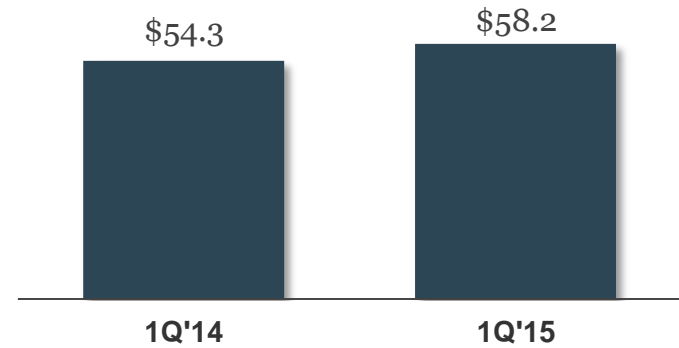
+10%



## Loan receivables

\$ in billions

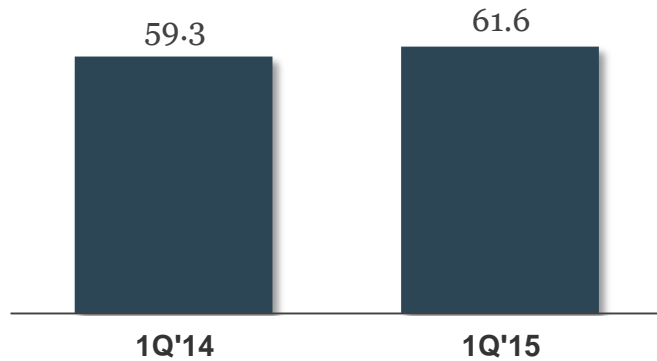
+7%



## Active accounts

Average active accounts in millions

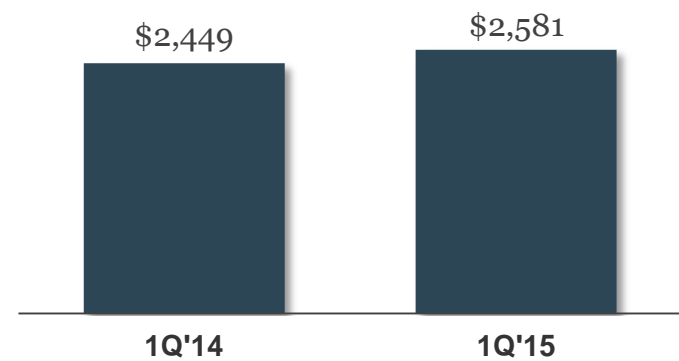
+4%



## Platform revenue

\$ in millions

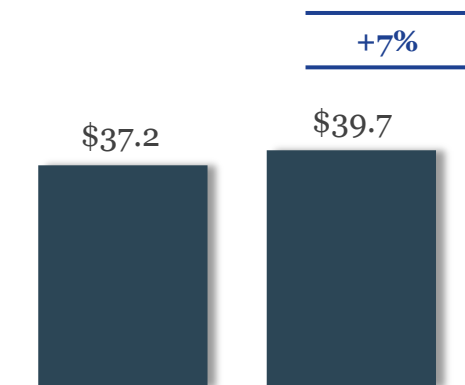
+5%



# Platform Results <sup>(a)</sup>

## Retail Card

Loan receivables, \$ in billions



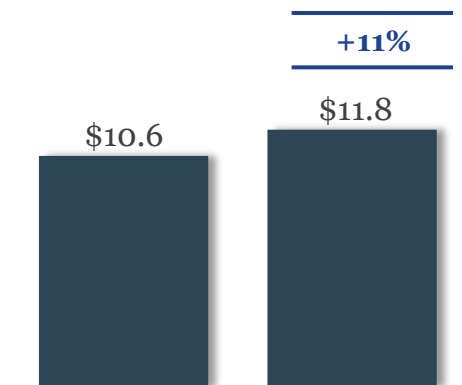
+7%

	1Q'14	1Q'15	V%
Purchase volume	\$16.7	\$18.4	+10%
Accounts	48.2	49.6	+3%
Platform revenue	\$1,690	\$1,772	+5%

- ✓ Strong receivable growth across partner programs
- ✓ Platform revenue up 5% driven by receivable growth

## Payment Solutions

Loan receivables, \$ in billions



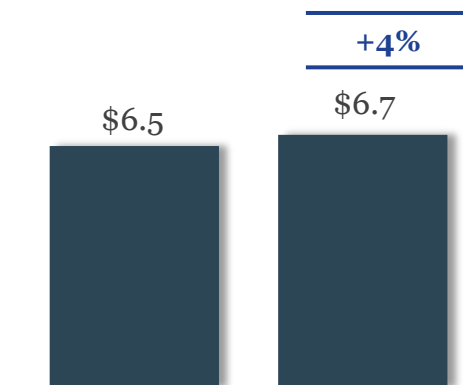
+11%

	1Q'14	1Q'15	V%
Purchase volume	\$2.7	\$2.9	+10%
Accounts	6.7	7.3	+8%
Platform revenue	\$371	\$400	+8%

- ✓ Broad receivable growth led by home furnishing, auto and power equipment
- ✓ Platform revenue up 8% driven by receivable growth

## CareCredit

Loan receivables, \$ in billions



+4%

	1Q'14	1Q'15	V%
Purchase volume	\$1.7	\$1.8	+6%
Accounts	4.4	4.7	+6%
Platform revenue	\$388	\$409	+5%

- ✓ Receivable growth led by dental and veterinary
- ✓ Platform revenue up 5% driven by receivable growth

(a) Accounts represent average active accounts in millions, which are credit card or installment loan accounts on which there has been a purchase, payment or outstanding balance in the current month. Platform revenue \$ in millions

# Financial Results

## Summary earnings statement

\$ in millions, except ratios	1Q'15	1Q'14	B/(W)	
			\$	%
Total interest income	\$3,150	\$2,933	\$217	7%
Total interest expense	275	190	(85)	(45)%
<b>Net interest income (NII)</b>	<b>2,875</b>	<b>2,743</b>	<b>132</b>	<b>5%</b>
Retailer share arrangements (RSA)	(660)	(594)	(66)	(11)%
<b>NII, after RSA</b>	<b>2,215</b>	<b>2,149</b>	<b>66</b>	<b>3%</b>
Provision for loan losses	687	764	77	10%
Other income	101	115	(14)	(12)%
Other expense	746	610	(136)	(22)%
<b>Pre-Tax earnings</b>	<b>883</b>	<b>890</b>	<b>(7)</b>	<b>(1)%</b>
Provision for income taxes	331	332	1	0%
<b>Net earnings</b>	<b>\$552</b>	<b>\$558</b>	<b>\$(6)</b>	<b>(1)%</b>
Return on assets	3.0%	3.9%		(0.9)pts.

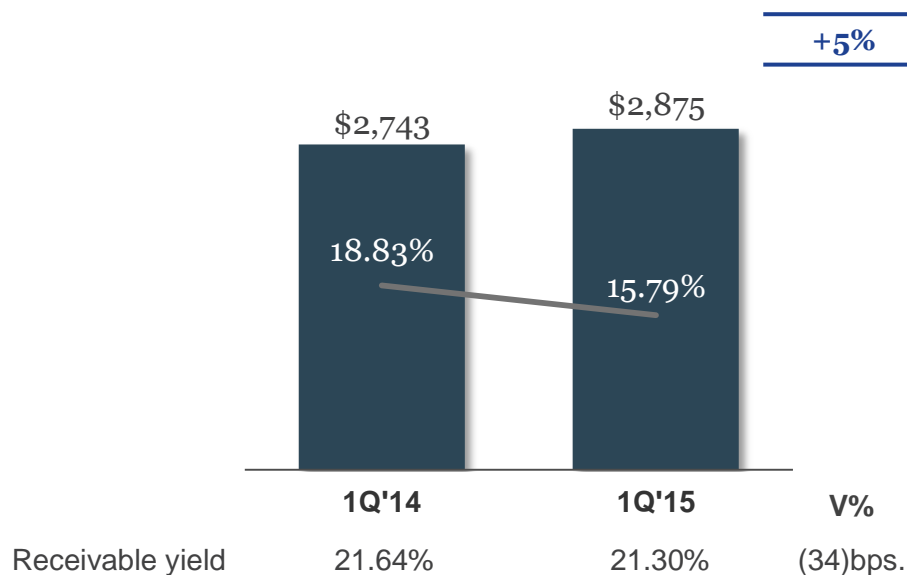
## First quarter 2015 highlights

- **\$552 million Net earnings, 3.0% ROA**
- **Net interest income up 5% driven by growth in loan receivables**
  - ✓ Interest and fees on loan receivables up 7% in-line with receivable growth
  - ✓ Interest expense increase driven by liquidity, funding mix and growth
- **Provision for loan losses declined 10%**
  - ✓ Asset quality improved ... 30+ delinquencies down 30bps. and NCO rate down 33bps. vs. prior year
- **Other income declined 12%**
  - ✓ Increased loyalty partially offset with interchange due to program growth
- **Other expense in-line with expectations**
  - ✓ Other expense increase primarily driven by infrastructure build and growth

# Net Interest Income

## Net interest income

\$ in millions, % of average interest-earning assets



## Net interest margin walk

% of average interest-earning assets

<b>1Q'14 Net interest margin</b>	<b>18.83%</b>
Liquidity	(2.49)
Receivable yield	(0.34)
Interest expense	<u>(0.21)</u>
<b>1Q'15 Net interest margin</b>	<b>15.79%</b>

## First quarter 2015 highlights

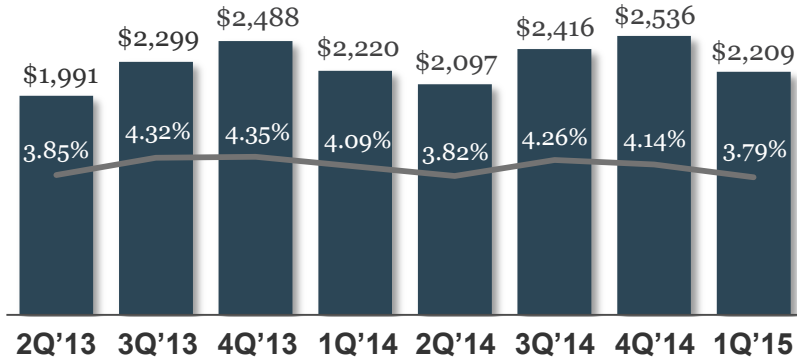
- **Net interest income up 5% driven by growth in receivables partially offset by higher funding costs**
  - ✓ Interest and fees on loans up 7% in-line with loan receivable growth
- **Net interest margin decline driven primarily by increase in liquidity**
  - ✓ Liquid assets increased to \$13.8 billion, conservatively invested in cash and short-term U.S. Treasuries
  - ✓ Receivable yield 21.30%, down 34bps. reflecting slightly higher payment rate and growth in promotional balances
  - ✓ Interest expense increased in-line with expectations to 1.86%, impacting Net interest margin by 21bps.



# Asset Quality Metrics

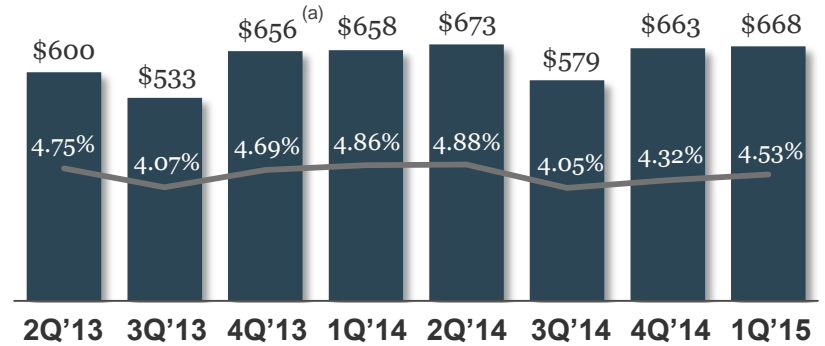
## 30+ days past due

\$ in millions, % of period-end loan receivables



## Net charge-offs

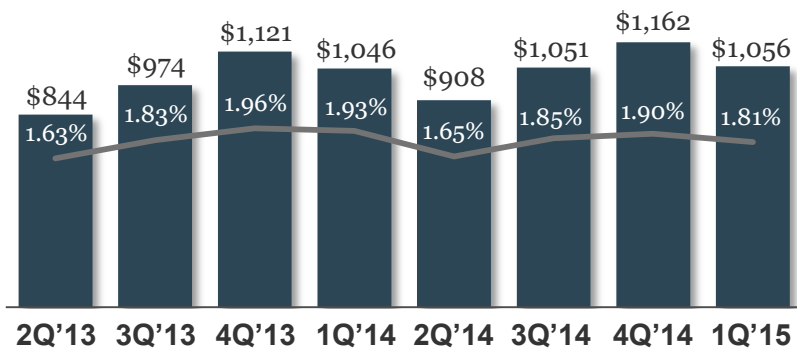
\$ in millions, % of average loan receivables including held for sale



(a) Excludes \$62 million net charge-off related to disposition of non-core receivables

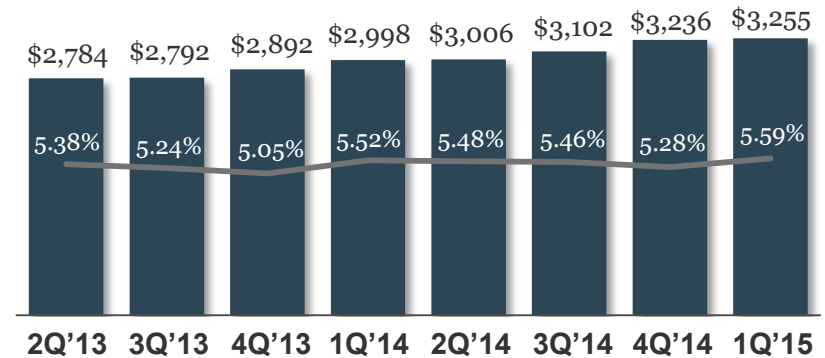
## 90+ days past due

\$ in millions, % of period-end loan receivables



## Allowance for loan losses

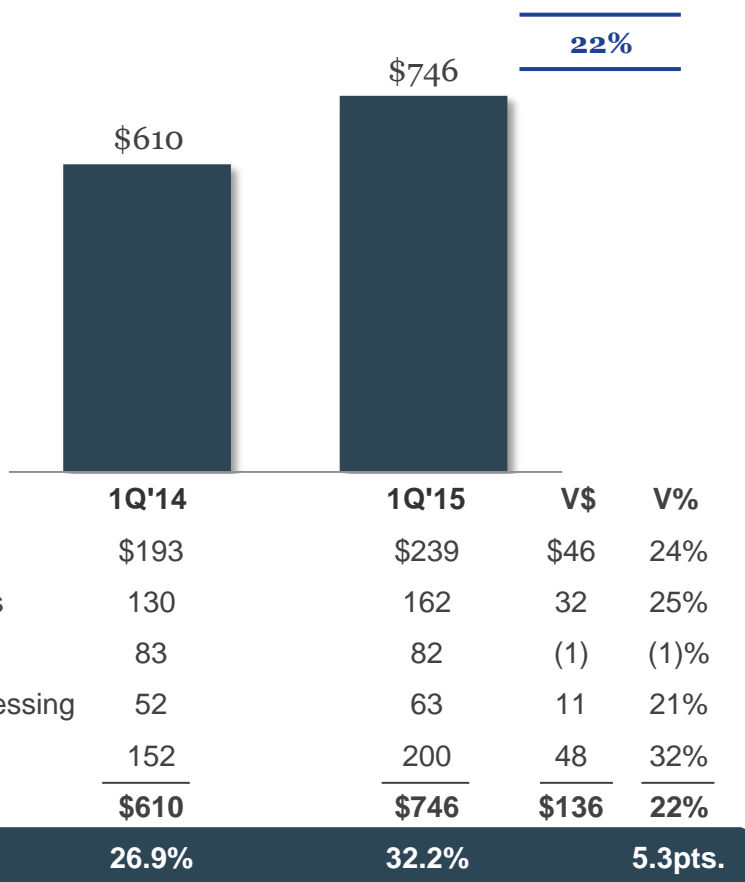
\$ in millions, % of period-end loan receivables



# Other Expense

## Other expense

\$ in millions



## First quarter 2015 highlights

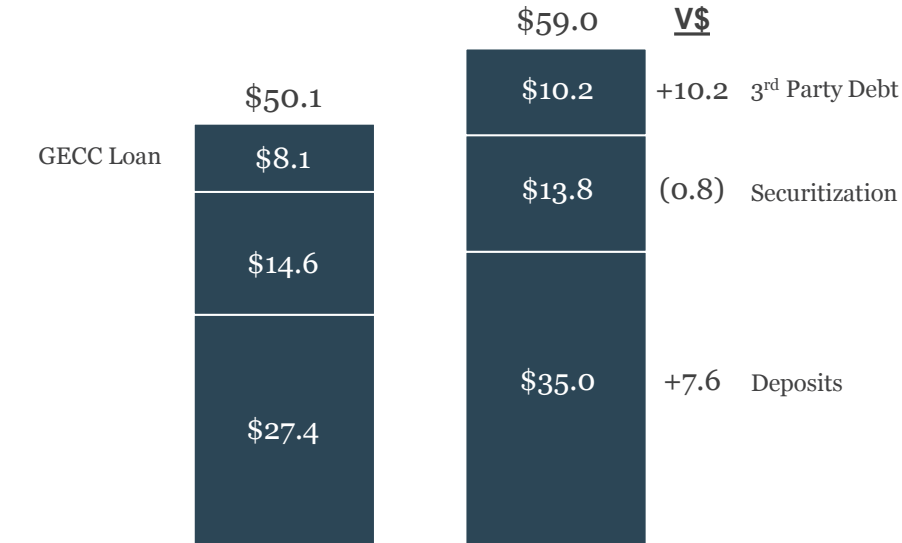
- **Expense increase primarily driven by infrastructure build and growth investments**
- **Employee costs up \$46 million**
  - ✓ Driven by employees added for separation and growth
- **Professional fees up \$32 million**
  - ✓ Driven by infrastructure build and growth
- **Marketing/BD costs down \$1 million**
  - ✓ Driven primarily by lower retail deposit marketing spend
- **Information processing up \$11 million**
  - ✓ Driven by IT investments and purchase volume growth
- **Other up \$48 million driven primarily by a 1Q'14 reduction in reserves for regulatory matters**

(a) "Other Expense" divided by sum of "NII, after RSA" plus "Other income"

# Funding, Capital and Liquidity

## Funding sources

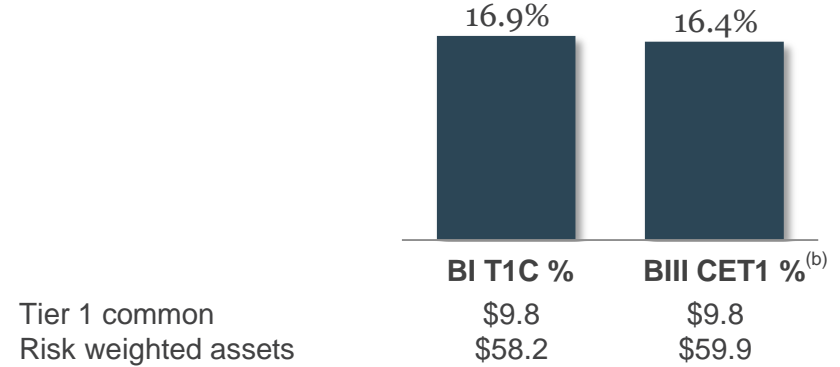
\$ in billions



	1Q'14	1Q'15	Variance
Deposits	55%	59%	+4pts.
Securitization	29%	24%	(5)pts.
GE Capital loan	16%	-	(16)pts.
3rd Party Debt	-	17%	+17pts.

## Capital ratios<sup>(a)</sup>

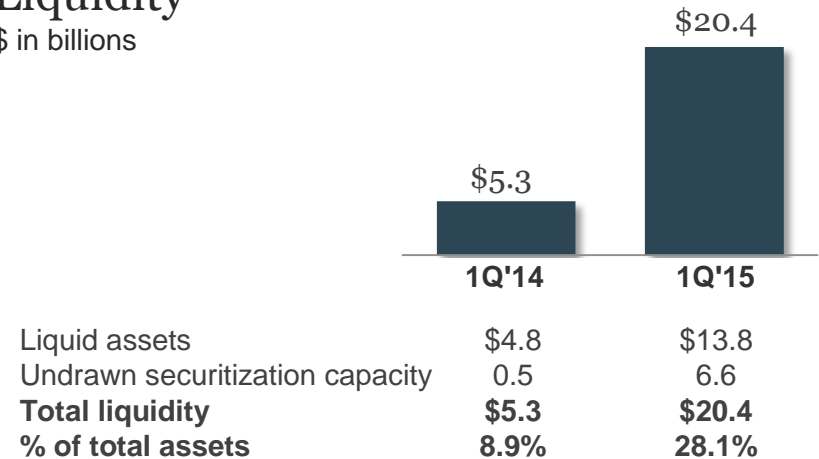
1Q'15, \$ in billions



(a) Estimated percentages and amounts  
(b) Calculated on a fully phased-in Basel III basis

## Liquidity<sup>(c)</sup>

\$ in billions



(c) Does not include unencumbered assets in the Bank that could be pledged

# 1Q'15 Wrap Up

- Net earnings of \$552 million ... \$0.66 earnings per share
- Broad based growth ... Purchase volume +10%, Loan receivables +7%, Platform revenue +5%
- Continuing to expand our digital, loyalty and analytic capabilities to drive our partners' sales and our growth
- Renewed Amazon under long-term extension ... over 85% of Retail Card receivables under contract to 2019 and beyond
- Signed a new top 40 partnership, expect to close Guitar Center in 2H'15
- Launched a new, significant CareCredit endorsement with VSP, the nation's largest vision insurance provider
- Fast growing deposit platform ... deposits \$35.0 billion, now 59% of funding
- Strong balance sheet, \$13.8 billion of liquid assets and 16.9% T1C (B1)



*Engage with us.*



# Appendix

# Non GAAP Reconciliations

In order to assess and internally report the revenue performance of our three sales platforms, we use measures we refer to as “platform revenue” and “platform revenue excluding retailer share arrangements.” Platform revenue is the sum of three line items in our Condensed Consolidated and Combined Statements of Earnings prepared in accordance with GAAP: “interest and fees on loans,” plus “other income,” less “retailer share arrangements.” Platform revenue and platform revenue excluding retailer share arrangements are not measures presented in accordance with GAAP. To calculate platform revenue we deduct retailer share arrangements but do not deduct other line item expenses, such as interest expense, provision for loan losses and other expense, because those items are managed for the business as a whole. We believe that platform revenue is a useful measure to investors because it represents management’s view of the net revenue contribution of each of our platforms. Platform revenue excluding retailer share arrangements represents management’s view of the gross revenue contribution of each of our platforms. These measures should not be considered a substitute for interest and fees on loans or other measures of performance we have reported in accordance with GAAP.

We present certain capital ratios. As a new savings and loan holding company, we historically have not been required by regulators to disclose capital ratios, and therefore these capital ratios are non-GAAP measures. We believe these capital ratios are useful measures to investors because they are widely used by analysts and regulators to assess the capital position of financial services companies, although our Basel I Tier 1 common ratio is not a Basel I defined regulatory capital ratio, and our Basel I and Basel III Tier 1 common ratios may not be comparable to similarly titled measures reported by other companies. Our Basel I Tier 1 common ratio is the ratio of Tier 1 common equity (as calculated below) to total risk-weighted assets as calculated in accordance with the U.S. Basel I capital rules. Our Basel III Tier 1 common ratio is the ratio of common equity Tier 1 capital to total risk-weighted assets, each as calculated in accordance with the U.S. Basel III capital rules (on a fully phased-in basis). Our Basel III Tier 1 common ratio is a preliminary estimate reflecting management’s interpretation of the final Basel III capital rules adopted in July 2013 by the Federal Reserve Board, which have not been fully implemented, and our estimate and interpretations are subject to, among other things, ongoing regulatory review and implementation guidance.

# Non-GAAP Reconciliation

The following table sets forth each component of our platform revenue for periods indicated below.

(\$ in millions)	For the Three Months Ended March 31,	
	2015	2014
<b>Platform Revenue</b>		
Total:		
Interest and fees on loans	\$3,140	\$2,928
Other income	\$101	\$115
Retailer share arrangements	<u>\$(660)</u>	<u>\$(594)</u>
Platform revenue	\$2,581	\$2,449
Retail Card:		
Interest and fees on loans	\$2,337	\$2,178
Other income	\$86	\$96
Retailer share arrangements	<u>\$(651)</u>	<u>\$(584)</u>
Platform revenue	\$1,772	\$1,690
Payment Solutions:		
Interest and fees on loans	\$403	\$372
Other income	\$5	\$8
Retailer share arrangements	<u>\$(8)</u>	<u>\$(9)</u>
Platform revenue	\$400	\$371
CareCredit:		
Interest and fees on loans	\$400	\$378
Other income	\$10	\$11
Retailer share arrangements	<u>\$(1)</u>	<u>\$(1)</u>
Platform revenue	\$409	\$388



# Non-GAAP Reconciliation

The following table sets forth a reconciliation of each component of our capital ratios to the comparable GAAP component at March 31, 2015.

	<b>\$ in millions at March 31, 2015</b>
<b><u>COMMON EQUITY MEASURES</u></b>	
GAAP Total common equity.....	\$11,036
Less: Goodwill.....	(949)
Less: Intangible assets, net.....	(557)
<b>Tangible common equity.....</b>	<b>\$9,530</b>
Adjustments for certain other intangible assets, deferred tax liabilities and certain items in accumulated comprehensive income (loss).....	293
<b>Basel I – Tier 1 capital and Tier 1 common equity.....</b>	<b>\$9,823</b>
Adjustments for certain other intangible assets and deferred tax liabilities...	(12)
<b>Basel III – Tier 1 common equity.....</b>	<b>\$9,811</b>
<b><u>ASSET MEASURES</u></b>	
Total assets.....	\$72,721
Adjustments for:	
Disallowed goodwill and other disallowed intangible assets, net of related deferred tax liabilities.....	(1,213)
Other.....	136
<b>Total assets for leverage purposes – Basel I.....</b>	<b>\$71,644</b>
<b>Risk-weighted assets – Basel I.....</b>	<b>\$58,184</b>
Additional risk weighting adjustments related to:	
Deferred taxes.....	1,224
Loan receivables delinquent over 90 days.....	528
Other.....	(10)
<b>Risk-weighted assets – Basel III (fully phased in).....</b>	<b>\$59,926</b>