## 2Q'19 Financial Results

 July 19, 2019
## 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 8K filed today and available on our website (www.synchronyfinancial.com) and the SEC's website (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 $21 E$ 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 "expects," "intends," "anticipates," "plans," "believes," "seeks," "targets," "outlook," "estimates," "will," "should," "may" or words of similar meaning, but these words are not the exclusive means of identifying forward-looking statements. Forward-looking statements are based on management's current expectations and assumptions, and are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. As a result, actual results could differ materially from those indicated in these forward-looking statements. Factors that could cause actual results to differ materially include global political, economic, business, competitive, market, regulatory and other factors and risks, such as: the impact of macroeconomic conditions and whether industry trends we have identified develop as anticipated; retaining existing partners and attracting new partners, concentration of our revenue in a small number of Retail Card partners, promotion and support of our products by our partners, and financial performance of our partners; cyber-attacks or other security breaches; higher borrowing costs and adverse financial market conditions impacting our funding and liquidity, and any reduction in our credit ratings; our ability to grow our deposits in the future; our ability to securitize our loan receivables, occurrence of an early amortization of our securitization facilities, loss of the right to service or subservice our securitized loan receivables, and lower payment rates on our securitized loan receivables; changes in market interest rates and the impact of any margin compression; effectiveness of our risk management processes and procedures, reliance on models which may be inaccurate or misinterpreted, our ability to manage our credit risk, the sufficiency of our allowance for loan losses and the accuracy of the assumptions or estimates used in preparing our financial statements; our ability to offset increases in our costs in retailer share arrangements; competition in the consumer finance industry; our concentration in the U.S. consumer credit market; our ability to successfully develop and commercialize new or enhanced products and services; our ability to realize the value of acquisitions and strategic investments; reductions in interchange fees; fraudulent activity; failure of third parties to provide various services that are important to our operations; disruptions in the operations of our computer systems and data centers; international risks and compliance and regulatory risks and costs associated with international operations; alleged infringement of intellectual property rights of others and our ability to protect our intellectual property; litigation and regulatory actions; damage to our reputation; our ability to attract, retain and motivate key officers and employees; tax legislation initiatives or challenges to our tax positions and/or interpretations, and state sales tax rules and regulations; a material indemnification obligation to GE under the Tax Sharing and Separation Agreement with GE if we cause the split-off from GE or certain preliminary transactions to fail to qualify for tax-free treatment or in the case of certain significant transfers of our stock following the split-off; regulation, supervision, examination and enforcement of our business by governmental authorities, the impact of the DoddFrank Wall Street Reform and Consumer Protection Act and the impact of the Consumer Financial Protection Bureau's 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 Synchrony 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 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, 2018, as filed on February 15, 2019. 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.

## 2Q'19 Highlights

## Financial Highlights

- $\$ 853$ million Net earnings, $\$ 1.24$ diluted EPS
- Reduction in the reserve related to the expected Walmart portfolio sale was $\$ 247$ million, or $\$ 186$ million after-tax; EPS benefit of $\$ 0.27$
- Strong growth metrics
- Loan receivables up $4 \%$; up $17 \%$ on a core basis
- Net interest income up 11\%
- Purchase volume up 12\%
- Average active accounts up 9\%
- Net charge-offs 6.01\% compared to $5.97 \%$ in the prior year
- Provision for loan losses down 6\% driven by the reduction in reserves related to the Walmart portfolio
- Efficiency ratio 31.3\% compared to 31.0\% in the prior year
- Deposits up $\$ 6.6$ billion compared to prior year
- Strong capital and liquidity
- 14.3\% CET1 \& $\$ 16.7$ billion liquid assets
- Announced up to $\$ 4.0$ billion of share repurchases and completed $\$ 725$ million in 2Q'19
- Increase of quarterly dividend to \$0.22 starting in 3Q'19


## Business Highlights

- Completed successful conversion of PayPal Credit accounts

- Renewed and extended key relationships


CCA Global Partners
enriching the lives of entrepreneurs

## 

- Added new partnerships

- Launched new partnerships


## Fanatics

- Expanded our CareCredit network
- Lehigh Valley

Health Network
a passion for better medicine.

Loan receivables shown above on a Core basis is a non-GAAP measure and excludes from both the prior year and the current year amounts related to the Walmart portfolio. See
non-GAAP reconciliation in the appendix

## Platform Results



## Digital Innovation Driving Growth

## Digital Innovation

## Driving Growth



* Through 2Q19


## Value of Data Analytics

## Credit Line Optimization

Average CL Assignment High Engagement Customers

pre-period post-period
Improved credit line assignments for our partners' best customers...

## Spend Increase

Average Month 1 Sales
Per New Account
$+15-20 \%$

pre-period post-period

Increase in initial customer spending...

## Fraud Reduction



Balance at End of Year 1

Per New Account

... and ultimately higher customer balances

## Higher Balances

## Financial Results

## Summary earnings statement

| \$ in millions, except ratios |  |  | B/(W) |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 2Q'19 | 2Q'18 | \$ | \% |
| Total interest income | \$4,738 | \$4,174 | \$564 | 14\% |
| Total interest expense | 583 | 437 | (146) | (33)\% |
| Net interest income (NII) | 4,155 | 3,737 | 418 | 11\% |
| Retailer share arrangements (RSA) | (859) | (653) | (206) | (32)\% |
| Provision for loan losses | 1,198 | 1,280 | 82 | 6\% |
| Other income | 90 | 63 | 27 | 43\% |
| Other expense | 1,059 | 975 | (84) | (9)\% |
| Pre-Tax earnings | 1,129 | 892 | 237 | 27\% |
| Provision for income taxes | 276 | 196 | (80) | (41)\% |
| Net earnings | \$853 | \$696 | \$157 | 23\% |
| Diluted earnings per share | \$1.24 | \$0.92 | \$0.32 |  |

## 2Q'19 Highlights

- \$853 million Net earnings, \$1.24 diluted EPS
- Net interest income up 11\% driven by growth in Loan receivables
- Interest and fees on loans up 14\% driven by average loan receivables growth
- Interest expense increase driven by increased benchmark rates and growth
- Retailer share arrangements up 32\%
- Increase driven by growth and improved performance
- Provision for loan losses down 6\% driven by the reduction in reserves related to the Walmart portfolio
- Net charge-offs of $6.01 \%$ compared to $5.97 \%$ in the prior year
- Other expense up 9\%
- Driven primarily by PayPal Credit program


## Growth Metrics



## Average active accounts <br> $+9 \%$ <br> in millions




## Interest and fees on loans

 +14\%\$ in millions


## Net Interest Income

## Net interest income

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


## 2Q'19 Highlights

- Net interest income increased $11 \%$ compared to prior year driven by growth in Loan receivables
- Interest and fees on loans increased 14\% compared to prior year driven by average loan receivables growth
- Net interest margin up 42bps.
- Loan receivables mix as a percent of total Earning Assets increased from 79.6\% to 83.9\% driven primarily by the PayPal Credit program acquisition
- Loan receivables yield 20.94\%, down 9bps. versus prior year primarily driven by the impact of the PayPal Credit program
- Total interest-bearing liabilities cost increased 49bps. to 2.73\%, due to increased benchmark rates


## Asset Quality Metrics

## 30+ days past due

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


## 90+ days past due

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


## Net charge-offs

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


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


## Other Expense

| Other expense <br> \$ in millions | \$975 | +9\% |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  |  | \$1,059 |  |  |
|  |  |  |  |  |
|  | 2Q'18 | 2Q'19 | v\$ | v\% |
| Employee costs | \$351 | \$358 | \$7 | 2\% |
| Professional fees | 177 | 231 | 54 | 31\% |
| Marketing/BD | 110 | 135 | 25 | 23\% |
| Information processing | 99 | 123 | 24 | 24\% |
| Other | 238 | 212 | (26) | (11)\% |
| Other expense | \$975 | \$1,059 | \$84 | 9\% |
| Efficiency ${ }^{(0)}$ | 31.0\% | 31.3\% |  | 0.3pts. |

## 2Q'19 Highlights

- Other expense up 9\%
- Other expense increase driven primarily by PayPal Credit program
- Efficiency ratio 31.3\% vs. 31.0\% prior year
(a) "Other expense" divided by sum of "NII" plus "Other income" less "Retailer share arrangements (RSA)"


## Funding, Capital and Liquidity

## Funding sources

\$ in billions


## Capital ratios

Common equity Tier 1 \% - Basel III fully phased-in


## Liquidity <br> \$ in billions

|  | 2Q'18 | 2Q'19 |
| :--- | ---: | ---: |
| Liquid assets | $\$ 21.5$ | $\$ 16.7$ |
| Undrawn credit facilities | 6.5 | 7.0 |
| Total liquidity | $\mathbf{\$ 2 8 . 0}$ | $\mathbf{\$ 2 3 . 7}$ |
| \% of Total assets | $\mathbf{2 8 . 2 \%}$ | $\mathbf{2 2 . 3} \%$ |

[^0]
## 2Q'19 Wrap Up

- Net earnings of $\$ 853$ million ... $\$ 1.24$ diluted earnings per share
- Reduction in the reserve related to the expected Walmart portfolio sale was $\$ 247$ million, or $\$ 186$ million after-tax; EPS benefit of $\$ 0.27$
- Broad based growth ... Purchase volume $+12 \%$, Core Loan receivables $+17 \%$, Net interest income $+11 \%$
- Completed successful conversion of the PayPal Credit accounts in June
- Established new relationships with Samsung HVAC and Zero Motorcycles
- Renewed key partnerships with CCA Global Partners, Penske Automotive and Bosley
- Launched new partnerships with Fanatics and Lighthouse
- Expanded CareCredit network with Lehigh Valley Physician’s Group and Baylor Scott \& White Medical Center
- Fast-growing deposit platform ... deposits at $\$ 65.6$ billion comprising $75 \%$ of funding
- Announced up to $\$ 4.0$ billion of share repurchases and increase of quarterly dividend to \$0. 22 starting in 3Q'19
- Strong balance sheet, $14.3 \%$ CET1 and $\$ 16.7$ billion of liquid assets


## II synchrony

Engage with us.

## Appendix

## Non-GAAP Reconciliation

The following table sets forth the components of our Loan receivables for the periods indicated below.

| \$ in billions | At June 30, |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Total |  | Retail Card |  |
|  | 2018 | 2019 | 2018 | 2019 |
| Loan receivables | \$78.9 | \$81.8 | \$51.5 | \$52.3 |
| Less: Walmart Loan receivables | (9.3) | (0.4) | (9.3) | (0.4) |
| Core Loan receivables | \$69.6 | \$81.4 | \$42.2 | \$51.9 |


[^0]:    (a) Does not include unencumbered assets in the Bank that could be pledged

