2Q'18 Financial Results

July 27, 2018

synchrony FINANCIAL

Disclaimers

Cautionary Statement Regarding Forward-Looking Statements
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2Q'18 Highlights

Financial Highlights

- $696 million Net Earnings, $0.92 diluted EPS
- Continued growth across the business
  - Loan Receivables up 5%
  - Net Interest Income up 3%
  - Purchase Volume up 2%
  - Average Active Accounts up 1%
- Net Charge-Offs 5.97% compared to 5.42% in the prior year
- Provision for Loan Losses down 3%, lower reserve build driven by improving credit trends
- Efficiency Ratio 31.0% compared to 30.1% in the prior year
- Deposits up $6.1 billion compared to prior year, comprising 73% of funding
- Strong Capital and Liquidity
  - 16.6% CET1 & $21.5 billion Liquid Assets
- Announced new capital plan increasing quarterly dividend to $0.21 and $2.2 billion of share repurchases

Business Highlights

Completed acquisition of the U.S. PayPal Credit financing program in July

PayPal

Added new partnerships...

FURNITURE ROW
Real Furniture. Real Value.

The Good Feet Store

Renewed key relationships

Ashley HOMESTORE

ROBBINS BROTHERS
the engagement ring store

sleep number

HAVERTYS
LIFE LOOKS GOOD

LasikPlus

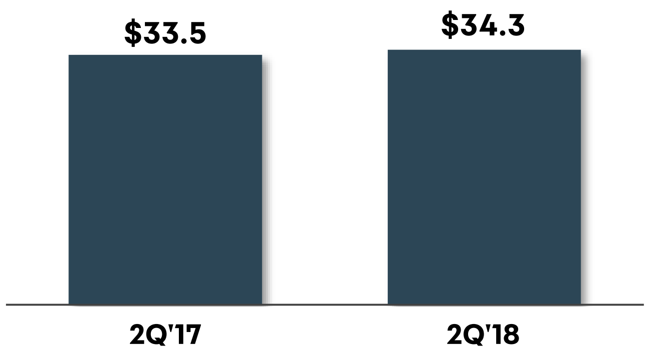
Acquired e-gifting platform

LOOP COMMERCE

Growth Metrics

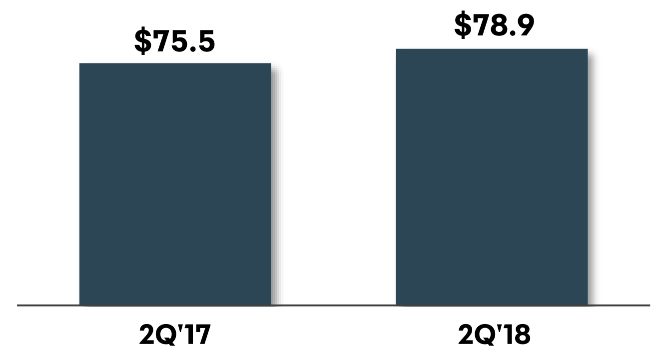
Purchase Volume
$ in billions

+2%



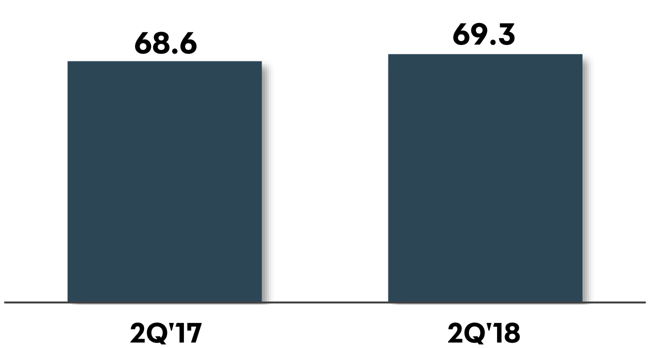
Loan Receivables
$ in billions

+5%



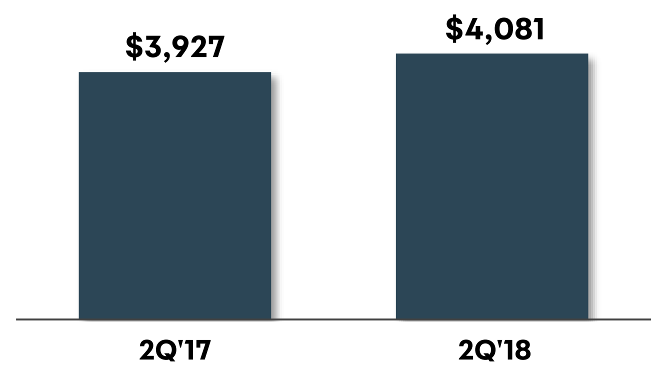
Average Active Accounts
in millions

+1%



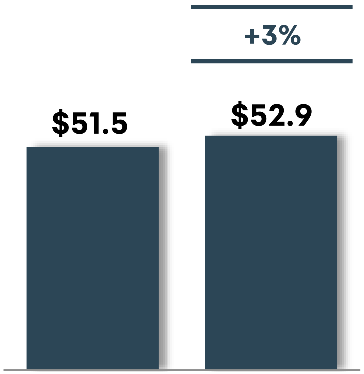
Interest and Fees on Loans
$ in millions

+4%

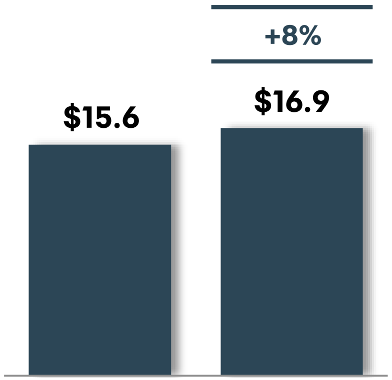


Platform Results[a]

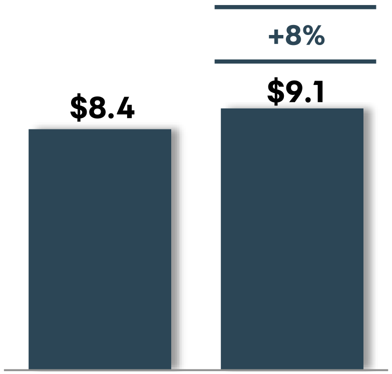
Retail Card
Loan Receivables, $ in billions



Payment Solutions
Loan Receivables, $ in billions



CareCredit
Loan Receivables, $ in billions



	Retail Card 2Q'17	Retail Card 2Q'18	Retail Card V%	Payment Solutions 2Q'17	Payment Solutions 2Q'18	Payment Solutions V%	CareCredit 2Q'17	CareCredit 2Q'18	CareCredit V%
Purchase Volume	$27.2	$27.4	+1%	$3.9	$4.3	+9%	$2.4	$2.6	+8%
Accounts	54.1	54.1	+0%	9.0	9.4	+4%	5.5	5.8	+5%
Interest and Fees on Loans	$2,900	$2,993	+3%	$533	$566	+6%	$494	$522	+6%

Retail Card
- Solid growth partially offset by impact of underwriting refinements
- Interest and Fees on Loans up 3% driven by receivable growth

Payment Solutions
- Strong Loan Receivable growth led by home furnishing and auto
- Interest and Fees on Loans up 6% driven by receivable growth

CareCredit
- Loan Receivable growth led by dental and veterinary
- Interest and Fees on Loans up 6% 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. Purchase Volume $ in billions and Interest and Fees on Loans $ in millions

Financial Results

Summary Earnings Statement

$ in millions, except ratios

	2Q'18	2Q'17	B/(W) $	B/(W) %
Total Interest Income	$4,174	$3,970	$204	5%
Total Interest Expense	437	333	(104)	(31)%
Net Interest Income (NII)	**3,737**	**3,637**	**100**	**3%**
Retailer Share Arrangements (RSA)	(653)	(669)	16	2%
NII, after RSA	**3,084**	**2,968**	**116**	**4%**
Provision for Loan Losses	1,280	1,326	46	3%
Other Income	63	57	6	11%
Other Expense	975	911	(64)	(7)%
Pre-Tax Earnings	**892**	**788**	**104**	**13%**
Provision for Income Taxes	196	292	96	33%
Net Earnings	**$696**	**$496**	**$200**	**40%**
Diluted Earnings Per Share	**$0.92**	**$0.61**	**$0.31**	

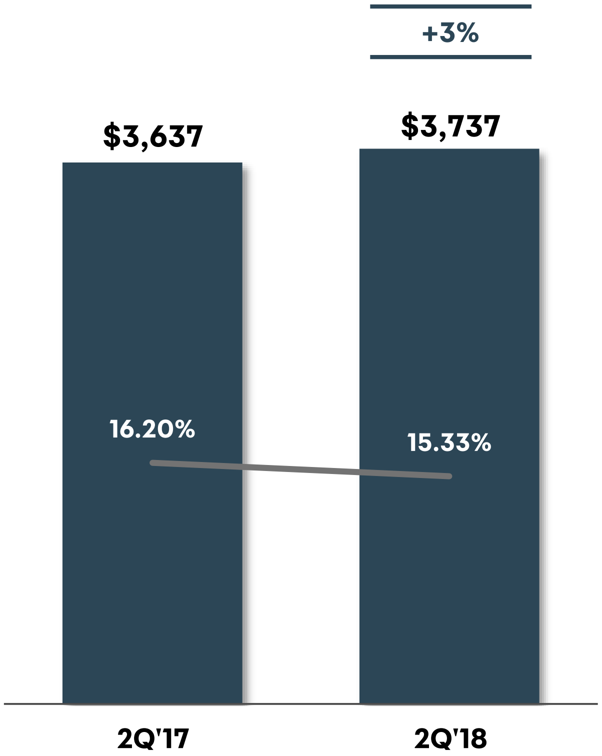
2Q'18 Highlights

- **$696 million Net Earnings, $0.92 diluted EPS**
- **Net Interest Income up 3% primarily driven by growth in Loan Receivables**
  - Interest and Fees on Loans up 4% driven by average Loan Receivables growth
  - Interest Expense increase driven by benchmark movement, growth and pre-funding for the PayPal credit portfolio
- **Retailer Share Arrangements down 2%**
  - Decrease driven primarily by Toys "R" Us
- **Provision for Loan Losses down 3% driven by lower reserve build**
  - Net Charge-Offs of 5.97% compared to 5.42% in the prior year
- **Other Expense up 7%**
  - Driven primarily by growth and strategic investments

Net Interest Income

Net Interest Income

$ in millions, % of average Interest-Earning Assets



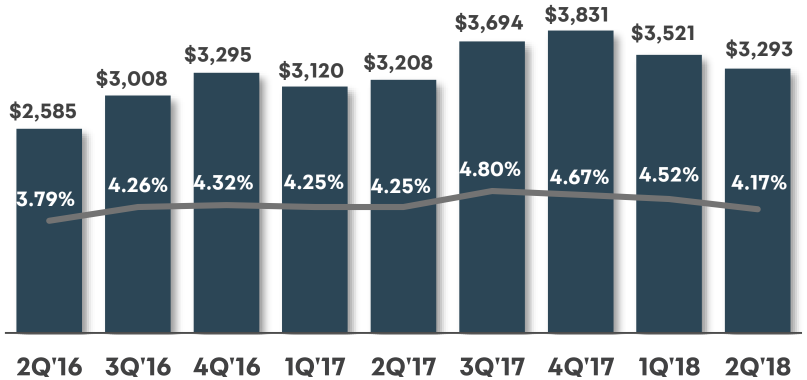
2Q'18 Highlights

- **Net Interest Income increased 3% compared to prior year driven primarily by growth in Loan Receivables**
  - Interest and Fees on Loans increased 4% compared to prior year driven by average Loan Receivables growth
- **Net Interest Margin down 87bps.**
  - Loan Receivables mix as a percent of total Earning Assets decreased from 82.3% to 79.6% driven primarily by pre-funding the PayPal credit portfolio
  - Loan Receivables yield 21.03%, down 23bps. versus prior year
  - Total Interest-Bearing Liabilities cost increased 38bps. to 2.24% driven by benchmark movement and pre-funding for the PayPal Credit portfolio

Asset Quality Metrics

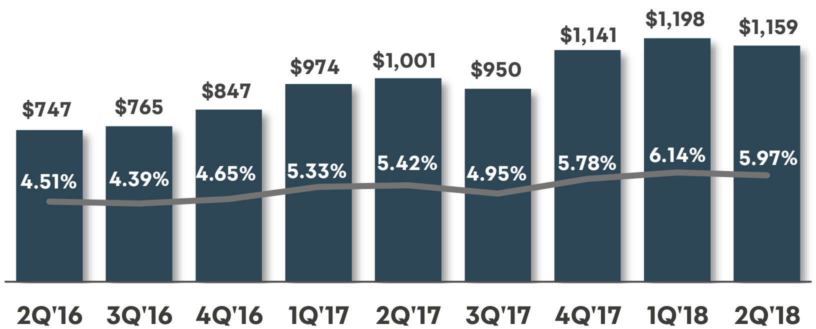
30+ Days Past Due

$ in millions, % of period-end Loan Receivables



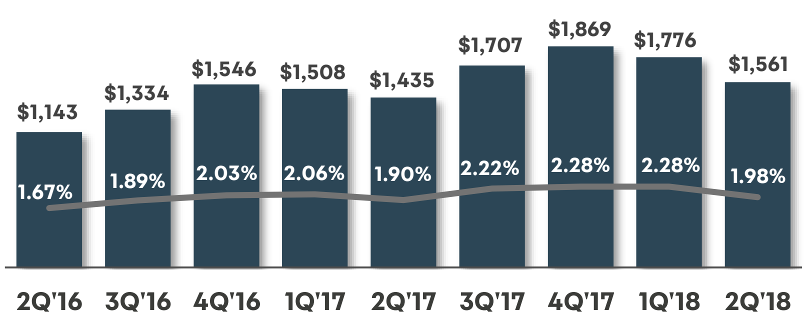
Net Charge-Offs

$ in millions, % of average Loan Receivables including held for sale



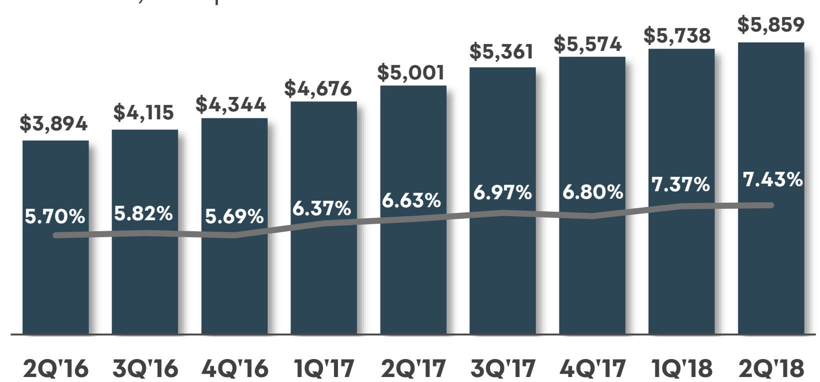
90+ Days Past Due

$ in millions, % of period-end Loan Receivables



Allowance For Loan Losses

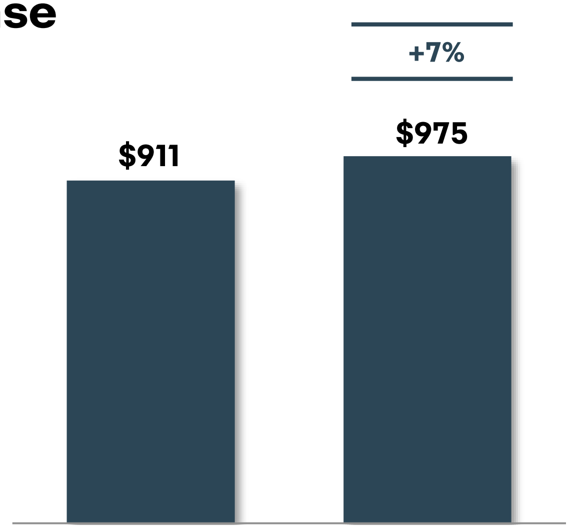
$ in millions, % of period-end Loan Receivables



Other Expense

Other Expense

$ in millions



	2Q'17	2Q'18	V$	V%
Employee Costs	$318	$351	$33	10%
Professional Fees	158	177	19	12%
Marketing/BD	124	110	(14)	(11)%
Information Processing	88	99	11	13%
Other	223	238	15	7%
Other Expense	$911	$975	$64	7%
Efficiency[(a)]	**30.1%**	**31.0%**		**0.9pts.**

2Q'18 Highlights

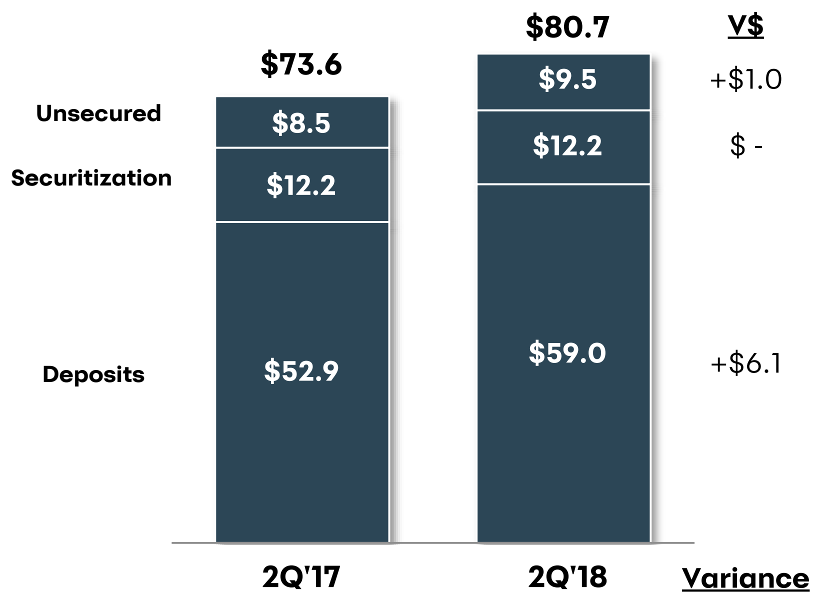
- **Other Expense up 7%**
  - Other Expense increase driven primarily by growth and strategic investments
- **Efficiency Ratio 31.0% vs. 30.1% prior year**

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

Funding, Capital and Liquidity

Funding Sources

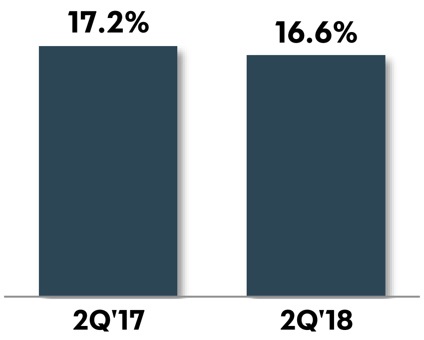
$ in billions



Deposits	72%	73%	+1pts.
Securitization	17%	15%	(2)pts.
Unsecured	11%	12%	+1pts.

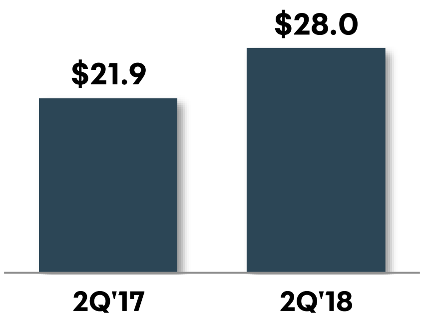
Capital Ratios

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



Liquidity[a]

$ in billions



Liquid Assets	$15.3	$21.5
Undrawn Credit Facilities	6.6	6.5
Total Liquidity	**$21.9**	**$28.0**
% of Total Assets	**24.1%**	**28.2%**

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

PayPal Impact on Outlook

Receivables Purchased: $7.6 Billion

Closing Date: July 2, 2018

2018 Outlook With PayPal Credit Portfolio		
	Previous	Current
Loan Receivables Growth[a]	13% - 15%	13% - 15%
Net Interest Margin	15.75% - 16.00%	15.75% - 16.00%
RSAs/Average Receivables	4.2% - 4.4%	~4.0%
Net Charge-off Rate	5.5% - 5.8%	5.5% - 5.8%
Efficiency Ratio	~ 31.0%	~ 31.0%
ROA	~ 2.5%	~ 2.5%

3Q'18 Reserve Build	
Core	~$125-150MM
PayPal	~$300-325MM
Total	~$425-475MM

(a) Period-end 12/31/18 versus 12/31/17

Strategic Options for Walmart Portfolio

Portfolio Sale

Overview

- Decision to sell portfolio and estimated gain on sale determined by 1Q'19
- Portfolio would transfer to new issuer upon contract expiration on July 31, 2019

Strategic and Financial Implications

- ~$2.5 billion of capital freed up to deploy on capital actions and higher returning alternatives:
  - Portfolio size: ~$10B
  - Capital supporting portfolio: ~ $1.5B
  - Release reserve associated with the portfolio
  - Portfolio sale expected to generate a gain
- $300-350MM of ongoing cost savings identified
- Improves/maintains certain operating metrics:
  - 60-70bp reduction in Net Charge-Offs
  - Neutral to return profile
- Expect to use the majority of ~$2.5 billion to repurchase shares by end of 2019 subject to Board and regulatory approval
- Combination of share repurchase and cost savings expected to fully replace EPS generated by current program
  - Accretive to EPS relative to renewal terms

Retain Portfolio + Convert to GPCC

Overview

- Expect to convert qualifying accounts to GPCC beginning in 1Q'19
- Cards not converted to GPCC will remain Walmart cards that can be used in-brand for 3 years

Strategic and Financial Implications

- Improved economic profile and risk-adjusted returns
  - Elimination of RSAs and interchange fees earned on GPCC/Dual Card will fund enhanced value props, branding and promotions
  - Royalties earned on Walmart purchases for three years post contract expiration
  - Opportunity to optimize portfolio performance: improve credit metrics, cost structure and return profile going forward
- Improves diversification of overall portfolio, reduces partner concentration
- Builds on direct to consumer strategy, ability to realize synergies with direct bank
- Retaining portfolio and conversion to GPCC expected to fully replace EPS generated by current program
  - Accretive to EPS relative to renewal terms

2Q'18 Wrap Up

- Net earnings of $696 million … $0.92 diluted earnings per share
- Broad based growth … Purchase volume +2%, Loan receivables +5%, Net interest income +3%
- Completed acquisition of the U.S. PayPal Credit financing program in July
- Added new partnerships … Furniture Row and The Good Feet Store
- Renewed key partners … Robbins Brothers, Ashley HomeStore, LCA Vision, Sleep Number and Havertys
- Acquired e-gifting platform Loop Commerce
- Fast-growing deposit platform … deposits at $59 billion comprising 73% of funding
- Strong balance sheet, $21.5 billion of liquid assets and 16.6% CET1
- Completed quarterly common stock dividend of $0.15 per share and repurchased $491 million of shares in the quarter
- Announced new capital plan increasing quarterly dividend to $0.21 and $2.2 billion of share repurchases

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