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, 2019

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	**51-0483352**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
777 Long Ridge Road	
Stamford, Connecticut	**06902**
(Address of principal executive offices)	**(Zip Code)**

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.001 per share	**SYF**	**New York Stock Exchange**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

Large Accelerated Filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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 22, 2019 was 663,440,036.

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;
- the “Bank” are to Synchrony Bank (a subsidiary of Synchrony);
- the “Board of Directors” or “Board” are to Synchrony's board of directors;
- “GE” are to General Electric Company and its subsidiaries; and
- “FICO” 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, 2018 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 “*Management’s Discussion and Analysis—Results of Operations—Other Financial and Statistical Data*” in our Annual Report on Form 10-K for the year ended December 31, 2018 (our “2018 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®, Quickscreen®, Dual Card™, Synchrony Car Care™ and SyPI™, belong to us. Solely for convenience, we refer to our trademarks in this report without the ™ and ® symbols, but such references are not intended to indicate that we will not assert, to the fullest extent under applicable law, our rights to our trademarks. Other service marks, trademarks and trade names referred to in this report are the property of their respective owners.

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

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 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 Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) and other legislative and regulatory developments and the impact of the Consumer Financial Protection Bureau's (the “CFPB”) regulation of our business; impact of capital adequacy rules and liquidity requirements; restrictions that limit our ability to pay dividends and repurchase our common stock, and restrictions that limit the Bank’s ability to pay dividends to us; regulations relating to privacy, information security and data protection; use of third-party vendors and ongoing third-party business relationships; and failure to comply with anti-money laundering and anti-terrorism financing laws.

For the reasons described above, we caution you against relying on any forward-looking statements, which should also be read in conjunction with the other cautionary statements that are included elsewhere in this report and in our public filings, including under the heading “Risk Factors Relating to Our Business” and “Risk Factors Relating to Regulation” in our 2018 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 law.

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 2018 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

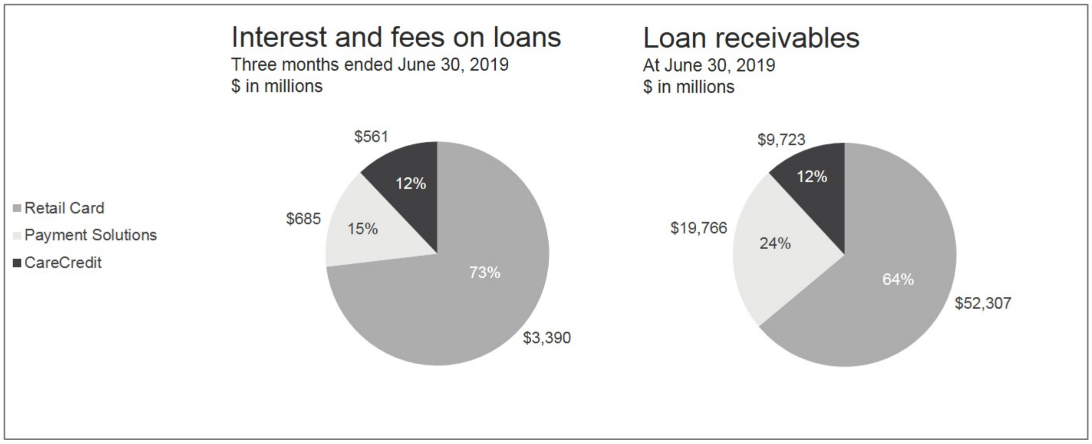
We are a premier consumer financial services company delivering customized financing programs across key industries including retail, health, auto, travel and home, along with award-winning consumer banking products. We provide a range of credit products through our financing programs which we have established 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, 2019, we financed $38.3 billion and $70.8 billion of purchase volume, respectively, and had 75.5 million and 76.5 million average active accounts, respectively, and at June 30, 2019, we had $81.8 billion of loan receivables.

We offer our credit products primarily through our wholly-owned subsidiary, the Bank. In addition, through the Bank, we offer, directly to retail and commercial customers, a range of deposit products insured by the Federal Deposit Insurance Corporation (“FDIC”), including certificates of deposit, individual retirement accounts (“IRAs”), money market accounts and savings accounts. We also take deposits at the Bank through third-party securities brokerage firms that offer our FDIC-insured deposit products to their customers. We have significantly expanded our online direct banking operations in recent years and our deposit base serves as a source of stable and diversified low cost funding for our credit activities. At June 30, 2019, we had $65.6 billion in deposits, which represented 75% 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, active accounts and other sales metrics.

Beginning in the first quarter of 2019, our oil and gas retail credit programs, previously reported within our Retail Card sales platform, are now reported within our Payment Solutions sales platform. Payment Solutions now includes a broad range of automotive-related credit programs, comprising of these retail partners, our Synchrony Car Care program network and other automotive partners. We have recast all prior-period reported metrics for our Retail Card and Payment Solutions sales platforms to conform to the current-period presentation.



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 24 national and regional retailers with which we have ongoing program agreements. The average length of our relationship with these Retail Card partners is 22 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 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, are with partners in the Retail Card sales platform. 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 consumer choice for financing at the point of sale, including primarily private label credit cards, Dual 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, other than for our oil and gas retail partners, 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, veterinary and personal care procedures, services or products. 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 and our CareCredit Dual Card offering. 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, 2019.

		Promotional Offer		
Credit Product	**Standard Terms Only**	**Deferred Interest**	**Other Promotional**	**Total**
Credit cards	62.6 %	18.6 %	14.8 %	96.0 %
Commercial credit products	1.6	—	—	1.6
Consumer installment loans	—	—	2.4	2.4
Other	—	—	—	—
Total	64.2 %	18.6 %	17.2 %	100.0 %

Credit Cards

We typically 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. We offer either Dual Cards or general purpose co-branded credit cards across all of our sales platforms, spanning 21 ongoing credit partners and our CareCredit Dual Card.

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 certain trends and conditions, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Trends and Conditions* " in our 2018 Form 10-K. For a discussion of how certain trends and conditions impacted the three and six months ended June 30, 2019, 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, 2019

Below are highlights of our performance for the three and six months ended June 30, 2019 compared to the three and six months ended June 30, 2018, as applicable, except as otherwise noted.

- Net earnings increased 22.6% to $853 million and 46.7% to $1,960 million for the three and six months ended June 30, 2019, respectively, driven by higher net interest income and decreases in provision for loan losses, partially offset by increases in retailer share arrangements, other expense and provision for income taxes.

- Loan receivables increased 3.7% to $81,796 million at June 30, 2019 compared to June 30, 2018, primarily driven by the PayPal Credit acquisition, higher purchase volume and average active account growth, partially offset by the reclassification of $8.1 billion of loan receivables associated with the Walmart portfolio to loan receivables held for sale.

- Net interest income increased 11.2% to $4,155 million and 10.6% to $8,381 million for the three and six months ended June 30, 2019, respectively, primarily due to higher average loan receivables growth, partially offset by increases in interest expense reflecting higher benchmark interest rates and growth.

- Retailer share arrangements increased 31.5% to $859 million and 32.0% to $1,813 million for the three and six months ended June 30, 2019, respectively, primarily due to growth, including the PayPal Credit acquisition, and improved performance of the programs in which we have retailer share arrangements.

- Over-30 day loan delinquencies as a percentage of period-end loan receivables increased 26 basis points to 4.43% at June 30, 2019 primarily due to the impact of reclassification of the Walmart portfolio to loan receivables held for sale, and the net charge-off rate remained relatively stable, increasing 4 basis points to 6.01% and decreasing 2 basis points to 6.04% for the three and six months ended June 30, 2019, respectively.

- Provision for loan losses decreased by $82 million, or 6.4%, and $585 million, or 22.1%, for the three and six months ended June 30, 2019, respectively, primarily driven by reductions in reserves for loan losses related to the expected sale of the Walmart portfolio. These reductions totaled $247 million and $769 million for the three and six months ended June 30, 2019, respectively. These reductions in reserves were partially offset by higher net charge-offs in line with loan receivables growth. Our allowance coverage ratio (allowance for loan losses as a percent of end of period loan receivables) decreased to 7.10% at June 30, 2019, as compared to 7.43% at June 30, 2018.

- Other expense increased by $84 million, or 8.6%, and $139 million, or 7.1%, for the three and six months ended June 30, 2019, respectively, primarily driven by the PayPal Credit acquisition.

- At June 30, 2019, deposits represented 75% of our total funding sources. Total deposits increased 2.5% to $65.6 billion at June 30, 2019, compared to December 31, 2018. Growth in our direct deposits of 6.9% to $52.8 billion, was partially offset by lower brokered deposits.

- On May 9, 2019, we announced that our Board approved a share repurchase program of up to $4.0 billion through June 30, 2020 and intends to increase our quarterly dividend to $0.22 per common share commencing in the third quarter of 2019. During the six months ended June 30, 2019, we repurchased $1.7 billion of our outstanding common stock, and declared and paid cash dividends of $0.42 per share, or $295 million.

- In March 2019, we announced our acquisition of Pets Best and entry into the pet health insurance industry as a managing general agent.

2019 Partner Agreements

- In our Payment Solutions sales platform, we expanded our Synchrony Car Care program acceptance network, announced our new partnerships with Samsung HVAC and Zero Motorcycles, extended our program agreements with CCA Global Partners, P.C. Richard & Son, Penske, Rheem and Suzuki and launched our new program with Fanatics.

- In our CareCredit sales platform, we expanded our network through our new partnerships with Baylor Scott & White Medical Center, Lehigh Valley Physician's Group and Simplee, renewed our agreement with Bosley and launched our new program with Lighthouse.

Summary Earnings

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

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	**2019**	**2018**	**2019**	**2018**
Interest income	$ 4,738	$ 4,174	$ 9,524	$ 8,418
Interest expense	583	437	1,143	839
Net interest income	4,155	3,737	8,381	7,579
Retailer share arrangements	(859)	(653)	(1,813)	(1,373)
Provision for loan losses	1,198	1,280	2,057	2,642
Net interest income, after retailer share arrangements and provision for loan losses	2,098	1,804	4,511	3,564
Other income	90	63	182	138
Other expense	1,059	975	2,102	1,963
Earnings before provision for income taxes	1,129	892	2,591	1,739
Provision for income taxes	276	196	631	403
Net earnings	$ 853	$ 696	$ 1,960	$ 1,336

Other Financial and Statistical Data

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

	At and for the Three months ended June 30,		At and for the Six months ended June 30,	
($ in millions)	**2019**	**2018**	**2019**	**2018**
Financial Position Data (Average):				
Loan receivables, including held for sale	$ 88,792	$ 77,853	$ 89,344	$ 78,468
Total assets	$ 104,903	$ 96,214	$ 105,100	$ 95,962
Deposits	$ 64,497	$ 57,573	$ 64,280	$ 57,117
Borrowings	$ 21,328	$ 20,935	$ 21,811	$ 21,069
Total equity	$ 14,818	$ 14,407	$ 14,804	$ 14,342
Selected Performance Metrics:				
Purchase volume(1)(2)	$ 38,291	$ 34,268	$ 70,804	$ 63,894
Retail Card	$ 29,530	$ 25,926	$ 54,190	$ 48,067
Payment Solutions	$ 5,948	$ 5,702	$ 11,197	$ 10,766
CareCredit	$ 2,813	$ 2,640	$ 5,417	$ 5,061
Average active accounts (in thousands)(2)(3)	75,525	69,344	76,545	70,540
Net interest margin(4)	15.75 %	15.33 %	15.92 %	15.69 %
Net charge-offs	$ 1,331	$ 1,159	$ 2,675	$ 2,357
Net charge-offs as a % of average loan receivables, including held for sale	6.01 %	5.97 %	6.04 %	6.06 %
Allowance coverage ratio(5)	7.10 %	7.43 %	7.10 %	7.43 %
Return on assets(6)	3.3 %	2.9 %	3.8 %	2.8 %
Return on equity(7)	23.1 %	19.4 %	26.7 %	18.8 %
Equity to assets(8)	14.13 %	14.97 %	14.09 %	14.95 %
Other expense as a % of average loan receivables, including held for sale	4.78 %	5.02 %	4.74 %	5.04 %
Efficiency ratio(9)	31.3 %	31.0 %	31.1 %	30.9 %
Effective income tax rate	24.4 %	22.0 %	24.4 %	23.2 %
Selected Period-End Data:				
Loan receivables	$ 81,796	$ 78,879	$ 81,796	$ 78,879
Allowance for loan losses	$ 5,809	$ 5,859	$ 5,809	$ 5,859
30+ days past due as a % of period-end loan receivables(10)	4.43 %	4.17 %	4.43 %	4.17 %
90+ days past due as a % of period-end loan receivables(10)	2.16 %	1.98 %	2.16 %	1.98 %
Total active accounts (in thousands)(2)(3)	76,065	69,767	76,065	69,767

(1) Purchase volume, or net credit sales, represents the aggregate amount of charges incurred on credit cards or other credit product accounts less returns during the period.
(2) Includes activity and accounts associated with loan receivables held for sale.
(3) Active accounts represent credit card or installment loan accounts on which there has been a purchase, payment or outstanding balance in the current month.
(4) Net interest margin represents net interest income divided by average interest-earning assets.
(5) Allowance coverage ratio represents allowance for loan losses divided by total period-end loan receivables.
(6) Return on assets represents net earnings as a percentage of average total assets.
(7) Return on equity represents net earnings as a percentage of average total equity.
(8) Equity to assets represents average equity as a percentage of average total assets.
(9) Efficiency ratio represents (i) other expense, divided by (ii) sum of net interest income, plus other income, less retailer share arrangements.
(10) Based on customer statement-end balances extrapolated to the respective period-end date.

Average Balance Sheet

The following 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.

	2019			2018		
Three months ended June 30 ($ in millions)	**Average Balance**	**Interest Income / Expense**	**Average Yield / Rate[(1)]**	**Average Balance**	**Interest Income/ Expense**	**Average Yield / Rate[(1)]**
Assets						
Interest-earning assets:						
Interest-earning cash and equivalents[(2)]	$ 10,989	$ 66	2.41 %	$ 13,097	$ 59	1.81 %
Securities available for sale	6,010	36	2.40 %	6,803	34	2.00 %
Loan receivables[(3)]:						
Credit cards, including held for sale	85,488	4,557	21.38 %	74,809	4,010	21.50 %
Consumer installment loans	1,924	44	9.17 %	1,648	37	9.01 %
Commercial credit products	1,330	34	10.25 %	1,346	34	10.13 %
Other	50	1	NM	50	—	— %
Total loan receivables	88,792	4,636	20.94 %	77,853	4,081	21.03 %
Total interest-earning assets	105,791	4,738	17.96 %	97,753	4,174	17.13 %
Non-interest-earning assets:						
Cash and due from banks	1,271			1,161		
Allowance for loan losses	(5,911)			(5,768)		
Other assets	3,752			3,068		
Total non-interest-earning assets	(888)			(1,539)		
Total assets	$ 104,903			$ 96,214		
Liabilities						
Interest-bearing liabilities:						
Interest-bearing deposit accounts	$ 64,226	$ 397	2.48 %	$ 57,303	$ 273	1.91 %
Borrowings of consolidated securitization entities	11,785	90	3.06 %	11,821	80	2.71 %
Senior unsecured notes	9,543	96	4.03 %	9,114	84	3.70 %
Total interest-bearing liabilities	85,554	583	2.73 %	78,238	437	2.24 %
Non-interest-bearing liabilities:						
Non-interest-bearing deposit accounts	271			270		
Other liabilities	4,260			3,299		
Total non-interest-bearing liabilities	4,531			3,569		
Total liabilities	90,085			81,807		
Equity						
Total equity	14,818			14,407		
Total liabilities and equity	$ 104,903			$ 96,214		
Interest rate spread[(4)]			15.23 %			14.89 %
Net interest income		$ 4,155			$ 3,737	
Net interest margin[(5)]			15.75 %			15.33 %

Six months ended June 30 ($ in millions)	2019 Average Balance	2019 Interest Income / Expense	2019 Average Yield / Rate[(1)]	2018 Average Balance	2018 Interest Income/ Expense	2018 Average Yield / Rate[(1)]
Assets						
Interest-earning assets:						
Interest-earning cash and equivalents[(2)]	$ 11,011	$ 131	2.40%	$ 12,768	$ 106	1.67%
Securities available for sale	5,826	70	2.42%	6,197	59	1.92%
Loan receivables[(3)]:						
Credit cards, including held for sale	86,125	9,168	21.47%	75,492	8,109	21.66%
Consumer installment loans	1,884	86	9.21%	1,610	73	9.14%
Commercial credit products	1,291	68	10.62%	1,316	70	10.73%
Other	44	1	4.58%	50	1	4.03%
Total loan receivables	89,344	9,323	21.04%	78,468	8,253	21.21%
Total interest-earning assets	106,181	9,524	18.09%	97,433	8,418	17.42%
Non-interest-earning assets:						
Cash and due from banks	1,303			1,179		
Allowance for loan losses	(6,125)			(5,689)		
Other assets	3,741			3,039		
Total non-interest-earning assets	(1,081)			(1,471)		
Total assets	$ 105,100			$ 95,962		
Liabilities						
Interest-bearing liabilities:						
Interest-bearing deposit accounts	$ 64,002	$ 772	2.43%	$ 56,832	$ 522	1.85%
Borrowings of consolidated securitization entities	12,592	190	3.04%	12,114	154	2.56%
Senior unsecured notes	9,219	181	3.96%	8,955	163	3.67%
Total interest-bearing liabilities	85,813	1,143	2.69%	77,901	839	2.17%
Non-interest-bearing liabilities:						
Non-interest-bearing deposit accounts	278			285		
Other liabilities	4,205			3,434		
Total non-interest-bearing liabilities	4,483			3,719		
Total liabilities	90,296			81,620		
Equity						
Total equity	14,804			14,342		
Total liabilities and equity	$ 105,100			$ 95,962		
Interest rate spread[(4)]			15.40%			15.25%
Net interest income		$ 8,381			$ 7,579	
Net interest margin[(5)]			15.92%			15.69%

(1) Average yields/rates are based on total interest income/expense over average balances.
(2) Includes average restricted cash balances of $426 million and $365 million for the three months ended June 30, 2019 and 2018, respectively and $706 million and $567 million for the six months ended June 30, 2019 and 2018, respectively.
(3) Interest income on loan receivables includes fees on loans of $661 million and $595 million for the three months ended June 30, 2019 and 2018, respectively and $1,354 million and $1,239 million for the six months ended June 30, 2019 and 2018, respectively.
(4) Interest rate spread represents the difference between the yield on total interest-earning assets and the rate on total interest-bearing liabilities.
(5) Net interest margin represents net interest income divided by average total interest-earning assets.

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 2018 Form 10-K.

Interest Income

Interest income increased by $564 million, or 13.5%, and $1,106 million, or 13.1%, for the three and six months ended June 30, 2019, driven primarily by growth in our average loan receivables.

Average interest-earning assets

Three months ended June 30 ($ in millions)		2019	%		2018	%
Loan receivables, including held for sale	$	88,792	83.9%	$	77,853	79.6%
Liquidity portfolio and other		16,999	16.1%		19,900	20.4%
Total average interest-earning assets	$	105,791	100.0%	$	97,753	100.0%

Six months ended June 30 ($ in millions)		2019	%		2018	%
Loan receivables, including held for sale	$	89,344	84.1%	$	78,468	80.5%
Liquidity portfolio and other		16,837	15.9%		18,965	19.5%
Total average interest-earning assets	$	106,181	100.0%	$	97,433	100.0%

The increase in average loan receivables of 14.1% and 13.9% for the three and six months ended June 30, 2019, respectively, was driven by the PayPal Credit acquisition, higher purchase volume and average active account growth. Purchase volume increased 11.7% and 10.8%, and average active accounts increased 8.9% and 8.5%, for the three and six months ended June 30, 2019, respectively, including the effects of the PayPal Credit acquisition.

Yield on average interest-earning assets

The yield on average interest-earning assets increased for the three and six months ended June 30, 2019, primarily due to increases in the percentage of interest-earning assets attributable to loan receivables, partially offset by a decrease in the yield on our average loan receivables. The decrease in yield was 9 basis points to 20.94% and 17 basis points to 21.04% for the three and six months ended June 30, 2019, respectively, primarily due to the impact of adding the PayPal Credit program.

Interest Expense

Interest expense increased by $146 million, or 33.4%, and $304 million, or 36.2%, for the three and six months ended June 30, 2019, respectively, driven primarily by higher benchmark interest rates and growth. Our cost of funds increased to 2.73% and 2.69% for the three and six months ended June 30, 2019, respectively, compared to 2.24% and 2.17% for the three and six months ended June 30, 2018, respectively.

Average interest-bearing liabilities

Three months ended June 30 ($ in millions)	2019	%	2018	%
Interest-bearing deposit accounts	$ 64,226	75.1 %	$ 57,303	73.2 %
Borrowings of consolidated securitization entities	11,785	13.8 %	11,821	15.1 %
Senior unsecured notes	9,543	11.1 %	9,114	11.7 %
Total average interest-bearing liabilities	$ 85,554	100.0 %	$ 78,238	100.0 %

Six months ended June 30 ($ in millions)	2019	%	2018	%
Interest-bearing deposit accounts	$ 64,002	74.6 %	$ 56,832	73.0 %
Borrowings of consolidated securitization entities	12,592	14.7 %	12,114	15.5 %
Senior unsecured notes	9,219	10.7 %	8,955	11.5 %
Total average interest-bearing liabilities	$ 85,813	100.0 %	$ 77,901	100.0 %

The increases in average interest-bearing liabilities for the three and six months ended June 30, 2019 were driven primarily by growth in our direct deposits.

Net Interest Income

Net interest income increased by $418 million, or 11.2%, and $802 million, or 10.6%, for the three and six months ended June 30, 2019, respectively, driven primarily by higher average loan receivables, partially offset by increases in interest expense reflecting higher benchmark interest rates and growth.

Retailer Share Arrangements

Retailer share arrangements increased by $206 million, or 31.5%, and $440 million, or 32.0%, for the three and six months ended June 30, 2019, respectively, primarily due to growth, including the PayPal Credit acquisition, and improved performance of the programs in which we have retailer share arrangements.

Provision for Loan Losses

Provision for loan losses decreased by $82 million, or 6.4%, and $585 million, or 22.1%, for the three and six months ended June 30, 2019, respectively, primarily driven by reductions in reserves for loan losses related to the expected sale of the Walmart portfolio. These reductions totaled $247 million and $769 million for the three and six months ended June 30, 2019, respectively. The reduction for the six months ended June 30, 2019 includes a $522 million reserve release following the reclassification of the Walmart portfolio to loan receivables held for sale on our Condensed Consolidated Statement of Financial Position in the first quarter of 2019. These reductions in reserves were partially offset by higher net charge-offs in line with loan receivables growth. Our allowance coverage ratio decreased to 7.10% at June 30, 2019, as compared to 7.43% at June 30, 2018.

Other Income

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2019	2018	2019	2018
Interchange revenue	$ 194	$ 177	$ 359	$ 335

Debt cancellation fees	69	66	137	132
Loyalty programs	(192)	(192)	(359)	(347)
Other	19	12	45	18
Total other income	$ 90	$ 63	$ 182	$ 138

Other income increased by $27 million, or 42.9%, and $44 million, or 31.9%, for the three and six months ended June 30, 2019, respectively. The increase for the three months ended June 30, 2019 was primarily due to an increase in interchange revenue driven by increased purchase volume outside of our retail partners' sales channels. The increase for the six months ended June 30, 2019 was primarily due to an increase in interchange revenue, a reduction in certain contingent consideration obligations and higher investment gains, partially offset by higher loyalty costs.

Other Expense

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	**2019**	**2018**	**2019**	**2018**
Employee costs	$ 358	$ 351	$ 711	$ 709
Professional fees	231	177	463	343
Marketing and business development	135	110	258	231
Information processing	123	99	236	203
Other	212	238	434	477
Total other expense	$ 1,059	$ 975	$ 2,102	$ 1,963

Other expense increased by $84 million, or 8.6%, and $139 million, or 7.1%, for the three and six months ended June 30, 2019, respectively, primarily due to an increase in professional fees. The increase in professional fees was primarily due to interim servicing costs associated with acquired portfolios, including the PayPal Credit portfolio.

Provision for Income Taxes

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	**2019**	**2018**	**2019**	**2018**
Effective tax rate	24.4 %	22.0 %	24.4 %	23.2 %
Provision for income taxes	$ 276	$ 196	$ 631	$ 403

The effective tax rate for the three and six months ended June 30, 2019 increased compared to the same periods in the prior year primarily due to a tax benefit recorded in the prior year following a methodology change related to loyalty costs. In each period, the effective tax rate differs from the applicable U.S. federal statutory rate 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, 2019, for each of our sales platforms.

Beginning in the first quarter of 2019, our oil and gas retail credit programs, previously reported within our Retail Card sales platform, are now reported within our Payment Solutions sales platform. We have recast all prior-period reported metrics for our Retail Card and Payment Solutions sales platforms to conform to the current-period presentation.

Retail Card

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	**2019**	**2018**	**2019**	**2018**
Purchase volume	$ 29,530	$ 25,926	$ 54,190	$ 48,067
Period-end loan receivables	$ 52,307	$ 51,473	$ 52,307	$ 51,473
Average loan receivables, including held for sale	$ 59,861	$ 51,011	$ 60,409	$ 51,628
Average active accounts (in thousands)	57,212	51,680	58,132	52,769
Interest and fees on loans	$ 3,390	$ 2,915	$ 6,844	$ 5,930
Retailer share arrangements	$ (836)	$ (637)	$ (1,776)	$ (1,345)
Other income	$ 59	$ 54	$ 135	$ 123

Retail Card interest and fees on loans increased by $475 million, or 16.3%, and $914 million, or 15.4%, for the three and six months ended June 30, 2019, respectively. The increase was primarily the result of growth in average loan receivables largely driven by the PayPal Credit acquisition.

Retailer share arrangements increased by $199 million, or 31.2%, and $431 million, or 32.0%, for the three and six months ended June 30, 2019, respectively, primarily as a result of the factors discussed under the heading "*Retailer Share Arrangements*" above.

Other income increased by $5 million, or 9.3%, and $12.0 million, or 9.8%, for the three and six months ended June 30, 2019, primarily as a result of the factors discussed under the heading "*Other Income*" above.

Payment Solutions

($ in millions)	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Purchase volume	$ 5,948	$ 5,702	$ 11,197	$ 10,766
Period-end loan receivables	$ 19,766	$ 18,320	$ 19,766	$ 18,320
Average loan receivables	$ 19,409	$ 17,978	$ 19,453	$ 18,014
Average active accounts (in thousands)	12,227	11,845	12,321	11,934
Interest and fees on loans	$ 685	$ 644	$ 1,371	$ 1,287
Retailer share arrangements	$ (21)	$ (14)	$ (33)	$ (24)
Other income	$ 11	$ (2)	$ 12	$ (4)

Payment Solutions interest and fees on loans increased by $41 million, or 6.4%, and $84 million, or 6.5%, for the three and six months ended June 30, 2019, respectively. The increase was primarily driven by growth in average loan receivables.

CareCredit

($ in millions)	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Purchase volume	$ 2,813	$ 2,640	$ 5,417	$ 5,061
Period-end loan receivables	$ 9,723	$ 9,086	$ 9,723	$ 9,086
Average loan receivables	$ 9,522	$ 8,864	$ 9,482	$ 8,826
Average active accounts (in thousands)	6,086	5,819	6,092	5,837
Interest and fees on loans	$ 561	$ 522	$ 1,108	$ 1,036
Retailer share arrangements	$ (2)	$ (2)	$ (4)	$ (4)
Other income	$ 20	$ 11	$ 35	$ 19

CareCredit interest and fees on loans increased by $39 million, or 7.5%, and $72 million, or 6.9%, for the three and six months ended June 30, 2019, respectively. The increase was primarily driven by growth in average loan receivables.

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.

($ in millions)	At June 30, 2019	(%)	At December 31, 2018	(%)
Loans				
Credit cards	$ 78,446	96.0 %	$ 89,994	96.6 %
Consumer installment loans	1,983	2.4	1,845	2.0
Commercial credit products	1,328	1.6	1,260	1.4
Other	39	—	40	—
Total loans	$ 81,796	100.0 %	$ 93,139	100.0 %

Loan receivables decreased by $11.3 billion, or 12.2%, at June 30, 2019 compared to December 31, 2018, primarily driven by the reclassification of $8.1 billion of loan receivables associated with the Walmart portfolio to loan receivables held for sale and the seasonality of our business.

Loan receivables increased by $2.9 billion, or 3.7%, at June 30, 2019 compared to June 30, 2018, primarily driven by the PayPal Credit acquisition, higher purchase volume and average active account growth, partially offset by the reclassification of the Walmart portfolio to loan receivables held for sale.

Our loan receivables portfolio had the following geographic concentration at June 30, 2019.

($ in millions) State	Loan Receivables Outstanding	% of Total Loan Receivables Outstanding
California	$ 8,668	10.6 %
Texas	$ 8,098	9.9 %
Florida	$ 6,846	8.4 %
New York	$ 4,698	5.7 %
Pennsylvania	$ 3,401	4.2 %

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 use long-term modification programs for borrowers experiencing financial difficulty as a loss mitigation strategy to improve long-term collectability of the loans that are classified as TDRs. The long-term program involves changing the structure of the loan to a fixed payment loan with a maturity no longer than 60 months and reducing the interest rate on the loan. The long-term program does not normally provide for the forgiveness of unpaid principal, but may allow for the reversal of certain unpaid interest or fee assessments. We also make loan modifications for 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. 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.

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, 2019	At December 31, 2018
Non-accrual loan receivables[1]	$ 4	$ 5
Loans contractually 90 days past-due and still accruing interest	1,759	2,116
Earning TDRs[2]	931	1,085
Non-accrual, past-due and restructured loan receivables	$ 2,694	$ 3,206

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(1) Excludes purchase credit impaired ("PCI") loan receivables.

(2) At June 30, 2019 and December 31, 2018, balances exclude $132 million and $122 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, 2019 and 2018.

($ in millions)	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Gross amount of interest income that would have been recorded in accordance with the original contractual terms	$ 66	$ 65	$ 130	$ 127
Interest income recognized	11	12	22	24
Total interest income foregone	$ 55	$ 53	$ 108	$ 103

Delinquencies

Over-30 day loan delinquencies as a percentage of period-end loan receivables increased to 4.43% at June 30, 2019 from 4.17% at June 30, 2018, and decreased from 4.76% at December 31, 2018. The increase was primarily driven by the reclassification of loan receivables related to the Walmart portfolio to loan receivables held for sale. The decrease as compared to December 31, 2018 was due to the seasonality of our business partially offset by the increase related to the Walmart portfolio discussed 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, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Ratio of net charge-offs to average loan receivables, including held for sale	6.01 %	5.97 %	6.04 %	6.06 %

Allowance for Loan Losses

The allowance for loan losses totaled $5,809 million at June 30, 2019, compared with $6,427 million at December 31, 2018 and $5,859 million at June 30, 2018, 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 7.10% at June 30, 2019, from 6.90% at December 31, 2018 and decreased from 7.43% at June 30, 2018. The increase from December 31, 2018 is primarily driven by the seasonality of our business. The decrease compared to the prior year is primarily driven by the reclassification of loan receivables associated with the Walmart portfolio to loan receivables held for sale. See *"Business Trends and Conditions — Asset Quality"* in our 2018 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, 2019	Provision charged to operations	Gross charge-offs	Recoveries	Balance at June 30, 2019
Credit cards	$ 5,840	$ 1,169	$ (1,568)	$ 261	$ 5,702
Consumer installment loans	47	13	(14)	4	50
Commercial credit products	54	14	(15)	2	55
Other	1	2	(1)	—	2
Total	$ 5,942	$ 1,198	$ (1,598)	$ 267	$ 5,809

($ in millions)	Balance at April 1, 2018	Provision charged to operations	Gross charge-offs	Recoveries	Balance at June 30, 2018
Credit cards	$ 5,640	$ 1,255	$ (1,375)	$ 237	$ 5,757
Consumer installment loans	45	14	(12)	4	51
Commercial credit products	52	11	(14)	1	50
Other	1	—	—	—	1
Total	$ 5,738	$ 1,280	$ (1,401)	$ 242	$ 5,859

($ in millions)	Balance at January 1, 2019	Provision charged to operations	Gross charge-offs	Recoveries	Balance at June 30, 2019
Credit cards	$ 6,327	$ 2,001	$ (3,162)	$ 536	$ 5,702
Consumer installment loans	44	28	(31)	9	50
Commercial credit products	55	26	(29)	3	55
Other	1	2	(1)	—	2
Total	$ 6,427	$ 2,057	$ (3,223)	$ 548	$ 5,809

($ in millions)	Balance at January 1, 2018	Provision charged to operations	Gross charge-offs	Recoveries	Balance at June 30, 2018
Credit cards	$ 5,483	$ 2,589	$ (2,747)	$ 432	$ 5,757
Consumer installment loans	40	30	(27)	8	51
Commercial credit products	50	23	(26)	3	50
Other	1	—	—	—	1
Total	$ 5,574	$ 2,642	$ (2,800)	$ 443	$ 5,859

Funding, Liquidity and Capital Resources

We maintain a strong focus on liquidity and capital. Our funding, liquidity and capital policies are designed to ensure that our business has the liquidity and capital resources to support our daily operations, our business growth, our credit ratings and our regulatory and policy requirements, in a cost effective and prudent manner through expected and unexpected market environments.

Funding Sources

Our primary funding sources include cash from operations, deposits (direct and brokered deposits), securitized financings and senior unsecured notes.

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

	2019			2018		
Three months ended June 30 ($ in millions)	Average Balance	%	Average Rate	Average Balance	%	Average Rate
Deposits[(1)]	$ 64,226	75.1%	2.5%	$ 57,303	73.2%	1.9%
Securitized financings	11,785	13.8	3.1	11,821	15.1	2.7
Senior unsecured notes	9,543	11.1	4.0	9,114	11.7	3.7
Total	$ 85,554	100.0%	2.7%	$ 78,238	100.0%	2.2%

(1) Excludes $271 million and $270 million average balance of non-interest-bearing deposits for the three months ended June 30, 2019 and 2018, respectively. Non-interest-bearing deposits comprise less than 10% of total deposits for the three months ended June 30, 2019 and 2018.

Six months ended June 30 ($ in millions)	2019 Average Balance	2019 %	2019 Average Rate	2018 Average Balance	2018 %	2018 Average Rate
Deposits[1]	$ 64,002	74.6%	2.4%	$ 56,832	73.0%	1.9%
Securitized financings	12,592	14.7	3.0	12,114	15.5	2.6
Senior unsecured notes	9,219	10.7	4.0	8,955	11.5	3.7
Total	$ 85,813	100.0%	2.7%	$ 77,901	100.0%	2.2%

(1) Excludes $278 million and $285 million average balance of non-interest-bearing deposits for the six months ended June 30, 2019 and 2018, respectively. Non-interest-bearing deposits comprise less than 10% of total deposits for the six months ended June 30, 2019 and 2018.

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, 2019, we had $52.8 billion in direct deposits and $12.8 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 11 brokers that offer our deposits through their networks. Our brokered deposits consist primarily of certificates of deposit that bear interest at a fixed rate and at June 30, 2019, had a weighted average remaining life of 2.2 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, such as 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:

Three months ended June 30 ($ in millions)	2019 Average Balance	2019 % of Total	2019 Average Rate	2018 Average Balance	2018 % of Total	2018 Average Rate
Direct deposits:						
Certificates of deposit (including IRA certificates of deposit)	$ 33,492	52.2%	2.5%	$ 26,906	46.9%	1.9%
Savings accounts (including money market accounts)	18,628	29.0	2.2	18,206	31.8	1.6
Brokered deposits	12,106	18.8	2.8	12,191	21.3	2.5
Total interest-bearing deposits	$ 64,226	100.0%	2.5%	$ 57,303	100.0%	1.9%

Six months ended June 30 ($ in millions)	2019 Average Balance	2019 % of Total	2019 Average Rate	2018 Average Balance	2018 % of Total	2018 Average Rate
Direct deposits:						
Certificates of deposit (including IRA certificates of deposit)	$ 32,662	51.1%	2.5%	$ 26,467	46.6%	1.8%
Savings accounts (including money market accounts)	18,509	28.9	2.2	18,011	31.7	1.5
Brokered deposits	12,831	20.0	2.7	12,354	21.7	2.4
Total interest-bearing deposits	$ 64,002	100.0%	2.4%	$ 56,832	100.0%	1.9%

Our deposit liabilities provide funding with maturities ranging from one day to ten years. At June 30, 2019, the weighted average maturity of our interest-bearing time deposits was 1.2 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, 2019.

($ in millions)	3 Months or Less	Over 3 Months but within 6 Months	Over 6 Months but within 12 Months	Over 12 Months	Total
U.S. deposits (less than $100,000)(1)	$ 10,329	$ 2,833	$ 7,603	$ 7,940	$ 28,705
U.S. deposits ($100,000 or more)					
Direct deposits:					
Certificates of deposit (including IRA certificates of deposit)	4,199	2,475	11,420	3,768	21,862
Savings accounts (including money market accounts)	13,301	—	—	—	13,301
Brokered deposits:					
Sweep accounts	1,777	—	—	—	1,777
Total	$ 29,606	$ 5,308	$ 19,023	$ 11,708	$ 65,645

(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”) and the Synchrony Card Issuance Trust (“SYNIT”) 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 costs at June 30, 2019.

($ in millions)	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]	$ 3,037	$ 3,202	$ 1,590	$ —	$ 7,829
SFT	—	1,025	—	—	1,025
SYNIT[1]	—	3,100	—	—	3,100
Total long-term borrowings—owed to securitization investors	$ 3,037	$ 7,327	$ 1,590	$ —	$ 11,954

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

We retain exposure to the performance of trust assets through: (i) in the case of SYNCT, SFT and SYNIT, subordinated retained interests in the loan receivables transferred to the trust in excess of the principal amount of the notes for a given series to provide credit enhancement for a particular series, as well as a pari passu seller's interest in each trust and (ii) in the case of SYNCT and SYNIT, subordinated classes of notes that we own.

All of our securitized financings include early repayment triggers, referred to as early amortization events, including events related to material breaches of representations, warranties or covenants, inability or failure of the Bank to transfer loan receivables to the trusts as required under the securitization documents, failure to make required payments or deposits pursuant to the securitization documents, and certain insolvency-related events with respect to the related securitization depositor, Synchrony (solely with respect to SYNCT) or the Bank. In addition, an early amortization event will occur with respect to a series if the excess spread as it relates to a particular series or for the trust, as applicable, falls below zero. Following an early amortization event, principal collections on the loan receivables in the applicable trust are applied to repay principal of the trust's asset-backed securities rather than being available on a revolving basis to fund the origination activities of our business. The occurrence of an early amortization event also would limit or terminate our ability to issue future series out of the trust in which the early amortization event occurred. No early amortization event has occurred with respect to any of the securitized financings in SYNCT, SFT or SYNIT.

The following table summarizes for each of our trusts the three-month rolling average excess spread at June 30, 2019.

	Note Principal Balance ($ in millions)	# of Series Outstanding	Three-Month Rolling Average Excess Spread[1]
SYNCT[2]	$ 8,541	12	~14.4% to 16.1%
SFT	$ 1,025	10	12.3%
SYNIT[2]	$ 3,115	5	~14.9% to 15.6%

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(1) Represents the excess spread (generally calculated as interest income collected from the applicable pool of loan receivables less applicable net charge-offs, interest expense and servicing costs, divided by the aggregate principal amount of loan receivables in the applicable pool) for SFT or, in the case of SYNCT and SYNIT, a range of the excess spreads relating to the particular series issued within each trust and omitting any series that have not been outstanding for at least three full monthly periods, in each case calculated in accordance with the applicable trust or series documentation, for the three securitization monthly periods ended June 30, 2019.

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

Senior Unsecured Notes

The following table provides a summary of our outstanding senior unsecured notes at June 30, 2019, which includes $1.25 billion of senior unsecured notes issued during the three months ended March 31, 2019.

Issuance Date	Interest Rate[(1)]	Maturity	Principal Amount Outstanding[(2)]
($ in millions)			
Fixed rate senior unsecured notes:			
Synchrony Financial			
August 2014	3.000%	August 2019	$ 600
August 2014	3.750%	August 2021	750
August 2014	4.250%	August 2024	1,250
February 2015	2.700%	February 2020	750
July 2015	4.500%	July 2025	1,000
August 2016	3.700%	August 2026	500
December 2017	3.950%	December 2027	1,000
March 2019	4.375%	March 2024	600
March 2019	5.150%	March 2029	650
Synchrony Bank			
June 2017	3.000%	June 2022	750
May 2018	3.650%	May 2021	750
Total fixed rate senior unsecured notes			$ 8,600
Floating rate senior unsecured notes:			
Synchrony Financial			
February 2015	Three-month LIBOR plus 1.23%	February 2020	$ 250
Synchrony Bank			
January 2018	Three-month LIBOR plus 0.625%	March 2020	500
Total floating rate senior unsecured notes			$ 750

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(1) Weighted average interest rate of all senior unsecured notes atJune 30, 2019 was 3.81%.
(2) The amounts shown exclude unamortized debt discount, premiums and issuance cost.

In addition to the issuances above, on July 25, 2019, we issued a total of $750 million principal amount of 2.850% senior unsecured notes due 2022.

Short-Term Borrowings

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

Other

At June 30, 2019, 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, 2019.

At June 30, 2019, we were not in default under any of our credit facilities or senior unsecured notes.

Credit Ratings

Our borrowing costs and capacity in certain funding markets, including securitizations and senior and subordinated debt, may be affected by the credit ratings of the Company, the Bank and the ratings of our asset-backed securities.

The table below reflects our current credit ratings and outlooks:

	S&P	Fitch Ratings
Synchrony Financial		
Senior unsecured debt	BBB-	BBB-
Outlook for Synchrony Financial senior unsecured debt	Stable	Stable
Synchrony Bank		
Senior unsecured debt	BBB	BBB-
Outlook for Synchrony Bank senior unsecured debt	Stable	Stable

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

Liquidity

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

We maintain policies outlining the overall framework and general principles for managing liquidity risk across our business, which is the responsibility of our Asset and Liability Management Committee, a subcommittee of 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, 2019 had $16.7 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 $14.8 billion of liquid assets at December 31, 2018. The increase in liquid assets was primarily due to the retention of excess cash flows from operations and the seasonality of our business, partially offset by the deployment of capital through the execution of our capital plan.

As additional sources of liquidity, at June 30, 2019, we had an aggregate of $6.6 billion of undrawn committed capacity on our securitized financings, subject to customary borrowing conditions, from private lenders under our securitization programs and $0.5 billion of undrawn committed capacity under our unsecured revolving credit facility with private lenders, and we had more than $25.0 billion of unencumbered assets in the Bank available to be used to generate additional liquidity through secured borrowings or asset sales or to be pledged to the Federal Reserve Board for credit at the discount window.

As a general matter, investments included in our liquidity portfolio are expected to be highly liquid, giving us the ability to readily convert them to cash. The level and composition of our liquidity portfolio may fluctuate based upon the level of expected maturities of our funding sources as well as operational requirements and market conditions.

We rely significantly on dividends and other distributions and payments from the Bank for liquidity; however, bank regulations, contractual restrictions and other factors limit the amount of dividends and other distributions and payments that the Bank may pay to us. For a discussion of regulatory restrictions on the Bank's ability to pay dividends, see "*Regulation—Risk Factors Relating to Regulation—We are subject to restrictions that limit our ability to pay dividends and repurchase our common stock; the Bank is subject to restrictions that limit its ability to pay dividends to us, which could limit our ability to pay dividends, repurchase our common stock or make payments on our indebtedness*" and "*Regulation—Regulation Relating to Our Business—Savings Association Regulation—Dividends and Stock Repurchases*" in our 2018 Form 10-K.

Debt Securities

The following discussion provides supplemental information regarding our debt securities portfolio. All of our debt securities are classified as available-for-sale at June 30, 2019 and December 31, 2018, and are held to meet our liquidity objectives and to comply with the Community Reinvestment Act. Debt 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 debt securities at the dates indicated:

	At June 30, 2019		At December 31, 2018	
($ in millions)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
U.S. government and federal agency	$ 2,813	$ 2,816	$ 2,889	$ 2,888
State and municipal	48	47	50	48
Residential mortgage-backed	1,118	1,107	1,180	1,139
Asset-backed	2,174	2,177	1,988	1,985
U.S. corporate debt	—	—	2	2
Total	$ 6,153	$ 6,147	$ 6,109	$ 6,062

Unrealized gains and losses, net of the related tax effects, on available-for-sale debt 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, 2019, our debt securities had gross unrealized gains of $11 million and gross unrealized losses of $17 million. At December 31, 2018, our debt securities had gross unrealized gains of $1 million and gross unrealized losses of $48 million.

Our debt securities portfolio had the following maturity distribution at June 30, 2019.

($ in millions)	Due in 1 Year or Less	Due After 1 through 5 Years	Due After 5 through 10 Years	Due After 10 years	Total
U.S. government and federal agency	$ 2,816	$ —	$ —	$ —	$ 2,816
State and municipal	—	1	4	42	47
Residential mortgage-backed	—	—	141	966	1,107
Asset-backed	1,659	518	—	—	2,177
Total(1)	$ 4,475	$ 519	$ 145	$ 1,008	$ 6,147
Weighted average yield(2)	2.4 %	2.6 %	3.2 %	2.9 %	2.5 %

(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, 2019, 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.

Capital

Our primary sources of capital have been earnings generated by our business and existing equity capital. We seek to manage capital to a level and composition sufficient to support the risks of our business, meet regulatory requirements, adhere to rating agency targets and support future business growth. The level, composition and utilization of capital are influenced by changes in the economic environment, strategic initiatives and legislative and regulatory developments. Within these constraints, we are focused on deploying capital in a manner that will provide attractive returns to our stockholders.

Synchrony is not currently required to conduct stress tests. See " *Regulation—Regulation Relating to Our Business—Legislative and Regulatory Developments* " in our 2018 Form 10-K. 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 2019.

Dividend and Share Repurchases

Cash Dividends Declared	Month of Payment	Amount per Common Share	Amount
($ in millions, except per share data)			
Three months ended March 31, 2019	February, 2019	$ 0.21	$ 150
Three months ended June 30, 2019	May, 2019	0.21	145
Total dividends declared		$ 0.42	$ 295

On May 9, 2019, we announced that our Board plans to increase our quarterly dividend to $0.22 per common share commencing in the third quarter of 2019. 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. For a discussion of regulatory and other restrictions on our ability to pay dividends and repurchase stock, see "*Regulation—Risk Factors Relating to Regulation—We are subject to restrictions that limit our ability to pay dividends and repurchase our common stock; the Bank is subject to restrictions that limit its ability to pay dividends to us, which could limit our ability to pay dividends, repurchase our common stock or make payments on our indebtedness*" in our 2018 Form 10-K.

Shares Repurchased Under Publicly Announced Programs	Total Number of Shares Purchased	Dollar Value of Shares Purchased
($ and shares in millions)		
Three months ended March 31, 2019	30.9	$ 966
Three months ended June 30, 2019	21.1	$ 725
Total	52.0	$ 1,691

In March 2019, we completed our 2018 Share Repurchase Program of $2.2 billion. On May 9, 2019, we announced our Board's approval of a new share repurchase program of up to $4.0 billion through June 30, 2020 (the "2019 Share Repurchase Program").

Through the end of the second quarter of 2019, we have repurchased $725 million of common stock as part of the 2019 Share Repurchase Program and expect to complete the share repurchase program by the end of the second quarter of 2020. 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 2018 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, 2019, Synchrony Financial met all the requirements to be deemed well-capitalized.

The following table sets forth the composition of our capital ratios for the Company calculated under the Basel III Standardized Approach rules at June 30, 2019 and December 31, 2018, respectively.

	Basel III					
	At June 30, 2019			At December 31, 2018		
($ in millions)	Amount		Ratio[(1)]	Amount		Ratio[(1)]
Total risk-based capital	$	13,893	15.6%	$	14,013	15.3%
Tier 1 risk-based capital	$	12,724	14.3%	$	12,801	14.0%
Tier 1 leverage	$	12,724	12.4%	$	12,801	12.3%
Common equity Tier 1 capital	$	12,724	14.3%	$	12,801	14.0%
Risk-weighted assets	$	88,890		$	91,742	

(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 reductions in reserves for loan losses associated with the Walmart portfolio, as well as the seasonal decrease in loan receivables and a corresponding decrease in risk-weighted assets in the six months ended June 30, 2019. These changes were partially offset by share repurchases and dividend payments.

Regulatory Capital Requirements - Synchrony Bank

At June 30, 2019 and December 31, 2018, the Bank met all applicable requirements to be deemed well-capitalized pursuant to OCC regulations and for purposes of the Federal Deposit Insurance Act. The following table sets forth the composition of the Bank's capital ratios calculated under the Basel III Standardized Approach rules at June 30, 2019 and December 31, 2018.

	At June 30, 2019			At December 31, 2018			Minimum to be Well-Capitalized under Prompt Corrective Action Provisions
($ in millions)	Amount		Ratio	Amount		Ratio	Ratio
Total risk-based capital	$	12,091	15.8%	$	12,258	15.4%	10.0%
Tier 1 risk-based capital	$	11,081	14.5%	$	11,207	14.1%	8.0%
Tier 1 leverage	$	11,081	12.3%	$	11,207	12.4%	5.0%
Common equity Tier 1 capital	$	11,081	14.5%	$	11,207	14.1%	6.5%

Failure to meet minimum capital requirements can result in the initiation of certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could limit our business activities and have a material adverse effect on our business, results of operations and financial condition. See "*Regulation—Risk Factors Relating to Regulation—Failure by Synchrony and the Bank to meet applicable capital adequacy and liquidity requirements could have a material adverse effect on us*" in our 2018 Form 10-K.

Off-Balance Sheet Arrangements and Unfunded Lending Commitments

We do not have any material off-balance sheet arrangements, including guarantees of third-party obligations. Guarantees are contracts or indemnification agreements that contingently require us to make a guaranteed payment or perform an obligation to a third-party based on certain trigger events. At June 30, 2019, we had not recorded any contingent liabilities in our Condensed Consolidated Statement of Financial Position related to any guarantees. See Note 9 - *Fair Value Measurements* to our condensed consolidated financial statements for information on contingent consideration liabilities related to business acquisitions.

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 and fair value measurements. These estimates reflect our best judgment about current, and for some estimates future, economic and market conditions and their effects based on information available as of the date of these financial statements. If these conditions change from those expected, it is reasonably possible that these judgments and estimates could change, which may result in incremental losses on loan receivables, or material changes to our Condensed Consolidated Statement of Financial Position, among other effects. See "*Management's Discussion and Analysis—Critical Accounting Estimates*" in our 2018 Form 10-K, for a detailed discussion of these critical accounting estimates.

New Accounting Standards

Current Expected Credit Loss

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments, which is effective for the Company on January 1, 2020. 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.

We continue to test and refine our estimation models and methodology, assess and develop our internal processes and systems, as well as evaluate the impact on our financial statement disclosures. While we continue to assess the impact CECL will have on January 1, 2020, given the change to expected losses for the estimated life of the financial asset and other significant differences compared to existing GAAP, we estimate that had we adopted this standard at June 30, 2019, this would have resulted in an increase of approximately 50% to 60% to the Company's allowance for loan losses. Such estimate is provided to enhance investors' understanding of the potential effects of CECL to our company, and is based on our preliminary analysis, current economic conditions and expectations at June 30, 2019. This preliminary estimate is contingent upon continued testing and refinement of models, methodologies and judgments, as well as ongoing discussions with our banking regulators. We also expect a decrease in the Company's regulatory capital as a result of adoption. Further, the extent of the actual impact of the adoption of CECL at the effective date will depend on the size and asset quality of the portfolio, and economic conditions and forecasts at adoption.

See Note 2. *Basis of Presentation and Summary of Significant Accounting Policies — New Accounting Standards* , for additional information related to CECL and other recent accounting pronouncements.

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 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 2018 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,	
($ in millions, except per share data)	**2019**	**2018**	**2019**	**2018**
Interest income:				
Interest and fees on loans (Note 4)	$ 4,636	$ 4,081	$ 9,323	$ 8,253
Interest on cash and debt securities	102	93	201	165
Total interest income	4,738	4,174	9,524	8,418
Interest expense:				
Interest on deposits	397	273	772	522
Interest on borrowings of consolidated securitization entities	90	80	190	154
Interest on senior unsecured notes	96	84	181	163
Total interest expense	583	437	1,143	839
Net interest income	4,155	3,737	8,381	7,579
Retailer share arrangements	(859)	(653)	(1,813)	(1,373)
Provision for loan losses (Note 4)	1,198	1,280	2,057	2,642
Net interest income, after retailer share arrangements and provision for loan losses	2,098	1,804	4,511	3,564
Other income:				
Interchange revenue	194	177	359	335
Debt cancellation fees	69	66	137	132
Loyalty programs	(192)	(192)	(359)	(347)
Other	19	12	45	18
Total other income	90	63	182	138
Other expense:				
Employee costs	358	351	711	709
Professional fees	231	177	463	343
Marketing and business development	135	110	258	231
Information processing	123	99	236	203
Other	212	238	434	477
Total other expense	1,059	975	2,102	1,963
Earnings before provision for income taxes	1,129	892	2,591	1,739
Provision for income taxes (Note 12)	276	196	631	403
Net earnings	$ 853	$ 696	$ 1,960	$ 1,336
Earnings per share				
Basic	$ 1.25	$ 0.93	$ 2.82	$ 1.76
Diluted	$ 1.24	$ 0.92	$ 2.81	$ 1.75

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2019	2018	2019	2018
Net earnings	$ 853	$ 696	$ 1,960	$ 1,336
Other comprehensive income (loss)				
Debt securities	15	(4)	32	(24)
Currency translation adjustments	(1)	(3)	1	(6)
Employee benefit plans	(1)	—	(1)	1
Other comprehensive income (loss)	13	(7)	32	(29)
Comprehensive income	$ 866	$ 689	$ 1,992	$ 1,307

Amounts presented net of taxes.

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Financial Position (Unaudited)

($ in millions)	At June 30, 2019	At December 31, 2018
Assets		
Cash and equivalents	$ 11,755	$ 9,396
Debt securities (Note 3)	6,147	6,062
Loan receivables: (Notes 4 and 5)		
Unsecuritized loans held for investment	55,178	64,969
Restricted loans of consolidated securitization entities	26,618	28,170
Total loan receivables	81,796	93,139
Less: Allowance for loan losses	(5,809)	(6,427)
Loan receivables, net	75,987	86,712
Loan receivables held for sale (Note 4)	8,096	—
Goodwill	1,078	1,024
Intangible assets, net (Note 6)	1,215	1,137
Other assets	2,110	2,461
Total assets	$ 106,388	$ 106,792
Liabilities and Equity		
Deposits: (Note 7)		
Interest-bearing deposit accounts	$ 65,382	$ 63,738
Non-interest-bearing deposit accounts	263	281
Total deposits	65,645	64,019
Borrowings: (Notes 5 and 8)		
Borrowings of consolidated securitization entities	11,941	14,439
Senior unsecured notes	9,303	9,557
Total borrowings	21,244	23,996
Accrued expenses and other liabilities	4,765	4,099
Total liabilities	$ 91,654	$ 92,114
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, 2019 and December 31, 2018; 668,908,144 and 718,758,598 shares outstanding at June 30, 2019 and December 31, 2018, respectively	$ 1	$ 1
Additional paid-in capital	9,500	9,482
Retained earnings	10,627	8,986
Accumulated other comprehensive income (loss):		
Debt securities	(5)	(32)
Currency translation adjustments	(27)	(25)
Other	(11)	(5)
Treasury Stock, at cost; 165,076,540 and 115,226,086 shares at June 30, 2019 and December 31, 2018, respectively	(5,351)	(3,729)
Total equity	14,734	14,678
Total liabilities and equity	$ 106,388	$ 106,792

See accompanying notes to condensed consolidated financial statements.

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

	Common Stock						
($ in millions, shares in thousands)	Shares Issued	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
Balance at January 1, 2018	833,985	$ 1	$ 9,445	$ 6,809	$ (64)	$ (1,957)	$ 14,234
Net earnings	—	—	—	640	—	—	640
Other comprehensive income	—	—	—	—	(22)	—	(22)
Purchases of treasury stock	—	—	—	—	—	(410)	(410)
Stock-based compensation	—	—	25	(1)	—	4	28
Dividends - common stock ($0.15 per share)	—	—	—	(114)	—	—	(114)
Balance at March 31, 2018	833,985	$ 1	$ 9,470	$ 7,334	$ (86)	$ (2,363)	$ 14,356
Net earnings	—	—	—	696	—	—	696
Other comprehensive income	—	—	—	—	(7)	—	(7)
Purchases of treasury stock	—	—	—	—	—	(491)	(491)
Stock-based compensation	—	—	16	(11)	—	12	17
Dividends - common stock ($0.15 per share)	—	—	—	(113)	—	—	(113)
Balance at June 30, 2018	833,985	$ 1	$ 9,486	$ 7,906	$ (93)	$ (2,842)	$ 14,458
Balance at January 1, 2019	833,985	$ 1	$ 9,482	$ 8,986	$ (62)	$ (3,729)	$ 14,678
Net earnings	—	—	—	1,107	—	—	1,107
Other comprehensive income	—	—	—	—	19	—	19
Purchases of treasury stock	—	—	—	—	—	(967)	(967)
Stock-based compensation	—	—	7	(17)	—	32	22
Dividends - common stock ($0.21 per share)	—	—	—	(150)	—	—	(150)
Other	—	—	—	13	(13)	—	—
Balance at March 31, 2019	833,985	$ 1	$ 9,489	$ 9,939	$ (56)	$ (4,664)	$ 14,709
Net earnings	—	—	—	853	—	—	853
Other comprehensive income	—	—	—	—	13	—	13
Purchases of treasury stock	—	—	—	—	—	(725)	(725)
Stock-based compensation	—	—	11	(20)	—	38	29
Dividends - common stock ($0.21 per share)	—	—	—	(145)	—	—	(145)
Balance at June 30, 2019	833,985	$ 1	$ 9,500	$ 10,627	$ (43)	$ (5,351)	$ 14,734

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Six months ended June 30,	
($ in millions)	**2019**	**2018**
Cash flows - operating activities		
Net earnings	$ 1,960	$ 1,336
Adjustments to reconcile net earnings to cash provided from operating activities		
Provision for loan losses	2,057	2,642
Deferred income taxes	135	(11)
Depreciation and amortization	179	144
(Increase) decrease in interest and fees receivable	(133)	16
(Increase) decrease in other assets	(65)	(112)
Increase (decrease) in accrued expenses and other liabilities	(162)	(256)
All other operating activities	284	322
Cash provided from (used for) operating activities	4,255	4,081
Cash flows - investing activities		
Maturity and sales of debt securities	4,097	2,668
Purchases of debt securities	(4,224)	(5,009)
Net (increase) decrease in loan receivables, including held for sale	1,093	330
All other investing activities	(338)	(263)
Cash provided from (used for) investing activities	628	(2,274)
Cash flows - financing activities		
Borrowings of consolidated securitization entities		
Proceeds from issuance of securitized debt	3,045	2,121
Maturities and repayment of securitized debt	(5,547)	(2,451)
Senior unsecured notes		
Proceeds from issuance of senior unsecured notes	1,240	1,244
Maturities and repayment of senior unsecured notes	(1,500)	—
Net increase (decrease) in deposits	1,616	2,484
Purchases of treasury stock	(1,692)	(901)
Dividends paid on common stock	(295)	(227)
All other financing activities	19	(4)
Cash provided from (used for) financing activities	(3,114)	2,266
Increase (decrease) in cash and equivalents, including restricted amounts	1,769	4,073
Cash and equivalents, including restricted amounts, at beginning of period	10,376	11,817
Cash and equivalents at end of period:		
Cash and equivalents	11,755	15,675
Restricted cash and equivalents included in other assets	390	215
Total cash and equivalents, including restricted amounts, at end of period	$ 12,145	$ 15,890

See accompanying notes to condensed consolidated financial statements.

NOTE 1. BUSINESS DESCRIPTION

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

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 debt securities, goodwill and intangible assets, increases in reserves for contingencies, establishment of valuation allowances on deferred tax assets and increases in our tax liabilities.

We primarily conduct our 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 2018 annual consolidated financial statements and the related notes in our Annual Report on Form 10-K for the year ended December 31, 2018 (our "2018 Form 10-K").

New Accounting Standards

Newly Adopted Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The ASU requires lessees to recognize most leases on their balance sheet. Leases which are identified as capital leases, are now generally identified as financing leases under the new guidance but otherwise their accounting treatment remains relatively unchanged. Leases identified as operating leases generally remain in that category under the new standard, but both a right-of-use asset and a liability for the remaining lease payments are required to be recognized on our statement of financial position. We adopted this guidance retrospectively in the current year as of January 1, 2019, which did not have a material impact on our consolidated financial statements.

Recently Issued But Not Yet Adopted Accounting Standards

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 permits the use of judgment in determining an approach which is most appropriate for the Company, based on their facts and circumstances. 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. Upon origination of a loan, the estimate of expected credit losses, and any subsequent changes to such estimate, will be recorded through provision for loan losses in our Consolidated Statement of Earnings.

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. We plan to adopt the standard on its effective date, which for us is January 1, 2020. Upon adoption, the amendments in this standard will be recognized through a cumulative-effect adjustment to retained earnings.

We have created a company-wide approach to evaluating the effects of implementing this standard. We continue to test and refine the related estimation models to meet the requirements of the standard and have commenced parallel testing on our core model. We are finalizing the evaluation of key accounting interpretations and the period for which reasonable and supportable forecasts can be made, prior to reverting to historical loss experience for the remaining life of the loan. As we finalize the estimation models and technical decisions, as well as ongoing discussions with our banking regulators, we expect to perform additional parallel tests, including running the full estimation framework prior to adoption.

We continue to assess and develop our internal processes and systems, in addition to evaluating the impact on our financial statement disclosures. We expect that the impact of adopting this new standard at the effective date will result in a material increase to the Company’s allowance for loan losses and result in a decrease in regulatory capital. The extent of the impact of the adoption of CECL at the effective date will depend on the size and asset quality of the portfolio, and economic conditions and forecasts at adoption, as well as any refinements to our models, methodology and other assumptions.

See Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* to our 2018 annual consolidated financial statements in our 2018 Form 10-K, for additional information on our significant accounting policies.

NOTE 3. DEBT SECURITIES

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

	June 30, 2019				December 31, 2018			
($ in millions)	**Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Estimated fair value**	**Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Estimated fair value**
U.S. government and federal agency	$ 2,813	$ 3	$ —	$ 2,816	$ 2,889	$ —	$ (1)	$ 2,888
State and municipal	48	—	(1)	47	50	—	(2)	48
Residential mortgage-backed[(a)]	1,118	5	(16)	1,107	1,180	1	(42)	1,139
Asset-backed[(b)]	2,174	3	—	2,177	1,988	—	(3)	1,985
U.S. corporate debt	—	—	—	—	2	—	—	2
Total	$ 6,153	$ 11	$ (17)	$ 6,147	$ 6,109	$ 1	$ (48)	$ 6,062

(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, 2019 and December 31, 2018, $343 million and $313 million of residential mortgage-backed securities, respectively, are pledged by the Bank as collateral to the Federal Reserve to secure Federal Reserve Discount Window advances.
(b) All of our asset-backed securities are collateralized by credit card loans.

The following table presents the estimated fair values and gross unrealized losses of our available-for-sale debt securities:

	In loss position for			
	Less than 12 months		12 months or more	
($ in millions)	**Estimated fair value**	**Gross unrealized losses**	**Estimated fair value**	**Gross unrealized losses**
At June 30, 2019				
U.S. government and federal agency	$ —	$ —	$ —	$ —
State and municipal	—	—	27	(1)
Residential mortgage-backed	22	—	792	(16)
Asset-backed	177	—	47	—
Total	$ 199	$ —	$ 866	$ (17)
At December 31, 2018				
U.S. government and federal agency	$ 2,838	$ (1)	$ —	$ —
State and municipal	23	(1)	8	(1)
Residential mortgage-backed	102	—	933	(42)
Asset-backed	1,665	(2)	114	(1)
Total	$ 4,628	$ (4)	$ 1,055	$ (44)

We regularly review debt 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 during the six months ended June 30, 2019 and 2018.

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

At June 30, 2019 ($ in millions)	**Amortized cost**	**Estimated fair value**
Due		
Within one year	$ 4,470	$ 4,475
After one year through five years	$ 518	$ 519
After five years through ten years	$ 143	$ 145
After ten years	$ 1,022	$ 1,008

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 six months ended June 30, 2019 and 2018.

Although we generally do not have the intent to sell any specific securities held at June 30, 2019, in the ordinary course of managing our debt securities portfolio, we may sell securities prior to their maturities for a variety of reasons, including diversification, credit quality, yield, liquidity requirements and funding obligations.

NOTE 4. LOAN RECEIVABLES AND ALLOWANCE FOR LOAN LOSSES

($ in millions)	**June 30, 2019**	**December 31, 2018**
Credit cards	$ 78,446	$ 89,994
Consumer installment loans	1,983	1,845
Commercial credit products	1,328	1,260
Other	39	40
Total loan receivables, before allowance for losses[(a)(b)]	$ 81,796	$ 93,139

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(a) Total loan receivables include $26.6 billion and $28.2 billion of restricted loans of consolidated securitization entities at June 30, 2019 and December 31, 2018, respectively. See Note 5. *Variable Interest Entities* for further information on these restricted loans.
(b) At June 30, 2019 and December 31, 2018, loan receivables included deferred costs, net of deferred income, of $98 million and $105 million, respectively.

Loan Receivables Held for Sale

During the first quarter of 2019, we entered into an agreement to sell loan receivables associated with our Retail Card program agreement with Walmart. As a result, at June 30, 2019, $8.1 billion of loan receivables are classified as loan receivables held for sale on our Condensed Consolidated Statement of Financial Position and we recorded a $522 million reserve release in our provision for loan losses in the first quarter of 2019 following the reclassification of the Walmart portfolio to loan receivables held for sale. At June 30, 2019, approximately $1.1 billion of the loan receivables held for sale are restricted loans of our consolidated securitization entities. See Note 5. *Variable Interest Entities* for further information. The sale of the portfolio, which is subject to customary closing conditions, is expected to be completed in October 2019.

Allowance for Loan Losses

($ in millions)	Balance at April 1, 2019	Provision charged to operations	Gross charge-offs	Recoveries	Balance at June 30, 2019
Credit cards	$ 5,840	$ 1,169	$ (1,568)	$ 261	$ 5,702
Consumer installment loans	47	13	(14)	4	50
Commercial credit products	54	14	(15)	2	55
Other	1	2	(1)	—	2
Total	$ 5,942	$ 1,198	$ (1,598)	$ 267	$ 5,809

($ in millions)	Balance at April 1, 2018	Provision charged to operations	Gross charge-offs	Recoveries	Balance at June 30, 2018
Credit cards	$ 5,640	$ 1,255	$ (1,375)	$ 237	$ 5,757
Consumer installment loans	45	14	(12)	4	51
Commercial credit products	52	11	(14)	1	50
Other	1	—	—	—	1
Total	$ 5,738	$ 1,280	$ (1,401)	$ 242	$ 5,859

($ in millions)	Balance at January 1, 2019	Provision charged to operations	Gross charge-offs	Recoveries	Balance at June 30, 2019
Credit cards	$ 6,327	$ 2,001	$ (3,162)	$ 536	$ 5,702
Consumer installment loans	44	28	(31)	9	50
Commercial credit products	55	26	(29)	3	55
Other	1	2	(1)	—	2
Total	$ 6,427	$ 2,057	$ (3,223)	$ 548	$ 5,809

($ in millions)	Balance at January 1, 2018	Provision charged to operations	Gross charge-offs	Recoveries	Balance at June 30, 2018
Credit cards	$ 5,483	$ 2,589	$ (2,747)	$ 432	$ 5,757
Consumer installment loans	40	30	(27)	8	51
Commercial credit products	50	23	(26)	3	50
Other	1	—	—	—	1
Total	$ 5,574	$ 2,642	$ (2,800)	$ 443	$ 5,859

Delinquent and Non-accrual Loans

At June 30, 2019 ($ in millions)	30-89 days delinquent	90 or more days delinquent	Total past due	90 or more days delinquent and accruing	Total non-accruing[(a)]
Credit cards	$ 1,797	$ 1,745	$ 3,542	$ 1,740	$ —
Consumer installment loans	25	4	29	—	4
Commercial credit products	35	19	54	19	—
Total delinquent loans	$ 1,857	$ 1,768	$ 3,625	$ 1,759	$ 4
Percentage of total loan receivables	2.3%	2.2%	4.4%	2.2%	—%

At December 31, 2018 ($ in millions)	30-89 days delinquent	90 or more days delinquent	Total past due	90 or more days delinquent and accruing	Total non-accruing[(a)]
Credit cards	$ 2,229	$ 2,113	$ 4,342	$ 2,099	$ —
Consumer installment loans	28	5	33	—	5
Commercial credit products	38	17	55	17	—
Total delinquent loans	$ 2,295	$ 2,135	$ 4,430	$ 2,116	$ 5
Percentage of total loan receivables	2.5%	2.3%	4.8%	2.3%	0.1%

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(a) Excludes purchase credit impaired loan receivables.

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. Our TDR loans do not include loans that are classified as loan receivables held for sale.

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

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2019	2018	2019	2018
Credit cards	$ 192	$ 196	$ 407	$ 417
Consumer installment loans	—	—	—	—
Commercial credit products	1	1	2	2
Total	$ 193	$ 197	$ 409	$ 419

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, 2019 ($ in millions)	**Total recorded investment**	**Related allowance**	**Net recorded investment**	**Unpaid principal balance**
Credit cards	$ 1,059	$ (501)	$ 558	$ 961
Consumer installment loans	—	—	—	—
Commercial credit products	4	(2)	2	4
Total	$ 1,063	$ (503)	$ 560	$ 965

At December 31, 2018 ($ in millions)	**Total recorded investment**	**Related allowance**	**Net recorded investment**	**Unpaid principal balance**
Credit cards	$ 1,203	$ (546)	$ 657	$ 1,086
Consumer installment loans	—	—	—	—
Commercial credit products	4	(2)	2	4
Total	$ 1,207	$ (548)	$ 659	$ 1,090

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,	**2019**			**2018**		
($ in millions)	**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**
Credit cards	$ 11	$ 66	$ 1,060	$ 12	$ 65	$ 1,085
Consumer installment loans	—	—	—	—	—	—
Commercial credit products	—	—	4	—	—	5
Total	$ 11	$ 66	$ 1,064	$ 12	$ 65	$ 1,090

Six months ended June 30,	**2019**			**2018**		
($ in millions)	**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**
Credit cards	$ 22	$ 130	$ 1,107	$ 24	$ 127	$ 1,069
Consumer installment loans	—	—	—	—	—	—
Commercial credit products	—	—	4	—	—	5
Total	$ 22	$ 130	$ 1,111	$ 24	$ 127	$ 1,074

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,	2019		2018	
($ in millions)	Accounts defaulted	Loans defaulted	Accounts defaulted	Loans defaulted
Credit cards	19,745	$ 48	19,525	$ 45
Consumer installment loans	—	—	—	—
Commercial credit products	32	—	32	—
Total	19,777	$ 48	19,557	$ 45

Six months ended June 30,	2019		2018	
($ in millions)	Accounts defaulted	Loans defaulted	Accounts defaulted	Loans defaulted
Credit cards	34,312	$ 82	37,390	$ 86
Consumer installment loans	—	—	—	—
Commercial credit products	51	—	74	—
Total	34,363	$ 82	37,464	$ 86

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, 2019, December 31, 2018 and June 30, 2018, respectively, as a percentage of each class of loan receivable. The table below excludes 0.5%, 0.5% and 0.6% of our total loan receivables balance at each of June 30, 2019, December 31, 2018 and June 30, 2018, respectively, which represents those customer accounts for which a FICO score is not available.

	June 30, 2019			December 31, 2018			June 30, 2018		
	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	76%	17%	7%	74%	18%	8%	75%	18%	7%
Consumer installment loans	81%	14%	5%	80%	14%	6%	81%	14%	5%
Commercial credit products	91%	5%	4%	90%	5%	5%	89%	6%	5%

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 $425 billion and $418 billion at June 30, 2019 and December 31, 2018, respectively. While these amounts represented the total available unused credit card lines, we have not experienced and do not anticipate that all of our customers will access their entire available line at any given point in time.

Interest Income by Product

The following table provides additional information about our interest and fees on loans, including merchant discounts, from our loan receivables, including held for sale:

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	**2019**	**2018**	**2019**	**2018**
Credit cards	$ 4,557	$ 4,010	$ 9,168	$ 8,109
Consumer installment loans	44	37	86	73
Commercial credit products	34	34	68	70
Other	1	—	1	1
Total	$ 4,636	$ 4,081	$ 9,323	$ 8,253

NOTE 5. VARIABLE INTEREST ENTITIES

We use VIEs to securitize loan receivables and arrange asset-backed financing in the ordinary course of business. Investors in these entities only have recourse to the assets owned by the entity and not to our general credit. We do not have implicit support arrangements with any VIE and we did not provide non-contractual support for previously transferred loan receivables to any VIE in the three and six months ended June 30, 2019 and 2018. Our VIEs are able to accept new loan receivables and arrange new asset-backed financings, consistent with the requirements and limitations on such activities placed on the VIE by existing investors. Once an account has been designated to a VIE, the contractual arrangements we have require all existing and future loan receivables originated under such account to be transferred to the VIE. The amount of loan receivables held by our VIEs in excess of the minimum amount required under the asset-backed financing arrangements with investors may be removed by us under removal of accounts provisions. All loan receivables held by a VIE are subject to claims of third-party investors.

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

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

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

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

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

($ in millions)	June 30, 2019	December 31, 2018
Assets		
Loan receivables, net[(a)]	$ 25,007	$ 26,454
Loan receivables held for sale	1,080	—
Other assets[(b)]	78	813
Total	$ 26,165	$ 27,267
Liabilities		
Borrowings	$ 11,941	$ 14,439
Other liabilities	29	36
Total	$ 11,970	$ 14,475

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(a) Includes $1.6 billion and $1.7 billion of related allowance for loan losses resulting in gross restricted loans of $26.6 billion and $28.2 billion at June 30, 2019 and December 31, 2018, respectively.
(b) Includes $71 million and $803 million of segregated funds held by the VIEs at June 30, 2019 and December 31, 2018, 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 $1.3 billion and $1.2 billion for the three months ended June 30, 2019 and 2018, respectively. Related expenses consisted primarily of provision for loan losses of $371 million and $561 million for the three months ended June 30, 2019 and 2018, respectively, and interest expense of $90 million and $80 million for the three months ended June 30, 2019 and 2018, respectively.

Income (principally, interest and fees on loans) earned by our consolidated VIEs was $2.5 billion and $2.4 billion for the six months ended June 30, 2019 and 2018, respectively. Related expenses consisted primarily of provision for loan losses of $559 million and $877 million for the six months ended June 30, 2019 and 2018, respectively, and interest expense of $190 million and $154 million for the six months ended June 30, 2019 and 2018, respectively.

NOTE 6. INTANGIBLE ASSETS

($ in millions)	June 30, 2019 Gross carrying amount	June 30, 2019 Accumulated amortization	June 30, 2019 Net	December 31, 2018 Gross carrying amount	December 31, 2018 Accumulated amortization	December 31, 2018 Net
Customer-related	$ 1,732	$ (879)	$ 853	$ 1,630	$ (803)	$ 827
Capitalized software and other	680	(318)	362	562	(252)	310
Total	$ 2,412	$ (1,197)	$ 1,215	$ 2,192	$ (1,055)	$ 1,137

During the six months ended June 30, 2019, we recorded additions to intangible assets subject to amortization of $224 million, primarily related to capitalized software expenditures, as well as customer-related intangible assets.

Customer-related intangible assets primarily relate to retail partner contract acquisitions and extensions, as well as purchased credit card relationships. During the six months ended June 30, 2019 and 2018, we recorded additions to customer-related intangible assets subject to amortization of $103 million and $64 million, respectively, primarily related to payments made to extend certain retail partner relationships. These additions had a weighted average amortizable life of 7 years for both the six months ended June 30, 2019 and 2018.

Amortization expense related to retail partner contracts was $33 million and $29 million for the three months ended June 30, 2019 and 2018, respectively, and $66 million and $58 million for the six months ended June 30, 2019 and 2018, 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 $42 million and $29 million for the three months ended June 30, 2019 and 2018, respectively, and $79 million and $55 million for the six months ended June 30, 2019 and 2018, respectively, and is included as a component of other expense in our Condensed Consolidated Statements of Earnings.

NOTE 7. DEPOSITS

($ in millions)	June 30, 2019 Amount	June 30, 2019 Average rate[(a)]	December 31, 2018 Amount	December 31, 2018 Average rate[(a)]
Interest-bearing deposits	$ 65,382	2.4 %	$ 63,738	2.0 %
Non-interest-bearing deposits	263	—	281	—
Total deposits	$ 65,645		$ 64,019	

(a) Based on interest expense for the six months ended June 30, 2019 and the year ended December 31, 2018 and average deposits balances.

At June 30, 2019 and December 31, 2018, interest-bearing deposits included $21.9 billion and $20.2 billion of certificates of deposit of $100,000 or more, respectively. Of the total certificates of deposit of $100,000 or more, $7.6 billion and $6.9 billion were certificates of deposit of $250,000 or more at June 30, 2019 and December 31, 2018, respectively.

At June 30, 2019, our interest-bearing time deposits maturing for the remainder of 2019 and over the next four years and thereafter were as follows:

($ in millions)	2019	2020	2021	2022	2023	Thereafter
Deposits	$ 12,410	$ 20,892	$ 3,856	$ 2,744	$ 1,253	$ 1,986

The above maturity table excludes $18.6 billion of demand deposits with no defined maturity, of which $17.6 billion are savings accounts. In addition, at June 30, 2019, we had $3.6 billion of broker network deposit sweeps procured through a program arranger who channels brokerage account deposits to us that are also excluded from the above maturity table. Unless extended, the contracts associated with these broker network deposit sweeps will terminate between 2020 and 2025.

NOTE 8. BORROWINGS

	June 30, 2019				December 31, 2018
($ in millions)	**Maturity date**	**Interest Rate**	**Weighted average interest rate**	**Outstanding Amount(a)**	**Outstanding Amount(a)**
Borrowings of consolidated securitization entities:					
Fixed securitized borrowings	2019 - 2023	1.58% - 3.87%	2.55%	$ 8,841	$ 8,664
Floating securitized borrowings	2020 - 2022	2.99% - 3.19%	3.07%	3,100	5,775
Total borrowings of consolidated securitization entities			2.69%	11,941	14,439
Senior unsecured notes:					
Synchrony Financial senior unsecured notes:					
Fixed senior unsecured notes	2019 - 2029	2.70% - 5.15%	3.98%	7,063	7,318
Floating senior unsecured notes	2020	3.81 %	3.81%	250	250
Synchrony Bank senior unsecured notes:					
Fixed senior unsecured notes	2021 - 2022	3.00% - 3.65%	3.33%	1,491	1,490
Floating senior unsecured notes	2020	2.96 %	2.96%	499	499
Total senior unsecured notes			3.81%	9,303	9,557
Total borrowings				$ 21,244	$ 23,996

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(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 2019 and over the next four years and thereafter:

($ in millions)	2019	2020	2021	2022	2023	Thereafter
Borrowings	$ 1,930	$ 4,708	$ 5,359	$ 3,600	$ 707	$ 5,000

Senior Unsecured Notes

2019 Issuances ($ in millions):

Synchrony Financial

Issuance Date	Principal Amount	Maturity	Interest Rate
March 2019	$ 600	2024	4.375 %
March 2019	$ 650	2029	5.150 %

On July 25, 2019, we issued a total of $750 million principal amount of 2.850% 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, 2019, we had an aggregate of $6.6 billion of undrawn committed capacity under our securitization financings, subject to customary borrowing conditions, from private lenders under our securitization programs, and an aggregate of $0.5 billion of undrawn committed capacity under our unsecured revolving credit facility with private lenders.

NOTE 9. FAIR VALUE MEASUREMENTS

For a description of how we estimate fair value, see Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* in our 2018 annual consolidated financial statements in our 2018 Form 10-K.

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

Recurring Fair Value Measurements

At June 30, 2019 ($ in millions)	Level 1	Level 2	Level 3	Total[(a)]
Assets				
Debt securities				
U.S. Government and Federal Agency	$ —	$ 2,816	$ —	$ 2,816
State and municipal	—	—	47	47
Residential mortgage-backed	—	1,107	—	1,107
Asset-backed	—	2,177	—	2,177
Other assets[(b)]	15	—	16	31
Total	$ 15	$ 6,100	$ 63	$ 6,178
Liabilities				
Contingent consideration	—	—	25	25
Total	$ —	$ —	$ 25	$ 25

At December 31, 2018 ($ in millions)	Level 1	Level 2	Level 3	Total[(a)]
Assets				
Debt securities				
U.S. Government and Federal Agency	$ —	$ 2,888	$ —	$ 2,888
State and municipal	—	—	48	48
Residential mortgage-backed	—	1,139	—	1,139
Asset-backed	—	1,985	—	1,985
U.S. corporate debt	—	—	2	2
Other assets[(b)]	15	—	13	28
Total	$ 15	$ 6,012	$ 63	$ 6,090
Liabilities				
Contingent consideration	—	—	26	26
Total	$ —	$ —	$ 26	$ 26

(a) For the six months ended June 30, 2019, there were no fair value measurements transferred between levels.
(b) Other assets primarily relate to equity investments measured at fair value.

Level 3 Fair Value Measurements

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, CRA investments, which are valued using net asset values, as well as contingent consideration obligations. See Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* and Note 9. *Fair Value Measurements* in our 2018 annual consolidated financial statements in our 2018 Form 10-K for a description of our process to evaluate third-party pricing servicers and a description of our contingent consideration and compensation arrangements, respectively. Our state and municipal debt securities are classified as available-for-sale with changes in fair value included in accumulated other comprehensive income.

The changes in our Level 3 assets and liabilities that are measured on a recurring basis for the three and six months ended June 30, 2019 and 2018 were not material.

Financial Assets and Financial Liabilities Carried at Other Than Fair Value

At June 30, 2019 ($ in millions)	Carrying value	Corresponding fair value amount Total	Level 1	Level 2	Level 3
Financial Assets					
Financial assets for which carrying values equal or approximate fair value:					
Cash and equivalents[a]	$ 11,755	$ 11,755	$ 11,005	$ 750	$ —
Other assets[a][b]	$ 390	$ 390	$ 390	$ —	$ —
Financial assets carried at other than fair value:					
Loan receivables, net[c]	$ 75,987	$ 85,260	$ —	$ —	$ 85,260
Loan receivables held for sale[c]	$ 8,096	$ 8,096	$ —	$ —	$ 8,096
Financial Liabilities					
Financial liabilities carried at other than fair value:					
Deposits	$ 65,645	$ 65,897	$ —	$ 65,897	$ —
Borrowings of consolidated securitization entities	$ 11,941	$ 12,031	$ —	$ 8,935	$ 3,096
Senior unsecured notes	$ 9,303	$ 9,561	$ —	$ 9,561	$ —

At December 31, 2018 ($ 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]	$ 9,396	$ 9,396	$ 9,396	$ —	$ —
Other assets[a][b]	$ 980	$ 980	$ 980	$ —	$ —
Financial assets carried at other than fair value:					
Loan receivables, net[c]	$ 86,712	$ 95,305	$ —	$ —	$ 95,305
Financial Liabilities					
Financial liabilities carried at other than fair value:					
Deposits	$ 64,019	$ 63,942	$ —	$ 63,942	$ —
Borrowings of consolidated securitization entities	$ 14,439	$ 14,400	$ —	$ 8,626	$ 5,774
Senior unsecured notes	$ 9,557	$ 9,062	$ —	$ 9,062	$ —

(a) For cash and equivalents and restricted cash and equivalents, carrying value approximates fair value due to the liquid nature and short maturity of these instruments. Cash equivalents classified as Level 2 represent U.S. Government and Federal Agency debt securities with original maturities or of three months or less or acquired within 3 months or less of their maturity.
(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 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 tables 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, 2019 and December 31, 2018, Synchrony Financial met all applicable requirements to be deemed well-capitalized pursuant to Federal Reserve Board regulations. At June 30, 2019 and December 31, 2018, 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, 2019 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, 2019 ($ in millions)	**Actual**		**Minimum for capital adequacy purposes**	
	Amount	**Ratio[(a)]**	**Amount**	**Ratio[(b)]**
Total risk-based capital	$ 13,893	15.6%	$ 7,111	8.0%
Tier 1 risk-based capital	$ 12,724	14.3%	$ 5,333	6.0%
Tier 1 leverage	$ 12,724	12.4%	$ 4,116	4.0%
Common equity Tier 1 Capital	$ 12,724	14.3%	$ 4,000	4.5%

At December 31, 2018 ($ in millions)	**Actual**		**Minimum for capital adequacy purposes**	
	Amount	**Ratio[(a)]**	**Amount**	**Ratio[(b)]**
Total risk-based capital	$ 14,013	15.3%	$ 7,339	8.0%
Tier 1 risk-based capital	$ 12,801	14.0%	$ 5,505	6.0%
Tier 1 leverage	$ 12,801	12.3%	$ 4,157	4.0%
Common equity Tier 1 Capital	$ 12,801	14.0%	$ 4,128	4.5%

Synchrony Bank

At June 30, 2019 ($ 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	$ 12,091	15.8%	$ 6,126	8.0%	$ 7,658	10.0%
Tier 1 risk-based capital	$ 11,081	14.5%	$ 4,595	6.0%	$ 6,126	8.0%
Tier 1 leverage	$ 11,081	12.3%	$ 3,601	4.0%	$ 4,502	5.0%
Common equity Tier I capital	$ 11,081	14.5%	$ 3,446	4.5%	$ 4,978	6.5%

At December 31, 2018 ($ 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	$ 12,258	15.4%	$ 6,348	8.0%	$ 7,934	10.0%
Tier 1 risk-based capital	$ 11,207	14.1%	$ 4,761	6.0%	$ 6,348	8.0%
Tier 1 leverage	$ 11,207	12.4%	$ 3,612	4.0%	$ 4,515	5.0%
Common equity Tier I capital	$ 11,207	14.1%	$ 3,570	4.5%	$ 5,157	6.5%

(a) Capital ratios are calculated based on the Basel III Standardized Approach rules.
(b) At June 30, 2019 and at December 31, 2018, Synchrony Financial and the Bank also must maintain a capital conservation buffer of common equity Tier 1 capital in excess of minimum risk-based capital ratios by at least 2.5 percentage points and 1.875 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,	
(in millions, except per share data)	2019	2018	2019	2018
Net earnings	$ 853	$ 696	$ 1,960	$ 1,336
Weighted average common shares outstanding, basic	683.6	752.2	694.8	757.9
Effect of dilutive securities	2.9	6.1	2.9	6.4
Weighted average common shares outstanding, dilutive	686.5	758.3	697.7	764.3
Earnings per basic common share	$ 1.25	$ 0.93	$ 2.82	$ 1.76
Earnings per diluted common share	$ 1.24	$ 0.92	$ 2.81	$ 1.75

We have issued certain stock based awards under the Synchrony Financial 2014 Long-Term Incentive Plan. A total of 3 million shares for both the three months ended June 30, 2019 and 2018, respectively, and 4 million and 2 million shares for the six months ended June 30, 2019 and 2018, respectively, related to these awards, were considered anti-dilutive and therefore were excluded from the computation of diluted earnings per share.

NOTE 12. INCOME TAXES

Unrecognized Tax Benefits

($ in millions)	June 30, 2019	December 31, 2018
Unrecognized tax benefits, excluding related interest expense and penalties(a)	$ 234	$ 251
Portion that, if recognized, would reduce tax expense and effective tax rate(b)	$ 170	$ 164

(a) Interest and penalties related to unrecognized tax benefits were not material for all periods presented.
(b) 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 establish a liability that represents the difference between a tax position taken (or expected to be taken) on an income tax return and the amount of taxes recognized in our financial statements. The liability associated with the unrecognized tax benefits is adjusted periodically when new information becomes available. The amount of unrecognized tax benefits that is reasonably possible to be resolved in the next twelve months is expected to be $53 million, of which $24 million, if recognized, would reduce the Company's tax expense and effective tax rate.

For periods prior to separation from GE, we filed tax returns on a consolidated basis with GE and 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 to 2015. In addition to the audits of GE's tax returns, we are under examination in various states going back to 2011. 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.

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 March 4, 2019, on plaintiff’s motion for reconsideration, the District Court vacated its decision reversing the Bankruptcy Court and affirmed the Bankruptcy Court’s decision denying the Bank’s motion to compel arbitration.

On 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. *Mott et al. v. Synchrony Bank* was filed on February 2, 2018 in the U.S. District Court for the Middle District of Florida.

On November 2, 2018, a putative class action lawsuit, *Retail Wholesale Department Store Union Local 338 Retirement Fund v. Synchrony Financial, et al.*, was filed in the U.S. District Court for the District of Connecticut, naming as defendants the Company and two of its officers. The lawsuit asserts violations of the Exchange Act for allegedly making materially misleading statements and/or omitting material information concerning the Company's underwriting practices and private-label card business, and was filed on behalf of a putative class of persons who purchased or otherwise acquired the Company's common stock between October 21, 2016 and November 1, 2018. The complaint seeks an award of unspecified compensatory damages, costs and expenses. On February 5, 2019, the court appointed Stichting Depositary APG Developed Markets Equity Pool as lead plaintiff for the putative class. On April 5, 2019, an amended complaint was filed, asserting a new claim for violations of the Securities Act in connection with statements in the offering materials for the Company's December 1, 2017 note offering. The Securities Act claims are filed on behalf of persons who purchased or otherwise acquired Company bonds in or traceable to the December 1, 2017 note offering between December 1, 2017 and November 1, 2018. The amended complaint names as additional defendants two additional Company officers, the Company's board of directors, and the underwriters of the December 1, 2017 note offering. The amended complaint is captioned *Stichting Depositary APG Developed Markets Equity Pool and Stichting Depositary APG Fixed Income Credit Pool v. Synchrony Financial et al.*

On January 28, 2019, a purported shareholder derivative action, *Gilbert v. Keane, et al.*, was filed in the U.S. District Court for the District of Connecticut against the Company as a nominal defendant, and certain of the Company's officers and directors. The lawsuit alleges breach of fiduciary duty claims based on the allegations raised by the plaintiff in the *Stichting Depositar APG* class action, unjust enrichment, waste of corporate assets, and that the defendants made materially misleading statements and/or omitted material information in violation of the Exchange Act. The complaint seeks a declaration that the defendants breached and/or aided and abetted the breach of their fiduciary duties to the Company, unspecified monetary damages with interest, restitution, a direction that the defendants take all necessary actions to reform and improve corporate governance and internal procedures, and attorneys' and experts' fees. On March 11, 2019, a second purported shareholder derivative action, *Aldridge v. Keane, et al.*, was filed in the U.S. District Court for the District of Connecticut. The allegations in the *Aldridge* complaint are substantially similar to those in the *Gilbert* complaint.

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.

At June 30, 2019, 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 $75 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 2018 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, 2019.

No change in internal control over financial reporting occurred during the quarter ended June 30, 2019 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 2018 Form 10-K under the heading "*Risk Factors Relating to Our Business*" and "*Risk Factors Relating to Regulation*".

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, 2019.

($ in millions, except per share data)	**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, 2019	228,409	$ 32.58	—	$ —
May 1 - 31, 2019	10,197,678	34.72	10,197,678	3,645.9
June 1 - 30, 2019	10,923,014	33.96	10,922,783	3,275.0
Total	21,349,101	$ 34.31	21,120,461	$ 3,275.0

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(a) Includes 228,409 shares, 0 shares and 231 shares withheld in April, May and June, respectively, to offset tax withholding obligations that occur upon the delivery of outstanding shares underlying performance stock awards, restricted stock awards or upon the exercise of stock options.

(b) Amounts exclude commission costs.

(c) On May 9, 2019, the Board of Directors approved a share repurchase program of up to $4.0 billion through June 30, 2020 (the "2019 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

EXHIBIT INDEX

Exhibit Number	Description
31(a)*	Certification Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as Amended
31(b)*	Certification Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as Amended
32*	Certification Pursuant to 18 U.S.C. Section 1350
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed electronically herewith.

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 25, 2019	/s/ Brian J. Wenzel Sr.
Date	Brian J. Wenzel Sr. Executive Vice President and Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

Exhibit 31(a)

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 25, 2019

/s/ Margaret M. Keane

Margaret M. Keane
Chief Executive Officer

Exhibit 31(b)

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

I, Brian J. Wenzel Sr., certify that:

1. I have reviewed this 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 25, 2019

/s/ Brian J. Wenzel Sr.

Brian J. Wenzel Sr.
Chief Financial Officer

Exhibit 32

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, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "report"), we, Margaret M. Keane, Chief Executive Officer, and Brian J. Wenzel Sr., Chief Financial Officer, of the registrant, certify, pursuant to 18 U.S.C. § 1350, that to our knowledge:

1. The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

Date: July 25, 2019

/s/ Margaret M. Keane

Margaret M. Keane
Chief Executive Officer

/s/ Brian J. Wenzel Sr.

Brian J. Wenzel Sr.
Chief Financial Officer