

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, 2021

OR

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

For the transition period from to

001-36560

(Commission File Number)



SYNCHRONY FINANCIAL

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

06902
(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
Depository Shares Each Representing a 1/40th Interest in a Share of 5.625% Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A	SYFPrA	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	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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

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

The number of shares of the registrant's common stock, par value \$0.001 per share, outstanding as of July 15, 2021 was 569,699,116.

Synchrony Financial

	<u>Page</u>
PART I - FINANCIAL INFORMATION	
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	6
Item 1. Financial Statements:	
Condensed Consolidated Statements of Earnings – Three and six months ended June 30, 2021 and 2020	31
Condensed Consolidated Statements of Comprehensive Income – Three and six months ended June 30, 2021 and 2020	32
Condensed Consolidated Statements of Financial Position – June 30, 2021 and December 31, 2020	33
Condensed Consolidated Statements of Changes in Equity – Three and six months ended June 30, 2021 and 2020	34
Condensed Consolidated Statements of Cash Flows – Six months ended June 30, 2021 and 2020	36
Notes to Condensed Consolidated Financial Statements	37
Item 3. Quantitative and Qualitative Disclosures About Market Risk	56
Item 4. Controls and Procedures	56
PART II - OTHER INFORMATION	
Item 1. Legal Proceedings	57
Item 1A. Risk Factors	57
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	57
Item 3. Defaults Upon Senior Securities	57
Item 4. Mine Safety Disclosures	57
Item 5. Other Information	58
Item 6. Exhibits	59
Signatures	60

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;
- “CECL” are to the impairment model known as the Current Expected Credit Loss model, which is based on expected credit losses; and
- “VantageScore” are to a credit score developed by the three major credit reporting agencies which is 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, 2020 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, 2020 (our “2020 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, including the future impacts of the novel coronavirus disease (“COVID-19”) outbreak and measures taken in response thereto for which future developments are highly uncertain and difficult to predict; retaining existing partners and attracting new partners, concentration of our revenue in a small number of partners, and promotion and support of our products by our partners; cyber-attacks or other security breaches; disruptions in the operations of our and our outsourced partners’ computer systems and data centers; the financial performance of our partners; the sufficiency of our allowance for credit losses and the accuracy of the assumptions or estimates used in preparing our financial statements, including those related to the CECL accounting guidance; 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; damage to our reputation; 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; 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; 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; 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; 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 2020 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.

PART I. FINANCIAL INFORMATION

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this quarterly report and in our 2020 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."

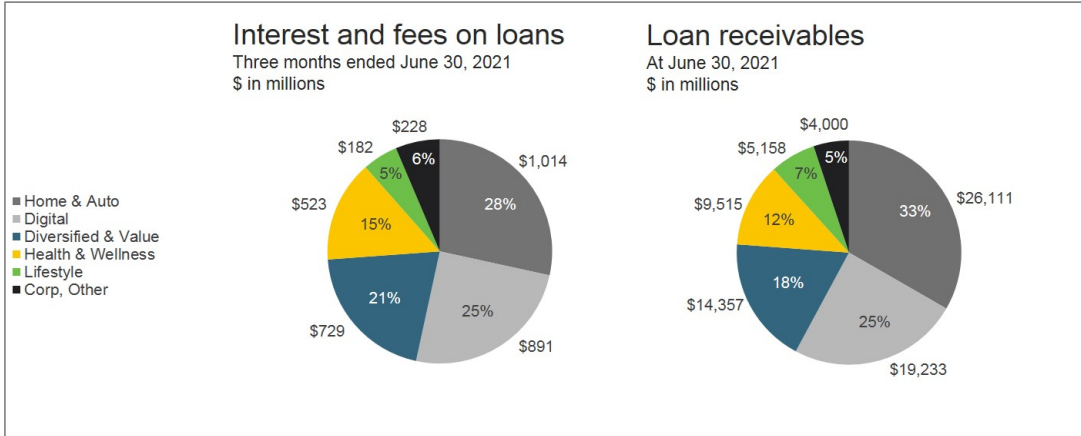
Introduction and Business Overview

We are a premier consumer financial services company delivering a wide range of specialized financing programs, as well as innovative consumer banking products, across key industries including digital, retail, home, auto, travel, health and pet. 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, 2021, we financed \$42.1 billion and \$76.9 billion of purchase volume, respectively, and had 65.8 million and 66.2 million average active accounts, respectively, and at June 30, 2021, we had \$78.4 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, 2021, we had \$59.8 billion in deposits, which represented 81% of our total funding sources.

Our Sales Platforms

We conduct our operations through a single business segment. Profitability and expenses, including funding costs, credit losses and operating expenses, are managed for the business as a whole. Substantially all of our operations are within the United States. In June 2021, we announced organizational changes aimed to further align the company's activities with its partners and evolving consumer expectations, while leveraging our innovation, data, expertise and scale to deliver products and capabilities to market faster. As part of these changes, we established a Growth Organization that includes our marketing, data, analytics, customer experience and product development teams in one cohesive group and we also combined our Technology and Operations teams. For our sales activities, we now primarily manage our credit products through five sales platforms (Home & Auto, Digital, Diversified & Value, Health & Wellness and Lifestyle). Those platforms are organized by the types of partners we work with, and are measured on interest and fees on loans, loan receivables, active accounts and other sales metrics.



Home & Auto

Our Home & Auto sales platform provides comprehensive payments and financing solutions with integrated in-store and digital experiences through a broad network of partners and merchants providing home and automotive merchandise and services, and includes partners such as Ashley Homestores LTD and Lowe's, as well as our Synchrony Car Care network and Synchrony HOME credit card offering.

Digital

Our Digital sales platform provides comprehensive payments and financing solutions with integrated digital experiences through partners and merchants who primarily engage with their consumers through digital channels, including partners such as Amazon and PayPal.

Diversified & Value

Our Diversified & Value sales platform provides comprehensive payments and financing solutions with integrated in-store and digital experiences through partners and merchants who offer a wide assortment of merchandise, including partners such as JCPenney and Sam's Club.

Health & Wellness

Our Health & Wellness sales platform provides comprehensive healthcare payments and financing solutions, through a network of providers and health systems, for those seeking health and wellness care for themselves, their families and their pets, and includes key brands such as CareCredit and Pets Best.

Lifestyle

Lifestyle provides comprehensive payments and financing solutions with integrated in-store and digital experiences through partners and merchants who offer merchandise in power sports, outdoor power equipment, and other industries such as sporting goods, apparel, jewelry and music.

Corp, Other

Corp, Other includes activity and balances related to certain program agreements with retail partners and merchants that will not be renewed beyond their current expiry date and certain programs that were previously terminated, which are not managed within the five sales platforms discussed above, and includes amounts associated with our program agreement with Gap Inc. which is scheduled to expire in April 2022. Corp, Other also includes amounts related to changes in the fair value of equity investments and realized gains or losses associated with sale of investments.

Our Credit Products

Through our sales 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, 2021.

Credit Product	Standard Terms Only	Promotional Offer		Total
		Deferred Interest	Other Promotional	
Credit cards	60.6 %	18.6 %	15.8 %	95.0 %
Commercial credit products	1.7	—	—	1.7
Consumer installment loans	—	0.1	3.1	3.2
Other	0.1	—	—	0.1
Total	62.4 %	18.7 %	18.9 %	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. Credit under our private label credit cards is extended either on standard terms or pursuant to a promotional financing offer.
- **Dual Cards and General Purpose Co-Branded 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 to make purchases from other retailers wherever cards from those card networks are accepted or for cash advance transactions. We also offer general purpose co-branded credit cards that do not function as private label credit cards, as well as, in limited circumstances, a Synchrony-branded general purpose credit card. Credit extended under our Dual Cards and general purpose co-branded credit cards typically is extended on standard terms only. We offer either Dual Cards or general purpose co-branded credit cards across all of our sales platforms, spanning 21 ongoing partners and our CareCredit Dual Card, of which the majority are Dual Cards. Consumer Dual Cards and Co-Branded cards totaled 23% of our total loan receivables portfolio at June 30, 2021.

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.

Installment Loans

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 2020 Form 10-K. For a discussion of how certain trends and conditions impacted the three and six months ended June 30, 2021, see "*—Results of Operations.*"

Seasonality

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 credit losses as a percentage of total loan receivables between quarterly periods.

In addition to the seasonal variance in loan receivables discussed above, we also typically 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 credit 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 credit losses at an interim period end compared to the prior year end, reflecting these same seasonal trends.

While the effects of the seasonal trends discussed above remain evident, we also continue to experience improvements in customer payment behavior, which include the effects of governmental stimulus actions and industry-wide forbearance measures. Customer payments as a percentage of beginning-of-period loan receivables for the three months ended June 30, 2021 were approximately 280 basis points higher than our prior five-year historical average for the second quarter. These higher payment rates have resulted in reductions in loan receivables and delinquency rates beyond our seasonal expectations.

Results of Operations

Highlights for the Three and Six Months Ended June 30, 2021

Below are highlights of our performance for the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020, as applicable, except as otherwise noted.

- Net earnings increased to \$1.2 billion from \$48 million and to \$2.3 billion from \$334 million for the three and six months ended June 30, 2021, respectively, primarily driven by lower provision for credit losses and decreases in other expense, partially offset by lower net interest income.
- Loan receivables increased slightly to \$78.4 billion at June 30, 2021 compared to \$78.3 billion at June 30, 2020, primarily driven by higher purchase volume, largely offset by improvements in customer payment behavior reflecting the impact of government stimulus, industry-wide forbearance actions and lower discretionary spend during the prior year shutdowns.
- Net interest income decreased 2.5% to \$3.3 billion and 7.3% to \$6.8 billion for the three and six months ended June 30, 2021, respectively, primarily due to decreases in interest and fees on loans driven by an increase in payment rates and lower delinquencies, partially offset by decreases in interest expense primarily attributed to lower benchmark interest rates.
- Retailer share arrangements increased 30.1% to \$1.0 billion and 17.4% to \$2.0 billion for the three and six months ended June 30, 2021, respectively, primarily due to the decrease in the provision for credit losses, including lower net charge-offs, and program performance.
- Over-30 day loan delinquencies as a percentage of period-end loan receivables decreased 102 basis points to 2.11% at June 30, 2021, and the net charge-off rate decreased 178 basis points to 3.57% and 176 basis points to 3.59% for the three and six months ended June 30, 2021, respectively.
- Provision for credit losses decreased by \$1.9 billion, or 111.6%, and \$3.2 billion, or 95.8% for the three and six months ended June 30, 2021, respectively, primarily driven by lower reserves and lower net charge-offs. Our allowance coverage ratio (allowance for credit losses as a percent of period-end loan receivables) decreased to 11.51% at June 30, 2021, as compared to 12.52% at June 30, 2020.
- Other expense decreased by \$38 million, or 3.9%, and \$108 million, or 5.4%, for the three and six months ended June 30, 2021, respectively, primarily driven by lower operational losses, partially offset by increases in employee costs, marketing and business development and information processing.
- At June 30, 2021, deposits represented 81% of our total funding sources. Total deposits decreased by 4.7% to \$59.8 billion at June 30, 2021, compared to December 31, 2020.
- During the six months ended June 30, 2021, we declared and paid cash dividends on our Series A 5.625% non-cumulative preferred stock of \$28.12 per share, or \$21 million.
- During the six months ended June 30, 2021, we repurchased \$593 million of our outstanding common stock, and declared and paid cash dividends of \$0.44 per share, or \$256 million. In May 2021 we announced that the Board of Directors approved a new share repurchase program of up to \$2.9 billion for the period which commenced April 1, 2021 through June 30, 2022, subject to market conditions and other factors, including legal and regulatory restrictions and required approvals, if any.
- In February 2021 in our Health & Wellness sales platform, we completed our acquisition of Allegro Credit, a leading provider of point-of-sale consumer financing for audiology products and dental services.

2021 Partner Agreements

- In our Home & Auto sales platform, we announced our new partnership with BoxDrop and extended our program agreements with Ashley HomeStores LTD, CITGO, Mitchell Gold Co. and Phillips 66.

- In our Digital sales platform, we extended our program agreement with Shop HQ.
- In our Diversified & Value sales platform, we extended our program agreement with TJX Companies, Inc.
- In our Health & Wellness sales platform, we expanded our network through our new partnerships with Emory Healthcare, Mercy Health, Ochsner Health, Prime Health, Southern Veterinary Partners and Sycle. In addition, we also made our CareCredit patient financing app available in the Epic App Orchard, further expanding the availability of CareCredit to healthcare organizations using Epic.
- In our Lifestyle sales platform, we announced our new partnerships with Family Farm & Home and JCB and extended our program agreements with American Eagle, Daniels, Sutherlands and Tacony Corporation.
- In April 2021, we announced that we will not be renewing our program agreement with Gap Inc. when it expires on April 30, 2022. We expect our strategic options will be accretive to dilutive earnings per share relative to renewal terms and if the portfolio is sold we expect to recognize a gain on sale of the portfolio and redeploy approximately \$1 billion of capital.
- Excluding our program agreement with Gap Inc., our five largest programs based upon interest and fees on loans for the year ended December 31, 2020 were Amazon, JCPenney, Lowe's, PayPal and Sam's Club.

Information About Our Executive Officers and Board of Directors

- The following events were effective April 1, 2021:
 - Margaret Keane, 61, Synchrony's Chief Executive Officer ("CEO"), transitioned roles from CEO to Executive Chair of the Board.
 - Brian Doubles, 45, Synchrony's President, succeeded Ms. Keane to become President and CEO, and joined the Board as a director.
 - Rick Hartnack, 75, Non-Executive Chair of the Board, retired.
 - Jeffrey Naylor, 62, became Lead Independent Director of the Board.
- The following appointments were effective June 14, 2021:
 - Mike Bopp, 48, now leads the Growth organization as EVP, Chief Growth Officer.
 - Carol Juel, 48, now leads the Technology and Operations organization as EVP, Chief Technology and Operating Officer.
 - Alberto Casellas, 54, now leads the Health & Wellness sales platform as EVP, CEO Health & Wellness.
 - Curtis Howse, 57, now leads the Home & Auto sales platform as EVP, CEO Home & Auto.
 - Tom Quindlen, 58, now leads the Diversified & Value sales platform and the Lifestyle sales platform as EVP, CEO Diversified & Value and Lifestyle.
 - Bart Schaller, 52, now leads the Digital sales platform as EVP, CEO Digital.

Summary Earnings

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

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Interest income	\$ 3,578	\$ 3,830	\$ 7,320	\$ 8,237
Interest expense	266	434	569	951
Net interest income	3,312	3,396	6,751	7,286
Retailer share arrangements	(1,006)	(773)	(1,995)	(1,699)
Provision for credit losses	(194)	1,673	140	3,350
Net interest income, after retailer share arrangements and provision for credit losses	2,500	950	4,616	2,237
Other income	89	95	220	192
Other expense	948	986	1,880	1,988
Earnings before provision for income taxes	1,641	59	2,956	441
Provision for income taxes	399	11	689	107
Net earnings	\$ 1,242	\$ 48	\$ 2,267	\$ 334
Net earnings available to common stockholders	\$ 1,232	\$ 37	\$ 2,246	\$ 312

Other Financial and Statistical Data

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

(\$ in millions)	At and for the Three months ended June 30,		At and for the Six months ended June 30,	
	2021	2020	2021	2020
Financial Position Data (Average):				
Loan receivables, including held for sale	\$ 76,821	\$ 78,697	\$ 77,585	\$ 81,563
Total assets	\$ 93,389	\$ 97,958	\$ 94,914	\$ 99,340
Deposits	\$ 61,110	\$ 64,607	\$ 62,085	\$ 64,636
Borrowings	\$ 14,425	\$ 16,821	\$ 15,039	\$ 17,807
Total equity	\$ 13,655	\$ 12,181	\$ 13,365	\$ 12,386
Selected Performance Metrics:				
Purchase volume ⁽¹⁾⁽²⁾	\$ 42,121	\$ 31,155	\$ 76,870	\$ 63,197
Home & Auto	\$ 12,209	\$ 9,729	\$ 22,124	\$ 18,833
Digital	\$ 10,930	\$ 8,439	\$ 20,270	\$ 15,833
Diversified & Value	\$ 11,618	\$ 7,683	\$ 20,838	\$ 17,084
Health & Wellness	\$ 2,988	\$ 1,952	\$ 5,636	\$ 4,611
Lifestyle	\$ 1,405	\$ 1,286	\$ 2,559	\$ 2,283
Corp, Other	\$ 2,971	\$ 2,066	\$ 5,443	\$ 4,553
Average active accounts (in thousands) ⁽²⁾⁽³⁾	65,810	64,836	66,163	68,401
Net interest margin ⁽⁴⁾	13.78 %	13.53 %	13.88 %	14.35 %
Net charge-offs	\$ 684	\$ 1,046	\$ 1,383	\$ 2,171
Net charge-offs as a % of average loan receivables, including held for sale	3.57 %	5.35 %	3.59 %	5.35 %
Allowance coverage ratio ⁽⁵⁾	11.51 %	12.52 %	11.51 %	12.52 %
Return on assets ⁽⁶⁾	5.3 %	0.2 %	4.8 %	0.7 %
Return on equity ⁽⁷⁾	36.5 %	1.6 %	34.2 %	5.4 %
Equity to assets ⁽⁸⁾	14.62 %	12.43 %	14.08 %	12.47 %
Other expense as a % of average loan receivables, including held for sale	4.95 %	5.04 %	4.89 %	4.90 %
Efficiency ratio ⁽⁹⁾	39.6 %	36.3 %	37.8 %	34.4 %
Effective income tax rate	24.3 %	18.6 %	23.3 %	24.3 %
Selected Period-End Data:				
Loan receivables	\$ 78,374	\$ 78,313	\$ 78,374	\$ 78,313
Allowance for credit losses	\$ 9,023	\$ 9,802	\$ 9,023	\$ 9,802
30+ days past due as a % of period-end loan receivables ⁽¹⁰⁾	2.11 %	3.13 %	2.11 %	3.13 %
90+ days past due as a % of period-end loan receivables ⁽¹⁰⁾	1.00 %	1.77 %	1.00 %	1.77 %
Total active accounts (in thousands) ⁽²⁾⁽³⁾	66,892	63,430	66,892	63,430

(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 credit 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 total 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.

	2021			2020		
	Average Balance	Interest Income / Expense	Average Yield / Rate ⁽¹⁾	Average Balance	Interest Income/ Expense	Average Yield / Rate ⁽¹⁾
<i>Three months ended June 30 (\$ in millions)</i>						
Assets						
Interest-earning assets:						
Interest-earning cash and equivalents ⁽²⁾	\$ 13,584	\$ 4	0.12 %	\$ 15,413	\$ 3	0.08 %
Securities available for sale	5,988	7	0.47 %	6,804	19	1.12 %
Loan receivables, including held for sale⁽³⁾:						
Credit cards	72,989	3,484	19.15 %	75,942	3,740	19.81 %
Consumer installment loans	2,417	59	9.79 %	1,546	37	9.63 %
Commercial credit products	1,363	23	6.77 %	1,150	30	10.49 %
Other	52	1	NM	59	1	NM
Total loan receivables, including held for sale	76,821	3,567	18.62 %	78,697	3,808	19.46 %
Total interest-earning assets	96,393	3,578	14.89 %	100,914	3,830	15.26 %
Non-interest-earning assets:						
Cash and due from banks	1,559			1,486		
Allowance for credit losses	(9,801)			(9,221)		
Other assets	5,238			4,779		
Total non-interest-earning assets	(3,004)			(2,956)		
Total assets	\$ 93,389			\$ 97,958		
Liabilities						
Interest-bearing liabilities:						
Interest-bearing deposit accounts	\$ 60,761	\$ 146	0.96 %	\$ 64,298	\$ 293	1.83 %
Borrowings of consolidated securitization entities	7,149	44	2.47 %	8,863	59	2.68 %
Senior unsecured notes	7,276	76	4.19 %	7,958	82	4.14 %
Total interest-bearing liabilities	75,186	266	1.42 %	81,119	434	2.15 %
Non-interest-bearing liabilities:						
Non-interest-bearing deposit accounts	349			309		
Other liabilities	4,199			4,349		
Total non-interest-bearing liabilities	4,548			4,658		
Total liabilities	79,734			85,777		
Equity						
Total equity	13,655			12,181		
Total liabilities and equity	\$ 93,389			\$ 97,958		
Interest rate spread⁽⁴⁾			13.47 %			13.11 %
Net interest income		\$ 3,312			\$ 3,396	
Net interest margin⁽⁵⁾			13.78 %			13.53 %

	2021			2020		
	Average Balance	Interest Income / Expense	Average Yield / Rate ⁽¹⁾	Average Balance	Interest Income/ Expense	Average Yield / Rate ⁽¹⁾
<i>Six months ended June 30 (\$ in millions)</i>						
Assets						
Interest-earning assets:						
Interest-earning cash and equivalents ⁽²⁾	\$ 14,094	\$ 8	0.11 %	\$ 14,158	\$ 45	0.64 %
Securities available for sale	6,378	13	0.41 %	6,379	44	1.39 %
Loan receivables, including held for sale⁽³⁾:						
Credit cards	73,921	7,141	19.48 %	78,830	8,012	20.44 %
Consumer installment loans	2,319	112	9.74 %	1,489	72	9.72 %
Commercial credit products	1,297	44	6.84 %	1,196	63	10.59 %
Other	48	2	8.40 %	48	1	4.19 %
Total loan receivables, including held for sale	77,585	7,299	18.97 %	81,563	8,148	20.09 %
Total interest-earning assets	98,057	7,320	15.05 %	102,100	8,237	16.22 %
Non-interest-earning assets:						
Cash and due from banks	1,597			1,468		
Allowance for credit losses	(10,012)			(8,965)		
Other assets	5,272			4,737		
Total non-interest-earning assets	(3,143)			(2,760)		
Total assets	\$ 94,914			\$ 99,340		
Liabilities						
Interest-bearing liabilities:						
Interest-bearing deposit accounts	\$ 61,737	\$ 316	1.03 %	\$ 64,332	\$ 649	2.03 %
Borrowings of consolidated securitization entities	7,420	95	2.58 %	9,425	132	2.82 %
Senior unsecured notes	7,619	158	4.18 %	8,382	170	4.08 %
Total interest-bearing liabilities	76,776	569	1.49 %	82,139	951	2.33 %
Non-interest-bearing liabilities:						
Non-interest-bearing deposit accounts	348			304		
Other liabilities	4,425			4,511		
Total non-interest-bearing liabilities	4,773			4,815		
Total liabilities	81,549			86,954		
Equity						
Total equity	13,365			12,386		
Total liabilities and equity	\$ 94,914			\$ 99,340		
Interest rate spread⁽⁴⁾			13.56 %			13.89 %
Net interest income		\$ 6,751			\$ 7,286	
Net interest margin⁽⁵⁾			13.88 %			14.35 %

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

(2) Includes average restricted cash balances of \$538 million and \$645 million for the three months ended June 30, 2021 and 2020, respectively, and \$481 million and \$813 million for the six months ended June 30, 2021 and 2020, respectively.

(3) Interest income on loan receivables includes fees on loans of \$489 million and \$448 million for the three months ended June 30, 2021 and 2020, respectively, and \$1.0 billion and \$1.1 billion for the six months ended June 30, 2021 and 2020, 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 2020 Form 10-K.

Interest Income

Interest income decreased by \$252 million, or 6.6%, and \$917 million, or 11.1%, for the three and six months ended June 30, 2021, respectively, primarily driven by decreases in interest and fees on loans attributed to improvements in customer payment behavior and lower delinquencies.

Average interest-earning assets

Three months ended June 30 (\$ in millions)

	2021	%	2020	%
Loan receivables, including held for sale	\$ 76,821	79.7 %	\$ 78,697	78.0 %
Liquidity portfolio and other	19,572	20.3 %	22,217	22.0 %
Total average interest-earning assets	\$ 96,393	100.0 %	\$ 100,914	100.0 %

Six months ended June 30 (\$ in millions)

	2021	%	2020	%
Loan receivables, including held for sale	\$ 77,585	79.1 %	\$ 81,563	79.9 %
Liquidity portfolio and other	20,472	20.9 %	20,537	20.1 %
Total average interest-earning assets	\$ 98,057	100.0 %	\$ 102,100	100.0 %

The decreases in average loan receivables, including held for sale, of 2.4% and 4.9% for the three and six months ended June 30, 2021, respectively, were primarily driven by improvements in customer payment behavior. These decreases were partially offset by growth in purchase volume of 35.2% and 21.6% for the three and six months ended June 30, 2021, respectively, reflecting the impacts of stimulus, the lifting of remaining government restrictions and increased consumer confidence.

Yield on average interest-earning assets

The yield on average interest-earning assets decreased for the three and six months ended June 30, 2021, primarily due to decreases in the yield on average loan receivables. The decrease in loan receivable yield was 84 basis points to 18.62% and 112 basis points to 18.97% for the three and six months ended June 30, 2021, respectively, primarily driven by higher payment rates and lower delinquencies.

Interest Expense

Interest expense decreased by \$168 million, or 38.7%, and \$382 million, or 40.2%, for the three and six months ended June 30, 2021, respectively, primarily attributed to lower benchmark interest rates. Our cost of funds decreased to 1.42% and 1.49% for the three and six months ended June 30, 2021, respectively, compared to 2.15% and 2.33% for the three and six months ended June 30, 2020, respectively.

Average interest-bearing liabilities

Three months ended June 30 (\$ in millions)

	2021	%	2020	%
Interest-bearing deposit accounts	\$ 60,761	80.8 %	\$ 64,298	79.3 %
Borrowings of consolidated securitization entities	7,149	9.5 %	8,863	10.9 %
Senior unsecured notes	7,276	9.7 %	7,958	9.8 %
Total average interest-bearing liabilities	\$ 75,186	100.0 %	\$ 81,119	100.0 %

Six months ended June 30 (\$ in millions)

	2021	%	2020	%
Interest-bearing deposit accounts	\$ 61,737	80.4 %	\$ 64,332	78.3 %
Borrowings of consolidated securitization entities	7,420	9.7 %	9,425	11.5 %
Senior unsecured notes	7,619	9.9 %	8,382	10.2 %
Total average interest-bearing liabilities	\$ 76,776	100.0 %	\$ 82,139	100.0 %

Net Interest Income

Net interest income decreased by \$84 million, or 2.5%, and \$535 million, or 7.3%, for the three and six months ended June 30, 2021, respectively, primarily driven by the decreases in interest and fees on loans discussed above, partially offset by the decreases in interest expense.

Retailer Share Arrangements

Retailer share arrangements increased by \$233 million, or 30.1%, and \$296 million, or 17.4%, for the three and six months ended June 30, 2021, respectively, primarily due to the decrease in provision for credit losses, including lower net charge-offs, and program performance.

Provision for Credit Losses

Provision for credit losses decreased by \$1.9 billion, or 111.6%, and \$3.2 billion, or 95.8%, for the three and six months ended June 30, 2021, respectively, primarily driven by lower reserves in the current year and lower net charge-offs. The reduction in reserves for credit losses were \$878 million and \$1.2 billion for the three and six months ended June 30, 2021, respectively.

Other Income

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Interchange revenue	\$ 223	\$ 134	\$ 394	\$ 295
Debt cancellation fees	66	69	135	138
Loyalty programs	(247)	(134)	(426)	(292)
Other	47	26	117	51
Total other income	\$ 89	\$ 95	\$ 220	\$ 192

Other income decreased by \$6 million, or 6.3%, for the three months ended June 30, 2021, primarily driven by higher loyalty program costs during the period related to higher purchase volume, partially offset by an increase in interchange revenue. Other income increased by \$28 million, or 14.6%, for the six months ended June 30, 2021, primarily driven by an increase in interchange revenue and gains related to investment securities, partially offset by higher loyalty costs.

Other Expense

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Employee costs	\$ 359	\$ 327	\$ 723	\$ 651
Professional fees	189	189	379	386
Marketing and business development	114	91	209	202
Information processing	137	116	268	239
Other	149	263	301	510
Total other expense	\$ 948	\$ 986	\$ 1,880	\$ 1,988

Other expense decreased by \$38 million, or 3.9%, and \$108 million, or 5.4%, for the three and six months ended June 30, 2021, primarily driven by lower other expense, partially offset by increases in employee costs, marketing and business development and information processing.

The "other" component decreased primarily due to lower operational losses. The increases in employee costs was primarily due to higher stock-based compensation expense. The increases in marketing and business development was primarily due to the timing of program spend aligned with the lifting of remaining government restrictions on in-person retail experiences. The increases in information processing was primarily due to higher software costs.

Provision for Income Taxes

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Effective tax rate	24.3 %	18.6 %	23.3 %	24.3 %
Provision for income taxes	\$ 399	\$ 11	\$ 689	\$ 107

The effective tax rate for the three months ended June 30, 2021 increased compared to the same period in the prior year primarily due to significantly lower pre-tax income in the prior year, which led to a larger impact related to discrete tax benefits. The effective tax rate for the six months ended June 30, 2021 decreased compared to the same period in the prior year primarily due to the resolution of certain tax matters in the current year. For both periods presented, the effective tax rate differs from the applicable U.S. federal statutory tax rate primarily due to state income taxes.

Platform Analysis

As discussed above under "—Our Sales Platforms," we now offer our credit products primarily through five sales platforms (Home & Auto, Digital, Diversified & Value, Health & Wellness and Lifestyle), 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, 2021, for each of our five sales platforms and Corp, Other.

Home & Auto

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Purchase volume	\$ 12,209	\$ 9,729	\$ 22,124	\$ 18,833
Period-end loan receivables	\$ 26,111	\$ 25,875	\$ 26,111	\$ 25,875
Average loan receivables, including held for sale	\$ 25,624	\$ 25,792	\$ 25,704	\$ 26,396
Average active accounts (in thousands)	17,958	18,213	17,906	18,465
Interest and fees on loans	\$ 1,014	\$ 1,079	\$ 2,073	\$ 2,250
Other income	\$ 15	\$ 20	\$ 30	\$ 32

Home & Auto interest and fees on loans decreased by \$65 million, or 6.0%, and \$177 million, or 7.9%, for the three and six months ended June 30, 2021, primarily driven by lower loan receivables yield as a result of higher payment rates.

Digital

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Purchase volume	\$ 10,930	\$ 8,439	\$ 20,270	\$ 15,833
Period-end loan receivables	\$ 19,233	\$ 18,945	\$ 19,233	\$ 18,945
Average loan receivables, including held for sale	\$ 18,783	\$ 19,062	\$ 19,108	\$ 19,408
Average active accounts (in thousands)	17,258	16,414	17,298	16,462
Interest and fees on loans	\$ 891	\$ 913	\$ 1,794	\$ 1,910
Other income	\$ (28)	\$ (8)	\$ (40)	\$ (12)

Digital interest and fees on loans decreased by \$22 million, or 2.4%, and \$116 million, or 6.1%, for the three and six months ended June 30, 2021, primarily driven by lower loan receivables yield as a result of higher payment rates.

Other income decreased by \$20 million, or 250.0%, and \$28 million, or 233.3%, for the three and six months ended June 30, 2021, primarily driven by higher program loyalty costs associated with the increase in purchase volume.

Diversified & Value

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Purchase volume	\$ 11,618	\$ 7,683	\$ 20,838	\$ 17,084
Period-end loan receivables	\$ 14,357	\$ 15,177	\$ 14,357	\$ 15,177
Average loan receivables, including held for sale	\$ 14,101	\$ 15,425	\$ 14,336	\$ 16,485
Average active accounts (in thousands)	17,301	16,626	17,446	18,806
Interest and fees on loans	\$ 729	\$ 849	\$ 1,518	\$ 1,897
Other income	\$ (2)	\$ 17	\$ 3	\$ 32

Diversified & Value interest and fees on loans decreased by \$120 million, or 14.1%, and \$379 million, or 20.0%, for the three and six months ended June 30, 2021, primarily driven by lower average loan receivables reflecting the impact of store closures in 2020, as well as prior year government restrictions and higher payment rates.

Health & Wellness

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Purchase volume	\$ 2,988	\$ 1,952	\$ 5,636	\$ 4,611
Period-end loan receivables	\$ 9,515	\$ 9,222	\$ 9,515	\$ 9,222
Average loan receivables, including held for sale	\$ 9,334	\$ 9,387	\$ 9,387	\$ 9,823
Average active accounts (in thousands)	5,585	5,966	5,642	6,153
Interest and fees on loans	\$ 523	\$ 535	\$ 1,081	\$ 1,132
Other income	\$ 36	\$ 23	\$ 76	\$ 48

Health & Wellness interest and fees on loans decreased by \$12 million, or 2.2%, for the three months ended June 30, 2021, primarily driven by lower loan receivables yield as a result of higher payment rates. Interest and fees on loans decreased \$51 million, or 4.5%, for the six months ended June 30, 2021, primarily driven by lower average loan receivables.

Other income increased by \$13 million, or 56.5%, and \$28 million, or 58.3%, for the three and six months ended June 30, 2021, respectively, primarily due to commission fees earned by Pets Best.

Lifestyle

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Purchase volume	\$ 1,405	\$ 1,286	\$ 2,559	\$ 2,283
Period-end loan receivables	\$ 5,158	\$ 4,718	\$ 5,158	\$ 4,718
Average loan receivables, including held for sale	\$ 5,050	\$ 4,551	\$ 5,027	\$ 4,607
Average active accounts (in thousands)	2,442	2,462	2,510	2,634
Interest and fees on loans	\$ 182	\$ 172	\$ 363	\$ 367
Other income	\$ 6	\$ 4	\$ 11	\$ 9

Lifestyle interest and fees on loans increased by \$10 million, or 5.8%, for the three months ended June 30, 2021, primarily driven by an increase in average loan receivables reflecting continued strength in power sports. Interest and fees on loans decreased slightly by \$4 million, or 1.1%, for the six months ended June 30, 2021, primarily driven by lower late fees and lower merchant discount, largely offset by an increase in average loan receivables.

Corp, Other

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Purchase volume	\$ 2,971	\$ 2,066	\$ 5,443	\$ 4,553
Period-end loan receivables	\$ 4,000	\$ 4,376	\$ 4,000	\$ 4,376
Average loan receivables, including held for sale	\$ 3,929	\$ 4,480	\$ 4,023	\$ 4,844
Average active accounts (in thousands)	5,266	5,155	5,361	5,881
Interest and fees on loans	\$ 228	\$ 260	\$ 470	\$ 592
Other income	\$ 62	\$ 39	\$ 140	\$ 83

Corp, Other interest and fees on loans decreased by \$32 million, or 12.3%, and \$122 million, or 20.6%, for the three and six months ended June 30, 2021, primarily driven by lower average loan receivables.

Other income increased by \$23 million, or 59.0%, and \$57 million, or 68.7% for the three and six months ended June 30, 2021, primarily due to gains related to investment securities.

Loan Receivables

Loan receivables are our largest category of assets and represent our primary source of revenue. The following discussion provides supplemental information regarding our loan receivables portfolio. See Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* and Note 4. *Loan Receivables and Allowance for Credit Losses* to our condensed consolidated financial statements for additional information related to our Loan Receivables, including troubled debt restructurings ("TDR's").

The following table sets forth the composition of our loan receivables portfolio by product type at the dates indicated.

(\$ in millions)	At June 30, 2021	(%)	At December 31, 2020	(%)
Loans				
Credit cards	\$ 74,429	95.0 %	\$ 78,455	95.9 %
Consumer installment loans	2,507	3.2 %	2,125	2.6
Commercial credit products	1,379	1.7 %	1,250	1.5
Other	59	0.1 %	37	—
Total loans	\$ 78,374	100.0 %	\$ 81,867	100.0 %

Loan receivables decreased 4.3% to \$78.4 billion at June 30, 2021 compared to December 31, 2020, primarily driven by improvements in customer payment behavior, resulting in part from governmental stimulus actions, as well as the seasonality of our business. Customer payments as a percentage of beginning-of-period loan receivables for the three months ended June 30, 2021 were approximately 280 basis points higher than our prior five-year historical average for the second quarter.

Loan receivables increased slightly to \$78.4 billion at June 30, 2021 compared to \$78.3 billion at June 30, 2020, primarily driven by higher purchase volume, offset by the impacts of improvements in customer payment behavior.

Our loan receivables portfolio had the following geographic concentration at June 30, 2021.

(\$ in millions)	Loan Receivables Outstanding	% of Total Loan Receivables Outstanding
State		
Texas	\$ 8,124	10.4 %
California	\$ 8,036	10.3 %
Florida	\$ 6,849	8.7 %
New York	\$ 4,260	5.4 %
North Carolina	\$ 3,237	4.1 %

Delinquencies

Over-30 day loan delinquencies as a percentage of period-end loan receivables decreased to 2.11% at June 30, 2021 from 3.13% at June 30, 2020, and decreased from 3.07% at December 31, 2020. The decrease compared to the prior year period was primarily driven by an improvement in customer payment behavior. The current quarter decrease as compared to December 31, 2020 reflects these same improvements as well as the seasonality of our business.

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 credit losses and subsequent recoveries of previously charged-off amounts are credited to the allowance for credit 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, ("net charge-off rate") for the periods indicated.

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Net charge-off rate	3.57 %	5.35 %	3.59 %	5.35 %

Allowance for Credit Losses

The allowance for credit losses totaled \$9.0 billion at June 30, 2021, compared to \$10.3 billion at December 31, 2020 and \$9.8 billion at June 30, 2020, and reflects our estimate of expected credit losses for the life of the loan receivables on our consolidated statement of financial position.

Our allowance for credit losses as a percentage of total loan receivables decreased to 11.51% at June 30, 2021, from 12.54% at December 31, 2020 and from 12.52% at June 30, 2020.

The decrease compared to June 30, 2020 is primarily driven by improvements in customer payment behavior, which resulted in a reduction in our estimate of expected credit losses. The decrease compared to December 31, 2020 reflects the lower reserves, partially offset by the seasonality of our business.

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:

<i>Three months ended June 30 (\$ in millions)</i>	2021			2020		
	Average Balance	%	Average Rate	Average Balance	%	Average Rate
Deposits ⁽¹⁾	\$ 60,761	80.8 %	1.0 %	\$ 64,298	79.3 %	1.8 %
Securitized financings	7,149	9.5	2.5	8,863	10.9	2.7
Senior unsecured notes	7,276	9.7	4.2	7,958	9.8	4.1
Total	\$ 75,186	100.0 %	1.4 %	\$ 81,119	100.0 %	2.2 %

(1) Excludes \$349 million and \$309 million average balance of non-interest-bearing deposits for the three months ended June 30, 2021 and 2020, respectively. Non-interest-bearing deposits comprise less than 10% of total deposits for the three months ended June 30, 2021 and 2020.

<i>Six months ended June 30 (\$ in millions)</i>	2021			2020		
	Average Balance	%	Average Rate	Average Balance	%	Average Rate
Deposits ⁽¹⁾	\$ 61,737	80.4 %	1.0 %	\$ 64,332	78.3 %	2.0 %
Securitized financings	7,420	9.7	2.6	9,425	11.5	2.8
Senior unsecured notes	7,619	9.9	4.2	8,382	10.2	4.1
Total	\$ 76,776	100.0 %	1.5 %	\$ 82,139	100.0 %	2.3 %

(1) Excludes \$348 million and \$304 million average balance of non-interest-bearing deposits for the six months ended June 30, 2021 and 2020, respectively. Non-interest-bearing deposits comprise less than 10% of total deposits for the six months ended June 30, 2021 and 2020.

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, 2021, we had \$50.3 billion in direct deposits and \$9.5 billion in deposits originated through brokerage firms (including network deposit sweeps procured through a program arranger that channels brokerage account deposits to us). A key part of our liquidity plan and funding strategy is to continue to utilize 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, 2021, had a weighted average remaining life of 2.4 years. These deposits generally are not subject to early withdrawal.

Our ability to attract deposits is sensitive to, among other things, the interest rates we pay, and therefore, we bear funding risk if we fail to pay higher rates, or interest rate risk if we are required to pay higher rates, to retain existing deposits or attract new deposits. To mitigate these risks, our funding strategy includes a range of deposit products, and we seek to maintain access to multiple other funding sources, including securitized financings (including our undrawn committed capacity) and unsecured debt.

The following table summarizes certain information regarding our interest-bearing deposits by type (all of which constitute U.S. deposits) for the periods indicated:

	2021			2020		
	Average Balance	%	Average Rate	Average Balance	%	Average Rate
<i>Three months ended June 30 (\$ in millions)</i>						
Direct deposits:						
Certificates of deposit (including IRA certificates of deposit)	\$ 22,352	36.8 %	1.3 %	\$ 31,806	49.5 %	2.2 %
Savings accounts (including money market accounts)	28,391	46.7	0.5	21,023	32.7	1.3
Brokered deposits	10,018	16.5	1.6	11,469	17.8	1.8
Total interest-bearing deposits	\$ 60,761	100.0 %	1.0 %	\$ 64,298	100.0 %	1.8 %
	2021		2020			
	Average Balance	% of Total	Average Rate	Average Balance	% of Total	Average Rate
<i>Six months ended June 30 (\$ in millions)</i>						
Direct deposits:						
Certificates of deposit (including IRA certificates of deposit)	\$ 23,813	38.6 %	1.4 %	\$ 32,913	51.2 %	2.4 %
Savings accounts (including money market accounts)	27,603	44.7	0.5	20,333	31.6	1.5
Brokered deposits	10,321	16.7	1.6	11,086	17.2	2.1
Total interest-bearing deposits	\$ 61,737	100.0 %	0.5 %	\$ 64,332	100.0 %	2.0 %

Our deposit liabilities provide funding with maturities ranging from one day to ten years. At June 30, 2021, the weighted average maturity of our interest-bearing time deposits was 1.1 years. See Note 7. *Deposits* to our condensed consolidated financial statements for more information on the maturities of our time deposits.

The following table summarizes deposits by contractual maturity at June 30, 2021:

<i>(\$ in millions)</i>	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 FDIC insurance limit)⁽¹⁾⁽²⁾	\$ 29,955	\$ 2,674	\$ 7,465	\$ 6,964	\$ 47,058
U.S. deposits (in excess of FDIC insurance limit)⁽²⁾					
Direct deposits:					
Certificates of deposit (including IRA certificates of deposit)	1,107	745	2,091	1,253	5,196
Savings accounts (including money market accounts)	7,560	—	—	—	7,560
Brokered deposits:					
Sweep accounts	27	—	—	—	27
Total	<u>\$ 38,649</u>	<u>\$ 3,419</u>	<u>\$ 9,556</u>	<u>\$ 8,217</u>	<u>\$ 59,841</u>

(1) Includes brokered certificates of deposit for which underlying individual deposit balances are assumed to be less than \$250,000.

(2) The standard deposit insurance amount is \$250,000 per depositor, for each account ownership category. Deposits in excess of FDIC insurance limit presented above include partially uninsured accounts.

Securitized Financings

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 may 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, 2021.

<i>(\$ in millions)</i>	Less Than One Year	One Year Through Three Years	Four Years Through Five Years	After Five Years	Total
Scheduled maturities of long-term borrowings—owed to securitization investors:					
SYNCT ⁽¹⁾	\$ 1,050	\$ 3,040	\$ —	\$ —	\$ 4,090
SFT	300	—	—	—	300
SYNIT ⁽¹⁾	2,600	—	—	—	2,600
Total long-term borrowings—owed to securitization investors	<u>\$ 3,950</u>	<u>\$ 3,040</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,990</u>

(1) Excludes any subordinated classes of SYNCT notes and SYNIT notes that we owned at June 30, 2021.

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 that 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, any 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, 2021.

	Note Principal Balance (\$ in millions)	# of Series Outstanding	Three-Month Rolling Average Excess Spread ⁽¹⁾
SYNCT	\$ 4,244	8	~18.2% to 20.5%
SFT	\$ 300	5	18.5 %
SYNIT	\$ 2,600	1	17.2 %

(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, a range of the excess spreads relating to the particular series issued within such trust or, in the case of SYNIT, the excess spread relating to the one outstanding series issued within such trust, in all cases omitting any series that have not been outstanding for at least three full monthly periods and calculated in accordance with the applicable trust or series documentation, for the three securitization monthly periods ended June 30, 2021.

Senior Unsecured Notes

During the six months ended June 30, 2021 we made repayments of \$1.5 billion.

The following table provides a summary of our outstanding fixed rate senior unsecured notes at June 30, 2021.

Issuance Date	Interest Rate ⁽¹⁾	Maturity	Principal Amount Outstanding ⁽²⁾
<i>(\$ in millions)</i>			
Fixed rate senior unsecured notes:			
<i>Synchrony Financial</i>			
August 2014	4.250%	August 2024	1,250
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
July 2019	2.850%	July 2022	750
<i>Synchrony Bank</i>			
June 2017	3.000%	June 2022	750
Total fixed rate senior unsecured notes			\$ 6,500

(1) Weighted average interest rate of all senior unsecured notes at June 30, 2021 was 4.00%.

(2) The amounts shown exclude unamortized debt discounts, premiums and issuance costs.

Short-Term Borrowings

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

Other

At June 30, 2021, 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, 2021.

At June 30, 2021, we were not in default under any of our credit facilities.

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-
Preferred stock	BB-	B+
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 the Risk Committee of our Board of Directors. 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, 2021 had \$16.3 billion of liquid assets, primarily consisting of cash and equivalents and short-term obligations of the U.S. Treasury, less cash in transit which is not considered to be liquid, compared to \$18.3 billion of liquid assets at December 31, 2020. The decrease in liquid assets was primarily due to the reduction in funding liabilities, partially offset by the reduction in our loan receivables and the seasonality of our business. We believe our liquidity position at June 30, 2021 remains strong as we continue to operate in a period of uncertain economic conditions related to COVID-19 and we will continue to closely monitor our liquidity as economic conditions change.

As additional sources of liquidity, at June 30, 2021, we had an aggregate of \$4.4 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 2020 Form 10-K.

Capital

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

Synchrony is not currently required to conduct stress tests. See "*Regulation—Regulation Relating to Our Business—Recent Legislative and Regulatory Developments*" in our 2020 Form 10-K. In addition, while we have not been subject to the Federal Reserve Board's formal capital plan submission requirements to-date, we submitted a capital plan to the Federal Reserve Board in 2021. While not required, our capital plan process does include certain internal stress testing.

Dividend and Share Repurchases

Common Stock Cash Dividends Declared <i>(\$ in millions, except per share data)</i>	Month of Payment	Amount per Common Share	Amount
Three months ended March 31, 2021	February 2021	\$ 0.22	\$ 128
Three months ended June 30, 2021	May 2021	0.22	128
Total dividends declared		\$ 0.44	\$ 256

Preferred Stock Cash Dividends Declared	Month of Payment	Amount per Preferred Share	Amount
<i>(\$ in millions, except per share data)</i>			
Three months ended March 31, 2021	February 2021	\$ 14.06	\$ 11
Three months ended June 30, 2021	May 2021	14.06	10
Total dividends declared		<u>\$ 28.12</u>	<u>\$ 21</u>

The declaration and payment of future dividends to holders of our common and preferred 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 2020 Form 10-K.

Common Shares Repurchased Under Publicly Announced Programs	Total Number of Shares Purchased	Dollar Value of Shares Purchased
<i>(\$ and shares in millions)</i>		
Three months ended March 31, 2021	5.1	\$ 200
Three months ended June 30, 2021	8.7	393
Total	<u>13.8</u>	<u>\$ 593</u>

In January 2021, we announced our Board's approval of a share repurchase program of up to \$1.6 billion through December 31, 2021 (the “January 2021 Share Repurchase Program”), subject to the Company's capital plan, market conditions and other factors, including regulatory restrictions and required approvals, if any. In May 2021 we announced that the Board of Directors approved a new share repurchase program of up to \$2.9 billion for the period which commenced April 1, 2021 through June 30, 2022 (the “May 2021 Share Repurchase Program”), subject to market conditions and other factors, including legal and regulatory restrictions and required approvals, if any. This share repurchase program supersedes the program previously announced in January 2021, and does not include the impact of any capital which would be released if the loan receivables associated with the Gap Inc. program are sold at expiration of the existing program agreement.

Through the end of the second quarter of 2021, we have repurchased \$593 million of common stock as part of the January 2021 Share Repurchase Program and May 2021 Share Repurchase Program and have \$2.5 billion of remaining authorized share repurchase capacity under the May 2021 Share Repurchase Program at June 30, 2021.

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 2020 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, 2021, 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, 2021 and December 31, 2020, respectively.

(\$ in millions)	Basel III			
	At June 30, 2021		At December 31, 2020	
	Amount	Ratio ⁽¹⁾	Amount	Ratio ⁽¹⁾
Total risk-based capital	\$ 15,710	20.1 %	\$ 14,604	18.1 %
Tier 1 risk-based capital	\$ 14,671	18.7 %	\$ 13,525	16.8 %
Tier 1 leverage	\$ 14,671	15.6 %	\$ 13,525	14.0 %
Common equity Tier 1 capital	\$ 13,937	17.8 %	\$ 12,791	15.9 %
Risk-weighted assets	\$ 78,281		\$ 80,561	

(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.

In March 2020 the joint federal bank regulatory agencies issued an interim final rule that allows banking organizations to mitigate the effects of the CECL accounting standard in their regulatory capital. Banking organizations that adopted CECL in 2020 can elect to mitigate the estimated cumulative regulatory capital effects of CECL for two years. The Company has elected to adopt the option provided by the interim final rule, which will largely delay the effects of CECL on its regulatory capital through the end of 2021, after which the effects will be phased-in over a three-year period from January 1, 2022 through December 31, 2024, collectively the "CECL regulatory capital transition adjustment". For more information, see "Capital—Regulatory Capital Requirements - Synchrony Financial" in our 2020 Form 10-K.

Capital amounts and ratios at June 30, 2021 in the above table all reflect the application of the CECL regulatory capital transition adjustment. The increase in our common equity Tier 1 capital ratio compared to December 31, 2020 was primarily due to the retention of net earnings in the current year, as well as a decrease in loan receivables and a corresponding reduction in risk-weighted assets in the six months ended June 30, 2021.

Regulatory Capital Requirements - Synchrony Bank

At June 30, 2021 and December 31, 2020, 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, 2021 and December 31, 2020, and also reflects the CECL regulatory capital transition adjustment in the June 30, 2021 amounts and ratios.

(\$ in millions)	At June 30, 2021		At December 31, 2020		Minimum to be Well-Capitalized under Prompt Corrective Action Provisions
	Amount	Ratio	Amount	Ratio	Ratio
	Total risk-based capital	\$ 14,460	20.6 %	\$ 12,784	17.8 %
Tier 1 risk-based capital	\$ 13,526	19.2 %	\$ 11,821	16.5 %	8.0%
Tier 1 leverage	\$ 13,526	16.0 %	\$ 11,821	13.6 %	5.0%
Common equity Tier 1 capital	\$ 13,526	19.2 %	\$ 11,821	16.5 %	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 2020 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, 2021, we had not recorded any contingent liabilities in our Condensed Consolidated Statement of Financial Position related to any guarantees.

We extend credit, primarily arising from agreements with customers for unused lines of credit on our credit cards, in the ordinary course of business. Each unused credit card line is unconditionally cancellable by us. See Note 4 - *Loan Receivables and Allowance for Credit 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 credit 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 2020 Form 10-K, for a detailed discussion of these critical accounting estimates.

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 and collection 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. Such laws and regulations directly and indirectly affect key drivers of our profitability, including, for example, capital and liquidity, product offerings, risk management, and costs of compliance.

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 2020 Form 10-K for additional information on regulations that are currently applicable to us. 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,	
	2021	2020	2021	2020
<i>(\$ in millions, except per share data)</i>				
Interest income:				
Interest and fees on loans (Note 4)	\$ 3,567	\$ 3,808	\$ 7,299	\$ 8,148
Interest on cash and debt securities	11	22	21	89
Total interest income	<u>3,578</u>	<u>3,830</u>	<u>7,320</u>	<u>8,237</u>
Interest expense:				
Interest on deposits	146	293	316	649
Interest on borrowings of consolidated securitization entities	44	59	95	132
Interest on senior unsecured notes	76	82	158	170
Total interest expense	<u>266</u>	<u>434</u>	<u>569</u>	<u>951</u>
Net interest income	3,312	3,396	6,751	7,286
Retailer share arrangements	(1,006)	(773)	(1,995)	(1,699)
Provision for credit losses (Note 4)	(194)	1,673	140	3,350
Net interest income, after retailer share arrangements and provision for credit losses	<u>2,500</u>	<u>950</u>	<u>4,616</u>	<u>2,237</u>
Other income:				
Interchange revenue	223	134	394	295
Debt cancellation fees	66	69	135	138
Loyalty programs	(247)	(134)	(426)	(292)
Other	47	26	117	51
Total other income	<u>89</u>	<u>95</u>	<u>220</u>	<u>192</u>
Other expense:				
Employee costs	359	327	723	651
Professional fees	189	189	379	386
Marketing and business development	114	91	209	202
Information processing	137	116	268	239
Other	149	263	301	510
Total other expense	<u>948</u>	<u>986</u>	<u>1,880</u>	<u>1,988</u>
Earnings before provision for income taxes	<u>1,641</u>	<u>59</u>	<u>2,956</u>	<u>441</u>
Provision for income taxes (Note 12)	399	11	689	107
Net earnings	<u>\$ 1,242</u>	<u>\$ 48</u>	<u>\$ 2,267</u>	<u>\$ 334</u>
Net earnings available to common stockholders	<u>\$ 1,232</u>	<u>\$ 37</u>	<u>\$ 2,246</u>	<u>\$ 312</u>
Earnings per share				
Basic	\$ 2.13	\$ 0.06	\$ 3.87	\$ 0.52
Diluted	\$ 2.12	\$ 0.06	\$ 3.84	\$ 0.52

See accompanying notes to condensed consolidated financial statements.

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

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Net earnings	\$ 1,242	\$ 48	\$ 2,267	\$ 334
Other comprehensive income (loss)				
Debt securities	(2)	12	(8)	29
Currency translation adjustments	2	1	4	(7)
Employee benefit plans	—	(1)	(1)	(1)
Other comprehensive income (loss)	—	12	(5)	21
Comprehensive income	\$ 1,242	\$ 60	\$ 2,262	\$ 355

Amounts presented net of taxes.

See accompanying notes to condensed consolidated financial statements.

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

(\$ in millions)	At June 30, 2021	At December 31, 2020
Assets		
Cash and equivalents	\$ 11,117	\$ 11,524
Debt securities (Note 3)	5,728	7,469
Loan receivables: (Notes 4 and 5)		
Unsecuritized loans held for investment	55,994	56,472
Restricted loans of consolidated securitization entities	22,380	25,395
Total loan receivables	78,374	81,867
Less: Allowance for credit losses	(9,023)	(10,265)
Loan receivables, net	69,351	71,602
Loan receivables held for sale (Note 4)	—	5
Goodwill	1,105	1,078
Intangible assets, net (Note 6)	1,098	1,125
Other assets	3,618	3,145
Total assets	<u>\$ 92,017</u>	<u>\$ 95,948</u>
Liabilities and Equity		
Deposits: (Note 7)		
Interest-bearing deposit accounts	\$ 59,500	\$ 62,469
Non-interest-bearing deposit accounts	341	313
Total deposits	59,841	62,782
Borrowings: (Notes 5 and 8)		
Borrowings of consolidated securitization entities	6,987	7,810
Senior unsecured notes	6,470	7,965
Total borrowings	13,457	15,775
Accrued expenses and other liabilities	4,522	4,690
Total liabilities	<u>\$ 77,820</u>	<u>\$ 83,247</u>
Equity:		
Preferred stock, par share value \$0.001 per share; 750,000 shares authorized; 750,000 shares issued and outstanding at both June 30, 2021 and December 31, 2020 and aggregate liquidation preference of \$750 at both June 30, 2021 and December 31, 2020	\$ 734	\$ 734
Common Stock, par share value \$0.001 per share; 4,000,000,000 shares authorized; 833,984,684 shares issued at both June 30, 2021 and December 31, 2020; 573,416,152 and 584,009,550 shares outstanding at June 30, 2021 and December 31, 2020, respectively	1	1
Additional paid-in capital	9,620	9,570
Retained earnings	12,560	10,621
Accumulated other comprehensive income (loss):		
Debt securities	17	25
Currency translation adjustments	(18)	(22)
Employee benefit plans	(55)	(54)
Treasury stock, at cost; 260,568,532 and 249,975,134 shares at June 30, 2021 and December 31, 2020, respectively	(8,662)	(8,174)
Total equity	<u>14,197</u>	<u>12,701</u>
Total liabilities and equity	<u>\$ 92,017</u>	<u>\$ 95,948</u>

See accompanying notes to condensed consolidated financial statements.

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

(\$ in millions, shares in thousands)	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
	Shares Issued	Amount	Shares Issued	Amount					
Balance at January 1, 2020	750	\$ 734	833,985	\$ 1	\$ 9,537	\$ 12,117	\$ (58)	\$ (7,243)	\$ 15,088
Cumulative effect of change in accounting principle	—	—	—	—	—	(2,276)	—	—	(2,276)
Adjusted balance, beginning of period	750	734	833,985	1	9,537	9,841	(58)	(7,243)	12,812
Net earnings	—	—	—	—	—	286	—	—	286
Other comprehensive income	—	—	—	—	—	—	9	—	9
Purchases of treasury stock	—	—	—	—	—	—	—	(985)	(985)
Stock-based compensation	—	—	—	—	(14)	(21)	—	29	(6)
Dividends - preferred stock (\$14.22 per share)	—	—	—	—	—	(11)	—	—	(11)
Dividends - common stock (\$0.22 per share)	—	—	—	—	—	(135)	—	—	(135)
Balance at March 31, 2020	750	\$ 734	833,985	\$ 1	\$ 9,523	\$ 9,960	\$ (49)	\$ (8,199)	\$ 11,970
Net earnings	—	—	—	—	—	48	—	—	48
Other comprehensive income	—	—	—	—	—	—	12	—	12
Purchases of treasury stock	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	9	(17)	—	16	8
Dividends - preferred stock (\$14.06 per share)	—	—	—	—	—	(11)	—	—	(11)
Dividends - common stock (\$0.22 per share)	—	—	—	—	—	(128)	—	—	(128)
Balance at June 30, 2020	750	\$ 734	833,985	\$ 1	\$ 9,532	\$ 9,852	\$ (37)	\$ (8,183)	\$ 11,899

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
	Shares Issued	Amount	Shares Issued	Amount					
<i>(\$ in millions, shares in thousands)</i>									
Balance at January 1, 2021	750	\$ 734	833,985	\$ 1	\$ 9,570	\$ 10,621	\$ (51)	\$ (8,174)	\$ 12,701
Net earnings	—	—	—	—	—	1,025	—	—	1,025
Other comprehensive income	—	—	—	—	—	—	(5)	—	(5)
Purchases of treasury stock	—	—	—	—	—	—	—	(200)	(200)
Stock-based compensation	—	—	—	—	22	(37)	—	72	57
Dividends - preferred stock (\$14.06 per share)	—	—	—	—	—	(11)	—	—	(11)
Dividends - common stock (\$0.22 per share)	—	—	—	—	—	(128)	—	—	(128)
Balance at March 31, 2021	750	\$ 734	833,985	\$ 1	\$ 9,592	\$ 11,470	\$ (56)	\$ (8,302)	\$ 13,439
Net earnings	—	—	—	—	—	1,242	—	—	1,242
Other comprehensive income	—	—	—	—	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	—	—	—	(393)	(393)
Stock-based compensation	—	—	—	—	28	(14)	—	33	47
Dividends - preferred stock (\$14.06 per share)	—	—	—	—	—	(10)	—	—	(10)
Dividends - common stock (\$0.22 per share)	—	—	—	—	—	(128)	—	—	(128)
Balance at June 30, 2021	750	\$ 734	833,985	\$ 1	\$ 9,620	\$ 12,560	\$ (56)	\$ (8,662)	\$ 14,197

See accompanying notes to condensed consolidated financial statements.

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

(\$ in millions)	Six months ended June 30,	
	2021	2020
Cash flows - operating activities		
Net earnings	\$ 2,267	\$ 334
Adjustments to reconcile net earnings to cash provided from operating activities		
Provision for credit losses	140	3,350
Deferred income taxes	184	(328)
Depreciation and amortization	192	193
(Increase) decrease in interest and fees receivable	596	348
(Increase) decrease in other assets	(150)	(34)
Increase (decrease) in accrued expenses and other liabilities	(214)	(312)
All other operating activities	265	367
Cash provided from (used for) operating activities	3,280	3,918
Cash flows - investing activities		
Maturity and sales of debt securities	3,836	4,227
Purchases of debt securities	(2,140)	(4,891)
Proceeds from sale of loan receivables	23	709
Net (increase) decrease in loan receivables, including held for sale	1,374	6,071
All other investing activities	(309)	(184)
Cash provided from (used for) investing activities	2,784	5,932
Cash flows - financing activities		
Borrowings of consolidated securitization entities		
Proceeds from issuance of securitized debt	1,050	500
Maturities and repayment of securitized debt	(1,875)	(2,806)
Senior unsecured notes		
Maturities and repayment of senior unsecured notes	(1,500)	(1,500)
Dividends paid on preferred stock	(21)	(22)
Net increase (decrease) in deposits	(2,957)	(997)
Purchases of treasury stock	(593)	(985)
Dividends paid on common stock	(256)	(263)
All other financing activities	25	(10)
Cash provided from (used for) financing activities	(6,127)	(6,083)
Increase (decrease) in cash and equivalents, including restricted amounts	(63)	3,767
Cash and equivalents, including restricted amounts, at beginning of period	11,605	12,647
Cash and equivalents at end of period:		
Cash and equivalents	11,117	16,344
Restricted cash and equivalents included in other assets	425	70
Total cash and equivalents, including restricted amounts, at end of period	\$ 11,542	\$ 16,414

See accompanying notes to condensed consolidated financial statements.

Synchrony Financial and subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1. BUSINESS DESCRIPTION

Synchrony Financial (the "Company") provides a range of credit products through 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 savings products insured by the Federal Deposit Insurance Corporation ("FDIC") 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 2020 annual consolidated financial statements and the related notes in our Annual Report on Form 10-K for the year ended December 31, 2020 (our "2020 Form 10-K").

See Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* to our 2020 annual consolidated financial statements in our 2020 Form 10-K, for additional information on our other 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, 2021				December 31, 2020			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
(\$ in millions)								
U.S. government and federal agency	\$ 2,531	\$ 1	\$ (1)	\$ 2,531	\$ 3,926	\$ 1	\$ —	\$ 3,927
State and municipal	37	—	(2)	35	40	—	(1)	39
Residential mortgage-backed ^(a)	696	20	(2)	714	817	25	—	842
Asset-backed ^(b)	2,433	6	—	2,439	2,652	9	—	2,661
Other	8	1	—	9	—	—	—	—
Total	\$ 5,705	\$ 28	\$ (5)	\$ 5,728	\$ 7,435	\$ 35	\$ (1)	\$ 7,469

(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, 2021 and December 31, 2020, \$168 million and \$229 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) Our asset-backed securities are collateralized by credit card and auto 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	
	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
<i>(\$ in millions)</i>				
<i>At June 30, 2021</i>				
U.S. government and federal agency	\$ 360	\$ (1)	\$ —	\$ —
State and municipal	4	—	20	(2)
Residential mortgage-backed	126	(2)	—	—
Asset-backed	499	—	—	—
Other	—	—	—	—
Total	\$ 989	\$ (3)	\$ 20	\$ (2)
<i>At December 31, 2020</i>				
U.S. government and federal agency	\$ —	\$ —	\$ —	\$ —
State and municipal	3	—	21	(1)
Residential mortgage-backed	6	—	—	—
Asset-backed	242	—	—	—
Total	\$ 251	\$ —	\$ 21	\$ (1)

We regularly review debt securities for impairment resulting from credit loss using both qualitative and quantitative criteria, as necessary based on the composition of the portfolio at period end. Based on our assessment, no material impairments for credit losses were recognized during the period.

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.

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

<i>At June 30, 2021 (\$ in millions)</i>	Amortized cost	Estimated fair value	Weighted Average yield ^(a)
Due			
Within one year	\$ 3,229	\$ 3,232	0.3 %
After one year through five years	\$ 1,739	\$ 1,742	0.3 %
After five years through ten years	\$ 244	\$ 253	2.1 %
After ten years	\$ 493	\$ 501	1.7 %

(a) 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.

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, 2021 and 2020.

Although we generally do not have the intent to sell any specific securities held at June 30, 2021, 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 CREDIT LOSSES

(\$ in millions)

	June 30, 2021	December 31, 2020
Credit cards	\$ 74,429	\$ 78,455
Consumer installment loans	2,507	2,125
Commercial credit products	1,379	1,250
Other	59	37
Total loan receivables, before allowance for credit losses^{(a)(b)}	\$ 78,374	\$ 81,867

(a) Total loan receivables include \$22.4 billion and \$25.4 billion of restricted loans of consolidated securitization entities at June 30, 2021 and December 31, 2020, respectively. See Note 5. *Variable Interest Entities* for further information on these restricted loans.

(b) At June 30, 2021 and December 31, 2020, loan receivables included deferred costs, net of deferred income, of \$168 million and \$153 million, respectively.

Allowance for Credit Losses

(\$ in millions)

	Balance at April 1, 2021	Provision charged to operations	Gross charge-offs	Recoveries	Balance at June 30, 2021
Credit cards	\$ 9,735	\$ (163)	\$ (881)	\$ 213	\$ 8,904
Consumer installment loans	100	(26)	(12)	5	67
Commercial credit products	64	(5)	(10)	1	50
Other	2	—	—	—	2
Total	\$ 9,901	\$ (194)	\$ (903)	\$ 219	\$ 9,023

(\$ in millions)

	Balance at April 1, 2020	Provision charged to operations	Gross charge-offs	Recoveries	Balance at June 30, 2020
Credit cards	\$ 9,029	\$ 1,633	\$ (1,265)	\$ 240	\$ 9,637
Consumer installment loans	83	28	(11)	3	103
Commercial credit products	62	12	(15)	2	61
Other	1	—	—	—	1
Total	\$ 9,175	\$ 1,673	\$ (1,291)	\$ 245	\$ 9,802

(\$ in millions)

	Balance at January 1, 2021	Provision charged to operations	Gross charge-offs	Recoveries	Other	Balance at June 30, 2021
Credit cards	\$ 10,076	\$ 178	\$ (1,782)	\$ 432	\$ —	\$ 8,904
Consumer installment loans	127	(44)	(27)	10	1	67
Commercial credit products	61	5	(19)	3	—	50
Other	1	1	—	—	—	2
Total	\$ 10,265	\$ 140	\$ (1,828)	\$ 445	\$ 1	\$ 9,023

(\$ in millions)

	Balance at January 1, 2020	Impact of ASU 2016-13 Adoption	Post-Adoption Balance at January 1, 2020	Provision charged to operations	Gross charge-offs	Recoveries	Balance at June 30, 2020
Credit cards	\$ 5,506	\$ 2,989	\$ 8,495	\$ 3,268	\$ (2,660)	\$ 534	\$ 9,637
Consumer installment loans	46	26	72	52	(27)	6	103
Commercial credit products	49	6	55	30	(29)	5	61
Other	1	—	1	—	—	—	1
Total	\$ 5,602	\$ 3,021	\$ 8,623	\$ 3,350	\$ (2,716)	\$ 545	\$ 9,802

Our allowance for credit losses at June 30, 2021 and December 31, 2020 reflects our estimate of expected credit losses for the life of the loan receivables on our consolidated statement of financial position.

The reasonable and supportable forecast period used in our estimate of credit losses at June 30, 2021 was 12 months, consistent with the forecast period utilized since adoption of CECL. Beyond the reasonable and supportable forecast period, we revert to historical mean information at the loan receivables segment level over a 6-month period, gradually increasing the weight of historical losses by an equal amount each month during the reversion period, and utilize historical loss information thereafter for the remaining life of the portfolio. The reversion period and methodology remain unchanged since the adoption of CECL.

Losses on loan receivables are estimated and recognized upon origination of the loan, based on expected credit losses for the life of the loan balance at June 30, 2021. Expected credit loss estimates are developed using both quantitative models and qualitative adjustments, and incorporates a macroeconomic forecast, as described within the 2020 Form 10-K. The current and forecasted economic conditions at the balance sheet date including the impact of the COVID-19 pandemic influenced our current estimate of expected credit losses. These conditions have improved as compared to December 31, 2020. We also continue to experience improvements in customer payment behavior, which include the effects of recent governmental stimulus actions, that has contributed to a reduction in loan receivables balances and delinquent accounts. Accordingly, our allowance for credit losses decreased by \$1.2 billion to \$9.0 billion during the six months ended June 30, 2021. See Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* to our 2020 annual consolidated financial statements in our 2020 Form 10-K, for additional information on our significant accounting policies related to our allowance for credit losses.

Delinquent and Non-accrual Loans

<i>At June 30, 2021 (\$ in millions)</i>	30-89 days delinquent	90 or more days delinquent	Total past due	90 or more days delinquent and accruing	Total non-accruing
Credit cards	\$ 834	\$ 773	\$ 1,607	\$ 773	\$ —
Consumer installment loans	21	2	23	—	2
Commercial credit products	14	9	23	9	—
Total delinquent loans	<u>\$ 869</u>	<u>\$ 784</u>	<u>\$ 1,653</u>	<u>\$ 782</u>	<u>\$ 2</u>
Percentage of total loan receivables	<u>1.1 %</u>	<u>1.0 %</u>	<u>2.1 %</u>	<u>1.0 %</u>	<u>— %</u>

<i>At December 31, 2020 (\$ in millions)</i>	30-89 days delinquent	90 or more days delinquent	Total past due	90 or more days delinquent and accruing	Total non-accruing
Credit cards	\$ 1,325	\$ 1,128	\$ 2,453	\$ 1,128	\$ —
Consumer installment loans	26	5	31	—	5
Commercial credit products	20	10	30	10	—
Total delinquent loans	<u>\$ 1,371</u>	<u>\$ 1,143</u>	<u>\$ 2,514</u>	<u>\$ 1,138</u>	<u>\$ 5</u>
Percentage of total loan receivables	<u>1.7 %</u>	<u>1.4 %</u>	<u>3.1 %</u>	<u>1.4 %</u>	<u>— %</u>

Troubled Debt Restructurings

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 or short-term modifications made on a good faith basis in response to COVID-19.

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 our TDR loan modifications during the periods presented:

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Credit cards	\$ 154	\$ 127	\$ 415	\$ 352
Consumer installment loans	—	—	—	—
Commercial credit products	—	—	1	1
Total	\$ 154	\$ 127	\$ 416	\$ 353

Our allowance for credit 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 on an individual basis but instead estimate an allowance for credit losses on a collective basis.

At June 30, 2021 (\$ in millions)	Total recorded investment	Related allowance	Net recorded investment	Unpaid principal balance
Credit cards	\$ 1,230	\$ (556)	\$ 674	\$ 1,082
Consumer installment loans	—	—	—	—
Commercial credit products	4	(2)	2	4
Total	\$ 1,234	\$ (558)	\$ 676	\$ 1,086

At December 31, 2020 (\$ in millions)	Total recorded investment	Related allowance	Net recorded investment	Unpaid principal balance
Credit cards	\$ 1,238	\$ (561)	\$ 677	\$ 1,084
Consumer installment loans	—	—	—	—
Commercial credit products	4	(2)	2	4
Total	\$ 1,242	\$ (563)	\$ 679	\$ 1,088

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,

	2021			2020		
	Interest income recognized during period when loans were impaired	Interest income that would have been recorded with original terms	Average recorded investment	Interest income recognized during period when loans were impaired	Interest income that would have been recorded with original terms	Average recorded investment
(\$ in millions)						
Credit cards	\$ 8	\$ 77	\$ 1,270	\$ 9	\$ 67	\$ 1,133
Consumer installment loans	—	—	—	—	—	—
Commercial credit products	—	—	4	—	—	3
Total	\$ 8	\$ 77	\$ 1,274	\$ 9	\$ 67	\$ 1,136

Six months ended June 30,

	2021			2020		
	Interest income recognized during period when loans were impaired	Interest income that would have been recorded with original terms	Average recorded investment	Interest income recognized during period when loans were impaired	Interest income that would have been recorded with original terms	Average recorded investment
(\$ in millions)						
Credit cards	\$ 19	\$ 156	\$ 1,259	\$ 21	\$ 139	\$ 1,137
Consumer installment loans	—	—	—	—	—	—
Commercial credit products	—	—	4	—	—	3
Total	\$ 19	\$ 156	\$ 1,263	\$ 21	\$ 139	\$ 1,140

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 and charged-off during the periods presented.

Three months ended June 30,

	2021		2020	
	Accounts defaulted	Loans defaulted	Accounts defaulted	Loans defaulted
(\$ in millions)				
Credit cards	21,440	\$ 60	15,689	\$ 40
Consumer installment loans	—	—	—	—
Commercial credit products	44	—	54	—
Total	21,484	\$ 60	15,743	\$ 40

Six months ended June 30,
(\$ in millions)

	2021		2020	
	Accounts defaulted	Loans defaulted	Accounts defaulted	Loans defaulted
Credit cards	35,366	\$ 99	31,914	\$ 80
Consumer installment loans	—	—	—	—
Commercial credit products	76	—	76	—
Total	35,442	\$ 99	31,990	\$ 80

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, including delinquency information, as well as information from credit bureaus relating to the customer's broader credit performance. We utilize VantageScore credit scores to assist in our assessment of credit quality. VantageScore credit scores are 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) 651 or higher, which are considered the strongest credits; (ii) 591 to 650, considered moderate credit risk; and (iii) 590 or less, which are considered weaker credits. There are certain customer accounts for which a VantageScore score is not available where we use alternative sources to assess their credit and predict behavior. The following table provides the most recent VantageScore scores available for our customers at June 30, 2021 and December 31, 2020, respectively, as a percentage of each class of loan receivable. For comparability purposes and to provide the best illustration of how the credit risk inherent in our loan portfolios has changed over time, the credit quality information at June 30, 2020 has also been presented to show applicable VantageScore score categories. The table below excludes 0.4%, 0.3% and 0.3% of our total loan receivables balance at each of June 30, 2021, December 31, 2020 and June 30, 2020, respectively, which represents those customer accounts for which a VantageScore score is not available.

	June 30, 2021			December 31, 2020			June 30, 2020		
	651 or higher	591 to 650	590 or less	651 or higher	591 to 650	590 or less	651 or higher	591 to 650	590 or less
Credit cards	80 %	16 %	4 %	77 %	17 %	6 %	73 %	20 %	7 %
Consumer installment loans	81 %	16 %	3 %	78 %	18 %	4 %	77 %	18 %	5 %
Commercial credit products	93 %	4 %	3 %	92 %	5 %	3 %	91 %	5 %	4 %

Unfunded Lending Commitments

We manage the potential risk in credit commitments by limiting the total amount of credit, both by individual customer and in total, by monitoring the size and maturity of our portfolios and by applying the same credit standards for all of our credit products. Unused credit card lines available to our customers totaled approximately \$418 billion and \$413 billion at June 30, 2021 and December 31, 2020, 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:

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Credit cards ^(a)	\$ 3,484	\$ 3,740	\$ 7,141	\$ 8,012
Consumer installment loans	59	37	112	72
Commercial credit products	23	30	44	63
Other	1	1	2	1
Total	\$ 3,567	\$ 3,808	\$ 7,299	\$ 8,148

(a) Interest income on credit cards that was reversed related to accrued interest receivables written off was \$296 million and \$418 million for the three months ended June 30, 2021 and 2020, respectively, and \$601 million and \$895 million for the six months ended June 30, 2021 and 2020, respectively.

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, 2021 and 2020. 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, 2021	December 31, 2020
Assets		
Loan receivables, net ^(a)	\$ 20,169	\$ 22,683
Other assets ^(b)	374	52
Total	\$ 20,543	\$ 22,735
Liabilities		
Borrowings	\$ 6,987	\$ 7,810
Other liabilities	17	23
Total	\$ 7,004	\$ 7,833

- (a) Includes \$2.2 billion and \$2.7 billion of related allowance for credit losses resulting in gross restricted loans of \$2.4 billion and \$25.4 billion at June 30, 2021 and December 31, 2020, respectively.
- (b) Includes \$371 million and \$48 million of segregated funds held by the VIEs at June 30, 2021 and December 31, 2020, 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 \$ 0.9 billion and \$1.2 billion for the three months ended June 30, 2021 and 2020, respectively. Related expenses consisted primarily of provision for credit losses of \$(23) million and \$480 million for the three months ended June 30, 2021 and 2020, respectively, and interest expense of \$44 million and \$59 million for the three months ended June 30, 2021 and 2020, respectively. These amounts do not include intercompany transactions, principally fees and interest, which are eliminated in our condensed consolidated financial statements.

Income (principally, interest and fees on loans) earned by our consolidated VIEs was \$ 2.0 billion and \$2.5 billion for the six months ended June 30, 2021 and 2020, respectively. Related expenses consisted primarily of provision for credit losses of \$(80) million and \$1.0 billion for the six months ended June 30, 2021 and 2020, respectively, and interest expense of \$95 million and \$132 million for the six months ended June 30, 2021 and 2020, respectively.

NOTE 6. INTANGIBLE ASSETS

(\$ in millions)	June 30, 2021			December 31, 2020		
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Customer-related	\$ 1,791	\$ (1,150)	\$ 641	\$ 1,734	\$ (1,081)	\$ 653
Capitalized software and other	1,120	(663)	457	1,043	(571)	472
Total	\$ 2,911	\$ (1,813)	\$ 1,098	\$ 2,777	\$ (1,652)	\$ 1,125

During the six months ended June 30, 2021, we recorded additions to intangible assets subject to amortization of \$ 142 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, 2021 and 2020, we recorded additions to customer-related intangible assets subject to amortization of \$62 million and \$18 million, respectively, primarily related to payments made to acquire and extend certain retail partner relationships. These additions had a weighted average amortizable life of 5 years and 7 years for the six months ended June 30, 2021 and 2020, respectively.

Amortization expense related to retail partner contracts was \$32 million and \$33 million for the three months ended June 30, 2021 and 2020, respectively, and \$64 million and \$65 million for the six months ended June 30, 2021 and 2020, 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 \$51 million and \$49 million for the three months ended June 30, 2021 and 2020, respectively, and \$101 million and \$99 million for the six months ended June 30, 2021 and 2020, respectively, and is included as a component of other expense in our Condensed Consolidated Statements of Earnings.

NOTE 7. DEPOSITS

(\$ in millions)	June 30, 2021		December 31, 2020	
	Amount	Average rate ^(a)	Amount	Average rate ^(a)
Interest-bearing deposits	\$ 59,500	1.0 %	\$ 62,469	1.7 %
Non-interest-bearing deposits	341	—	313	—
Total deposits	\$ 59,841		\$ 62,782	

(a) Based on interest expense for the six months ended June 30, 2021 and the year ended December 31, 2020 and average deposits balances.

At June 30, 2021 and December 31, 2020, interest-bearing deposits included \$5.2 billion and \$6.5 billion, respectively, of certificates of deposit that exceeded applicable FDIC insurance limits, which are generally \$250,000 per depositor.

At June 30, 2021, our interest-bearing time deposits maturing for the remainder of 2021 and over the next four years and thereafter were as follows:

(\$ in millions)	2021	2022	2023	2024	2025	Thereafter
Deposits	\$ 8,131	\$ 12,185	\$ 2,248	\$ 2,377	\$ 662	\$ 302

The above maturity table excludes \$28.4 billion of demand deposits with no defined maturity, of which \$26.9 billion are savings accounts. In addition, at June 30, 2021, we had \$5.2 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 2023 and 2027.

NOTE 8. BORROWINGS

(\$ in millions)	June 30, 2021			December 31, 2020	
	Maturity date	Interest Rate	Weighted average interest rate	Outstanding Amount ^(a)	Outstanding Amount ^(a)
Borrowings of consolidated securitization entities:					
Fixed securitized borrowings	2021 - 2023	2.34% - 3.87%	2.96 %	\$ 4,187	\$ 5,510
Floating securitized borrowings	2021 - 2023	0.71% - 0.98%	0.80 %	2,800	2,300
Total borrowings of consolidated securitization entities			2.10 %	6,987	7,810
Senior unsecured notes:					
<i>Synchrony Financial senior unsecured notes:</i>					
Fixed senior unsecured notes	2022 - 2029	2.80% - 5.15%	4.13 %	5,722	6,468
<i>Synchrony Bank senior unsecured notes:</i>					
Fixed senior unsecured notes	2022	3.00%	3.00 %	748	1,497
Total senior unsecured notes			4.00 %	6,470	7,965
Total borrowings				\$ 13,457	\$ 15,775

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

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 2021 and over the next four years and thereafter:

(\$ in millions)	2021	2022	2023	2024	2025	Thereafter
Borrowings	\$ 1,600	\$ 4,733	\$ 2,157	\$ 1,850	\$ 1,000	\$ 2,150

Credit Facilities

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

At June 30, 2021, we had an aggregate of \$ 4.4 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 2020 annual consolidated financial statements in our 2020 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, 2021 (\$ in millions)

	Level 1	Level 2	Level 3	Total ^(a)
Assets				
Debt securities				
U.S. government and federal agency	\$ —	\$ 2,531	\$ —	\$ 2,531
State and municipal	—	—	35	35
Residential mortgage-backed	—	714	—	714
Asset-backed	—	2,439	—	2,439
Other	—	—	9	9
Other assets ^(b)	16	—	9	25
Total	\$ 16	\$ 5,684	\$ 53	\$ 5,753

At December 31, 2020 (\$ in millions)

Assets				
Debt securities				
U.S. government and federal agency	\$ —	\$ 3,927	\$ —	\$ 3,927
State and municipal	—	—	39	39
Residential mortgage-backed	—	842	—	842
Asset-backed	—	2,661	—	2,661
Other assets ^(b)	16	—	14	30
Total	\$ 16	\$ 7,430	\$ 53	\$ 7,499
Liabilities				
Contingent consideration	—	—	11	11
Total	\$ —	\$ —	\$ 11	\$ 11

(a) For the six months ended June 30, 2021 and 2020, 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. See Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* and Note 9. *Fair Value Measurements* in our 2020 annual consolidated financial statements in our 2020 Form 10-K for a description of our process to evaluate third-party pricing servicers and a description of our contingent consideration 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, 2021 and 2020 were not material.

Financial Assets and Financial Liabilities Carried at Other Than Fair Value

At June 30, 2021 (\$ 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)	\$ 11,117	\$ 11,117	\$ 11,117	\$ —	\$ —
Other assets ^{(a)(b)}	\$ 425	\$ 425	\$ 425	\$ —	\$ —
Financial assets carried at other than fair value:					
Loan receivables, net ^(c)	\$ 69,351	\$ 82,082	\$ —	\$ —	\$ 82,082
Loan receivables held for sale ^(c)	\$ —	\$ —	\$ —	\$ —	\$ —
Financial Liabilities					
Financial liabilities carried at other than fair value:					
Deposits	\$ 59,841	\$ 60,266	\$ —	\$ 60,266	\$ —
Borrowings of consolidated securitization entities	\$ 6,987	\$ 7,095	\$ —	\$ 4,295	\$ 2,800
Senior unsecured notes	\$ 6,470	\$ 7,105	\$ —	\$ 7,105	\$ —

At December 31, 2020 (\$ 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)	\$ 11,524	\$ 11,524	\$ 11,524	\$ —	\$ —
Other assets ^{(a)(b)}	\$ 81	\$ 81	\$ 81	\$ —	\$ —
Financial assets carried at other than fair value:					
Loan receivables, net ^(c)	\$ 71,602	\$ 85,234	\$ —	\$ —	\$ 85,234
Loan receivables held for sale ^(c)	\$ 5	\$ 5	\$ —	\$ —	\$ 5
Financial Liabilities					
Financial liabilities carried at other than fair value:					
Deposits	\$ 62,782	\$ 63,382	\$ —	\$ 63,382	\$ —
Borrowings of consolidated securitization entities	\$ 7,810	\$ 7,977	\$ —	\$ 5,680	\$ 2,297
Senior unsecured notes	\$ 7,965	\$ 8,704	\$ —	\$ 8,704	\$ —

- (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 of three months or less or acquired within three 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 in the event of a 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 Wall Street Reform and Consumer Protection 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 FDIC.

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.

In March 2020 the joint federal bank regulatory agencies issued an interim final rule that allows banking organizations that implemented CECL in 2020 to mitigate the effects of the CECL accounting standard in their regulatory capital for two years. The Company has elected to adopt the option provided by the interim final rule, which will largely delay the effects of CECL on its regulatory capital through the end of 2021, after which the effects will be phased-in over a three-year period from January 1, 2022 through December 31, 2024, collectively the "CECL regulatory capital transition adjustment". See Note 10. *Regulatory and Capital Adequacy* to our 2020 annual consolidated financial statements in our 2020 Form 10-K, for additional information.

At June 30, 2021 and December 31, 2020, Synchrony Financial met all applicable requirements to be deemed well-capitalized pursuant to Federal Reserve Board regulations. At June 30, 2021 and December 31, 2020, 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, 2021 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, 2021 (\$ in millions)

	Actual		Minimum for capital adequacy purposes	
	Amount	Ratio ^(a)	Amount	Ratio ^(b)
Total risk-based capital	\$ 15,710	20.1 %	\$ 6,262	8.0 %
Tier 1 risk-based capital	\$ 14,671	18.7 %	\$ 4,697	6.0 %
Tier 1 leverage	\$ 14,671	15.6 %	\$ 3,752	4.0 %
Common equity Tier 1 Capital	\$ 13,937	17.8 %	\$ 3,523	4.5 %

At December 31, 2020 (\$ in millions)

	Actual		Minimum for capital adequacy purposes	
	Amount	Ratio ^(a)	Amount	Ratio ^(b)
Total risk-based capital	\$ 14,604	18.1 %	\$ 6,445	8.0 %
Tier 1 risk-based capital	\$ 13,525	16.8 %	\$ 4,834	6.0 %
Tier 1 leverage	\$ 13,525	14.0 %	\$ 3,869	4.0 %
Common equity Tier 1 Capital	\$ 12,791	15.9 %	\$ 3,625	4.5 %

Synchrony Bank

At June 30, 2021 (\$ 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	\$ 14,460	20.6 %	\$ 5,624	8.0 %	\$ 7,031	10.0 %
Tier 1 risk-based capital	\$ 13,526	19.2 %	\$ 4,218	6.0 %	\$ 5,624	8.0 %
Tier 1 leverage	\$ 13,526	16.0 %	\$ 3,381	4.0 %	\$ 4,227	5.0 %
Common equity Tier I capital	\$ 13,526	19.2 %	\$ 3,164	4.5 %	\$ 4,570	6.5 %

At December 31, 2020 (\$ 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	\$ 12,784	17.8 %	\$ 5,747	8.0 %	\$ 7,184	10.0 %
Tier 1 risk-based capital	\$ 11,821	16.5 %	\$ 4,310	6.0 %	\$ 5,747	8.0 %
Tier 1 leverage	\$ 11,821	13.6 %	\$ 3,484	4.0 %	\$ 4,356	5.0 %
Common equity Tier I capital	\$ 11,821	16.5 %	\$ 3,233	4.5 %	\$ 4,669	6.5 %

(a) Capital ratios are calculated based on the Basel III Standardized Approach rules. Capital amounts and ratios at June 30, 2021 and at December 31, 2020 in the above tables reflect the application of the CECL regulatory capital transition adjustment.

(b) At June 30, 2021 and at December 31, 2020, 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 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 common share reflects the assumed conversion of all dilutive securities.

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<i>(in millions, except per share data)</i>				
Net earnings	\$ 1,242	\$ 48	\$ 2,267	\$ 334
Preferred stock dividends	(10)	(11)	(21)	(22)
Net earnings available to common stockholders	\$ 1,232	\$ 37	\$ 2,246	\$ 312
Weighted average common shares outstanding, basic	577.2	583.7	580.2	594.3
Effect of dilutive securities	4.5	0.7	4.4	1.6
Weighted average common shares outstanding, dilutive	581.7	584.4	584.6	595.9
Earnings per basic common share	\$ 2.13	\$ 0.06	\$ 3.87	\$ 0.52
Earnings per diluted common share	\$ 2.12	\$ 0.06	\$ 3.84	\$ 0.52

We have issued certain stock-based awards under the Synchrony Financial 2014 Long-Term Incentive Plan. A total of 1 million shares and 11 million shares for the three months ended June 30, 2021 and 2020, respectively, and 1 million and 8 million shares for the six months ended June 30, 2021 and 2020, respectively, related to these awards, were considered anti-dilutive and therefore were excluded from the computation of diluted earnings per common share.

NOTE 12. INCOME TAXES

Unrecognized Tax Benefits

(\$ in millions)

	June 30, 2021	December 31, 2020
Unrecognized tax benefits, excluding related interest expense and penalties ^(a)	\$ 247	\$ 268
Portion that, if recognized, would reduce tax expense and effective tax rate ^(b)	\$ 168	\$ 183

(a) Interest and penalties related to unrecognized tax benefits were not material for all periods presented.

(b) Comprised of federal unrecognized tax benefits and 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 \$70 million, of which \$28 million, if recognized, would reduce the Company's tax expense and effective tax rate.

In the current year, the Company executed a Memorandum of Understanding with the IRS to participate voluntarily in the IRS Compliance Assurance Process ("CAP") program for the 2021 tax year, and thus the tax year is under IRS review. The IRS is also examining our 2019 and 2020 tax years, which are our only open years subject to IRS examination. It is reasonably possible that the IRS will complete the examinations of the 2019 and 2020 tax years in the next 12 months. Additionally, we are under examination in various states going back to 2014.

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.

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 Depository 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 Depository APG Developed Markets Equity Pool and Stichting Depository APG Fixed Income Credit Pool v. Synchrony Financial et al.* On March 26, 2020, the District Court recaptioned the case *In re Synchrony Financial Securities Litigation* and on March 31, 2020, the District Court granted the defendants' motion to dismiss the complaint with prejudice. On April 20, 2020, plaintiffs filed a notice to appeal the decision to the United States Court of Appeals for the Second Circuit. On February 16, 2021, the Court of Appeals affirmed the District Court's dismissal of the Securities Act claims and all of the claims under the Exchange Act with the exception of a claim relating to a single statement on January 19, 2018 regarding whether Synchrony was receiving pushback on credit from its retail partners.

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. On March 26, 2020, the District Court recaptioned the *Gilbert* and *Aldridge* cases as *In re Synchrony Financial Derivative Litigation*.

On April 30, 2014 *Belton et al. v. GE Capital Consumer Lending*, a putative class action adversary proceeding was filed in the U.S. Bankruptcy Court for the Southern District of New York. 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 June 16, 2020, the Court of Appeals for the Second Circuit denied the Bank's appeal of the District Court's decision.

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 London Interbank Offered Rate (“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.

The following table presents the approximate net interest income impacts forecasted over the next twelve months from an immediate and parallel change in interest rates affecting all interest rate sensitive assets and liabilities at June 30, 2021.

<u>Basis Point Change</u>	<u>At June 30, 2021</u>	
<i>(\$ in millions)</i>		
-100 basis points	\$	(80)
+100 basis points	\$	47

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 2020 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), and based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2021.

No change in internal control over financial reporting occurred during the fiscal quarter ended June 30, 2021 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 2020 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, 2021.

<i>(\$ in millions, except per share data)</i>	Total Number of Shares Purchased ^(a)	Average Price Paid Per Share ^(b)	Total Number of Shares Purchased as Part of Publicly Announced Programs ^(c)	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Programs ^(b)
April 1 - 30, 2021	1,863,694	\$ 43.16	1,700,000	\$ 2,826.4
May 1 - 31, 2021	6,999,652	45.64	6,998,564	2,507.0
June 1 - 30, 2021	556	48.15	—	2,507.0
Total	8,863,902	\$ 45.12	8,698,564	\$ 2,507.0

(a) Includes 163,694 shares, 1,088 shares and 556 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) In January 2021, the Board of Directors approved a share repurchase program of up to \$1.6 billion through December 31, 2021 (the “January 2021 Share Repurchase Program”). In May 2021 the Board of Directors approved a new share repurchase program of up to \$2.9 billion for the period which commenced April 1, 2021 through June 30, 2022. This share repurchase program supersedes the program previously announced in January 2021.

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
<u>31(a)*</u>	<u>Certification Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as Amended</u>
<u>31(b)*</u>	<u>Certification Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as Amended</u>
<u>32*</u>	<u>Certification Pursuant to 18 U.S.C. Section 1350</u>
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
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, formatted in Inline XBRL (included as Exhibit 101)

* 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 22, 2021

Date

/s/ Brian J. Wenzel Sr.

Brian J. Wenzel Sr.
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial
Officer)

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

I, Brian D. Doubles, certify that:

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

Date: July 22, 2021

/s/ Brian D. Doubles

Brian D. Doubles
Chief Executive Officer

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

I, Brian 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 22, 2021

/s/ Brian J. Wenzel Sr.

Brian J. Wenzel Sr.
Chief Financial Officer

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

In connection with the Quarterly Report of Synchrony Financial (the “registrant”) on Form 10-Q for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “report”), we, Brian D. Doubles, 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 22, 2021

/s/ Brian D. Doubles

Brian D. Doubles
Chief Executive Officer

/s/ Brian J. Wenzel Sr.

Brian J. Wenzel Sr.
Chief Financial Officer