Synchrony Financial
Form 10-K
February 15, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
001-36560
(Commission File Number)
SYNCHRONY FINANCIAL
(Exact name of registrant as specified in its charter)

Delaware	51-0483352
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
777 Long Ridge Road Stamford, Connecticut	06902
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) (203) 585-2400
Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $0.001 per share	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:
Title of class
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
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 ý 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or 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	ý	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o
		Emerging growth company	o

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 Act). Yes ¨ No ý

The aggregate market value of the outstanding common equity of the registrant held by non-affiliates as of the last business day of the registrant's most recently completed second fiscal quarter was $24,921,449,418,

The number of shares of the registrant's common stock, par value $0.001 per share, outstanding as of February 11, 2019 was 709,862,330

DOCUMENTS INCORPORATED BY REFERENCE

The definitive proxy statement relating to the registrant's Annual Meeting of Stockholders, to be held May 23, 2019, is incorporated by reference into Part III to the extent described therein.

Synchrony Financial
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CHANGES TO OUR ANNUAL REPORT ON FORM 10-K

To improve the readability of this document and better present both our financial results and how we manage our business, we have changed the order and presentation of content in our Annual Report on Form 10-K. See "Form 10-K Cross-Reference Index" on page 4 for a cross-reference index to the traditional U.S. Securities and Exchange Commission (SEC) Form 10-K format.

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(a) Incorporated by reference to “Management”, “Election of Directors,” “Section 16(a) Beneficial Ownership Reporting Compliance,” “Governance Principles,” “Code of Conduct” and “Committees of the Board of the Directors” in our definitive proxy statement for our 2019 Annual Meeting of Stockholders to be held on May 23, 2019, which will be filed within 120 days of the end our fiscal year ended December 31, 2018 (the “2019 Proxy Statement”).

(b) Incorporated by reference to “Compensation Discussion and Analysis,” “2018 Executive Compensation,” “Management Development and Compensation Committee Report” and “Management Development and Compensation Committee Interlocks and Insider Participation” and “CEO Pay Ratio” in the 2019 Proxy Statement.

(c) Incorporated by reference to “Beneficial Ownership” and “Equity Compensation Plan Information” in the 2019 Proxy Statement.

(d) Incorporated by reference to “Related Person Transactions,” “Election of Directors” and “Committees of the Board of Directors” in the 2019 Proxy Statement.

(e) Incorporated by reference to “Independent Auditor” in the 2019 Proxy Statement.

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" are to Synchrony's board of directors;
- "GE" are to General Electric Company and its subsidiaries;
- the "Bank Term Loan" are to the term loan agreement, dated as of July 30, 2014, among Synchrony, as borrower, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders from time to time party thereto, as amended;
- the "Tax Act" are to P.L. 115-97, commonly referred to as the Tax Cut and Jobs Act, signed into law on December 22, 2017; and
- "FICO" are to a credit score developed by Fair Isaac & Co., which is widely used as a means of evaluating the likelihood that credit users will pay their obligations.

We provide a range of credit products through programs we have established with a diverse group of national and regional retailers, local merchants, manufacturers, buying groups, industry associations and healthcare service providers, which, in our business and in this report, we refer to as our "partners." The terms of the programs all require cooperative efforts between us and our partners of varying natures and degrees to establish and operate the programs. Our use of the term "partners" to refer to these entities is not intended to, and does not, describe our legal relationship with them, imply that a legal partnership or other relationship exists between the parties or create any legal partnership or other relationship. The "average length of our relationship" with respect to a specified group of partners or programs is measured on a weighted average basis by interest and fees on loans for the year ended December 31, 2018 for those partners or for all partners participating in a program, based on the date each partner relationship or program, as applicable, started. Information with respect to partner "locations" in this report is given at December 31, 2018. "Open accounts" represents credit card or installment loan accounts that are not closed, blocked or more than 60 days delinquent.

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." 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.

Industry and Market Data

This report contains various historical and projected financial information concerning our industry and market. Some of this information is from industry publications and other third-party sources, and other information is from our own data and market research that we commission. All of this information involves a variety of assumptions, limitations and methodologies and is inherently subject to uncertainties, and therefore you are cautioned not to give undue weight to it. Although we believe that those industry publications and other third-party sources are reliable, we have not independently verified the accuracy or completeness of any of the data from those publications or sources.

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Non-GAAP Measures

We present adjusted net earnings, which represents net earnings adjusted to exclude the additional tax expense incurred in the year ended December 31, 2017 related to the Tax Act. The additional tax expense was primarily due to the remeasurement of our net deferred tax asset due to the U.S. corporate tax rate reduction from 35% to 21%. We believe this measure helps investors understand the impact of this law change on our reported results for the year ended December 31, 2017. For a reconciliation of these adjusted measures to their nearest comparable GAAP component, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Measures."

Cautionary Note Regarding Forward-Looking Statements:

Various statements in this Annual Report on Form 10-K 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," "outl "estimates," "will," "should," "may" or words of similar meaning, but these words are not the exclusive means of identifying forward-looking statements.

Forward-looking statements are based on management's current expectations and assumptions, and are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. As a result, actual results could differ materially from those indicated in these forward-looking statements. Factors that could cause actual results to differ materially include global political, economic, business, competitive, market, regulatory and other factors and risks, such as: the impact of macroeconomic conditions and whether industry trends we have identified develop as anticipated; retaining existing partners and attracting new partners, concentration of our revenue in a small number of Retail Card partners, promotion and support of our products by our partners, and financial performance of our partners; cyber-attacks or other security breaches; higher borrowing costs and adverse financial market conditions impacting our funding and liquidity, and any reduction in our credit ratings; our ability to grow our deposits in the future; our ability to securitize our loan receivables, occurrence of an early amortization of our securitization facilities, loss of the right to service or subservice our securitized loan receivables, and lower payment rates on our securitized loan receivables; changes in market interest rates and the impact of any margin compression; effectiveness of our risk management processes and procedures, reliance on models which may be inaccurate or misinterpreted, our ability to manage our credit risk, the sufficiency of our allowance for loan losses and the accuracy of the assumptions or estimates used in preparing our financial statements; our ability to offset increases in our costs in retailer share arrangements; competition in the consumer finance industry; our concentration in the U.S. consumer credit market; our ability to successfully develop and commercialize new or enhanced products and services; our ability to realize the value of acquisitions and strategic investments; reductions in interchange fees; fraudulent activity; failure of third parties to provide various services that are important to our operations; disruptions in the operations of our computer systems and data centers; international risks and compliance and regulatory risks and costs associated with international operations; alleged infringement of intellectual property rights of others and our ability to protect our intellectual property; litigation and regulatory actions; damage to our reputation; our ability to attract, retain and motivate key officers and employees; tax legislation initiatives or challenges to our tax positions and/or interpretations, and state sales tax rules and regulations; a material indemnification obligation to GE under the Tax Sharing and Separation Agreement with GE (the "TSSA") if we cause the split-off from GE or certain preliminary transactions to fail to qualify for tax-free treatment or in the case of certain significant transfers of our stock following the split-off; regulation, supervision, examination and enforcement of our business by governmental authorities, the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and other legislative and regulatory developments and the impact of the Consumer Financial Protection Bureau's (the "CFPB") regulation of our business; impact of capital adequacy rules and liquidity requirements; restrictions that limit our ability to pay dividends and repurchase our common stock, and restrictions that limit the Bank's ability to pay dividends to us; regulations relating to privacy, information security and data protection; use of third-party vendors and ongoing third-party business relationships; and failure to comply with anti-money laundering and anti-terrorism financing laws.

For the reasons described above, we caution you against relying on any forward-looking statements, which should also be read in conjunction with the other cautionary statements that are included in “Risk Factors Relating to Our Business.” 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 the federal securities laws.

OUR BUSINESS

Our Company

We are a premier consumer financial services company delivering customized financing programs across key industries including retail, health, auto, travel and home, along with award-winning consumer banking products. We provide a range of credit products through our financing programs which we have established with a diverse group of national and regional retailers, local merchants, manufacturers, buying groups, industry associations and healthcare service providers, which we refer to as our “partners.” Through our partners’ over 390,000 locations across the United States and Canada, and their websites and mobile applications, we offer their customers a variety of credit products to finance the purchase of goods and services. During 2018, we financed $140.7 billion of purchase volume, and at December 31, 2018, we had $93.1 billion of loan receivables and 80.3 million active accounts. Our active accounts represent a geographically diverse group of both consumers and businesses, with an average FICO score of 716 for active accounts at December 31, 2018.

Our business benefits from longstanding and collaborative relationships with our partners, including some of the nation’s leading retailers and manufacturers with well-known consumer brands, such as Lowe’s and Ashley HomeStore and also leading e-commerce partners, such as Amazon and PayPal. We believe our partner-centric business model has been successful because it aligns our interests with those of our partners and provides substantial value to both our partners and our customers. Our partners promote our credit products because they generate increased sales and strengthen customer loyalty. Our customers benefit from instant access to credit, discounts and promotional offers.

We seek to differentiate ourselves through deep partner integration and our extensive marketing expertise. We have omni-channel (in-store, online and mobile) technology and marketing capabilities, which allow us to offer and deliver our credit products instantly to customers across multiple channels.

We conduct our operations through a single business segment. Profitability and expenses, including funding costs, loan losses and operating expenses, are managed for the business as a whole. Substantially all of our operations are within the United States. We offer our credit products through three sales platforms (Retail Card, Payment Solutions and CareCredit). Those platforms are organized by the types of products we offer and the partners we work with, and are measured on interest and fees on loans, loan receivables, active accounts and other sales metrics. Retail Card is a leading provider of private label credit cards, and also provides Dual Cards, general purpose co-branded credit cards, and small- and medium-sized business credit products. Payment Solutions is a leading provider of promotional financing for major consumer purchases, offering primarily private label credit cards and installment loans. CareCredit is a leading provider of promotional financing to consumers for health, veterinary and personal care procedures, services and products, including dental, vision, audiology and cosmetic.

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 December 31, 2018, we had $64.0 billion in deposits, which represented 73% of our total funding sources.

Our Sales Platforms

We offer our credit products through three sales platforms: Retail Card, Payment Solutions and CareCredit. Set forth below is a summary of certain information relating to our Retail Card, Payment Solutions and CareCredit platforms:

Retail Card

Retail Card is a leading provider of private label credit cards, and also provides Dual Cards, general purpose co-branded credit cards and small- and medium-sized business credit products. Retail Card accounted for $13.1 billion, or 75%, of our total interest and fees on loans for the year ended December 31, 2018. Substantially all of the credit extended in this platform is on standard (i.e., non-promotional) terms.

Retail Card’s revenue primarily consists of interest and fees on our loan receivables. Other income primarily consists of interchange fees earned when our Dual Card or general purpose co-brand cards are used outside of our partners’ sales channels and fees paid to us by customers who purchase our debt cancellation products, less loyalty program payments.

Retail Card Partners

We have Retail Card programs with 29 national and regional retailers, which have approximately 40,000 retail locations and include department stores, specialty retailers, mass merchandisers and e-retailers (multi-channel and online retailers). The average length of our relationship with our Retail Card partners is 20 years.

Our five largest programs are with Retail Card partners. Based upon interest and fees on loans for the year ended December 31, 2018, excluding the Walmart program discussed below, our five largest programs are: Gap, JCPenney, Lowe's, PayPal and Sam's Club. These programs accounted in aggregate for 44% of our total interest and fees on loans for the year ended December 31, 2018, and 44% of loan receivables at December 31, 2018. Our program with Lowe's accounted for more than 10% of our total interest and fees on loans for the year ended December 31, 2018.

The length of our relationship with each of these five Retail Card partners is over 14 years, and in the case of Lowe's, 39 years. The current expiration dates for these agreements range from 2022 through 2028. During the year ended December 31, 2018, and to date, we extended our Retail Card program agreements with JCPenney, Lowe's and Sam's Club.

PayPal Transaction

On July 2, 2018, we completed our acquisition of the U.S. PayPal Credit financing program, comprising of $7.6 billion of outstanding loan receivables (the "PayPal Credit acquisition"). We also extended our existing co-brand credit card program with PayPal and Synchrony Bank is now PayPal's exclusive issuing bank for the PayPal Credit consumer financing program in the United States. Following the acquisition our partnership with PayPal became one of our five largest programs in 2018, based upon interest and fees on loans, excluding the Walmart program discussed below.

Other New and Extended Partner Programs

During the year ended December 31, 2018, in addition to our extension agreements with JCPenney, Lowe's and Sam's Club discussed above, we also extended our Retail Card program agreements with Amazon and Google. We also announced our new partnerships with Crate and Barrel, Harbor Freight Tools and with Qurate Retail Group, which included a new program agreement with HSN and multi-year extensions of our existing program agreements with QVC and zulily.

A total of 22 of our 28 ongoing Retail Card program agreements, which does not include the Walmart program, now have an expiration date in 2022 or beyond. These 22 program agreements represented in the aggregate 97% of both our Retail Card interest and fees on loans for the year ended December 31, 2018 and of our Retail Card loan receivables at December 31, 2018 attributable to our ongoing programs.

Walmart Program

In July 2018, we announced that we will not be renewing our Retail Card program agreement with Walmart and on January 23, 2019, we announced our agreement to sell the outstanding loan receivables related to the program. The sale of the portfolio, which is subject to customary closing conditions, is expected to be completed late in the third quarter or early in the fourth quarter of 2019. We no longer include the Walmart program in our count of ongoing partners in our Retail Card sales platform. Our program with Walmart accounted for more than 10% of our total interest and fees on loans for the year ended December 31, 2018. Sam’s Club is a subsidiary of Walmart that is a separate contracting entity with its own program agreement with us, which we report separately from the Walmart program. For purposes of the information provided in this paragraph with respect to Walmart, the interest and fees on loans from the Sam's Club program have not been included. See “Management's Discussion and Analysis—Results of Operations—Business Trends and Conditions”, for further discussion of the Walmart program.

Retail Card Program Agreements

Our Retail Card programs are governed by program agreements that are each negotiated separately with our partners. Although the terms of the agreements are partner-specific, and may be amended from time to time, under a typical program agreement, our partner agrees to support and promote the program to its customers, but we control credit criteria and issue credit cards to customers who qualify under those criteria. We own the underlying accounts and all loan receivables generated under the program from the time of origination. Other key provisions in the Retail Card program agreements include:

Term

Retail Card program agreements typically have contract terms ranging from approximately five to ten years. Many program agreements have renewal clauses that provide for automatic renewal for one or more years until terminated by us or our partner. We typically seek to renew the program agreements well in advance of their termination dates.

Exclusivity

The program agreements typically are exclusive for the products we offer and limit our partners’ ability to originate or promote other private label or co-branded credit cards during the term of the agreement.

Retailer Share Arrangements

Most of our Retail Card program agreements contain retailer share arrangements that provide for payments to our partner if the economic performance of the program exceeds a contractually-defined threshold. Economic performance for the purposes of these arrangements is typically measured based on agreed upon program revenues (including interest income and certain other income) less agreed upon program expenses (including interest expense, provision for loan losses, retailer payments and operating expenses). We may also provide other economic benefits to our partners such as royalties on purchase volume or payments for new accounts, in some cases instead of retailer share arrangements (for example, on our co-branded credit cards). All of these arrangements align our interests and provide an additional incentive to our partners to promote our credit products.

Other Economic Terms

In addition to the retailer share arrangements, the program agreements typically provide that the parties will develop a marketing plan to support the program, and they set the terms by which a joint marketing budget is funded, the basic terms of the rewards program linked to the use of our product (such as opportunities to receive double rewards points for purchases made on a Retail Card product), and the allocation of costs related to the rewards program.

Termination

The program agreements set forth the circumstances in which a party may terminate the agreement prior to expiration. Our program agreements generally permit us and our partner to terminate the agreement prior to its scheduled termination date for various reasons, including if the other party materially breaches its obligations. Some program agreements also permit our partner to terminate the program if we fail to meet certain service levels or change certain key cardholder terms or our credit criteria, we fail to achieve certain approval rate targets with respect to approvals of new customers, we elect not to increase the program size when the outstanding loan receivables under the program reach certain thresholds, we are not adequately capitalized, certain force majeure events occur or certain changes in our ownership occur. Certain program agreements are also subject to early termination by a party if the other party has a material adverse change in its financial condition. Historically, these rights have not typically been triggered or exercised. Some of our program agreements provide that, upon termination or expiration, our partner may purchase or designate a third party to purchase the accounts and loan receivables generated with respect to its program at fair market value or a stated price, including all related customer data.

Payment Solutions

Payment Solutions is a leading provider of promotional financing for major consumer purchases, offering consumer choice for financing at the point of sale, including primarily private label credit cards and installment loans. Payment Solutions accounted for $2.4 billion, or 13%, of our total interest and fees on loans for the year ended December 31, 2018. Substantially all of the credit extended in Payment Solutions is promotional financing.

Payment Solutions’ revenue primarily consists of interest and fees on our loan receivables, including “merchant discounts,” which are fees paid to us by our partners in almost all cases to compensate us for all or part of the foregone interest income associated with promotional financing. The types of promotional financing we offer include deferred interest (interest accrues during a promotional period and becomes payable if the full purchase amount is not paid off during the promotional period), no interest (no interest on a promotional purchase) and reduced interest (interest is assessed monthly at a promotional interest rate during the promotional period). As a result, during the promotional period we do not generate interest income or generate it at a lower rate, although we continue to generate fee income relating to late fees on required minimum payments.

Payment Solutions Partners

In Payment Solutions, we create customized credit programs for national and regional retailers, local merchants, manufacturers, buying groups, industry associations and our own individually-branded industry programs, which are available to local, small and medium size merchants to provide financing offers to their customers.

At December 31, 2018, our Payment Solutions partners had approximately 130,000 retail locations. Payment Solutions is diversified by program, with no one Payment Solutions program accounting for more than 1.2% of our total interest and fees on loans for the year ended December 31, 2018. At December 31, 2018, the average length of our relationships with our ten largest Payment Solutions programs was 13 years.

(1) Based on interest and fees on loans for the year ended December 31, 2018.

In Payment Solutions, we generally partner with sellers of “big-ticket” products or services (generally priced from $500 to $25,000) to consumers where our financing products and industry expertise provide strong incremental value to our partners and their customers. We also promote all of our programs to sellers through direct marketing activities such as industry trade publications, trade shows and sales efforts by dedicated internal and external sales teams, leveraging our existing partner network or through endorsements from manufacturers, buying groups and industry associations. Our broad array of point of sale technologies and quick enrollment process allow us to quickly and cost-effectively integrate new partners.

During the year ended December 31, 2018, we extended our program agreements with American Signature Furniture, Ashley HomeStore, Associated Materials, Briggs & Stratton, Generac, Havertys, Nationwide Marketing Group, Robbins Brothers, Sleep Number and Mohawk and announced our new partnerships with Fanatics, Furniture Row, Fred Meyer Jewelers, Mahindra and jtv.

Payment Solutions Program Agreements

National and Regional Retailers and Manufacturers

The terms of our program agreements with national and regional retailers and manufacturers are typically similar to the terms of our Retail Card program agreements in that we are the exclusive program provider of financing for the national or regional retailer or manufacturer with respect to the financing products that we offer. Some program agreements, however, allow the merchant to use a second source lender after an application has been submitted to us and declined, or in the case of some of our programs, may allow the manufacturer to have several primary lenders. The term of the program agreements generally run from three to five years and are subject to termination prior to the scheduled termination date by us or our partner for various reasons, including if the other party materially breaches its obligations. Some of these programs also permit our partner to terminate the program if we change certain key cardholder terms, exceed certain pricing thresholds, certain force majeure events occur, certain changes in our ownership occur or there is a material adverse change in our financial condition. A few of these programs also may be terminated at will by the partner on specified notice to us (e.g., several months). Many of these program agreements have renewal clauses which allow the program agreement to be renewed for successive one or more year terms until terminated by us or our partner. We typically negotiate with program participants to renew the program agreements well in advance of their termination dates.

We control credit criteria and issue credit cards or provide installment loans to customers who qualify under those credit criteria. We own the underlying accounts and all loan receivables generated under the program from the time of origination. Our Payment Solutions program agreements set forth the program’s economic terms, including the merchant discount applicable to each promotional finance offering. We typically do not pay fees to our Payment Solutions partners pursuant to any retailer share arrangements, but in some cases we pay a sign-up fee to a partner or provide volume-based rebates on the merchant discount paid by the partner.

Buying Groups and Industry Associations

The programs we have established with buying groups and industry associations, such as the Home Furnishings Association, Jewelers of America and Nationwide Marketing Group, are governed by program agreements under which we make our credit products available to their respective members or dealers, but these agreements generally do not require the members or dealers to offer our products to their customers. Under the terms of the program agreements, buying groups and industry associations generally agree to support and promote the respective programs. These arrangements may include sign-up fees and volume-based incentives paid by us to the groups and their members.

Individually-Branded Programs

Our individually-branded programs are focused on specific industries, where we create either company-branded or company and partner-branded private label credit cards that are usable across all participating locations within the industry-specific network. For example, our Synchrony Car Care program, comprised of merchants selling automotive parts, repair services and tires, covers over 32,000 locations across the United States, and cards issued may be dual branded with Synchrony Car Care and partners such as Midas, Michelin Tires or Pep Boys. Under the terms of these programs, we establish merchant discounts applicable to each financing offer, and, in some cases, the fees we charge partners for their membership in the network. In addition, the Synchrony Car Care program allows for expanded use outside of the program network at certain related merchants, such as gas stations. Similarly, the Synchrony HOME credit card is now accepted at more than one million home-related retail locations nationwide, including both partner locations and retailers outside of our program network.

Dealer Agreements

For the programs we have established with manufacturers, buying groups, industry associations and individually-branded programs described above, we enter into individual agreements with the merchants and dealers that offer our credit products under these programs. These agreements generally are not exclusive and some parties who offer our financing products also offer financing from our competitors. Our agreements generally continue until terminated by either party, with termination typically available to either party at will upon 15 days' written notice. Our dealer agreements set forth the economic terms associated with the program, including the fees charged to dealers to offer promotional financing, and in some cases, allow us to periodically change the fees we charge.

CareCredit

CareCredit is a leading provider of promotional financing to consumers for health, veterinary and personal care procedures, services and products. CareCredit accounted for $2.2 billion, or 12%, of our total interest and fees on loans for the year ended December 31, 2018. Substantially all of the credit extended in CareCredit is promotional financing.

We offer customers a CareCredit-branded private label credit card that may be used across our network of CareCredit providers and our CareCredit Dual Card offering. We generate revenue in CareCredit primarily from interest and fees on our loan receivables and from merchant discounts paid by providers to compensate us for all or part of the foregone interest income associated with promotional financing.

CareCredit Partners

The vast majority of our partners are individual and small groups of independent healthcare providers, which includes networks of healthcare practitioners that provide elective and other procedures that generally are not fully covered by insurance. The remainder are primarily national and regional healthcare providers and health-focused retailers, such as pharmacies. At December 31, 2018, we had a network of CareCredit providers and health-focused retailers that collectively have over 220,000 locations.

During 2018, over 195,000 locations either processed a CareCredit application or made a sale on a CareCredit credit card. No one CareCredit partner accounted for more than 0.2% of our total interest and fees on loans for the year ended December 31, 2018.

We enter into provider agreements with individual healthcare providers who become part of our CareCredit network. These provider agreements are similar to the dealer agreements that govern our relationships with the merchants and dealers offering our Payment Solutions products in that the agreements are not exclusive and typically may be terminated at will upon 15 days' notice. Multi-year agreements are in place for larger multi-location relationships across all markets. There are typically no retailer share arrangements with partners in CareCredit.

At December 31, 2018, we had relationships with over 120 professional and other associations (including the American Dental Association and the American Veterinary Medical Association), manufacturers and buying groups, which endorse and promote our credit products to their members. Of these relationships, over 70 were paid endorsements linked to member enrollment in, and volume under, the relevant program.

We screen potential partners using a variety of criteria, including whether the potential provider specializes in one of our approved specialties, carries the appropriate licensing and certifications, and meets our underwriting criteria. We also screen potential partners for reputational issues. We work with professional and other associations, manufacturers, buying groups, industry associations and healthcare consultants to educate their constituents about the products and services we offer. We believe our ability to attract new partners is aided by our customer satisfaction rate, which our research in 2018 showed is 94%. We also approach individual healthcare service providers through direct mail, advertising, and at trade shows.

During the year ended December 31, 2018, we renewed LCA Vision in our network of providers and expanded our network to include American Med Spa Association, the American Veterinary Medical Association, Eargo, The Good Feet Store, the Spa Industry Association and Walgreens. The network also expanded by over 6,000 provider locations and grew average active cardholder accounts by 5%.

Our Customers

Acquiring and Marketing to Retail Card & Payment Solutions Customers

We work directly with our partners using their distribution network, communication channels and customer interactions to market our products to their customers and potential customers. We believe our presence at our partners' points of sale (in-store, online and mobile) and our ability to make credit decisions instantly for a customer that is already predisposed to make a purchase enables us to acquire new customer accounts at a lower cost than general purpose card issuers.

To acquire new customers, we collaborate with our partners and leverage our marketing expertise to create marketing programs that promote our products to creditworthy customers. Frequently, our partners market the availability of credit as part of (and with little incremental cost to) the advertising for their goods and services. Our marketing programs include marketing offers (e.g., 10% off the customer's first purchase) and consumer communications that are delivered through a variety of channels, including in-store signage, online advertising, retailer website placement, associate communication, emails, text messages, direct mail campaigns, advertising circulars, and outside marketing via television, radio, print, along with digital marketing (search engine optimization and paid search). We also employ our proprietary Quickscreen acquisition method to make targeted pre-approved credit offers at the point-of-sale. Our Quickscreen technology allows us to run customer information that we have obtained from our partners through our risk models in advance so that when these customers seek to make payment for goods and services at our partners' points-of-sale, we can make a credit offer instantly, if appropriate. Based on our experience, due to the personalized and immediate nature of the offer, Quickscreen significantly outperforms traditional direct-to-consumer pre-approved channels, such as direct mail or email, in response rate and dollar spending.

In Payment Solutions we also market the value of cross-network benefits to our partners. For example, the Synchrony Car Care credit card offers motorists the convenience of one card to pay for comprehensive auto care at thousands of service and parts locations, as well as fuel at gas stations nationwide.

Acquiring and Marketing to CareCredit Customers

We market our products through our provider network by training our network providers on the advantages of CareCredit products and by making marketing materials available for providers to use to promote the program and educate customers. Our training helps our providers learn to discuss payment options during the pre-treatment consultation phase, including the option to apply for a CareCredit credit card and the offer of promotional credit. According to a 2018 survey of our CareCredit customers, 42% indicated that they would have postponed or reduced the scope of treatment if financing was not offered by their provider. Consumers can apply for our CareCredit products in the provider's office or online via the web or mobile device.

We also market our products to potential and existing customers directly using digital marketing (search engine optimization and paid search). Our provider locator, on our website, allows customers to search for healthcare service providers that accept the CareCredit credit card by desired geography and provider type. According to our records, our CareCredit provider locator averaged over 1.1 million searches per month during the year ended December 31, 2018. We believe our partners recognize the locator as an important source of new customer acquisition.

Enterprise Customer Engagement ("ECE") / Analytics

After a customer obtains one of our products, our marketing programs encourage ongoing card usage by communicating the benefits of our products' value propositions. Examples of such programs include: promotional financing offers, cardholder events, product discounts, dollar-off certificates, account holder sales, reward points and offers, new product announcements and previews, and free or reduced cost gift wrapping, alteration or delivery services. These programs are executed through our partners' and our own (direct to consumer) distribution channels. Through our ECE and data analytics teams, we optimize these programs through detailed test-and-learn tracking of cardholder responsiveness and subsequent behavior. This data is leveraged by applying machine learning and other analytic techniques to create tools that allow for customized marketing messages and promotional offers to cardholders. For example, if a cardholder consistently responds to a coupon sent by text message versus other channels, we will tailor future marketing messages to be delivered by text message and use such insight to identify other populations that are likely to behave in similar ways. Our Dual Card and general purpose co-branded credit card programs are further enhanced by the collection and analysis of data on customers' spend patterns at both our partners and at other retailers. The objective of these efforts is to drive incremental volume for our programs while maximizing return on investment.

Our extensive marketing activities targeted to existing customers have yielded high levels of re-use across both our Payment Solutions and CareCredit sales platforms. During the year ended December 31, 2018, 29% and 53% of purchase volume across our Payment Solutions platform and CareCredit network, respectively, resulted from repeat use at one or more retailers or providers.

Digital and mobile capabilities

We continued our focus and investments on our digital and mobile capabilities, bringing to market new features, channels and experiences for our customers and enhancing our existing digital design and user experience. Our approach continues to be customer and partner-centric to reach our customers in unique ways at home, in store, online or wherever they prefer.

In 2018 we introduced multiple new ways for our customers to interact with their account. The first example is our Store Card Skill on Amazon Alexa which provides our Amazon customers the ability to check their account information, review recent purchases and charges, get payment due details and pay their bill through voice commands, using Alexa. We plan to expand our voice payment technology through additional features and partners in the future. In addition, we introduced our mobile point-of-sale ("POS") platform to help our partners move beyond the traditional POS and acquire new credit customers from anywhere in the store and from any device.

We also expanded the use of our dApply and mobile POS platforms to our commercial credit customers, to offer an entirely revamped and streamlined credit acquisition experience for our business customers. For our merchants and providers in our Payment Solutions and CareCredit businesses, we launched redesigned and responsive online platforms to support the full life-cycle of credit capabilities from acquiring accounts to processing sales and reports on whatever device best suits their business environment.

In recent years, we have continued to implement digital enhancements to make it faster and easier for our customers to interact with all aspects of the credit life-cycle, including capabilities such as our dApply application with data pre-fill and instant provisioning of new accounts to retailer digital wallets, and Pay Without Login, which uses background device authentication to let customers make a payment on their account without the need to log in.

We have made strategic business acquisitions to assist in our digital and mobile enhancements. Through our acquisition of GPShopper in 2017, we continued to expand on the capabilities of our Synchrony Plug-In ("SyPI"), adding features such as the ability to apply for credit from within the plug-in, as well as a Persistent Login feature for retailers' apps, allowing customers to stay logged in and manage their account without needing to remember their password. At December 31, 2018, SyPI was being used in over 20 of our retail partners' apps. In June 2018, we completed our acquisition of Loop Commerce, a provider of digital and in-store gifting services.

Finally, we've also significantly expanded the reach of our virtual assistant, Sydney, across our digital platforms and deepened her knowledge and ability to respond to the questions and tasks that our customers ask.

Loyalty Programs

The credit rewards loyalty programs we manage typically provide cardholders with statement credit or cash back rewards. Other programs include rewards points, which are redeemable for a variety of products or awards, or merchandise discounts that are earned by achieving a pre-set spending level on their private label credit card, Dual Card or general purpose co-branded credit card. The merchandise discounts can be mailed to the cardholder, accessed digitally or may be immediately redeemable at the partner's store. These loyalty programs are designed to generate incremental purchase volume per customer, while reinforcing the value of the card to the customer and strengthening customer loyalty. We continue to support and integrate into our partners' loyalty programs to customers that utilize non-credit payment types such as cash, debit or check. These multi-tender loyalty programs allow our partners to market to an expanded customer base and allow us access to additional prospective cardholders.

Commercial Customers

In addition to our efforts to acquire consumer cardholders, we continue to increase our focus on small to mid-sized commercial customers. We offer these customers private label credit cards and Dual Cards that can be used primarily at our Retail Card partners and are similar to our consumer offerings. We are also increasing our focus on marketing our commercial pay-in-full accounts receivable product that supports a wide range of business customers.

Our Credit Products

Through our platforms, we offer three principal types of credit products: credit cards, commercial credit products and consumer installment loans. We also offer a debt cancellation product.

The following table sets forth each credit product by type and indicates the percentage of our total loan receivables that are under standard terms only or pursuant to a promotional financing offer at December 31, 2018.

Credit Product	Standard Terms Only	Promotional Offer Deferred Interest	Promotional Offer Other Promotional	Total
Credit cards	66.8 %	16.7 %	13.1 %	96.6 %
Commercial credit products	1.4	—	—	1.4
Consumer installment loans	—	—	2.0	2.0
Other	—	—	—	—
Total	68.2 %	16.7 %	15.1 %	100.0 %

Credit Cards

Our credit card products are loans we extend through open-ended revolving credit card accounts. We 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 a private label credit card typically is extended either on standard terms only in our Retail Card sales platform, which means accounts are assessed periodic interest charges using an agreed non-promotional fixed and/or variable interest rate, or pursuant to a promotional financing offer in our Payment Solutions and CareCredit sales platforms, involving deferred interest, no interest or reduced interest during a set promotional period. Promotional periods typically range between six and 48 months, but we may agree to longer terms with the partner. In almost all cases, we receive a merchant discount from our partners to compensate us for all or part of the foregone interest income associated with promotional financing. The terms of these promotions vary by partner, but generally the longer the deferred interest, reduced interest or interest-free period, the greater the partner’s merchant discount. Some offers permit customers to pay for a purchase in equal monthly payments with no interest or at a reduced interest rate, rather than deferring or delaying interest charges. For our deferred interest products, approximately 75% to 80% of customer transactions are typically paid off before interest is assessed. In CareCredit, standard rate financing generally applies to charges under $200.

We typically do not charge interchange or other fees to our partners when a customer uses a private label credit card to purchase our partners' goods and services through our payment system.

Most of our private label credit card business is in the United States. For some of our partners who have locations in Canada, we also support the issuance and acceptance of private label credit cards at their locations in Canada and from customers in Canada.

Dual Cards and General Purpose Co-Brand Cards

Our patented Dual Cards are credit cards that function as private label credit cards when used to make purchases of goods or 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 currently issue Dual Cards for use on the MasterCard and Visa networks and we currently have the ability to issue Dual Cards for use on the American Express and Discover networks.

We have been granted two U.S. patents relating to the process by which our Dual Cards function as a private label credit card when used to make purchases from our partners and function as a general purpose credit card when used on the systems of other credit card associations.

We also offer general purpose co-branded credit cards that do not function as private label credit cards.

Credit extended under our Dual Cards and general purpose co-branded credit cards typically is extended on standard terms only. Dual Cards and general purpose co-branded credit cards are primarily offered through our Retail Card platform. At December 31, 2018, we offered Dual Card or general purpose co-branded credit cards through 21 of our 28 ongoing Retail Card programs, of which the majority are Dual Cards. We expect to continue to increase the number of partner programs that offer Dual Cards or general purpose co-branded credit cards and seek to increase the portion of our loan receivables attributable to these products.

Charges using a Dual Card or general purpose co-branded credit card generate interchange income for us in connection with purchases made by cardholders other than in-store or online from that partner.

We currently do not issue Dual Cards or general purpose co-branded credit cards in Canada.

Terms and Conditions

As a general matter, the financial terms and conditions governing our credit card products vary by program and product type and change over time, although we seek to standardize the non-financial provisions consistently across all products. The terms and conditions of our credit card products are governed by a cardholder agreement and applicable laws and regulations.

We assign each card account a credit limit when the account is initially opened. Thereafter, we may increase or decrease individual credit limits from time to time, at our discretion, based primarily on our evaluation of the customer's creditworthiness and ability to pay.

For the vast majority of accounts, periodic interest charges are calculated using the daily balance method, which results in daily compounding of periodic interest charges, subject to, at times, a grace period on new purchases. Cash advances are not subject to a grace period, and some credit card programs do not provide a grace period for promotional purchases. In addition to periodic interest charges, we may impose other charges and fees on credit card accounts, including, as applicable and provided in the cardholder agreement, cash advance transaction fees and late fees where a customer has not paid at least the minimum payment due by the required due date.

Typically, each customer with an outstanding debit balance on his or her credit card account must make a minimum payment each month. A customer may pay the total amount due at any time without penalty. We also may enter into arrangements with delinquent customers to extend or otherwise change payment schedules and to waive interest charges and/or fees.

Commercial Credit Products

We offer private label cards and Dual Cards for commercial customers that are similar to our consumer offerings. We also offer a commercial pay-in-full accounts receivable product to a wide range of business customers. We offer commercial credit products primarily through our Retail Card platform to the commercial customers of our Retail Card partners.

Installment Loans

In Payment Solutions, we originate installment loans to consumers (and a limited number of commercial customers) in the United States, primarily in the power products market (motorcycles, ATVs and lawn and garden). Installment loans are closed-end credit accounts where the customer pays down the outstanding balance in installments. The terms of our installment loans are governed by customer agreements and applicable laws and regulations.

Installment loans are assessed periodic interest charges using fixed interest rates. In addition to periodic interest charges, we may impose other charges and fees on loan accounts, including late fees where a customer has not made the required payment by the required due date and returned payment fees.

Debt Cancellation Products

We offer a debt cancellation product to our credit card customers via online, mobile and, on a limited basis, direct mail. Customers who choose to purchase this product are charged a monthly fee based on their ending balance on each billing statement. In return, the Bank will cancel all or a portion of a customer’s credit card balance in the event of certain qualifying life events.

Direct Banking

Through the Bank, we offer our customers a range of FDIC-insured deposit products. The Bank also takes deposits through third-party securities brokerage firms that offer our FDIC-insured deposit products to their customers. At December 31, 2018, we had $64.0 billion in deposits, $49.4 billion of which were direct deposits and $14.6 billion of which were brokered deposits. During 2018, direct deposits were received from approximately 449,000 customers that had a total of approximately 900,000 accounts. Retail customers accounted for substantially all of our direct deposits at December 31, 2018. The Bank had a 86% retention rate on certificates of deposit balances up for renewal for the year ended December 31, 2018. FDIC insurance is provided for our deposit products up to applicable limits.

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. Our online platform is highly scalable allowing us to expand without having to rely on a traditional “brick and mortar” branch network. We expect the continued growth in our direct banking platform to come primarily from retail deposits.

We continue to grow our direct banking operations and believe we are well-positioned to continue to benefit from the consumer-driven shift from branch banking to direct banking. According to the 2018 American Bankers Association survey, approximately 75% of customers primarily use direct channels (internet, mail, phone and mobile) to manage their bank accounts.

Our deposit products include certificates of deposit, IRAs, money market accounts and savings accounts. We market our deposit products through multiple channels including digital and print. Customers can apply for, fund, and service their deposit accounts online or via phone. We have dedicated banking representatives within our call centers to service deposit accounts. Fiserv, Inc. ("Fiserv") provides the core banking platform for our online retail deposits including a customer-facing account opening and servicing platform.

To attract new deposits and retain existing ones, we intend to introduce new deposit products and enhancements to our existing products. These new and enhanced products may include the introduction of checking accounts, overdraft protection lines of credit, bill payment and person-to-person payment features, and Synchrony-branded debit cards. Our focus on deposit-taking and related branding efforts will also enable us to offer other branded direct-banking products more efficiently in the future.

We seek to differentiate our deposit product offerings from our competitors on the basis of brand, reputation, convenience, customer service and value. Our deposit products emphasize reliability, trust, security, convenience and attractive rates. We offer rewards to customers based on their tenure or balance amounts, including reduced fees, travel offers and concierge telephone support.

Credit Risk Management

Credit risk management is a critical component of our management and growth strategy. Credit risk refers to the risk of loss arising from customer default when customers are unable or unwilling to meet their financial obligations to us. Our credit risk arising from credit products is generally highly diversified across approximately 144 million open accounts at December 31, 2018, without significant individual exposures. We manage credit risk primarily according to customer segments and product types.

Customer Account Acquisition

We have developed programs to promote credit with each of our partners and have developed varying credit decision guidelines for the different partners. We originate credit accounts through several different channels, including in-store, mail, internet, mobile, telephone and pre-approved solicitations. In addition, we have, and may in the future acquire, accounts that were originated by third parties in connection with establishing programs with new partners. Regardless of the channel, in making the initial credit approval decision to open a credit card or other account or otherwise grant credit, we follow a series of credit risk and underwriting procedures. In most cases, when applications are made in-store or by internet or mobile, the process is fully automated and applicants are notified of our credit decision immediately. We generally obtain certain information provided by the applicant and obtain a credit bureau report from one of the major credit bureaus. The credit report information we obtain is electronically transmitted into industry scoring models and our proprietary scoring models developed to calculate a credit score. The credit risk management team determines in advance the qualifying credit scores and initial credit line assignments for each portfolio and product type. We periodically analyze performance trends of accounts originated at different score levels as compared to projected performance and adjust the minimum score or the opening credit limit to manage credit risk. We also apply additional application screens based on various inputs, including credit bureau information, our previous experience with the customer and information provided by our partner, to help identify potential fraud and prior bankruptcies before qualifying the application for approval. We compare applicants' names against the Specially Designated Nationals list maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC"), as well as screens that account for adherence to USA PATRIOT Act of 2001 (the "Patriot Act") and Credit Card Accountability Responsibility and Disclosure Act of 2009 (the "CARD Act") requirements, including ability to pay requirements.

We also use pre-approved account solicitations for certain programs. Potential applicants are pre-screened using information provided by our partner or obtained from outside lists, and qualified individuals receive a pre-approved credit offer by mail or email.

Acquired Portfolio Evaluation

Our risk management team evaluates each portfolio that we acquire in connection with establishing programs with new partners to ensure the portfolio satisfies our credit risk guidelines. As part of this review, we receive data on the third-party accounts and loans, which allows us to assess the portfolio on the basis of certain core characteristics, such as historical performance of the assets and distributions of credit and loss information. In addition, we benchmark potential portfolio acquisitions against our existing programs to assess relative current and projected risks. Finally, our risk management team must approve the acquisition, taking into account the results of our risk assessment process. Once assets are migrated to our systems, our account management protocols will apply immediately as described below under "—Customer Account Management," "—Credit Authorizations of Individual Transactions" and "—Collections."

Customer Account Management

We regularly assess the credit risk exposure of our customer accounts. This ongoing assessment includes information relating to the customer's performance with respect to its account with us, as well as information from credit bureaus relating to the customer's broader credit performance. To monitor and control the quality of our loan portfolio (including the portion of the portfolio originated by third parties), we use behavioral scoring models that we have developed to score each active account on its monthly cycle date. Proprietary risk models, together with the FICO scores obtained on each active account no less than quarterly, are an integral part of our credit decision-making process. Depending on the duration of the customer's account, risk profile and other performance metrics, the account may be subject to a range of account actions, including limits on transaction authorization and increases or decreases in purchase and cash credit limits.

Credit Authorizations of Individual Transactions

Once an account has been opened, when a credit card is used to make a purchase in-store at one of our partners' locations or online, point-of-sale terminals or online sites have an online connection with our credit authorization system, which allows for real-time updating of accounts. Each potential sales transaction is passed through a transaction authorization system, which considers a variety of behavior and risk factors to determine whether the transaction should be approved or declined, and whether a credit limit adjustment is warranted.

Fraud Investigation

We provide follow up and research with respect to different types of fraud such as fraud rings, new account fraud and transactional fraud. We have developed a proprietary fraud model to identify new account fraud and deployed tools that help identify transaction purchase behavior outside a customer's established pattern. Our proprietary model is also complemented by externally sourced models and tools used across the industry to better identify fraud and protect our customers. We also are continuously implementing new and improved technologies to detect and prevent fraud such as utilizing embedded security chips ("EMV") for our active Dual Card and general purpose co-branded credit card products with all our retail partners.

Collections

All monthly billing statements of accounts with past due amounts include a request for payment of these amounts. Collections personnel generally initiate contact with customers within 30 days after any portion of their balance becomes past due. The nature and the timing of the initial contact, typically a personal call, e-mail, text message or letter, are determined by a review of the customer's prior account activity and payment habits.

We re-evaluate our collection efforts and consider the implementation of other techniques, including internal collection activities, use of external vendors and the sale of debt to third-party buyers, as a customer becomes increasingly delinquent. We limit our exposure to delinquencies through controls within the transaction authorization processes, the imposition of credit limits and criteria-based account suspension and revocation processes. In certain situations, we may enter into arrangements to extend or otherwise change payment schedules, decrease interest rates and/or waive fees to aid customers experiencing financial difficulties in their efforts to become current on their obligations to us.

Customer Service

Customer service is an important feature of our relationship with our partners. Our customers can contact us via phone, mail, email, eService and eChat. During the year ended December 31, 2018, we handled approximately 319 million inquiries.

We assign a dedicated toll-free customer service phone number to each of our Retail Card programs. Our Payment Solutions customers access customer service through one general purpose toll-free customer service phone number (except for a few large Payment Solutions programs, which have dedicated toll-free numbers). Our CareCredit platform has its own, dedicated toll-free customer service phone number. We also have dedicated toll-free customer service phone numbers for our deposit business.

We service all programs through our nine domestic and three off-shore call centers. We blend domestic and off-shore locations as an important part of our servicing strategy, to maintain service availability beyond normal work hours in the United States and to seek optimal costs. Customer service for cards issued to customers in Canada is supported through agents based in the United States.

Given the nature of our business and the high volume of calls, we maintain several centers of excellence to ensure the quality of our customer service across all of our sites. These centers of excellence consist of quality assurance, customer experience, training, workforce and capacity planning, surveillance and process control, tactical operations center, business solutions and technology support.

Production Services

Our production services organization oversees a number of services, including:

- payment processing (more than 672 million paper and electronic payments in 2018);
- embossing and mailing credit cards (more than 59 million cards in 2018);
- printing and mailing and eService delivery of credit card statements (more than 766 million paper and electronic statements in 2018); and
- other letters mailed or sent electronically (more than 93 million in 2018).

All U.S. customer payments received by mail are processed at one of two centers located in Atlanta, Georgia and Longwood, Florida, both of which are operated by the Bank. U.S. credit card statement printing and mailing, card embossing and mailing and letter production and mailing for customers are provided through outsourced services with First Data Corporation (“First Data”). While these services are outsourced, we monitor and maintain oversight of these other services. First Data also produces our statements and other mailings for deposit customers.

Card production embossing, mailing, statement printing and mailing services related to cards issued to customers in Canada are outsourced to Canadian suppliers.

Technology and Data Security

Products and Services

We leverage information technology to deliver products and services that meet the needs of our customers and partners and enables us to operate our business efficiently. The integration of our technology with our partners is at the core of our value proposition, enabling, among other things, customers to “apply and buy” at the point of sale, and many of our partners to settle transactions directly with us without an interchange fee. A key part of our strategic focus is the continued development of innovative, efficient, flexible technology and operational platforms to support marketing, risk management, account acquisition and account management, customer service, and new product innovation and development. We believe that the continued investment in and development of these platforms is an important part of our efforts to increase our competitive capabilities, reduce costs, improve quality and provide faster, more flexible technology services. Therefore, we continuously review capabilities and develop or acquire systems, processes and competencies to meet our business needs.

As part of our continuous efforts to enhance our technological capabilities, we may either develop these capabilities internally or in partnership with third-party providers. Our internal approach involves deployment of cross-functional product teams, often in collaboration with our retail partners, focused on driving rapid delivery of in-house product innovation and development, and the commercialization of new products. In addition, at times we also partner with third-party providers to help us deliver systems and operational infrastructure based on strategies and, in some cases, architecture, designed by us. These relationships include First Data for our credit card transaction processing and production, and Fiserv for our retail banking operations.

Data Security

The protection and security of financial and personal information of our consumers is one of our highest priorities. We have implemented a comprehensive information security program that includes administrative, technical and physical safeguards and provides an appropriate level of protection to maintain the confidentiality, integrity, and availability of our Company's and our customers' information. This includes protecting against any known or evolving threats to the security or integrity of customer records and information, and against unauthorized access to or use of customer records or information.

Our information security program is continuously adapting to an evolving landscape of emerging threats and available technology. Through data gathering and evaluation of emerging threats from internal and external incidents and technology investment, security controls are adjusted on a continuous basis. We work directly with our partners on an ongoing basis to expand our intelligence ecosystem and facilitate awareness and communications of events outside of the Company.

We have developed a security strategy and implemented multiple layers of controls embedded throughout our technology environment that establish multiple control points between threats and our assets. Our security program is designed to provide oversight of third parties who store, process or have access to sensitive data, and we require the same level of protection from such third-party service providers. We evaluate the effectiveness of the key security controls through ongoing assessment and measurement.

In addition, we identify risks that may threaten customer information and utilize both internal and external resources to perform a variety of vulnerability and penetration testing on the platforms, systems and applications used to provide our products and services. We employ backup and disaster recovery procedures for all the systems that are used for storing, processing and transferring customer information, and we periodically test and validate our disaster recovery plans. Further, we regularly utilize independent assessors to evaluate the appropriateness of our overall program. We are compliant with the Payment Card Industry (PCI) program.

Intellectual Property

We use a variety of methods, such as trademarks, patents, copyrights and trade secrets, to protect our intellectual property, including our brand, "Synchrony." We also place appropriate restrictions on our proprietary information to control access and prevent unauthorized disclosures. Our brands are important assets, and we take steps to protect the value of these assets and our reputation.

Employees

At December 31, 2018, we had over 16,500 full time employees. None of our employees are represented by a labor union or are covered by a collective bargaining agreement. We have not experienced any material employment-related work stoppages and consider relations with our employees to be good. We also have relationships with third-party call center providers in the United States and other countries that provide us with additional contractors for customer service, collections and other functions.

Regulation

Our business, including our relationships with our customers, is subject to regulation, supervision and examination under U.S. federal, state and foreign laws and regulations. These laws and regulations cover all aspects of our business, including lending practices, treatment of our customers, safeguarding deposits, customer privacy and information security, capital structure, liquidity, dividends and other capital distributions, transactions with affiliates, and conduct and qualifications of personnel.

As a savings and loan holding company and 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 Office of the Comptroller of the Currency of the U.S. Treasury (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. For a discussion of the specific regulations related to our business see “Regulation—Regulation Relating to Our Business” of this Form 10-K Report.

Competition

Our industry continues to be highly competitive. We compete for relationships with partners in connection with retaining existing or establishing new consumer credit programs. Our primary competitors for partners include major financial institutions such as Alliance Data Systems, American Express, Capital One, JPMorgan Chase, Citibank, TD Bank and Wells Fargo, and to a lesser extent, potential partners’ own in-house financing capabilities. We compete for partners on the basis of a number of factors, including program financial and other terms, underwriting standards, marketing expertise, service levels, product and service offerings (including incentive and loyalty programs), technological capabilities and integration, brand and reputation. In addition, some of our competitors for partners have a business model that allows for their partners to manage underwriting (e.g., new account approval), customer service and collections, and other core banking responsibilities that we retain.

We also compete for customer usage of our credit products. Consumer credit provided, and credit card payments made, using our cards constitute only a small percentage of overall consumer credit provided and credit card payments in the United States. Consumers have numerous financing and payment options available to them. As a form of payment, our products compete with cash, checks, debit cards, Visa and MasterCard credit cards, as well as American Express, Discover Card, other private-label card brands, and, to a certain extent, prepaid cards. We also compete with non-traditional providers such as financial technology companies. In the future, we expect our products may face increased competition from new emerging payment technologies, such as Apple Pay, Chase Pay, Samsung Pay and Square, to the extent that our products are not, or do not continue to be, accepted in, or compatible with, such technologies. We may also face increased competition from current competitors or others who introduce or embrace disruptive technology that significantly changes the consumer credit and payment industry. We compete for customers and their usage of our deposit products, and to minimize transfers to competitors of our customers' outstanding balances, based on a number of factors, including pricing (interest rates and fees), product offerings, credit limits, incentives (including loyalty programs) and customer service. Some of our competitors provide a broader selection of services, including home and automobile loans, debit cards and bank branch ATM access, which may position them better among customers who prefer to use a single financial institution to meet all of their financial needs. In addition, some of our competitors are substantially larger than we are, may have substantially greater resources than we do or may offer a broader range of products and services than we do. Moreover, some of our competitors, including new and emerging competitors in the digital and mobile payments space, are not subject to the same regulatory requirements or legislative scrutiny to which we are subject, which also could place us at a competitive disadvantage.

In our retail deposits business, we have acquisition and servicing capabilities similar to other direct-banking competitors. We compete for deposits with traditional banks, and in seeking to grow our direct-banking business, we compete with other banks that have direct-banking models similar to ours, such as Ally Financial, American Express, Capital One 360 (ING), CIT, Discover, Marcus by Goldman Sachs, PurePoint, Sallie Mae and United Services Automobile Association ("USAA"). Competition among direct banks is intense because online banking provides customers the ability to quickly and easily deposit and withdraw funds and open and close accounts in favor of products and services offered by competitors.

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 consolidated financial statements and related notes included elsewhere in this report. 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."

Selected Five-Year Financial Data

Consolidated and Combined Statements of Earnings Information

	Years Ended December 31,				
($ in millions, except per share data)	2018	2017	2016	2015	2014
Interest income	$17,988	$16,407	$14,778	$13,228	$12,242
Interest expense	1,870	1,391	1,248	1,135	922
Net interest income	16,118	15,016	13,530	12,093	11,320
Retailer share arrangements	(3,099)	(2,937)	(2,902)	(2,738)	(2,575)
Net interest income, after retailer share arrangements	13,019	12,079	10,628	9,355	8,745
Provision for loan losses	5,545	5,296	3,986	2,952	2,917
Net interest income, after retailer share arrangements and provision for loan losses	7,474	6,783	6,642	6,403	5,828
Other income	265	288	344	392	485
Other expense	4,095	3,747	3,416	3,264	2,927
Earnings before provision for income taxes	3,644	3,324	3,570	3,531	3,386
Provision for income taxes	854	1,389	1,319	1,317	1,277
Net earnings	$2,790	$1,935	$2,251	$2,214	$2,109
Weighted average shares outstanding (in millions)					
Basic	742.3	795.6	829.2	833.8	757.4
Diluted	746.9	799.7	831.5	835.5	757.6
Earnings per share					
Basic	$3.76	$2.43	$2.71	$2.66	$2.78
Diluted	$3.74	$2.42	$2.71	$2.65	$2.78
Dividends declared per common share	$0.72	$0.56	$0.26	$—	$—

Consolidated and Combined Statements of Financial Position Information

($ in millions)	At December 31, 2018	2017	2016	2015	2014
Assets:					
Cash and equivalents	$9,396	$11,602	$9,321	$12,325	$11,828
Debt securities	6,062	4,473	5,095	3,127	1,583
Loan receivables	93,139	81,947	76,337	68,290	61,286
Allowance for loan losses	(6,427)	(5,574)	(4,344)	(3,497)	(3,236)
Loan receivables held for sale	—	—	—	—	332
Goodwill	1,024	991	949	949	949
Intangible assets, net	1,137	749	712	701	519
Other assets	2,461	1,620	2,137	2,095	2,273
Total assets	$106,792	$95,808	$90,207	$83,990	$75,534
Liabilities and Equity:					
Total deposits	$64,019	$56,488	$52,055	$43,367	$34,859
Total borrowings	23,996	20,799	20,147	24,279	27,383
Accrued expenses and other liabilities	4,099	4,287	3,809	3,740	2,814
Total liabilities	92,114	81,574	76,011	71,386	65,056
Total equity	14,678	14,234	14,196	12,604	10,478
Total liabilities and equity	$106,792	$95,808	$90,207	$83,990	$75,534

Results of Operations for the Three Years Ended December 31, 2018

Key Earnings Metrics

Growth Metrics

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Asset Quality Metrics

Capital and Liquidity

Highlights for Year Ended December 31, 2018

Below are highlights of our performance for the year ended December 31, 2018 compared to the year ended December 31, 2017, as applicable, except as otherwise noted.

- Net earnings increased 44.2% to $2,790 million for the year ended December 31, 2018, primarily driven by higher net interest income and lower provision for income taxes, partially offset by increases in provision for loan losses and other expense.
- Loan receivables increased 13.7% to $93,139 million at December 31, 2018 compared to December 31, 2017, primarily driven by the PayPal Credit acquisition, higher purchase volume and average active account growth.
- Net interest income increased 7.3% to $16,118 million for the year ended December 31, 2018, primarily due to the PayPal Credit acquisition and higher average loan receivables, partially offset by increases in interest expense reflecting higher benchmark interest rates.
- Retailer share arrangements increased 5.5% to $3,099 million for the year ended December 31, 2018, primarily due to growth of the programs in which we have retailer share arrangements, including the PayPal Credit acquisition, partially offset by the impact from the Toys "R" Us bankruptcy.
- Over-30 day loan delinquencies as a percentage of period-end loan receivables increased 9 basis points to 4.76% at December 31, 2018 from 4.67% at December 31, 2017, and net charge-off rate increased 26 basis points to 5.63% for the year ended December 31, 2018.
- Provision for loan losses increased by $249 million, or 4.7%, for the year ended December 31, 2018, primarily due to the reserve build for the PayPal Credit portfolio, as well as higher net charge-offs. These increases were partially offset by a lower loan loss reserve build for our existing portfolio. Our allowance coverage ratio (allowance for loan losses as a percentage of end of period loan receivables) increased to 6.90% at December 31, 2018, as compared to 6.80% at December 31, 2017.
- Other expense increased by $348 million, or 9.3%, for the year ended December 31, 2018, primarily driven by the PayPal Credit acquisition and business growth.
- Provision for income taxes decreased by $535 million, or 38.5%, for the year ended December 31, 2018. This decrease was primarily due to the reduction in the 2018 U.S. corporate tax rate included in the Tax Act and $160 million of additional tax expense recognized in 2017 primarily related to the remeasurement of our net deferred tax asset.
- We continue to invest in our direct banking activities to grow our deposit base. Total deposits increased 13.3% to $64.0 billion at December 31, 2018, compared to December 31, 2017, primarily driven by growth in our direct deposits of 15.7% to $49.4 billion.
- On May 17, 2018, the Board announced plans to increase our quarterly dividend to $0.21 per share commencing in the third quarter of 2018 and approval of a share repurchase program of up to $2.2 billion through June 30, 2019. During the year ended December 31, 2018, we repurchased $1.9 billion of our outstanding common stock, and also declared and paid cash dividends of $0.72 per share, or $534 million.
- During the year ended December 31, 2018, we announced our acquisition of Loop Commerce, a provider of digital and in-store gifting services.

2018 Partner Agreements

- We completed our acquisition of the U.S. PayPal Credit financing program, comprising of $7.6 billion of outstanding loan receivables. We also extended our existing co-brand credit card program with PayPal and Synchrony Bank is now PayPal's exclusive issuing bank for the PayPal Credit consumer financing program in the United States.

- In July 2018, we announced that we will not be renewing our Retail Card program agreement with Walmart and on January 23, 2019, we announced our agreement to sell the outstanding loan receivables related to the program. The sale of the portfolio, which is subject to customary closing conditions, is expected to be completed late in the third quarter or early fourth quarter of 2019.
- During the year ended December 31, 2018, and to date, we extended our Retail Card program agreements with Amazon, Google, JCPenney, Lowe's and Sam's Club and announced our new partnerships with Crate and Barrel, Harbor Freight Tools and with Qurate Retail Group, which included a new program agreement with HSN and multi-year extensions of our existing program agreements with QVC and zulily.
- We extended our Payment Solutions program agreements with American Signature Furniture, Ashley HomeStore, Associated Materials, Briggs & Stratton, Generac, Havertys, Mohawk, Nationwide Marketing Group, Robbins Brothers and Sleep Number and announced our new partnerships with Fanatics, Furniture Row, Fred Meyer Jewelers, Mahindra and jtv.
- In our CareCredit sales platform, we renewed our agreement with LCA Vision in our network of providers and expanded our network to include American Med Spa Association, the American Veterinary Medical Association, Eargo, The Good Feet Store, the Spa Industry Association and Walgreens.

Highlights for Year Ended December 31, 2017

Below are highlights of our performance for the year ended December 31, 2017 compared to the year ended December 31, 2016, as applicable, except as otherwise noted.

- Net earnings decreased 14.0% to $1,935 million for the year ended December 31, 2017, primarily driven by increases in provision for loan losses and other expense, as well as the impact related to the Tax Act enacted in December 2017, partially offset by higher net interest income. Adjusted net earnings, excluding the additional tax expense related to the Tax Act, was $2,095 million.
- Loan receivables increased 7.3% to $81,947 million at December 31, 2017 compared to December 31, 2016, primarily driven by higher purchase volume and average active account growth.
- Net interest income increased 11.0% to $15,016 million for the year ended December 31, 2017, primarily due to higher average loan receivables.
- Retailer share arrangements increased 1.2% to $2,937 million for the year ended December 31, 2017, primarily as a result of growth and margin improvement of the programs in which we have retailer share arrangements, largely offset by higher provision for loan losses associated with these programs.
- Over-30 day loan delinquencies as a percentage of period-end loan receivables increased 35 basis points to 4.67% at December 31, 2017 from 4.32% at December 31, 2016, and net charge-off rate increased 80 basis points to 5.37% for the year ended December 31, 2017.
- Provision for loan losses increased by $1,310 million, or 32.9%, for the year ended December 31, 2017, primarily due to an increase in net charge-offs and higher loan loss reserve. Our allowance coverage ratio (allowance for loan losses as a percentage of end of period loan receivables) increased to 6.80% at December 31, 2017, as compared to 5.69% at December 31, 2016.
- Other expense increased by $331 million, or 9.7%, for the year ended December 31, 2017, primarily driven by business growth and marketing.
- The enactment of the Tax Act in December 2017 resulted in additional tax expense of $160 million primarily due to the remeasurement of our net deferred tax asset and impacted certain financial measures for the year ended December 31, 2017 as follows:

($ in millions)			
Net earnings	$(160)	Return on assets	(0.2)%
Effective income tax rate	4.8 %	Return on equity	(1.1)%

- We continue to invest in our direct banking activities to grow our deposit base. Total deposits increased 8.5% to $56.5 billion at December 31, 2017, compared to December 31, 2016, primarily driven by growth in our direct deposits of 12.7% to $42.7 billion, partially offset by a reduction in our brokered deposits.
- On May 18, 2017, the Board announced plans to increase our quarterly dividend to $0.15 per share commencing in the third quarter of 2017 and approval of a share repurchase program of up to $1.64 billion through June 30, 2018. During the year ended December 31, 2017, we repurchased $1,496 million of our outstanding common stock, and also declared and paid cash dividends of $0.56 per share, or $446 million.
- During the year ended December 31, 2017, we announced our acquisition of GPShopper, a developer of mobile applications that offers retailers and brands a full suite of commerce, engagement and analytical tools.

2017 Partner Agreements

- We extended our Retail Card program agreements with Belk, Evine, Men's Wearhouse and QVC, and launched our new programs with At Home, Cathay Pacific, Nissan and Infiniti and zulily.
- We launched our Synchrony Car Care program and our new Synchrony HOME credit card network in our Payment Solutions sales platform and extended our program agreements with BrandsMart U.S.A.; City Furniture; Home Furnishings Association; Husqvarna Viking; MEGA Group USA, subsequently merged with Nationwide Buying Group to form Nationwide Marketing Group; Midas; Nautilus; Sweetwater and Yamaha.
- In our CareCredit sales platform, we acquired the Citi Health Card portfolio, renewed Bosley, Mars Petcare, National Veterinary Associates and Sono Bello in our network of providers and launched our new CareCredit Dual Card.

Other Financial and Statistical Data

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

At and for the years ended December 31 ($ in millions)	2018	2017	2016
Financial Position Data (Average):			
Loan receivables, including held for sale	$83,304	$75,702	$68,649
Total assets	$99,568	$91,107	$84,400
Deposits	$59,498	$53,400	$47,399
Borrowings	$21,951	$20,151	$20,142
Total equity	$14,386	$14,427	$13,620
Selected Performance Metrics:			
Purchase volume(1)	$140,657	$131,814	$125,468
Retail Card	$113,066	$106,239	$101,242
Payment Solutions	$17,427	$16,160	$15,641
CareCredit	$10,164	$9,415	$8,585
Average active accounts (in thousands)(2)	73,847	69,968	66,928
Net interest margin(3)	15.97 %	16.35 %	16.10 %
Net charge-offs	$4,692	$4,066	$3,139
Net charge-offs as a % of average loan receivables, including held for sale	5.63 %	5.37 %	4.57 %
Allowance coverage ratio(4)	6.90 %	6.80 %	5.69 %
Return on assets(5)	2.8 %	2.1 %	2.7 %
Return on equity(6)	19.4 %	13.4 %	16.5 %
Equity to assets(7)	14.45 %	15.84 %	16.14 %
Other expense as a % of average loan receivables, including held for sale	4.92 %	4.95 %	4.98 %
Efficiency ratio(8)	30.8 %	30.3 %	31.1 %
Effective income tax rate	23.4 %	41.8 %	36.9 %
Selected Period End Data:			
Loan receivables	$93,139	$81,947	$76,337
Allowance for loan losses	$6,427	$5,574	$4,344
30+ days past due as a % of period-end loan receivables(9)	4.76 %	4.67 %	4.32 %
90+ days past due as a % of period-end loan receivables(9)	2.29 %	2.28 %	2.03 %
Total active accounts (in thousands)(2)	80,339	74,541	71,890

(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. Purchase volume includes activity related to our portfolios classified as held for sale.

(2) Active accounts represent credit card or installment loan accounts on which there has been a purchase, payment or outstanding balance in the current month.

(3) Net interest margin represents net interest income divided by average interest-earning assets.

(4) Allowance coverage ratio represents allowance for loan losses divided by total period-end loan receivables.

(5) Return on assets represents net earnings as a percentage of average total assets.

(6) Return on equity represents net earnings as a percentage of average total equity.

(7) Equity to assets represents average equity as a percentage of average total assets.

(8) Efficiency ratio represents (i) other expense, divided by (ii) net interest income, after retailer share arrangements, plus other income.

(9) Based on customer statement-end balances extrapolated to the respective period-end date.

Average Balance Sheet

The following table sets 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.

Years ended December 31 ($ in millions)	2018 Average Balance	Interest Income / Expense	Average Yield / Rate(1)	2017 Average Balance	Interest Income/ Expense	Average Yield / Rate(1)	2016 Average Balance	Interest Income/ Expense	Average Yield / Rate(1)
Assets									
Interest-earning assets:									
Interest-earning cash and equivalents(2)	$11,059	$207	1.87 %	$11,707	$129	1.10 %	$12,152	$63	0.52 %
Securities available for sale	6,566	137	2.09 %	4,449	59	1.33 %	3,220	33	1.02 %
Loan receivables(3):									
Credit cards, including held for sale	80,219	17,342	21.62 %	72,795	15,941	21.90 %	65,947	14,424	21.87 %
Consumer installment loans	1,698	156	9.19 %	1,491	137	9.19 %	1,274	117	9.18 %
Commercial credit products	1,333	144	10.80 %	1,366	139	10.18 %	1,372	139	10.13 %
Other	54	2	3.70 %	50	2	4.00 %	56	2	3.57 %
Total loan receivables	83,304	17,644	21.18 %	75,702	16,219	21.42 %	68,649	14,682	21.39 %
Total interest-earning assets	100,929	17,988	17.82 %	91,858	16,407	17.86 %	84,021	14,778	17.59 %
Non-interest-earning assets:									
Cash and due from banks	1,224			887			965		
Allowance for loan losses	(5,900)			(4,942)			(3,872)		
Other assets	3,315			3,304			3,286		
Total non-interest-earning assets	(1,361)			(751)			379		
Total assets	$99,568			$91,107			$84,400		
Liabilities									
Interest-bearing liabilities:									
Interest-bearing deposit accounts	$59,216	$1,186	2.00 %	$53,173	$848	1.59 %	$47,194	$727	1.54 %
Borrowings of consolidated securitization entities	12,694	344	2.71 %	12,179	263	2.16 %	12,428	244	1.96 %
Bank Term Loan(4)	—	—	— %	—	—	— %	556	31	5.58 %
Senior unsecured notes	9,257	340	3.67 %	7,972	280	3.51 %	7,158	246	3.44 %
Total interest-bearing liabilities	81,167	1,870	2.30 %	73,324	1,391	1.90 %	67,336	1,248	1.85 %
Non-interest-bearing liabilities:									
Non-interest-bearing deposit accounts	282			227			205		
Other liabilities	3,733			3,129			3,239		
Total non-interest-bearing liabilities	4,015			3,356			3,444		
Total liabilities	85,182			76,680			70,780		
Equity									
Total equity	14,386			14,427			13,620		
Total liabilities and equity	$99,568			$91,107			$84,400		
Interest rate spread(5)			15.52 %			15.96 %			15.74 %

Net interest income	$ 16,118	$ 15,016	$ 13,530
Net interest margin(6)	15.97 %	16.35 %	16.10 %

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

(2) Includes average restricted cash balances of $512 million, $642 million and $436 million for the years ended December 31, 2018, 2017 and 2016, respectively.

(3) Interest income on loan receivables includes fees on loans of $2,723 million, $2,609 million and $2,458 million for the years ended December 31, 2018, 2017 and 2016, respectively.
(4) The effective interest rates for the Bank Term Loan for the year ended December 31, 2016 was 2.48%. The Bank Term Loan's effective rate excludes the impact of charges incurred in connection with prepayments of the loan.
(5) Interest rate spread represents the difference between the yield on total interest-earning assets and the rate on total interest-bearing liabilities.
(6) Net interest margin represents net interest income divided by average total interest-earning assets.

The following table sets forth the amount of changes in interest income and interest expense due to changes in average volume and average yield/rate. Variances due to changes in both average volume and average yield/rate have been allocated between the average volume and average yield/rate variances on a consistent basis based upon the respective percentage changes in average volume and average yield/rate.

	2018 vs. 2017 Increase (decrease) due to change in:			2017 vs. 2016 Increase (decrease) due to change in:		
($ in millions)	Average Volume	Average Yield / Rate	Net Change	Average Volume	Average Yield / Rate	Net Change
Interest-earning assets:						
Interest-earning cash and equivalents	$(7)	$85	$78	$(2)	$68	$66
Securities available for sale	35	43	78	15	11	26
Loan receivables:						
Credit cards, including held for sale	1,607	(206)	1,401	1,497	20	1,517
Consumer installment loans	19	—	19	20	—	20
Commercial credit products	(3)	8	5	(1)	1	—
Other	—	—	—	—	—	—
Total loan receivables	1,623	(198)	1,425	1,516	21	1,537
Change in interest income from total interest-earning assets	$1,651	$(70)	$1,581	$1,529	$100	$1,629
Interest-bearing liabilities:						
Interest-bearing deposit accounts	$103	$235	$338	$96	$25	$121
Borrowings of consolidated securitization entities	11	70	81	(5)	24	19
Bank term loan	—	—	—	(31)	—	(31)
Senior unsecured notes	47	13	60	29	5	34
Change in interest expense from total interest-bearing liabilities	161	318	479	89	54	143
Total change in net interest income	$1,490	$(388)	$1,102	$1,440	$46	$1,486

Business Trends and Conditions

We believe our business and results of operations will be impacted in the future by various trends and conditions, including the following:

- Growth in loan receivables and interest income. We believe continuing stability in the U.S. economy and employment rates will contribute to an increase in consumer credit spending. In addition, we expect the use of credit cards to continue to increase versus other forms of payment such as cash and checks. We anticipate that these trends, combined with our marketing and partner engagement strategies, will contribute to growth in our loan receivables. In the near-to-medium term, we expect our total interest income to continue to grow, driven by the expected growth in average loan receivables. Our historical growth rates in loan receivables and interest income have benefited from new partner acquisitions, and therefore, if we do not continue to acquire new partners, replace the programs that are not extended or otherwise grow our business, our growth rates in loan receivables and interest income in the future will be lower than in recent periods. On January 23, 2019, we announced our agreement to sell the outstanding loan receivables related to our Walmart program agreement. The sale of the portfolio, which is subject to customary closing conditions, is expected to be completed late in the third quarter or early fourth quarter of 2019. Beginning in the first quarter of 2019, we will present these loan receivables as loan receivables held for sale on our Consolidated Statement of Financial Position. The reclassification of these loan receivables will result in a reduction in the growth of our loan receivables, as compared to the prior year. In addition, we do not expect to make any significant changes to customer pricing or merchant discount pricing in the near term other than those associated with changes in the prime rate and LIBOR, and therefore we expect yields generated from interest and fees on interest-earning assets will remain relatively stable.
- Increases in retailer share arrangement payments under our program agreements. We believe that the payments we make to our partners under our retailer share arrangements, in the aggregate, are likely to increase in absolute terms compared to the year ended December 31, 2018, primarily as a result of both the overall growth and performance of our programs. See Management's Discussion and Analysis—Retailer Share Arrangements for additional information on these agreements.
- Asset quality. In 2018, the trend of increases in our net charge-off rates and allowance coverage continued, but at a more modest rate as compared to what we experienced in 2017 and our delinquency rate remained largely in line with 2017 rates, as U.S. unemployment rates continued to stabilize and we experienced the favorable effects from certain refinements to our underwriting standards which we began to implement in the second half of 2016 and continued in 2017. Our actual net charge-off rates increased by 26 basis points to 5.63% for the year ended December 31, 2018 compared to 5.37% for the year ended December 31, 2017. In connection with the sale of the Walmart portfolio, we expect decreases to both our Allowance for Loan Losses and Provision for Loan Losses in our Consolidated Statement of Financial Position and Consolidated Statement of Earnings, respectively, beginning in the first quarter of 2019 through to the date of sale. In addition, the loan receivables held for sale will not include certain loan receivables we estimate will charge-off prior to the expected closing date of the sale of the Walmart portfolio. The effects of this, and the exclusion of the loan receivables held for sale from the denominator for certain credit quality metrics, is expected to contribute to a temporary increase to our delinquency metrics primarily in the first half of 2019. The assessment of our credit profile includes the evaluation of portfolio mix, account maturation, as well as broader consumer trends, such as payment behavior and overall indebtedness. We expect our net charge-off rate for the year ended December 31, 2019 to increase slightly, primarily due to the PayPal Credit portfolio, partially offset by the effects of the Walmart portfolio sale. We expect credit trends in the near term for our remaining portfolio to be relatively stable.
- Extended duration of our Retail Card program agreements. Our Retail Card program agreements typically have contract terms ranging from approximately five to ten years, and the average length of our relationship with our Retail Card partners is 20 years. We expect to continue to benefit from these programs on a long-term basis.

A total of 22 of our 28 ongoing Retail Card program agreements, which does not include the Walmart program, now have an expiration date in 2022 or beyond. These 22 program agreements represented in the aggregate 97% of both our Retail Card interest and fees on loans for the year ended December 31, 2018 and of our Retail Card loan receivables at December 31, 2018 attributable to our ongoing programs.

- Growth in interchange revenues and loyalty program costs. We believe that as a result of the overall growth in Dual Card and general purpose co-branded credit card transactions occurring outside of our Retail Card partners' locations, interchange revenues will continue to increase in excess of the growth of our Retail Card loan receivables. The expected growth in these transactions is driven, in part, by both existing and new loyalty programs with our Retail Card partners. In addition, we continue to offer and add new loyalty programs for our private label credit cards, for which we typically do not receive interchange fees. The growth in these existing and new loyalty programs will result in an increase in costs associated with these programs. Overall, we expect our loyalty program costs to continue to be largely offset by our interchange revenues. These changes have been contemplated in our program agreements with our Retail Card partners and are a component of the calculation of our payments due under our retailer share arrangements.
- Capital and liquidity levels. We continue to expect to maintain sufficient capital and liquidity resources to support our daily operations, our business growth, and our credit ratings as well as regulatory and compliance requirements in a cost effective and prudent manner through expected and unexpected market environments. During the year ended December 31, 2018, we declared and paid dividends of $534 million and repurchased $1.9 billion of our outstanding common stock. We plan to continue to deploy capital through both dividends and share repurchases subject to regulatory approval, as well as to support business growth. We continue to expect to maintain capital ratios well in excess of minimum regulatory requirements. At December 31, 2018, the Company had a Basel III common equity Tier 1 ratio of 14.0%. We expect that our liquidity portfolio will continue to be sufficient to support all of our business objectives and to meet all regulatory requirements for the foreseeable future.

Seasonality

In our Retail Card and Payment Solutions platforms, we experience fluctuations in transaction volumes and the level of loan receivables as a result of higher seasonal consumer spending and payment patterns that typically result in an increase of loan receivables from August through a peak in late December, with reductions in loan receivables occurring over the first and second quarters of the following year as customers pay their balances down.

The seasonal impact to transaction volumes and the loan receivables balance typically results in fluctuations in our results of operations, delinquency metrics and the allowance for loan losses as a percentage of total loan receivables between quarterly periods. These fluctuations are generally most evident between the fourth quarter and the first quarter of the following year.

In addition to the seasonal variance in loan receivables discussed above, we also experience a seasonal increase in delinquency rates and delinquent loan receivables balances during the third and fourth quarters of each year due to lower customer payment rates resulting in higher net charge-off rates in the first and second quarters. Our delinquency rates and delinquent loan receivables balances typically decrease during the subsequent first and second quarters as customers begin to pay down their loan balances and return to current status resulting in lower net charge-off rates in the third and fourth quarters. Because customers who were delinquent during the fourth quarter of a calendar year have a higher probability of returning to current status when compared to customers who are delinquent at the end of each of our interim reporting periods, we expect that a higher proportion of delinquent accounts outstanding at an interim period end will result in charge-offs, as compared to delinquent accounts outstanding at a year end. Consistent with this historical experience, we generally experience a higher allowance for loan losses as a percentage of total loan receivables at the end of an interim period, as compared to the end of a calendar year. In addition, despite improving credit metrics such as declining past due amounts, we may experience an increase in our allowance for loan losses at an interim period end compared to the prior year end, reflecting these same seasonal trends.

Interest Income

Interest income is comprised of interest and fees on loans, which includes merchant discounts provided by partners to compensate us in almost all cases for all or part of the promotional financing provided to their customers, and interest on cash and equivalents and investment securities. We include in interest and fees on loans any past due interest and fees deemed to be collectible. Direct loan origination costs on credit card loans are deferred and amortized on a straight-line basis over a one-year period and recorded in interest and fees on loans. For non-credit card receivables, direct loan origination costs are deferred and amortized over the life of the loan and recorded in interest and fees on loans.

We analyze interest income as a function of two principal components: average interest-earning assets and yield on average interest-earning assets. Key drivers of average interest-earning assets include:

- purchase volumes, which are influenced by a number of factors including macroeconomic conditions and consumer confidence generally, our partners’ sales and our ability to increase our share of those sales;
- payment rates, reflecting the extent to which customers maintain a credit balance;
- charge-offs, reflecting the receivables that are deemed not to be collectible;
- the size of our liquidity portfolio; and
- portfolio acquisitions when we enter into new partner relationships.

Key drivers of yield on average interest-earning assets include:

- pricing (contractual rates of interest, movement in prime rates, late fees and merchant discount rates);
- changes to our mix of loans (e.g., the number of loans bearing promotional rates as compared to standard rates);
- frequency of late fees incurred when account holders fail to make their minimum payment by the required due date;
- credit performance and accrual status of our loans; and
- yield earned on our liquidity portfolio.

Interest income increased by $1,581 million, or 9.6%, for the year ended December 31, 2018, and by $1,629 million, or 11.0%, for the year ended December 31, 2017. These increases were driven primarily by growth in our average loan receivables.

Average interest-earning assets

Years ended December 31 ($ in millions)	2018	2017	2016
Loan receivables, including held for sale	$83,304	$75,702	$68,649
Liquidity portfolio and other	17,625	16,156	15,372
Total average interest-earning assets	$100,929	$91,858	$84,021

The increase in average loan receivables of 10.0% for the year ended December 31, 2018 was driven primarily by the PayPal Credit Acquisition, higher purchase volume and average active account growth. Purchase volume and average active accounts increased 6.7% and 5.5%, respectively, including the effects of the PayPal Credit acquisition.

The increase in average loan receivables of 10.3% for the year ended December 31, 2017, was driven primarily by higher purchase volume of 5.1% and average active accounts growth of 4.5%.

Yield on average interest-earning assets

The yield on average interest-earning assets decreased for the year ended December 31, 2018 primarily due to a decrease in the yield on our average loan receivables of 24 basis points to 21.18% for the year ended December 31, 2018.

The yield on average interest-earning assets increased for the year ended December 31, 2017, primarily due to an increase in the percentage of interest-earning assets attributable to loan receivables and a slight increase in the yield on our average loan receivables of 3 basis points to 21.42% for the year ended December 31, 2017.

Interest Expense

Interest expense is incurred on our interest-bearing liabilities, which consisted of interest-bearing deposit accounts, borrowings of consolidated securitization entities and senior unsecured notes.

Key drivers of interest expense include:

- the amounts outstanding of our deposits and borrowings;
- the interest rate environment and its effect on interest rates paid on our funding sources; and
- the changing mix in our funding sources.

Interest expense increased by $479 million, or 34.4%, for the year ended December 31, 2018, primarily driven by higher benchmark interest rates. Our cost of funds increased to 2.30% for the year ended December 31, 2018 compared to 1.90% for the year ended December 31, 2017.

Interest expense increased by $143 million, or 11.5%, for the year ended December 31, 2017, primarily driven by the growth in our deposit liabilities. Our cost of funds increased to 1.90% for the year ended December 31, 2017 compared to 1.85% for the year ended December 31, 2016, primarily due to higher benchmark interest rates.

Average interest-bearing liabilities

Years ended December 31 ($ in millions)	2018	2017	2016
Interest-bearing deposit accounts	$59,216	$53,173	$47,194
Borrowings of consolidated securitization entities	12,694	12,179	12,428
Third-party debt	9,257	7,972	7,714
Total average interest-bearing liabilities	$81,167	$73,324	$67,336

The increases in average interest-bearing liabilities for the year ended December 31, 2018 and 2017 were primarily driven by growth in our direct deposits.

Net Interest Income

Net interest income represents the difference between interest income and interest expense.

Net interest income increased by $1,102 million, or 7.3%, for the year ended December 31, 2018, and by $1,486 million, or 11.0%, for the year ended December 31, 2017, primarily driven by higher average loan receivables.

Retailer Share Arrangements

Most of our Retail Card program agreements and certain other program agreements contain retailer share arrangements that provide for payments to our partners if the economic performance of the program exceeds a contractually defined threshold. We also provide other economic benefits to our partners such as royalties on purchase volume or payments for new accounts, in some cases instead of retailer share arrangements (for example, on our co-branded credit cards). All of these arrangements are designed to align our interests and provide an additional incentive to our partners to promote our credit products. Although the retailer share arrangements vary by partner, these arrangements are generally structured to measure the economic performance of the program, based typically on agreed upon program revenues (including interest income and certain other income) less agreed upon program expenses (including interest expense, provision for loan losses, retailer payments and operating expenses), and share portions of this amount above a negotiated threshold. The threshold and economic performance of a program that are used to calculate payments to our partners may be based on, among other things, agreed upon measures of program expenses rather than our actual expenses, and therefore increases in our actual expenses (such as funding costs or operating expenses) may not necessarily result in reduced payments under our retailer share arrangements. These arrangements are typically designed to permit us to achieve an economic return before we are required to make payments to our partners based on the agreed contractually defined threshold. Our payments to partners pursuant to these retailer share arrangements have generally increased in recent years, primarily as a result of the growth and margin improvement of the programs in which we have retailer share arrangements, as well as changes to the terms of certain program agreements that have been renegotiated in the past few years.

We believe that our retailer share arrangements have been effective in helping us to grow our business by aligning our partners' interests with ours. We also believe that the changes to the terms of certain program agreements in recent years will help us to grow our business by providing an additional incentive to the relevant partners to promote our credit products going forward. Payments to partners pursuant to these retailer share arrangements would generally decrease, and mitigate the impact on our profitability, in the event of declines in the performance of the programs or the occurrence of other unfavorable developments that impact the calculation of payments to our partners pursuant to our retailer share arrangements.

Retailer share arrangements increased by $162 million, or 5.5%, for the year ended December 31, 2018, driven primarily by the growth of the programs in which we have retailer share arrangements, including the PayPal Credit acquisition, partially offset by the impact from the Toys "R" Us bankruptcy.

Retailer share arrangements increased by $35 million, or 1.2%, for the year ended December 31, 2017, driven primarily by the growth and margin improvement of the programs in which we have retailer share arrangements, largely offset by higher provision for loan losses associated with these programs.

Provision for Loan Losses

Provision for loan losses is the expense related to maintaining the allowance for loan losses at an appropriate level to absorb the estimated probable losses inherent in the loan portfolio at each period end date. Provision for loan losses in each period is a function of net charge-offs (gross charge-offs net of recoveries) and the required level of the allowance for loan losses. Our process to determine our allowance for loan losses is based upon our estimate of the incurred loss period for each type of loss (i.e., aged, fraud, deceased, settlement, other non-aged and bankruptcy). See "Critical Accounting Estimates - Allowance for Loan Losses" and Note 2. Basis of Presentation and Summary of Significant Accounting Policies to our consolidated financial statements for additional information on our allowance for loan loss methodology.

Provision for loan losses increased by $249 million, or 4.7%, for the year ended December 31, 2018, primarily due to the reserve build for the PayPal Credit program, as well as higher net charge-offs. These increases were partially offset by a lower loan loss reserve build for our existing portfolio. Our allowance coverage ratio increased to 6.90% at December 31, 2018, as compared to 6.80% at December 31, 2017, reflecting the increase in forecasted losses inherent in our loan portfolio.

Provision for loan losses increased by $1,310 million, or 32.9%, for the year ended December 31, 2017, primarily due to higher net charge-offs and a higher loan loss reserve. Our allowance coverage ratio increased to 6.80% at December 31, 2017, as compared to 5.69% at December 31, 2016, reflecting the increase in forecasted losses inherent in our loan portfolio.

Other Income

Years ended December 31 ($ in millions)	2018	2017	2016
Interchange revenue	$710	$653	$602
Debt cancellation fees	267	272	262
Loyalty programs	(751)	(704)	(547)
Other	39	67	27
Total other income	$265	$288	$344

Interchange revenue

We earn interchange fees on Dual Card and other co-branded credit card transactions outside of our partners’ sales channels, based on a flat fee plus a percent of the purchase amount. Growth in interchange revenue has been, and is expected to continue to be, driven primarily by growth in our Dual Card and general purpose co-branded credit card products.

Interchange revenue increased by $57 million, or 8.7%, for the year ended December 31, 2018, and by $51 million, or 8.5%, for the year ended December 31, 2017, driven by increases in purchase volume outside of our retail partners' sales channels.

Debt cancellation fees

Debt cancellation fees relate to payment protection products purchased by our credit card customers. Customers who choose to purchase these products are charged a monthly fee based on their account balance. In return, we will cancel all or a portion of a customer’s credit card balance in the event of certain qualifying life events. We offer our debt cancellation product to our credit card customers via online, mobile and, on a limited basis, direct mail.

Debt cancellation fees decreased by $5 million, or 1.8%, for the year ended December 31, 2018, primarily as a result of lower average balances on accounts with payment protection products. Debt cancellation fees increased by $10 million, or 3.8%, for the year ended December 31, 2017, primarily as a result of higher average balances and increases in customer enrollment.

Loyalty programs

We operate a number of loyalty programs primarily in our Retail Card platform that are designed to generate incremental purchase volume per customer, while reinforcing the value of the card and strengthening cardholder loyalty. These programs typically provide cardholders with statement credit or cash back rewards. Other programs include rewards points, which are redeemable for a variety of products or awards, or merchandise discounts that are earned by achieving a pre-set spending level on their private label credit card, Dual Card or general purpose co-branded credit card. Growth in loyalty program payments has been, and is expected to continue to be, driven by growth in purchase volume related to existing loyalty programs and the rollout of new loyalty programs.

Loyalty programs cost increased by $47 million, or 6.7%, for the year ended December 31, 2018, and by $157 million, or 28.7%, for the year ended December 31, 2017, arising from the launch of new rewards programs with our partners and growth in purchase volume associated with existing loyalty programs. The increase in 2017 also included the impact from higher reward redemption rates we experienced in one of our programs.

Other

Other includes a variety of items including ancillary fees and realized gains or losses associated with investments and sales of assets.

Other decreased by $28 million, or 41.8%, for the year ended December 31, 2018 primarily due to the impact of a pre-tax gain of $18 million recognized in the year ended December 31, 2017.
Other increased by $40 million, or 148.1%, for the year ended December 31, 2017. The increase included a pre-tax gain of $18 million associated with the sale of contractual relationships related to processing of general purpose card transactions for certain merchants in 2017.
Other Expense

Years ended December 31 ($ in millions)	2018	2017	2016
Employee costs	$1,427	$1,304	$1,198
Professional fees	806	629	638
Marketing and business development	528	498	423
Information processing	426	373	338
Other	908	943	819
Total other expense	$4,095	$3,747	$3,416

Employee costs
Employee costs primarily consist of employee compensation and benefit costs.
Employee costs increased by $123 million, or 9.4%, for the year ended December 31, 2018, and by $106 million, or 8.8%, for the year ended December 31, 2017, primarily due to new employees added to support the continued growth of the business. The increase for the year ended December 31, 2017 was also impacted by the replacement of certain third-party services.
Professional fees
Professional fees consist primarily of outsourced provider fees (e.g., collection agencies and call centers), legal, accounting, consulting, and recruiting expenses.
Professional fees increased by $177 million, or 28.1%, for the year ended December 31, 2018, primarily due to interim servicing costs associated with the PayPal Credit acquisition.
Professional fees decreased by $9 million, or 1.4%, for the year ended December 31, 2017, primarily due to decreases in third-party expenses as we continued to move some processes in-house, partially offset by business growth.
Marketing and business development
Marketing and business development costs consist primarily of our contractual and discretionary marketing and business development spend, as well as amortization expense associated with retail partner contract acquisitions and extensions.
Marketing and business development costs increased by $30 million, or 6.0%, for the year ended December 31, 2018, primarily due to strategic investments in our sales platforms and increased marketing on retail deposits.
Marketing and business development costs increased by $75 million, or 17.7%, for the year ended December 31, 2017, primarily due to strategic investments in our sales platforms, card re-issuances for some of our partner programs and increased marketing on retail deposits.
Information processing
Information processing costs primarily consist of fees related to outsourced information processing providers, credit card associations and software licensing agreements.

Information processing costs increased by $53 million, or 14.2%, for the year ended December 31, 2018, primarily due to both business growth and strategic investments.

Information processing costs increased by $35 million, or 10.4%, for the year ended December 31, 2017, primarily due to higher information technology investment and higher transaction volume.

Other

Other primarily consists of postage, operational losses, litigation and regulatory matters expense and various other corporate overhead items such as facilities' costs and telephone charges. Postage is driven primarily by the number of our active accounts and the percentage of customers that utilize our electronic billing option. Fraud, or operational losses, are driven primarily by the number of our active Dual Card and general purpose co-branded credit card accounts.

The “other” component decreased by $35 million, or 3.7%, for the year ended December 31, 2018, primarily driven by lower operational losses.

The “other” component increased by $124 million, or 15.1%, for the year ended December 31, 2017, primarily driven by higher operational losses and business growth.

Provision for Income Taxes

Years ended December 31 ($ in millions)	2018	2017	2016
Effective tax rate	23.4 %	41.8 %	36.9 %
Provision for income taxes	$854	$1,389	$1,319

The effective tax rate for the year ended December 31, 2018, decreased compared to the prior year. The decrease was primarily due to the reduction in the 2018 U.S. corporate tax rate included in the Tax Act and $160 million of additional tax expense recognized in 2017 related to the remeasurement of our net deferred tax asset. The effective tax rate for the year ended December 31, 2017, increased compared to the prior year. The increase was primarily due to the $160 million of additional tax expense described above. In each year, the effective tax rate, excluding the impact of the Tax Act in 2017, differs from the U.S. federal statutory tax rate, primarily due to state income taxes.

Platform Analysis

As discussed above under “Our Business—Our Sales Platforms,” we offer our products through three sales platforms (Retail Card, Payment Solutions and CareCredit), which management measures based on their revenue-generating activities. The following is a discussion of certain supplemental information for the year ended December 31, 2018, for each of our sales platforms.

Retail Card

Years ended December 31 ($ in millions)	2018	2017	2016
Purchase volume	$113,066	$106,239	$101,242
Period-end loan receivables	$65,224	$56,230	$52,701
Average loan receivables, including held for sale	$57,155	$51,570	$46,963
Average active accounts (in thousands)	58,223	55,142	53,344
Interest and fees on loans	$13,137	$12,023	$10,898
Retailer share arrangements	$(3,044)	$(2,904)	$(2,870)
Other income	$219	$212	$288

Retail Card interest and fees on loans increased by $1,114 million, or 9.3%, for the year ended December 31, 2018 and by $1,125 million, or 10.3%, for the year ended December 31, 2017. These increases were primarily the result of growth in average loan receivables.

Retailer share arrangements increased by $140 million, or 4.8%, for the year ended December 31, 2018 and by $34 million, or 1.2%, for the year ended December 31, 2017, primarily as a result of the factors discussed under the heading “Retailer Share Arrangements” above.

Other income increased by $7 million, or 3.3%, for the year ended December 31, 2018, primarily as a result of an increase in interchange revenue, partially offset by an increase in loyalty program costs. Other income decreased by $76 million, or 26.4%, for the year ended December 31, 2017, primarily as a result of an increase in loyalty program costs, partially offset by increases in interchange revenue, debt cancellation fees and other income.

Payment Solutions

Years ended December 31 ($ in millions)	2018	2017	2016
Purchase volume	$17,427	$16,160	$15,641
Period-end loan receivables	$18,418	$16,857	$15,567
Average loan receivables	$17,093	$15,752	$14,110
Average active accounts (in thousands)	9,692	9,192	8,410
Interest and fees on loans	$2,356	$2,181	$1,952
Retailer share arrangements	$(43)	$(24)	$(26)
Other income	$12	$14	$13

Payment Solutions interest and fees on loans increased by $175 million, or 8.0%, for the year ended December 31, 2018 and by $229 million, or 11.7%, for the year ended December 31, 2017. These increases were primarily driven by growth in average loan receivables.

CareCredit

Years ended December 31 ($ in millions)	2018	2017	2016
Purchase volume	$10,164	$9,415	$8,585
Period-end loan receivables	$9,497	$8,860	$8,069
Average loan receivables	$9,056	$8,380	$7,576
Average active accounts (in thousands)	5,932	5,634	5,174
Interest and fees on loans	$2,151	$2,015	$1,832
Retailer share arrangements	$(12)	$(9)	$(6)
Other income	$34	$62	$43

CareCredit interest and fees on loans increased by $136 million, or 6.7%, for the year ended December 31, 2018 and by $183 million, or 10.0%, for the year ended December 31, 2017. These increases were primarily driven by increases in average loan receivables.

Loan Receivables

The following discussion provides supplemental information regarding our loan receivables portfolio.

Loan receivables are our largest category of assets and represent our primary source of revenues. The following table sets forth the composition of our loan receivables portfolio by product type at the dates indicated.

At December 31 ($ in millions)	2018	(%)	2017	(%)	2016	(%)	2015	(%)	2014	(%)
Loans										
Credit cards	$89,994	96.6 %	$79,026	96.5 %	$73,580	96.4 %	$65,773	96.3 %	$58,880	96.1 %
Consumer installment loans	1,845	2.0	1,578	1.9	1,384	1.8	1,154	1.7	1,063	1.7
Commercial credit products	1,260	1.4	1,303	1.6	1,333	1.7	1,323	1.9	1,320	2.2
Other	40	—	40	—	40	0.1	40	0.1	23	—
Total loans	$93,139	100.0%	$81,947	100.0%	$76,337	100.0%	$68,290	100.0%	$61,286	100.0%

Loan receivables increased by $11,192 million, or 13.7%, at December 31, 2018 compared to December 31, 2017, primarily driven by the PayPal Credit acquisition, higher purchase volume and average active account growth. Loan receivables increased by $5,610 million, or 7.3%, at December 31, 2017 compared to December 31, 2016, primarily driven by higher purchase volume and average active account growth.

Our loan receivables portfolio had the following maturity distribution at December 31, 2018.

($ in millions)	Within 1 Year(1)	1-5 Years(2)	After 5 Years	Total
Loans				
Credit cards	$89,198	$ 796	$ —	$89,994
Consumer installment loans(3)	548	1,151	146	1,845
Commercial credit products	1,257	3	—	1,260
Other	5	16	19	40
Total loans	$91,008	$ 1,966	$ 165	$93,139
Loans due after one year at fixed interest rates	N/A	$ 1,966	$ 165	$2,131
Loans due after one year at variable interest rates	N/A	—	—	—
Total loans due after one year	N/A	$ 1,966	$ 165	$2,131

(1) Credit card loans have minimum payment requirements but no stated maturity and therefore are included in the due within one year category. However, many of our credit card holders will revolve their balances, which may extend their repayment period beyond one year for balances at December 31, 2018.
(2) Credit card and commercial loans due after one year relate to Troubled Debt Restructuring ("TDR") assets.
(3) Reflects scheduled repayments up to the final contractual maturity of our installment loans.

Our loan receivables portfolio had the following geographic concentration at December 31, 2018.

($ in millions) State	Loan Receivables Outstanding	% of Total Loan Receivables Outstanding
California	$ 9,745	10.5 %
Texas	$ 9,282	10.0 %
Florida	$ 7,737	8.3 %
New York	$ 5,306	5.7 %
Pennsylvania	$ 3,893	4.2 %

Impaired Loans and Troubled Debt Restructurings

Our loss mitigation strategy is intended to minimize economic loss and at times can result in rate reductions, principal forgiveness, extensions or other actions, which may cause the related loan to be classified as a TDR and also be impaired. We use long-term modification programs for borrowers experiencing financial difficulty as a loss mitigation strategy to improve long-term collectability of the loans that are classified as TDRs. The long-term program involves changing the structure of the loan to a fixed payment loan with a maturity no longer than 60 months and reducing the interest rate on the loan. The long-term program does not normally provide for the forgiveness of unpaid principal, but may allow for the reversal of certain unpaid interest or fee assessments. We also make loan modifications for some customers who request financial assistance through external sources, such as a consumer credit counseling agency program. The loans that are modified typically receive a reduced interest rate but continue to be subject to the original minimum payment terms and do not normally include waiver of unpaid principal, interest or fees. The determination of whether these changes to the terms and conditions meet the TDR criteria includes our consideration of all relevant facts and circumstances.

Loans classified as TDRs are recorded at their present value with impairment measured as the difference between the loan balance and the discounted present value of cash flows expected to be collected, discounted at the original effective interest rate of the loan. Our allowance for loan losses on TDRs is generally measured based on the difference between the recorded loan receivable and the present value of the expected future cash flows.

Interest income from loans accounted for as TDRs is accounted for in the same manner as other accruing loans. We accrue interest on credit card balances until the accounts are charged-off in the period the accounts become 180 days past due. The following table presents the amount of loan receivables that are not accruing interest, loans that are 90 days or more past-due and still accruing interest, and earning TDRs for the periods presented.

At December 31 ($ in millions)	2018	2017	2016	2015	2014
Non-accrual loan receivables[1]	$5	$5	$4	$3	$2
Loans contractually 90 days past-due and still accruing interest	2,116	1,864	1,542	1,270	1,160
Earning TDRs[2]	1,085	940	802	712	670
Non-accrual, past-due and restructured loan receivables[1]	$3,206	$2,809	$2,348	$1,985	$1,832

(1) Excludes purchase credit impaired ("PCI") loan receivables. See Note 4. Loan Receivables and Allowance for Loan Losses to our consolidated financial statements for additional information on our PCI loan receivables.

(2) At December 31, 2018, 2017, 2016, 2015 and 2014, balances exclude $122 million, $103 million, $66 million, $51 million and $54 million, respectively, of TDRs which are included in loans contractually 90 days past-due and still accruing interest balance. See Note 4. Loan Receivables and Allowance for Loan Losses to our consolidated financial statements for additional information on the financial effects of TDRs for the years ended December 31, 2018 and 2017, respectively.

At December 31 ($ in millions)	2018	2017
Gross amount of interest income that would have been recorded in accordance with the original contractual terms	$267	$222
Interest income recognized	49	48
Total interest income foregone	$218	$174

Delinquencies

Over-30 day loan delinquencies as a percentage of period-end loan receivables increased to 4.76% at December 31, 2018, as compared to 4.67% at December 31, 2017. The 9 basis point increase in 2018 compared to the same period in the prior year was driven by the PayPal Credit acquisition, partially offset by the impact from certain underwriting refinements.

Over-30 day loan delinquencies as a percentage of period-end loan receivables increased to 4.67% at December 31, 2017 as compared to 4.32% at December 31, 2016. The 35 basis point increase in 2017 compared to 2016 was driven by moderating credit trends.

Net Charge-Offs

Net charge-offs consist of the unpaid principal balance of loans held for investment that we determine are uncollectible, net of recovered amounts. We exclude accrued and unpaid finance charges and fees and third-party fraud losses from charge-offs. Charged-off and recovered finance charges and fees are included in interest and fees on loans while third-party fraud losses are included in other expense. Charge-offs are recorded as a reduction to the allowance for loan losses and subsequent recoveries of previously charged-off amounts are credited to the allowance for loan losses. Costs incurred to recover charged-off loans are recorded as collection expense and included in other expense in our Consolidated Statements of Earnings.

The table below sets forth the ratio of net charge-offs to average loan receivables, including held for sale, for the periods indicated.

Years ended December 31	2018	2017	2016	2015	2014
Ratio of net charge-offs to average loan receivables, including held for sale	5.63%	5.37%	4.57%	4.36%	4.51%

Allowance for Loan Losses

The allowance for loan losses totaled $6,427 million at December 31, 2018 compared with $5,574 million at December 31, 2017, representing our best estimate of probable losses inherent in the portfolio. Our allowance for loan losses as a percentage of total loan receivables increased to 6.90% at December 31, 2018, from 6.80% at December 31, 2017, which reflects the increase in forecasted net charge-offs over the next twelve months.

The following tables provide changes in our allowance for loan losses for the periods presented:

($ in millions)	Balance at January 1, 2018	Provision charged to operations	Gross charge-offs(1)	Recoveries(1)	Balance at December 31, 2018
Credit cards	$5,483	$ 5,448	$ (5,435)	$ 831	$ 6,327
Consumer installment loans	40	45	(56)	15	44
Commercial credit products	50	52	(53)	6	55
Other	1	—	—	—	1
Total	$5,574	$ 5,545	$ (5,544)	$ 852	$ 6,427

($ in millions)	Balance at January 1, 2017	Provision charged to operations	Gross charge-offs(1)	Recoveries(1)	Balance at December 31, 2017
Credit cards	$4,254	$ 5,200	$ (4,883)	$ 912	$ 5,483
Consumer installment loans	37	41	(52)	14	40
Commercial credit products	52	55	(63)	6	50
Other	1	—	—	—	1
Total	$4,344	$ 5,296	$ (4,998)	$ 932	$ 5,574

($ in millions)	Balance at January 1, 2016	Provision charged to operations	Gross charge-offs(1)	Recoveries(1)	Balance at December 31, 2016
Credit cards	$3,420	$ 3,898	$ (3,873)	$ 809	$ 4,254
Consumer installment loans	26	43	(45)	13	37
Commercial credit products	50	45	(51)	8	52
Other	1	—	—	—	1
Total	$3,497	$ 3,986	$ (3,969)	$ 830	$ 4,344

($ in millions)	Balance at January 1, 2015	Provision charged to operations	Gross charge-offs(1)	Recoveries(1)	Balance at December 31, 2015
Credit cards	$3,169	$ 2,880	$ (3,289)	$ 660	$ 3,420
Consumer installment loans	22	25	(35)	14	26
Commercial credit products	45	46	(47)	6	50
Other	—	1	—	—	1
Total	$3,236	$ 2,952	$ (3,371)	$ 680	$ 3,497

($ in millions)	Balance at January 1, 2014	Provision charged to operations	Gross charge-offs[1]	Recoveries[1]	Balance at December 31, 2014
Credit cards	$2,827	$ 2,858	$ (3,111)	$ 595	$ 3,169
Consumer installment loans	19	20	(30)	13	22
Commercial credit products	46	39	(48)	8	45
Total	$2,892	$ 2,917	$ (3,189)	$ 616	$ 3,236

(1) Net charge-offs (gross charge-offs less recoveries) in certain portfolios may exceed the beginning allowance for loan losses as our revolving credit portfolios turn over more than once per year or, in all portfolios, can reflect losses that are incurred subsequent to the beginning of the period due to information becoming available during the period, which may identify further deterioration of existing loan receivables.

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 third-party debt.

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

	2018			2017			2016		
Years ended December 31 ($ in millions)	Average Balance	%	Average Rate	Average Balance	%	Average Rate	Average Balance	%	Average Rate
Deposits[1]	$59,216	73.0 %	2.0 %	$53,173	72.5 %	1.6 %	$47,194	70.1 %	1.5 %
Securitized financings	12,694	15.6	2.7	12,179	16.6	2.2	12,428	18.5	2.0
Senior unsecured notes	9,257	11.4	3.7	7,972	10.9	3.5	7,158	10.6	3.4
Bank term loan	—	—	—	—	—	—	556	0.8	5.6
Total	$81,167	100.0%	2.3 %	$73,324	100.0%	1.9 %	$67,336	100.0%	1.9 %

(1) Excludes $282 million, $227 million and $205 million average balance of non-interest-bearing deposits for the years ended December 31, 2018, 2017 and 2016, respectively. Non-interest-bearing deposits comprise less than 10% of total deposits for the years ended December 31, 2018, 2017 and 2016.

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 December 31, 2018, we had $49.4 billion in direct deposits and $14.6 billion in deposits originated through brokerage firms (including network deposit sweeps procured through a program arranger that channels brokerage account deposits to us). A key part of our liquidity plan and funding strategy is to continue to expand our direct deposits base as a source of stable and diversified low cost funding.

Our direct deposits include a range of FDIC-insured deposit products, including certificates of deposit, IRAs, money market accounts and savings accounts.

Brokered deposits are primarily from retail customers of large brokerage firms. We have relationships with 11 brokers that offer our deposits through their networks. Our brokered deposits consist primarily of certificates of deposit that bear interest at a fixed rate and at December 31, 2018, had a weighted average remaining life of 2.1 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:

Years ended December 31 ($ in millions)	2018			2017			2016		
	Average Balance	% of Total	Average Rate	Average Balance	% of Total	Average Rate	Average Balance	% of Total	Average Rate
Direct deposits:									
Certificates of deposit (including IRA certificates of deposit)	$28,152	47.5 %	1.9 %	$22,657	42.6 %	1.6 %	$19,736	41.8 %	1.5 %
Savings accounts (including money market accounts)	17,989	30.4 %	1.7	17,604	33.1	1.1	14,244	30.2	1.0
Brokered deposits	13,075	22.1 %	2.5	12,912	24.3	2.2	13,214	28.0	2.1
Total interest-bearing deposits	$59,216	100.0%	2.0 %	$53,173	100.0%	1.6 %	$47,194	100.0%	1.5 %

Our deposit liabilities provide funding with maturities ranging from one day to ten years. At December 31, 2018, the weighted average maturity of our interest-bearing time deposits was 1.2 years.

The following table summarizes deposits by contractual maturity at December 31, 2018.

($ in millions)	3 Months or Less	Over 3 Months but within 6 Months	Over 6 Months but within 12 Months	Over 12 Months	Total
U.S. deposits (less than $100,000)[(1)]	$ 11,251	$ 2,858	$ 4,412	$ 10,391	$28,912
U.S. deposits ($100,000 or more)					
Direct deposits:					
Certificates of deposit (including IRA certificates of deposit)	4,534	2,526	6,687	6,497	20,244
Savings accounts (including money market accounts)	13,085	—	—	—	13,085
Brokered deposits:					
Sweep accounts	1,778	—	—	—	1,778
Total	$ 30,648	$ 5,384	$ 11,099	$ 16,888	$64,019

(1) Includes brokered certificates of deposit for which underlying individual deposit balances are assumed to be less than $100,000.

Securitized Financings

We have been engaged in the securitization of our credit card receivables since 1997. We access the asset-backed securitization market using the Synchrony Credit Card Master Note Trust (“SYNCT”) and the Synchrony Card Issuance Trust (“SYNIT”) through which we issue asset-backed securities through both public transactions and private transactions funded by financial institutions and commercial paper conduits. In addition, we issue asset-backed securities in private transactions through the Synchrony Sales Finance Master Trust (“SFT”).

At December 31, 2018, we had $5.8 billion of outstanding private asset-backed securities and $8.6 billion of outstanding public asset-backed securities, in each case held by unrelated third parties.
The following table summarizes expected contractual maturities of the investors' interests in securitized financings, excluding debt premiums, discounts and issuance costs at December 31, 2018.

($ in millions)	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)	$ 2,752	$ 3,933	$ 1,591	$ —	$ 8,276
SFT	1,133	2,542	—	—	3,675
SYNIT(1)	—	2,500	—	—	2,500
Total long-term borrowings—owed to securitization investors	$ 3,885	$ 8,975	$ 1,591	$ —	$ 14,451

(1) Excludes subordinated classes of SYNCT notes and SYNIT notes that we own.
We retain exposure to the performance of trust assets through: (i) in the case of SYNCT, SFT and SYNIT, subordinated retained interests in the loan receivables transferred to the trust in excess of the principal amount of the notes for a given series 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, 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 December 31, 2018.

	Note Principal Balance ($ in millions)	# of Series Outstanding	Three-Month Rolling Average Excess Spread(1)
SYNCT(2)	$ 9,256	14	~14% to 15.4%
SFT	$ 3,675	10	10.6 %
SYNIT(2)	$ 2,515	5	~17.1% to 17.3%

(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 each trust (or, in the case of SYNCT and SYNIT, represents a range of the excess spreads relating to the particular series issued within the trust, omitting any series that have not been outstanding for at least three monthly periods), in each case calculated in accordance with the applicable trust or series documentation, for the three securitization monthly periods ended December 31, 2018.
(2) Includes subordinated classes of SYNCT and SYNIT notes that we own.

Third-Party Debt
Senior Unsecured Notes
The following table provides a summary of our outstanding senior unsecured notes at December 31, 2018.

($ in millions)	Maturity	Principal Amount Outstanding[1]
Fixed rate senior unsecured notes:		
Synchrony Financial		
2.600% senior unsecured notes	January, 2019	$ 1,000
3.000% senior unsecured notes	August, 2019	1,100
2.700% senior unsecured notes	February, 2020	750
3.750% senior unsecured notes	August, 2021	750
4.250% senior unsecured notes	August, 2024	1,250
4.500% senior unsecured notes	July, 2025	1,000
3.700% senior unsecured notes	August, 2026	500
3.950% senior unsecured notes	December, 2027	1,000
Synchrony Bank		
3.650% senior unsecured notes	May, 2021	750
3.000% senior unsecured notes	June, 2022	750
Total fixed rate senior unsecured notes		$ 8,850
Floating rate senior unsecured notes:		
Synchrony Financial		
Three-month LIBOR plus 1.23% senior unsecured notes	February, 2020	$ 250
Synchrony Bank		
Three-month LIBOR plus 0.625% senior unsecured notes	March, 2020	500
Total floating rate senior unsecured notes		$ 750

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

At December 31, 2018, the aggregate amount of outstanding senior unsecured notes was $9.6 billion and the weighted average interest rate was 3.54%.

Short-Term Borrowings

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

Other

At December 31, 2018, 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, including covenants that restrict (subject to certain exceptions) Synchrony's ability to dispose of, or incur liens on, any of the voting stock of the Bank or otherwise permit the Bank to be merged, consolidated, leased or sold in a manner that results in the Bank being less than 80% controlled by us.

If we do not satisfy any of these covenants discussed above, the maturity of amounts outstanding thereunder may be accelerated and become payable. We were in compliance with all of these covenants at December 31, 2018.
At December 31, 2018, 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. Currently, Synchrony's senior unsecured debt is rated BBB- (stable outlook) by Fitch and BBB- (stable outlook) by S&P. The Bank's senior unsecured debt is rated BBB- (stable outlook) by Fitch and BBB (stable outlook) by S&P. In addition, certain of the asset-backed securities issued by SYNCT and SYNIT are rated by Fitch, S&P and/or Moody's.
A credit rating is not a recommendation to buy, sell or hold securities, may be subject to revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating.
Downgrades in these credit ratings could materially increase the cost of our funding from, and restrict our access to, the capital markets.

Liquidity

We seek to ensure that we have adequate liquidity to sustain business operations, fund asset growth, satisfy debt obligations and to meet regulatory expectations under normal and stress conditions.
We maintain policies outlining the overall framework and general principles for managing liquidity risk across our business, which is the responsibility of our Asset and Liability Management Committee, a subcommittee of our Risk Committee. We employ a variety of metrics to monitor and manage liquidity. We perform regular liquidity stress testing and contingency planning as part of our liquidity management process. We evaluate a range of stress scenarios including Company specific and systemic events that could impact funding sources and our ability to meet liquidity needs.
We maintain a liquidity portfolio, which at December 31, 2018 had $14.8 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 $15.1 billion of liquid assets at December 31, 2017. The decrease in liquid assets was primarily due to the deployment of some of our liquidity to support the PayPal Credit acquisition, partially offset by the retention of excess cash flows from operations and deposit growth.
As additional sources of liquidity, at December 31, 2018, we had an aggregate of $3.9 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—Savings Association Regulation—Dividends and Stock Repurchases."

Debt Securities

The following discussion provides supplemental information regarding our debt securities portfolio. 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. Debt securities classified as available-for-sale are reported in our Consolidated Statements of Financial Position at fair value.

The following table sets forth the amortized cost and fair value of our portfolio of debt securities at the dates indicated:

	2018		2017		2016	
At December 31 ($ in millions)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Debt:						
U.S. government and federal agency	$2,889	$ 2,888	$2,419	$ 2,416	$3,676	$ 3,676
State and municipal	50	48	44	44	47	46
Residential mortgage-backed	1,180	1,139	1,258	1,231	1,400	1,373
Asset-backed	1,988	1,985	781	780	—	—
U.S. corporate debt	2	2	2	2	—	—
Total	$6,109	$ 6,062	$4,504	$ 4,473	$5,123	$ 5,095

Unrealized gains and losses, net of the related tax effect, on available-for-sale debt securities that are not other-than-temporarily impaired are excluded from earnings and are reported as a separate component of comprehensive income (loss) until realized. At December 31, 2018, 2017 and 2016, our debt securities had gross unrealized gains of $1 million, $1 million and $3 million, respectively, and gross unrealized losses of $48 million, $32 million and $31 million, respectively.

Our debt securities portfolio had the following maturity distribution at December 31, 2018.

($ in millions)	Due in 1 Year or Less	Due After 1 through 5 Years	Due After 5 through 10 Years	Due After 10 years	Total
Debt:					
U.S. government and federal agency	$ 2,888	$ —	$ —	$—	$2,888
State and municipal	—	—	5	43	48
Residential mortgage-backed	1	—	158	980	1,139
Asset-backed	1,613	372	—	—	1,985
U.S. corporate debt	2	—	—	—	2
Total[(1)]	$ 4,504	$ 372	$ 163	$1,023	$6,062
Weighted average yield[(2)]	2.4 %	2.7 %	3.3 %	2.9 %	2.5 %

(1) Amounts stated represent estimated fair value.

(2) Weighted average yield is calculated based on the amortized cost of each security. In calculating yield, no adjustment has been made with respect to any tax-exempt obligations.

At December 31, 2018, we did not hold investments in any single issuer with an aggregate book value that exceeded 10% of equity, excluding obligations of the U.S. government.

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. See “Risks—Risk Factors Relating to Our Business—Changes in market interest rates could have a material adverse effect on our net earnings, funding and liquidity” and “—A reduction in our credit ratings could materially increase the cost of our funding from, and restrict our access to, the capital markets.”

Interest Rate Risk

We borrow money from a variety of depositors and institutions in order to provide loans to our customers. Changes in market interest rates cause our net interest income to increase or decrease, as some of our assets and liabilities carry interest rates that fluctuate with market benchmarks. The interest rate benchmark for our floating rate assets is generally the prime rate, and the interest rate benchmark for our floating rate liabilities is generally either LIBOR or the federal funds rate. The prime rate and the LIBOR or federal funds rate could reset at different times or could diverge, leading to mismatches in the interest rates on our floating rate assets and floating rate liabilities.

Competitive factors and future regulatory reform may limit or restrict our ability to raise interest rates on our loans. In addition, some of our program agreements limit the rate of interest we can charge to customers. If interest rates were to rise materially over a sustained period of time, and we are unable to sufficiently raise our interest rates in a timely manner, our net interest income and margin could be adversely impacted, which could have a material adverse effect on our net earnings.

Interest rates may also adversely impact our customers’ spending levels and ability and willingness to pay outstanding amounts owed to us. Our floating rate products bear interest rates that fluctuate with the prime rate. Higher interest rates often lead to higher payment obligations by customers to us and other lenders under mortgage, credit card and other consumer loans, which may reduce our customers’ ability to remain current on their obligations to us and therefore lead to increased delinquencies, charge-offs and allowances for loan losses, which could have a material adverse effect on our net earnings.

Changes in interest rates and competitor responses to these changes may also impact customer decisions to maintain deposits with us, and reductions in deposits could materially adversely affect our funding costs and liquidity.

At December 31, 2018, 58.0% of our loan receivables were priced at a fixed interest rate to the customer, with the remaining 42.0% at a floating interest rate. We fund our assets with a combination of fixed rate and floating rate funding sources that include deposits, asset-backed securities and unsecured debt. To manage interest rate risk, we seek to match the interest rate repricing characteristics of our assets and liabilities. Historically, we have not used interest rate derivative contracts to manage interest rate risk; however, we may choose to do so in the future. To the extent we are unable to effectively match the interest rate sensitivity of our assets and liabilities, our net earnings could be materially adversely affected.

We assess our interest rate risk by estimating the effect of various interest rate scenarios on our net interest income. For purposes of presenting the possible earnings effect of a hypothetical, adverse change in interest rates over the 12-month period from our reporting date, we assume that all interest rate sensitive assets and liabilities will be impacted by a hypothetical, immediate 100 basis point increase in interest rates as of the beginning of the period. The sensitivity is based upon the hypothetical assumption that all relevant types of interest rates that affect our results would increase instantaneously, simultaneously and to the same degree.

Our interest rate sensitive assets include our variable rate loan receivables and the assets that make up our liquidity portfolio. At December 31, 2018, 42.0% of our receivables were priced at a floating interest rate. Assets with rates that are fixed at period end but which will mature, or otherwise contractually reset to a market-based indexed rate or other fixed rate prior to the end of the 12-month period, are considered to be rate sensitive. The latter category includes certain loans that may be offered at below-market rates for an introductory period, such as balance transfers and special promotional programs, after which the loans will contractually reprice under standard terms in accordance with our normal market-based pricing structure. For purposes of measuring rate sensitivity for such loans, only the effect of the hypothetical 100 basis point change in the underlying market-based indexed rate or other fixed rate has been considered rather than the full change in the rate to which the loan would contractually reprice (i.e. assets are categorized as fixed or floating according to their underlying contractual terms). For assets that have a fixed interest rate at the period end but which contractually will, or are assumed to, reset to a market-based indexed rate or other fixed rate during the next 12 months, net interest income sensitivity is measured from the expected repricing date.

Interest rate sensitive liabilities are assumed to be those for which the stated interest rate is not contractually fixed for the next 12-month period. Thus, liabilities that vary with changes in a market-based index, such as the federal funds rate or LIBOR, which will reset before the end of the 12-month period, or liabilities whose rates are fixed at the period end but which will mature and are assumed to be replaced with a market-based indexed rate prior to the end of the 12-month period, also are considered to be rate sensitive. For these fixed rate liabilities, net interest income sensitivity is measured from the expected repricing date.

Assuming an immediate 100 basis point increase in the interest rates affecting all interest rate sensitive assets and liabilities at December 31, 2018, we estimate that net interest income over the following 12-month period would increase by approximately $52 million. This estimate projects net interest income over the following 12-month period and takes into consideration future growth and balance sheet composition.

Limitations of Market Risk Measures

The interest rate risk models that we use in deriving these measures incorporate contractual information, internally-developed assumptions and proprietary modeling methodologies, which project borrower and deposit behavior patterns in certain interest rate environments. Other market inputs, such as interest rates, market prices and interest rate volatility, are also critical components of our interest rate risk measures. We regularly evaluate, update and enhance these assumptions, models and analytical tools as we believe appropriate to reflect our best assessment of the market environment and the expected behavior patterns of our existing assets and liabilities.

There are inherent limitations in any methodology used to estimate the exposure to changes in market interest rates. The sensitivity analysis provided above contemplates only certain movements in interest rates and is based on the existing balance sheet as well as assumptions around future growth, pricing and balance sheet composition. It does not attempt to estimate the effect of a more significant interest rate increase over a sustained period of time, which as described in “—Interest Rate Risk” above, could adversely affect our net interest income. In addition, the strategic actions that management may take to manage our balance sheet may differ from our projections, which could cause our actual net interest income to differ from the above sensitivity analysis.

Capital

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

Synchrony is not currently required to conduct stress tests. See "Regulation—Regulation Relating to Our Business—Legislative and Regulatory Developments." In addition, while as a savings and loan holding company we currently are not subject to the Federal Reserve Board's capital planning rule, we have submitted a capital plan to the Federal Reserve Board in 2018.

Dividend and Share Repurchases

Cash Dividends Declared	Month of Payment	Amount per Common Share	Amount
($ in millions, except per share data)			
Three months ended March 31, 2018	February 2018	$ 0.15	$ 114
Three months ended June 30, 2018	May 2018	0.15	113
Three months ended September 30, 2018	August 2018	0.21	156
Three months ended December 31, 2018	November 2018	0.21	151
Total dividends declared		$ 0.72	$ 534

On May 17, 2018, the Board announced plans to increase the quarterly dividend to $0.21 per share commencing in the third quarter of 2018. The declaration and payment of future dividends to holders of our common stock will be at the discretion of the Board and will depend on many factors. For a discussion of regulatory and other restrictions on our ability to pay dividends and repurchase stock, see "Regulation—Risk Factors Relating to Regulation—We are subject to restrictions that limit its ability to pay dividends and repurchase its common stock; the Bank is subject to restrictions that limit its ability to pay dividends to Synchrony, which could limit Synchrony's ability to pay dividends, repurchase its common stock or make payments on its indebtedness."

Shares Repurchased Under Publicly Announced Programs	Total Number of Shares Purchased	Dollar Value of Shares Purchased
($ and shares in millions)		
Three months ended March 31, 2018	10.4	$ 410
Three months ended June 30, 2018	14.0	491
Three months ended September 30, 2018	30.3	966
Three months ended December 31, 2018	—	—
Total	54.7	$ 1,867

In May 2018, we completed our share repurchase program of up to $1.64 billion (the "2017 Share Repurchase Program"). On May 18, 2018, the Company approved a share repurchase program of up to $2.2 billion through June 30, 2019 (the "2018 Share Repurchase Program"). Through the end of 2018, we have repurchased approximately $1.2

billion of common stock as part of the 2018 Share Repurchase Program and expect to complete the share repurchase program by the end of the second quarter of 2019. We made and expect to continue to make, share repurchases subject to market conditions and other factors, including legal and regulatory restrictions and required approvals.

Regulatory Capital Requirements - Synchrony Financial

As a savings and loan holding company, we are required to maintain minimum capital ratios, under the applicable U.S. Basel III capital rules. For more information, see “Regulation—Savings and Loan Holding Company Regulation.” 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 December 31, 2018 and 2017, Synchrony Financial met all the requirements to be deemed well-capitalized.

The following table sets forth at December 31, 2018 and 2017, the composition of our capital ratios for the Company calculated under the Basel III regulatory capital standards, respectively.

	Basel III			
	At December 31, 2018(1)		At December 31, 2017(2)	
($ in millions)	Amount	Ratio(3)	Amount	Ratio
Total risk-based capital	$14,013	15.3 %	$13,954	17.3%
Tier 1 risk-based capital	$12,801	14.0 %	$12,890	16.0%
Tier 1 leverage	$12,801	12.3 %	$12,890	13.8%
Common equity Tier 1 capital	$12,801	14.0 %	$12,890	16.0%
Risk-weighted assets	$91,742		$80,669	

(1) Amounts presented do not reflect certain modifications to the regulatory capital rules proposed by the federal banking agencies in September 2017, which among other things, may increase the risk weighting of certain deferred tax assets from 100% to 250% if the proposed rule becomes effective.

(2) Amounts at December 31, 2017 are presented in accordance with applicable transition guidelines.

(3) Tier 1 leverage ratio represents total tier 1 capital as a percentage of total average assets, after certain adjustments. All other ratios presented above represent the applicable capital measure as a percentage of risk-weighted assets.

The decrease in our Common equity Tier 1 capital ratio was primarily due to the increase in loan receivables as a result of the PayPal Credit acquisition and a corresponding increase in risk-weighted assets in the year ended December 31, 2018.

Regulatory Capital Requirements - Synchrony Bank

At December 31, 2018 and 2017, 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 rules at December 31, 2018 and December 31, 2017.

	At December 31, 2018		At December 31, 2017		Minimum to be Well-Capitalized under Prompt Corrective Action Provisions	
($ in millions)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital	$12,258	15.4%	$10,842	16.2%	$ 7,934	10.0 %
Tier 1 risk-based capital	$11,207	14.1%	$9,958	14.9%	$ 6,348	8.0 %
Tier 1 leverage	$11,207	12.4%	$9,958	12.9%	$ 4,515	5.0 %
Common equity Tier 1 capital	$11,207	14.1%	$9,958	14.9%	$ 5,157	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.”

Non-GAAP Measures

We present adjusted net earnings, which represents net earnings adjusted to exclude additional tax expense recorded to the provision for income taxes in the year ended December 31, 2017, related to the Tax Act. The additional tax expense was primarily due to the remeasurement of our net deferred tax asset due to the U.S. corporate rate reduction from 35% to 21%. We believe this measure helps investors understand the impact of this law change on our reported results. The following table sets forth a reconciliation of adjusted net earnings to the comparable GAAP component for the year ended December 31, 2017.

Year ended December 31 ($ in millions)	2017
GAAP net earnings	$1,935
Adjustment for the Tax Act	160
Adjusted net earnings	$2,095

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 December 31, 2018, we had not recorded any contingent liabilities in our Consolidated Statements 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. See Note 4. Loan Receivables and Allowance for Loan Losses to our consolidated financial statements for more information on our unfunded lending commitments.

Contractual Obligations

In the normal course of business, we enter into various contractual obligations that require future cash payments. Our future cash payments associated with our contractual obligations at December 31, 2018 are summarized below.

	Payments Due by Period				
($ in millions)	Total	2019	2020 - 2021	2022 - 2023	2024 and Thereafter
Deposits[1][2]	$64,068	$47,133	$11,943	$3,639	$ 1,353
Securitized financings[3]	14,911	4,070	9,196	1,645	—
Senior unsecured notes[4]	11,045	2,400	3,465	1,073	4,107
Operating leases	268	42	81	73	72
Purchase obligations[5]	607	262	240	71	34
Total contractual obligations[6][7]	$90,899	$53,907	$24,925	$6,501	$ 5,566

(1) Savings accounts (including money market accounts), brokered network deposits sweeps, and non-interest-bearing deposits are assumed for purposes of this table to be due in 2019 because they may be withdrawn at any time without payment of any penalty.

(2) Deposits do not include interest payments because the amount and timing of these payments cannot be reasonably estimated as certain deposits have early withdrawal rights and also the option to roll interest payments into the balance. The average interest rate on our interest-bearing deposits for the year ended December 31, 2018 was 2.0%. See Note 7. Deposits to our consolidated financial statements.

(3) These amounts shown exclude interest on floating rate securitized borrowings. The weighted average interest rate at December 31, 2018 was 2.78%. See Note 8. Borrowings to our consolidated financial statements.

(4) The amounts shown exclude interest for the floating rate senior unsecured debt as payments of interest on these senior unsecured notes are based on floating rates.

(5) Purchase obligations at December 31, 2018 reflect the minimum purchase obligation under legally binding contracts with contract terms that are both fixed and determinable. These amounts exclude obligations for goods and services that already have been incurred and are reflected on our Consolidated Statement of Financial Position.

(6) The table above does not include estimated payments of liabilities associated with uncertain income tax positions. The inherent complexity and uncertainty around the timing and amount of future outflows for uncertain tax positions do not permit a reasonably reliable estimate of payments, if any, to be made in connection with these liabilities. At December 31, 2018, we had unrecognized tax benefits of $251 million, excluding related interest and penalties. See Note 14. Income Taxes to the consolidated financial statements.

(7) The table above excludes our reimbursement obligations to GE for certain retiree benefits obligations of $176 million at December 31, 2018. See Note 11. Employee Benefit Plans to the consolidated financial statements for additional information.

Critical Accounting Estimates

In preparing our consolidated financial statements, we have identified certain accounting estimates and assumptions that we consider to be the most critical to an understanding of our financial statements because they involve significant judgments and uncertainties. The critical accounting estimates we have identified relate to allowance for loan losses and fair value measurements. These estimates reflect our best judgment about current, and for some estimates future, economic and market conditions and their effects based on information available as of the date of these financial statements. If these conditions change from those expected, it is reasonably possible that these judgments and estimates could change, which may result in incremental losses on loan receivables, or material changes to our Consolidated Statement of Financial Position, among other effects. See Note 2. Basis of Presentation and Summary of Significant Accounting Policies to our consolidated financial statements, which discusses the significant accounting policies related to these estimates.

Allowance for Loan Losses

Losses on loan receivables are recognized when they are incurred, which requires us to make our best estimate of probable losses in the portfolio. The method for calculating the best estimate of probable losses takes into account our historical experience, adjusted for current conditions with each product and customer type, and our judgment concerning the probable effects of relevant observable data, trends and market factors.

We evaluate each portfolio quarterly. For credit card receivables, our estimation process includes analysis of historical data, and there is a significant amount of judgment applied in selecting inputs and analyzing the results produced by the models to determine the allowance. Our risk process includes standards and policies for reviewing major risk exposures and concentrations, and evaluates relevant data either for individual loans or on a portfolio basis, as appropriate. More specifically, we use a migration analysis to estimate the likelihood that a loan will progress through the various stages of delinquency. The migration analysis considers uncollectible principal, interest and fees reflected in the loan receivables. We use other analyses to estimate losses incurred on non-delinquent accounts. The considerations in these analyses include past performance, risk management techniques applied to various accounts, historical behavior of different account vintages, current economic conditions, recent trends in delinquencies, bankruptcy filings, account collection management, policy changes, account seasoning, loan volume and amounts, payment rates, forecasting uncertainties and a qualitative assessment of the adequacy of the allowance for losses, which compares this allowance for losses to projected net charge-offs over the next 12 months, in a manner consistent with regulatory guidance. We do not evaluate credit card loans for impairment on an individual basis, but instead estimate its allowance for credit card loan losses on a portfolio basis. Further, experience is not available for new portfolios; therefore, while we are developing that experience, we set loss allowances based on our experience with the most closely analogous products in our portfolio. The underlying assumptions, estimates and assessments we use to provide for losses are updated periodically to reflect our view of current conditions and are subject to the regulatory examination process, which can result in changes to our assumptions. Changes in such estimates can significantly affect the allowance and provision for losses. It is possible that we will experience credit losses that are different from our current estimates.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments which is effective for the Company on January 1, 2020. This ASU replaces the existing accounting standard for credit losses and will change the accounting model for how credit losses will be recognized in our consolidated financial statements. See Note 2. Basis of Presentation and Summary of Significant Accounting Policies — New Accounting Standards, to our consolidated financial statements for additional information related to the new accounting standard for credit losses and its expected impact to the Company’s allowance for loan losses.

Fair Value Measurements

Assets and liabilities measured at fair value every reporting period include investments in debt and equity securities as well as contingent consideration obligations. Assets that are not measured at fair value every reporting period, but that are subject to fair value measurements in certain circumstances primarily include acquired loans, loans that have been reduced to fair value when they are held for sale, impaired loans that have been reduced based on the fair value of the underlying collateral, cost method and equity method investments that are written down to fair value when they are impaired.

Assets that are written down to fair value when impaired are not subsequently adjusted to fair value unless further impairment occurs. A fair value measurement is determined as the price that we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. The determination of fair value often involves significant judgments about assumptions such as determining an appropriate discount rate that factors in both risk and liquidity premiums, identifying the similarities and differences in market transactions, weighting those differences accordingly and then making the appropriate adjustments to those market transactions to reflect the risks specific to our asset being valued.

New Accounting Standards

See Note 2. Basis of Presentation and Summary of Significant Accounting Policies — New Accounting Standards, to our consolidated financial statements for additional information related to recent accounting pronouncements.

RISKS
Risk Factors Relating to Our Business

The following discussion of risk factors contains "forward-looking statements," as discussed in "Cautionary Note Regarding Forward-Looking Statements." These risk factors may be important to understanding any statement in this Annual Report on Form 10-K or elsewhere. The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A), the consolidated financial statements and related notes in "Consolidated Financial Statements and Supplementary Data" and "Regulation—Risk Factors Relating to Regulation" of this Form 10-K Report.
Our business routinely encounters and address risks, some of which will cause our future results to be different - sometimes materially different - than we anticipate. Discussion about important operational risks that our business encounters can be found in the business descriptions in "Our Business" and the MD&A section of this Form 10-K Report. Below, we describe certain important strategic, operational, financial, and legal and compliance risks. Our reactions to material future developments as well as our competitors' reactions to those developments will affect our future results.
Macroeconomic conditions could have a material adverse effect on our business, results of operations and financial condition.
Key macroeconomic conditions historically have affected our business, results of operations and financial condition and are likely to affect them in the future. Consumer confidence, unemployment and housing indicators are among the factors that often impact consumer spending behavior and demand for credit. Poor economic conditions reduce the usage of our credit cards and other financing products and the average purchase amount of transactions on our credit cards and through our other products, which, in each case, reduces our interest and fee income. We rely primarily on interest and fees on our loan receivables to generate our net earnings. Our interest and fees on our loan receivables was $17.6 billion for the year ended December 31, 2018. Poor economic conditions also adversely affect the ability and willingness of customers to pay amounts owed to us, increasing delinquencies, bankruptcies, charge-offs and allowances for loan losses, and decreasing recoveries. For example, our over-30 day delinquency rate as a percentage of period-end loan receivables was 8.25% at December 31, 2009 during the financial crisis, compared to 4.76% at December 31, 2018, and our full-year net charge-off rate was 11.26% for the year ended December 31, 2009, compared to 5.63% for the year ended December 31, 2018. The assessment of our credit profile includes the evaluation of portfolio mix, account maturation, as well as broader consumer trends, such as payment behavior and overall indebtedness. In 2018, the trend of increases in our net charge-off rates and allowance coverage continued, but at a more modest rate as compared to what we experienced in 2017 and our delinquency rate remained largely in line with 2017 rates, as U.S unemployment rates continued to stabilize and we experienced the favorable effects from certain refinements to our underwriting standards which we began to implement in the second half of 2016 and continued in 2017.
Economic growth in the United States can slow due to higher unemployment rates, lower housing values, concerns about the level of U.S. government debt and fiscal actions that may be taken to address this, as well as economic and political conditions in the U.S. and global markets. A prolonged period of slow economic growth or a significant deterioration in economic conditions or broader consumer trends, including consumer indebtedness, would likely affect consumer spending levels and the ability and willingness of customers to pay amounts owed to us, and could have a material adverse effect on our business, key credit trends, results of operations and financial condition. Macroeconomic conditions may also cause net earnings to fluctuate and diverge from expectations of securities analysts and investors, who may have differing assumptions regarding the impact of these conditions on our business, and this may adversely impact our stock price.

Our results of operations and growth depend on our ability to retain existing partners and attract new partners.
Substantially all of our revenue is generated from the credit products we provide to customers of our partners pursuant to program agreements we enter into with our partners. As a result, our results of operations and growth depend on our ability to retain existing partners and attract new partners. Historically, there has been turnover in our partners, and we expect this will continue in the future. For example, during the year ended December 31, 2018, we announced that we would not be renewing our Retail Card program agreement with Walmart.
Program agreements with our Retail Card partners and national and regional retailer and manufacturer Payment Solutions partners typically are for multi-year terms. These program agreements generally permit our partner to terminate the agreement prior to its scheduled termination date for various reasons, including, in some cases, if we fail to meet certain service levels or change certain key cardholder terms or our credit criteria, we fail to achieve certain targets with respect to approvals of new customers as a result of the credit criteria we use, we elect not to increase the program size when the outstanding loan receivables under the program reach certain thresholds or we are not adequately capitalized, or certain force majeure events or changes in our ownership occur or a material adverse change in our financial condition occurs. A few Payment Solutions programs with national and regional retailer and manufacturer partners also may be terminated at will by the partner on specified notice to us (e.g., several months). In addition, programs with manufacturers, buying groups and industry associations generally are made available to Payment Solutions partners such as individual retail outlets, dealers and merchants under dealer agreements, which typically may be terminated at will by the partner on short notice to us (e.g., 15 days).
There is significant competition for our existing partners, and our failure to retain our existing larger partner relationships upon the expiration or our earlier loss of a relationship upon the exercise of a partner’s early termination rights, or the expiration or termination of a substantial number of smaller partner relationships, could have a material adverse effect on our results of operations (including growth rates) and financial condition to the extent we do not acquire new partners of similar size and profitability or otherwise grow our business. In addition, existing relationships may be renewed with less favorable terms to the Company in response to increased competition for such relationships. The competition for new partners is also significant, and our failure to attract new partners could adversely affect our ability to grow.
A significant percentage of our interest and fees on loans comes from relationships with a small number of Retail Card partners, and the loss of any of these Retail Card partners could adversely affect our business and results of operations.

Based upon interest and fees on loans for the year ended December 31, 2018, excluding the Walmart program discussed above, our five largest programs are Gap, JCPenney, Lowe’s, PayPal and Sam’s Club. These programs accounted in aggregate for 44% of our total interest and fees on loans for the year ended December 31, 2018 and 44% of loan receivables at December 31, 2018. Our program with Lowe's accounted for more than 10% of our total interest and fees on loans for the year ended December 31, 2018. See "Our Business—Our Sales Platforms—Retail Card Partners." The program agreements generally permit us or our partner to terminate the agreement prior to its scheduled termination date under various circumstances as described in the preceding risk factor. Some of our program agreements also provide that, upon expiration or termination, our partner may purchase or designate a third party to purchase the accounts and loans generated with respect to its program and all related customer data. The loss of any of our largest partners or a material reduction in the interest and fees we receive from their customers could have a material adverse effect on our results of operations and financial condition.

Our business is heavily concentrated in U.S. consumer credit, and therefore our results are more susceptible to fluctuations in that market than a more diversified company.

Our business is heavily concentrated in U.S. consumer credit. As a result, we are more susceptible to fluctuations and risks particular to U.S. consumer credit than a more diversified company. For example, our business is particularly sensitive to macroeconomic conditions that affect the U.S. economy, consumer spending and consumer credit. We are also more susceptible to the risks of increased regulations and legal and other regulatory actions that are targeted at consumer credit or the specific consumer credit products that we offer (including promotional financing). Due to our CareCredit platform, we are also more susceptible to increased regulations and legal and other regulatory actions targeted at healthcare related procedures or services, in contrast to other industries. Our business concentration could have an adverse effect on our results of operations.

Our results depend, to a significant extent, on the active and effective promotion and support of our products by our partners.

Our partners generally accept most major credit cards and various other forms of payment, and therefore our success depends on their active and effective promotion of our products to their customers. We depend on our partners to integrate the use of our credit products into their store culture by training their sales associates about our products, having their sales associates encourage their customers to apply for, and use, our products and otherwise effectively marketing our products. In addition, although our Retail Card programs and our Payment Solutions programs with national and regional retailer partners typically are exclusive with respect to the credit products we offer at that partner, some Payment Solutions programs and most CareCredit provider relationships are not exclusive to us, and therefore a partner may choose to promote a competitor's financing over ours, depending upon cost, availability or attractiveness to consumers or other factors. Typically, we do not have, or utilize, any recourse against these non-exclusive partners when they do not sufficiently promote our products. Partners may also implement or fail to implement changes in their systems and technologies that may disrupt the integration between their systems and technologies and ours, which could disrupt the use of our products. The failure by our partners to effectively promote and support our products as well as changes they may make in their business models that negatively impact card usage could have a material adverse effect on our business and results of operations. In addition, if our partners engage in improper business practices, do not adhere to the terms of our program agreements or other contractual arrangements or standards, or otherwise diminish the value of our brand, we may suffer reputational damage and customers may be less likely to use our products, which could have a material adverse effect on our business and results of operations.

Our results are impacted, to a significant extent, by the financial performance of our partners.

Our ability to generate new loans and the interest and fees and other income associated with them is dependent upon sales of merchandise and services by our partners. The retail and healthcare industries in which our partners operate are intensely competitive. Our partners compete with retailers and department stores in their own geographic areas, as well as catalog and internet sales businesses. Our partners in the healthcare industry compete with other healthcare providers. Our partners' sales may decrease or may not increase as we anticipate for various reasons, some of which are in the partners' control and some of which are not. For example, partner sales may be adversely affected by macroeconomic conditions having a national, regional or more local effect on consumer spending, business conditions affecting the general retail environment or a particular partner or industry, or catastrophes affecting broad or more discrete geographic areas. If our partners' sales decline for any reason, it generally results in lower credit sales, and therefore lower loan volume and associated interest and fees and other income for us from their customers. In addition, if a partner closes some or all of its stores or becomes subject to a voluntary or involuntary bankruptcy proceeding (or if there is a perception that it may become subject to a bankruptcy proceeding), its customers who have used our financing products may have less incentive to pay their outstanding balances to us, which could result in higher charge-off rates than anticipated and our costs for servicing its customers' accounts may increase. This risk is particularly acute with respect to our largest partners that account for a significant amount of our interest and fees on loans. See "—A significant percentage of our interest and fees on loans comes from relationships with a small number of Retail Card partners, and the loss of any of these Retail Card partners could adversely affect our business and results of operations." Moreover, if the financial condition of a partner deteriorates significantly or a partner becomes subject to a bankruptcy proceeding, we may not be able to recover for customer returns, customer payments made in partner stores or other amounts due to us from the partner. A decrease in sales by our partners for any reason or a bankruptcy proceeding involving any of them could have a material adverse impact on our business and results of operations.

Cyber-attacks or other security breaches could have a material adverse effect on our business.

In the normal course of business, we collect, process and retain sensitive and confidential information regarding our partners and our customers. We also have arrangements in place with our partners and other third parties through which we share and receive information about their customers who are or may become our customers. Although we devote significant resources and management focus to ensuring the integrity of our systems through information security and business continuity programs, our facilities and systems, and those of our partners and third-party service providers, are vulnerable to external or internal security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors, or other similar events. We and our partners and third-party service providers have experienced all of these events in the past and expect to continue to experience them in the future. These events could interrupt our business or operations, result in significant legal and financial exposure, supervisory liability, damage to our reputation or a loss of confidence in the security of our systems, products and services. Although the impact to date from these events has not had a material adverse effect on us, we cannot be sure this will be the case in the future.

Information security risks for large financial institutions like us have increased recently in part because of new technologies, the use of the internet and telecommunications technologies (including mobile and other connected devices) to conduct financial and other business transactions and the increased sophistication and activities of organized crime, perpetrators of fraud, hackers, terrorists and others. In addition to cyber-attacks or other security breaches involving the theft of sensitive and confidential information, hackers recently have engaged in attacks against large financial institutions that are designed to disrupt key business services, such as consumer-facing web sites. Our business performance and marketing efforts may increase our profile and therefore our risk of being targeted for cyber-attacks and other security breaches, including attacks targeting our key business services, websites, executives, and partners. We are not able to anticipate or implement effective preventive measures against all security breaches of these types, especially because the techniques used change frequently and because attacks can originate from a wide variety of sources. We employ detection and response mechanisms designed to contain and mitigate security incidents, but early detection may be thwarted by sophisticated attacks and malware designed to avoid detection.

We also face risks related to cyber-attacks and other security breaches in connection with credit card and deposit transactions that typically involve the transmission of sensitive information regarding our customers through various third-parties, including our partners, retailers that are not our partners where our Dual Cards and general purpose co-branded credit cards are used, merchant acquiring banks, payment processors, card networks (e.g., Visa and MasterCard) and our processors (e.g., First Data and Fiserv). Some of these parties have in the past been the target of security breaches and cyber-attacks, and because the transactions involve third parties and environments such as the point of sale that we do not control or secure, future security breaches or cyber-attacks affecting any of these third parties could impact us through no fault of our own, and in some cases, we may have exposure and suffer losses for breaches or attacks relating to them. We also rely on numerous other third-party service providers to conduct other aspects of our business operations and face similar risks relating to them. While we regularly conduct security assessments of significant third-party service providers, we cannot be sure that their information security protocols are sufficient to withstand a cyber-attack or other security breach.

The access by unauthorized persons to, or the improper disclosure by us of, confidential information regarding our customers or our own proprietary information, software, methodologies and business secrets could interrupt our business or operations, result in significant legal and financial exposure, supervisory liability, damage to our reputation or a loss of confidence in the security of our systems, products and services, all of which could have a material adverse impact on our business, financial condition and results of operations. In addition, there have been a number of well-publicized attacks or breaches directed at others in our industry that have heightened concern by consumers generally about the security of using credit cards, which have caused some consumers, including our customers, to use our credit cards less in favor of alternative methods of payment and has led to increased regulatory focus on, and potentially new regulations relating to, these matters. Further cyber-attacks or other breaches in the future, whether affecting us or others, could intensify consumer concern and regulatory focus and result in reduced use of our cards and increased costs, all of which could have a material adverse effect on our business.

Adverse financial market conditions or our inability to effectively manage our funding and liquidity risk could have a material adverse effect on our funding, liquidity and ability to meet our obligations.

We need to effectively manage our funding and liquidity in order to meet our cash requirements such as day-to-day operating expenses, extensions of credit to our customers, payments of principal and interest on our borrowings and payments on our other obligations. Our primary sources of funding and liquidity are collections from our customers, deposits, funds from securitized financings and proceeds from unsecured borrowings. If we do not have sufficient liquidity, we may not be able to meet our obligations, particularly during a liquidity stress event. If we maintain or are required to maintain too much liquidity, it could be costly and reduce our financial flexibility.

We will need additional financing in the future to refinance any existing debt and finance growth of our business. The availability of additional financing will depend on a variety of factors such as financial market conditions generally, including the availability of credit to the financial services industry, consumers' willingness to place money on deposit in the Bank, our performance and credit ratings and the performance of our securitized portfolios. Disruptions, uncertainty or volatility in the capital, credit or deposit markets, such as the uncertainty and volatility experienced in the capital and credit markets during periods of financial stress and other economic and political conditions in the global markets and concerning the level of U.S. government debt and fiscal measures that may be taken over the longer term to address these matters, may limit our ability to obtain additional financing or refinance maturing liabilities on desired terms (including funding costs) in a timely manner or at all. As a result, we may be forced to delay obtaining funding or be forced to issue or raise funding on undesirable terms, which could significantly reduce our financial flexibility and cause us to contract or not grow our business, all of which could have a material adverse effect on our results of operations and financial conditions.

In addition, at December 31, 2018, we had an aggregate of $4.4 billion of undrawn credit facilities, subject to customary borrowing conditions, from private lenders under our securitization programs and an unsecured revolving credit facility. Our ability to draw on such commitments is subject to the satisfaction of certain conditions, including the applicable securitization trust having sufficient collateral to support the draw and the absence of an early amortization event. Moreover, there are regulatory reforms that have been proposed or adopted in the United States and internationally that are intended to address certain issues that affected banks in the last financial crisis. These reforms, generally referred to as "Basel III," subject banks to more stringent capital, liquidity and leverage requirements. To the extent that the Basel III requirements result in increased costs to the banks providing undrawn committed capacity under our securitization programs, these costs are likely to be passed on to us. In addition, in response to Basel III, some banks in the market (including certain of the private lenders in our securitization programs) have added provisions to their credit agreements permitting them to delay disbursement of funding requests for 30 days or more. If our bank lenders require delayed disbursements of funding and/or higher pricing for committing undrawn capacity to us, our cost of funding and access to liquidity could be adversely affected.

While financial market conditions have generally stabilized and improved since the financial crisis, there can be no assurance that significant disruptions, uncertainties and volatility will not occur in the future. If we are unable to continue to finance our business, access capital markets and attract deposits on favorable terms and in a timely manner, or if we experience an increase in our borrowing costs or otherwise fail to manage our liquidity effectively, our results of operations and financial condition may be materially adversely affected.

Our inability to grow our deposits in the future could materially adversely affect our liquidity and ability to grow our business.

We obtain deposits directly from retail and commercial customers or through brokerage firms that offer our deposit products to their customers. At December 31, 2018, we had $49.4 billion in direct deposits and $14.6 billion in deposits originated through brokerage firms (including network deposit sweeps procured through a program arranger who channels brokerage account deposits to us). A key part of our liquidity plan and funding strategy is to continue to fund our growth through direct deposits.

The deposit business is highly competitive, with intense competition in attracting and retaining deposits. We compete on the basis of the rates we pay on deposits, features and benefits of our products, the quality of our customer service and the competitiveness of our digital banking capabilities. Our ability to originate and maintain retail deposits is also highly dependent on the strength of the Bank and the perceptions of consumers and others of our business practices and our financial health. Adverse perceptions regarding our reputation could lead to difficulties in attracting and retaining deposits accounts. Negative public opinion could result from actual or alleged conduct in a number of areas, including lending practices, regulatory compliance, inadequate protection of customer information or sales and marketing activities, and from actions taken by regulators or others in response to such conduct.

The demand for the deposit products we offer may also be reduced due to a variety of factors, such as demographic patterns, changes in customer preferences, reductions in consumers' disposable income, regulatory actions that decrease customer access to particular products or the availability of competing products. Competition from other financial services firms and others that use deposit funding products may affect deposit renewal rates, costs or availability. Changes we make to the rates offered on our deposit products may affect our profitability and liquidity.

The FDIA prohibits an insured bank from accepting brokered deposits or offering interest rates on any deposits significantly higher than the prevailing rate in the bank's normal market area or nationally (depending upon where the deposits are solicited), unless it is "well capitalized," or it is "adequately capitalized" and receives a waiver from the FDIC. A bank that is "adequately capitalized" and accepts brokered deposits under a waiver from the FDIC may not pay an interest rate on any deposit in excess of 75 basis points over certain prevailing market rates. There are no such restrictions under the FDIA on a bank that is "well capitalized" and at December 31, 2018, the Bank met or exceeded all applicable requirements to be deemed "well capitalized" for purposes of the FDIA. However, there can be no assurance that the Bank will continue to meet those requirements. Limitations on the Bank's ability to accept brokered deposits for any reason (including regulatory limitations on the amount of brokered deposits in total or as a percentage of total assets) in the future could materially adversely impact our funding costs and liquidity. Any limitation on the interest rates the Bank can pay on deposits could competitively disadvantage us in attracting and retaining deposits and have a material adverse effect on our business.

A reduction in our credit ratings could materially increase the cost of our funding from, and restrict our access to, the capital markets.

Synchrony's senior unsecured debt currently is rated BBB- (stable outlook) by Fitch Ratings, Inc. ("Fitch") and BBB- (stable outlook) by Standard & Poor's ("S&P"). The Bank's senior unsecured debt currently is rated BBB- (stable outlook) by Fitch and BBB (stable outlook) by S&P. Although we have not requested that Moody's Investor Services, Inc. ("Moody's") provide a rating for our senior unsecured debt, we believe that if Moody's were to issue a rating on our unsecured debt, its rating would be lower than the comparable ratings issued by Fitch and S&P. The ratings for our unsecured debt are based on a number of factors, including our financial strength, as well as factors that may not be within our control, such as macroeconomic conditions and the rating agencies' perception of the industries in which we operate and the products we offer. The ratings of our asset-backed securities are, and will continue to be, based on a number of factors, including the quality of the underlying loan receivables and the credit enhancement structure with respect to each series of asset-backed securities, as well as our credit rating as sponsor and servicer of our publicly registered securitization trusts. These ratings also reflect the various methodologies and assumptions used by the rating agencies, which are subject to change and could adversely affect our ratings. The rating agencies regularly evaluate our credit ratings as well as the credit ratings of our asset-backed securities. A downgrade in our unsecured debt or asset-backed securities credit ratings (or investor concerns that a downgrade may occur) could materially increase the cost of our funding from, and restrict our access to, the capital markets.

If the ratings on our asset-backed securities are reduced, put on negative watch or withdrawn, it may have an adverse effect on the liquidity or the market price of our asset-backed securities and on the cost of, or our ability to continue using, securitized financings to the extent anticipated.

Our inability to securitize our loan receivables would have a material adverse effect on our business, liquidity, cost of funds and financial condition.

We use the securitization of loan receivables, which involves the transfer of loan receivables to a trust and the issuance by the trust of asset-backed securities to third-party investors, as a significant source of funding. Our average level of securitized financings from third parties was $12.7 billion and $12.2 billion for the years ended December 31, 2018 and 2017, respectively. For a discussion of our securitization activities, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Funding, Liquidity and Capital Resources—Funding Sources—Securitized Financings” and Note 5. Variable Interest Entities to our consolidated financial statements.

Although the securitization market for credit cards has been re-established since the financial crisis that began in 2008, there can be no assurance that the market will not experience future disruptions. The extent to which we securitize our loan receivables in the future will depend in part upon the conditions in the securities markets in general and the credit card asset-backed securities market in particular, the availability of loan receivables for securitization, the overall credit quality of our loan receivables and the conformity of the loan receivables and our securitization program to rating agency requirements, the costs of securitizing our loan receivables, and the legal, regulatory, accounting and tax requirements governing securitization transactions. In the event we are unable to refinance existing asset-backed securities with new asset-backed securities, we would be required to rely on other sources of funding, which may not be available or may be available only at higher cost. Further, in the event we are unable to refinance existing asset-backed securities from our nonbank subsidiary securitization trust with new securities from the same trust, there are structural and regulatory constraints on our ability to refinance these asset-backed securities with Bank deposits or other funding at the Bank, and therefore we would be required to rely on sources outside of the Bank, which may not be available or may be available only at higher cost. A prolonged inability to securitize our loan receivables on favorable terms, or at all, or to refinance our asset-backed securities would have a material adverse effect on our business, liquidity, cost of funds and financial condition.

The occurrence of an early amortization of our securitization facilities would have a material adverse effect on our liquidity and cost of funds.

Our liquidity would be materially adversely affected by the occurrence of events resulting in the early amortization of our existing securitized financings. During an early amortization period, principal collections from the loan receivables in our asset-backed securitization trust in which the early amortization event occurred would be applied to repay principal of the trust's asset-backed securities rather than being available on a revolving basis to fund purchases of newly originated loan receivables. This would negatively impact our liquidity, including our ability to originate new loan receivables under existing accounts, and require us to rely on alternative funding sources, which might increase our funding costs or might not be available when needed.

Our loss of the right to service or subservice our securitized loan receivables would have a material adverse effect on our liquidity and cost of funds.

Synchrony currently acts as servicer with respect to our nonbank subsidiary securitization trust, and the Bank acts as servicer with respect to our other two securitization trusts. If Synchrony or the Bank, as applicable, defaults in its servicing obligations, an early amortization event could occur with respect to the relevant asset-backed securities and/or Synchrony or the Bank, as applicable, could be replaced as servicer. Servicer defaults include, for example, the failure of the servicer to make any payment, transfer or deposit in accordance with the securitization documents, a breach of representations, warranties or agreements made by the servicer under the securitization documents, the delegation of the servicer’s duties contrary to the securitization documents and the occurrence of certain insolvency events with respect to the servicer. Such an early amortization event would have the adverse consequences discussed in the immediately preceding risk factor.

If either Synchrony or the Bank defaults in its servicing obligations with respect to any of our three securitization trusts, a third party could be appointed as servicer of such trust. If a third-party servicer is appointed, there is no assurance that the third party will engage us as sub-servicer, in which event we would no longer be able to control the manner in which the related trust’s assets are serviced, and the failure of a third party to appropriately service such assets could lead to an early amortization event in the affected securitization trust, which would have the adverse consequences discussed in the immediately preceding risk factor.

Lower payment rates on our securitized loan receivables could materially adversely affect our liquidity and financial condition.

Certain collections from our securitized loan receivables come back to us through our subsidiaries, and we use these collections to fund our purchase of newly originated loan receivables to collateralize our securitized financings. If payment rates on our securitized loan receivables are lower than they have historically been, fewer collections will be remitted to us on an ongoing basis. Further, certain series of our asset-backed securities include a requirement that we accumulate principal collections in a restricted account for a specified number of months prior to the applicable security's maturity date. We are required under the program documents to lengthen this accumulation period to the extent we expect the payment rates to be low enough that the current length of the accumulation period is inadequate to fully fund the restricted account by the applicable security's maturity date. Lower payment rates, and in particular, payment rates that are low enough that we are required to lengthen our accumulation periods, could materially adversely affect our liquidity and financial condition.

Changes in market interest rates could have a material adverse effect on our net earnings, funding and liquidity.

Changes in market interest rates cause our net interest income to increase or decrease, as certain of our assets and liabilities carry interest rates that fluctuate with market benchmarks. At December 31, 2018, 58.0% of our loan receivables were priced at a fixed interest rate to the customer, with the remaining 42.0% at a floating interest rate. We fund our assets with a combination of fixed rate and floating rate funding sources that include deposits, asset-backed securities and unsecured debt. The interest rate benchmark for our floating rate assets is the prime rate, and the interest rate benchmark for our floating rate liabilities is generally either the London Interbank Offered Rate ("LIBOR") or the federal funds rate. The prime rate and LIBOR or the 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. Additionally, on July 27, 2017 the UK Financial Conduct Authority announced that it would no longer encourage or compel banks to continue to contribute quotes and maintain LIBOR after 2021. There is no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. To the extent we are unable to position the balance sheet (naturally or using derivatives) to effectively match the interest rates on our assets and liabilities, our net earnings could be materially adversely affected.

Competitive and regulatory factors may limit our ability to raise interest rates on our loans. In addition, some of our program agreements limit the rate of interest we can charge to customers. If interest rates were to rise materially over a sustained period of time, and we are unable to sufficiently raise our interest rates in a timely manner, or at all, our net interest margin could be adversely impacted, which could have a material adverse effect on our net earnings.

Interest rates may also adversely impact our customers' spending levels and ability and willingness to pay amounts owed to us. Our floating rate credit products bear interest rates that fluctuate with the prime rate. Higher interest rates often lead to higher payment obligations by customers to us and other lenders under mortgage, credit card and other consumer loans, which may reduce our customers' ability to remain current on their obligations to us and therefore lead to increased delinquencies, bankruptcies, charge-offs, allowances for loan losses, and decreasing recoveries, all of which could have a material adverse effect on our net earnings.

Changes in interest rates and competitor responses to these changes may also impact customer decisions to maintain deposits with us, and reductions in deposits could materially adversely affect our funding costs and liquidity.

We assess our interest rate risk by estimating the net interest income impact of various interest rate scenarios. We take risk mitigation actions based on those assessments. Changes in interest rates could materially reduce our net interest income and our net earnings, and could also increase our funding costs and reduce our liquidity, especially if actual conditions turn out to be materially different from our assumptions. For a discussion of interest rate risk sensitivities, see "Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk."

Our risk management processes and procedures may not be effective in mitigating our risks.
Our risk management processes and procedures seek to appropriately balance risk and return and mitigate risks. We have established processes and procedures intended to identify, measure, monitor and control the types of risk to which we are subject, including credit risk, market risk, liquidity risk, operational risk (including compliance risk) and strategic risk. Credit risk is the risk of loss that arises when an obligor fails to meet the terms of an obligation. We are exposed to both consumer credit risk, from our customer loans, and institutional credit risk, principally from our partners. 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. Liquidity risk is the risk that financial condition or overall safety and soundness are adversely affected by an inability, or perceived inability, to meet obligations and support business growth. Operational risk is the risk of loss arising from inadequate or failed processes, people or systems, external events (i.e., natural disasters) or compliance, reputational or legal matters and includes those risks as they relate directly to us as well as to third parties with whom we contract or otherwise do business. Strategic risk is the risk from changes in the business environment, improper implementation of decisions or inadequate responsiveness to changes in the business environment. See "Our Business—Credit Risk Management" and "Risks—Risk Management" for additional information on the types of risks affecting our business.
We seek to monitor and control our risk exposure through a framework that includes our Risk Appetite Statement, Enterprise Risk Assessment (ERA) process, risk policies, procedures and controls, reporting requirements, and corporate culture and values in conjunction with the risk management accountability incorporated into our integrated Risk Management Framework, which includes our governance structure and three distinct Lines of Defense.
Management of our risks in some cases depends upon the use of analytical and/or forecasting models. If the models that we use to manage these risks are ineffective at predicting future losses or are otherwise inadequate, we may incur unexpected losses or otherwise be adversely affected. In addition, the information we use in managing our credit and other risk may be inaccurate or incomplete as a result of error or fraud, both of which may be difficult to detect and avoid. There may also be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated including when processes are changed or new products and services are introduced. If our Risk Management Framework does not effectively identify and control our risks, we could suffer unexpected losses or be adversely affected, and that could have a material adverse effect on our business, results of operations and financial condition.
We rely extensively on models in managing many aspects of our business, and if they are not accurate or are misinterpreted, it could have a material adverse effect on our business and results of operations.
We rely extensively on models in managing many aspects of our business, including liquidity and capital planning (including stress testing), customer selection, credit and other risk management, pricing, reserving and collections management. The models may prove in practice to be less predictive than we expect for a variety of reasons, including as a result of errors in constructing, interpreting or using the models or the use of inaccurate assumptions (including failures to update assumptions appropriately or in a timely manner). Our assumptions may be inaccurate for many reasons including that they often involve matters that are inherently difficult to predict and beyond our control (e.g., macroeconomic conditions and their impact on partner and customer behaviors) and they often involve complex interactions between a number of dependent and independent variables, factors and other assumptions. The errors or inaccuracies in our models may be material, and could lead us to make wrong or sub-optimal decisions in managing our business, and this could have a material adverse effect on our business, results of operations and financial condition.
Our business depends on our ability to successfully manage our credit risk, and failing to do so may result in high charge-off rates.
Our success depends on our ability to manage our credit risk while attracting new customers with profitable usage patterns. We select our customers, manage their accounts and establish terms and credit limits using proprietary scoring models and other analytical techniques that are designed to set terms and credit limits to appropriately compensate us for the credit risk we accept, while encouraging customers to use their available credit. The models and approaches we use to manage our credit risk may not accurately predict future charge-offs for various reasons discussed in the preceding risk factor.

Our ability to manage credit risk and avoid high charge-off rates also may be adversely affected by economic conditions that may be difficult to predict, such as the last financial crisis. The assessment of our credit profile includes the evaluation of portfolio mix, account maturation, as well as broader consumer trends, such as payment behavior and overall indebtedness. In 2018, the trend of increases in our net charge-off rates and allowance coverage continued, but at a more modest rate as compared to what we experienced in 2017 and our delinquency rate remained largely in line with 2017 rates, as U.S unemployment rates continued to stabilize and we experienced the favorable effects from certain refinements to our underwriting standards which we began to implement in the second half of 2016 and continued in 2017. See “Management's Discussion and Analysis—Results of Operations—Business Trends and Conditions” for further discussion of our expectations of future credit trends, in the near term. Credit trends may deteriorate materially from our expectations if economic conditions were to deteriorate.

In addition, we remain subject to conditions in the consumer credit environment. Our credit underwriting and risk management strategies are used to manage our credit exposures; however, there can be no assurance that those will enable us to avoid high charge-off levels or delinquencies, or that our allowance for loan losses will be sufficient to cover actual losses.

A customer’s ability to repay us can be negatively impacted by increases in their payment obligations to other lenders under mortgage, credit card and other loans (including student loans). These changes can result from increases in base lending rates or structured increases in payment obligations, and could reduce the ability of our customers to meet their payment obligations to other lenders and to us. In addition, a customer’s ability to repay us can be negatively impacted by the restricted availability of credit to consumers generally, including reduced and closed lines of credit. Customers with insufficient cash flow to fund daily living expenses and lack of access to other sources of credit may be more likely to increase their card usage and ultimately default on their payment obligations to us, resulting in higher credit losses in our portfolio. Our collection operations may not compete effectively to secure more of customers’ diminished cash flow than our competitors. We may not identify customers who are likely to default on their payment obligations to us and reduce our exposure by closing credit lines and restricting authorizations quickly enough, which could have a material adverse effect on our business, results of operations and financial condition. In addition, our collection strategy depends in part on the sale of debt to third-party buyers. Regulatory or other factors may adversely affect the pricing of our debt sales or the performance of our third-party buyers, which may result in higher credit losses in our portfolio. At December 31, 2018, 26% of our portfolio’s loan receivables were from customers with a FICO score of 660 or less (excluding unrated accounts), who typically have higher delinquency and credits losses than consumers with higher FICO scores.

Our ability to manage credit risk also may be adversely affected by legal or regulatory changes (such as bankruptcy laws and minimum payment regulations) and collection regulations, competitors’ actions and consumer behavior, as well as inadequate collections staffing, techniques, models and performance of vendors such as collection agencies.

Our allowance for loan losses may prove to be insufficient to cover losses on our loans.

We maintain an allowance for loan losses (a reserve established through a provision for losses charged to expense) that we believe is appropriate to provide for incurred losses in our loan portfolio. In addition, for portfolios we may acquire when we enter into new partner program agreements, any deterioration in the performance of the purchased portfolios after acquisition results in incremental loss reserves. Growth in our loan portfolio generally would lead to an increase in the allowance for loan losses.

The process for establishing an allowance for loan losses is critical to our results of operations and financial condition, and requires complex models and judgments, including forecasts of economic conditions. Changes in economic conditions affecting borrowers, new information regarding our loans and other factors, both within and outside of our control, may require an increase in the allowance for loan losses. We may underestimate our incurred losses and fail to maintain an allowance for loan losses sufficient to account for these losses. In cases where we modify a loan, if the modified loans do not perform as anticipated, we may be required to establish additional allowances on these loans.

We periodically review and update our current methodology, models and the underlying assumptions, estimates and assessments we use to establish our allowance for loan losses to reflect our view of current conditions. Moreover, our regulators, as part of their supervisory function, periodically review the current methodology, models and the underlying assumptions, estimates and assessments we use for calculating, and the adequacy of, our allowance for loan losses. Our regulators, based on their judgment, may conclude that we should modify our current methodology, models or the underlying assumptions, estimates and assessments, increase our allowance for loan losses and/or recognize further losses. We continue to review and evaluate our current methodology, models and the underlying assumptions, estimates and assessments we use and we will implement further enhancements or changes to them, as needed.

We cannot assure you that our loan loss reserves will be sufficient to cover actual losses. Future increases in the allowance for loan losses or recognized losses (as a result of any review, update, regulatory guidance or otherwise) will result in a decrease in net earnings and capital and could have a material adverse effect on our business, results of operations and financial condition.

If assumptions or estimates we use in preparing our financial statements are incorrect or are required to change, our reported results of operations and financial condition may be adversely affected.

We are required to make various assumptions and estimates in preparing our financial statements under GAAP, including for purposes of determining allowances for loan losses, asset impairment, reserves related to litigation and other legal matters, valuation of income and other taxes and regulatory exposures and the amounts recorded for certain contractual payments to be paid to or received from partners and others under contractual arrangements. In addition, significant assumptions and estimates are involved in determining certain disclosures required under GAAP, including those involving the fair value of our financial instruments. If the assumptions or estimates underlying our financial statements are incorrect, the actual amounts realized on transactions and balances subject to those estimates will be different, and this could have a material adverse effect on our results of operations and financial condition.

In addition, the Financial Accounting Standards Board (“FASB”) has recently issued changes to several financial accounting and reporting standards that govern key aspects of our financial statements and other areas where assumptions or estimates are required, including ASU 2016-13, the standard on accounting for credit losses which is effective for the Company on January 1, 2020.

As a result of recent and proposed changes to financial accounting or reporting standards, whether promulgated or required by the FASB or other regulators, we could be required to change certain of the assumptions or estimates we currently use in preparing our financial statements, which could materially impact how we record and report our results of operations and financial condition. For example, the new standard on accounting for credit losses is expected to result in an increase to the Company's allowance for loan losses and a decrease in the Company's regulatory capital. For additional information on the key areas for which assumptions and estimates are used in preparing our financial statements, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates” and Note 2. Basis of Presentation and Summary of Significant Accounting Policies to our consolidated financial statements.

We may not be able to offset increases in our costs with decreased payments under our retailer share arrangements, which could reduce our profitability.

Most of our Retail Card program agreements and certain other program agreements contain retailer share arrangements that provide for payments to our partners if the economic performance of the relevant program exceeds a contractually defined threshold. Although the share arrangements vary by partner, these arrangements are generally structured to measure the economic performance of the program, based typically on agreed upon program revenues (including interest income and certain other income) less agreed upon program expenses (including interest expense, provision for loan losses, retailer payments and operating expenses), and share portions of this amount above a negotiated threshold. These arrangements are typically designed to permit us to achieve an economic return before we are required to make payments to our partners based on the agreed contractually defined threshold. However, because the threshold and the economic performance of a program that are used to calculate payments to our partners may be based on, among other things, agreed upon measures of program expenses rather than our actual expenses, we may not be able to pass on increases in our actual expenses (such as funding costs or operating expenses) in the form of reduced payments under our retailer share arrangements, and our economic return on a program could be adversely affected. While most of our agreements contain retailer share arrangements, in some cases, where we instead provide other economic benefits to our partners such as royalties on purchase volume or payments for new accounts (for example, on our co-branded credit cards), our ability to offset increases in our costs is limited.

Competition in the consumer finance industry is intense.

The success of our business depends on our ability to retain existing partners and attract new partners. The competition for partners is intense and highly competitive. Our primary competitors for partners include major financial institutions, such as Alliance Data Systems, American Express, Capital One, JPMorgan Chase, Citibank, TD Bank and Wells Fargo, and to a lesser extent, potential partners’ own in-house financing capabilities. Some of our competitors are substantially larger, have substantially greater resources and may offer a broader range of products and services. We compete for partners on the basis of a number of factors, including program financial and other terms, underwriting standards, marketing expertise, service levels, product and service offerings (including incentive and loyalty programs), technological capabilities and integration, brand and reputation. In addition, some of our competitors for partners have a business model that allows for their partners to manage underwriting (e.g., new account approval), customer service and collections, and other core banking responsibilities that we retain but some partners may prefer to handle. As a result of competition, we may be unable to acquire new partners, lose existing relationships to competing companies or find it more costly to maintain our existing relationships.

Our success also depends on our ability to attract and retain customers and generate usage of our products by them. The consumer credit and payments industry is highly competitive and we face an increasingly dynamic industry as emerging technologies enter the marketplace. As a form of payment, our products compete with cash, checks, debit cards, general purpose credit cards (including Visa and MasterCard, American Express and Discover Card), other private label card brands and, to a certain extent, prepaid cards. We also compete with non-traditional providers such as financial technology companies. In the future, we expect our products may face increased competition from new emerging payment technologies, such as Apple Pay, Android Pay, Chase Pay, Samsung Pay and Square, to the extent that our products are not, or do not continue to be, accepted in, or compatible with, such technologies. We may also face increased competition from current competitors or others who introduce or embrace disruptive technology that significantly changes the consumer credit and payment industry. We compete for customers and their usage of our products, and to minimize transfers to competitors of our customers' outstanding balances, based on a number of factors, including pricing (interest rates and fees), product offerings, credit limits, incentives (including loyalty programs) and customer service. Although we offer a variety of consumer credit products, some of our competitors provide a broader selection of services, including home and automobile loans, debit cards and bank branch ATM access, which may position them better among customers who prefer to use a single financial institution to meet all of their financial needs. Some of our competitors are substantially larger than we are, which may give those competitors advantages, including a more diversified product and customer base, the ability to reach out to more customers and potential customers, operational efficiencies, more versatile technology platforms, broad-based local distribution capabilities and lower-cost funding. In addition, some of our competitors, including new and emerging competitors in the digital and mobile payments space, are not subject to the same regulatory requirements or legislative scrutiny to which we are subject, which also could place us at a competitive disadvantage. Customer attrition from any or all of our credit products or any lowering of the pricing of our products by reducing interest rates or fees in order to retain customers could reduce our revenues and therefore our earnings.

In our retail deposits business, we have acquisition and servicing capabilities similar to other direct banking competitors. We compete for deposits with traditional banks and, in seeking to grow our direct banking business, we compete with other banks that have direct banking models similar to ours, such as Ally Financial, American Express, Capital One 360 (ING), CIT, Discover, Marcus by Goldman Sachs, PurePoint, Sallie Mae and USAA. Competition among direct banks is intense because online banking provides customers the ability to rapidly deposit and withdraw funds and open and close accounts in favor of products and services offered by competitors.

If we are unable to compete effectively for partners, customer usage or deposits, our business and results of operations could be materially adversely affected.

We may be unable to successfully develop and commercialize new or enhanced products and services.

Our industry is subject to rapid and significant changes in technologies, products, services and consumer preferences. A key part of our financial success depends on our ability to develop and commercialize new products and services or enhancements to existing products and services, including with respect to loyalty programs, mobile and point of sale technologies, and new Synchrony-branded bank deposit and credit products. Realizing the benefits of those products and services is uncertain. We may not assign the appropriate level of resources, priority or expertise to the development and commercialization of these new products, services or enhancements. Our ability to develop, acquire or commercialize competitive technologies, products or services on acceptable terms or at all may be limited by intellectual property rights that third parties, including competitors and potential competitors, may assert. In addition, success is dependent on factors such as partner and customer acceptance, adoption and usage, competition, the effectiveness of marketing programs, the availability of appropriate technologies and business processes and regulatory approvals. Success of a new product, service or enhancement also may depend upon our ability to deliver it on a large scale, which may require a significant investment.

We also may select, utilize and invest in technologies, products and services that ultimately do not achieve widespread adoption and therefore are not as attractive or useful to our partners, customers and service partners as we anticipate, or partners may not recognize the value of our new products and services or believe they justify any potential costs or disruptions associated with implementing them. In addition, because our products and services typically are marketed through our partners, if our partners are unwilling or unable to effectively implement our new technologies, products, services or enhancements, we may be unable to grow our business. Competitors may also develop or adopt technologies or introduce innovations that change the markets we operate in and make our products less competitive and attractive to our partners and customers.

In any event, we may not realize the benefit of new technologies, products, services or enhancements for many years or competitors may introduce more compelling products, services or enhancements. Our failure to successfully develop and commercialize new or enhanced products, services or enhancements could have a material adverse effect on our business and results of operations.

We may not realize the value of acquisitions and strategic investments that we pursue and such investments could divert resources or introduce unforeseen risks to our business.

We will acquire new partners and may execute strategic acquisitions or partnerships or make other strategic investments in businesses, products, technologies or platforms to enhance or grow our business. These acquisitions and strategic investments may introduce new costs or liabilities which could impact our ability to grow or maintain acceptable performance.

We may be unable to integrate systems, personnel or technologies from our acquisitions and strategic investments. These acquisitions and strategic investments may also present unforeseen legal, regulatory or other challenges that we may not be able to manage effectively. The planning and integration of an acquisition, including of a new partner or credit card portfolio, partnership or investment, may shift employee time and other resources which could impair our ability to focus on our core business.

Acquisitions and strategic investments may not perform as expected due to lack of acceptance by partners, customers or employees, higher than forecasted costs or losses, lengthy transition periods, synergies or savings not being realized and a variety of other factors. This may result in a delay or unrealized benefit, or in some cases, increased costs or other unforeseen risks to our business.

Reductions in interchange fees may reduce the competitive advantages our private label credit card products currently have by virtue of not charging interchange fees and would reduce our income from those fees.

Interchange is a fee merchants pay to the interchange network in exchange for the use of the network's infrastructure and payment facilitation, and which are paid to credit card issuers to compensate them for the risk they bear in lending money to customers. We earn interchange fees on Dual Card and general purpose co-branded credit card transactions but we typically do not charge or earn interchange fees from our partners or customers on our private label credit card products.

Merchants, trying to decrease their operating expenses, have sought to, and have had some success at, lowering interchange rates. Several recent events and actions indicate a continuing increase in focus on interchange by both regulators and merchants. Beyond pursuing litigation, legislation and regulation, merchants are also pursuing alternate payment platforms as a means to lower payment processing costs. To the extent interchange fees are reduced, one of our current competitive advantages with our partners—that we typically do not charge interchange fees when our private label credit card products are used to purchase our partners' goods and services—may be reduced. Moreover, to the extent interchange fees are reduced, our income from those fees will be lower. We received $710 million of interchange fees for the year ended December 31, 2018. As a result, a reduction in interchange fees could have a material adverse effect on our business and results of operations. In addition, for our Dual Cards and general purpose co-branded credit cards, we are subject to the operating regulations and procedures set forth by the interchange network, and our failure to comply with these operating regulations, which may change from time to time, could subject us to various penalties or fees, or the termination of our license to use the interchange network, all of which could have a material adverse effect on our business and results of operations.

Fraudulent activity associated with our products and services could negatively impact our operating results, brand and reputation and cause the use of our products and services to decrease and our fraud losses to increase.

We are subject to the risk of fraudulent activity associated with partners, customers and third parties handling customer information. Our fraud-related operational losses were $239 million, $313 million and $203 million for the years ended December 31, 2018, 2017 and 2016, respectively. Our fraud-related losses have shifted away from counterfeit fraud losses with the implementation of the EMV chip in Dual Cards and general purpose co-branded credit cards and towards application fraud and Commerce fraud (including as a result of well-publicized security breaches at retailers unrelated to us). Our products are susceptible to application fraud, because among other things, we provide immediate access to the credit line at the time of approval. In addition, sales on the internet and through mobile channels are becoming a larger part of our business and fraudulent activity is higher as a percentage of sales in those channels than in stores. Dual Cards, general purpose co-branded credit cards and private label credit cards are susceptible to different types of fraud, and, depending on our product channel mix (including as a result of the introduction, if any, of a Synchrony-branded general purpose credit card), we may continue to experience variations in, or levels of, fraud-related expense that are different from or higher than that experienced by some of our competitors or the industry generally.

The risk of fraud continues to increase for the financial services industry in general, and credit card fraud, identity theft and related crimes are likely to continue to be prevalent, and perpetrators are growing more sophisticated. Our resources, technologies and fraud prevention tools may be insufficient to accurately detect and prevent fraud. High profile fraudulent activity also could negatively impact our brand and reputation, which could negatively impact the use of our cards and thereby have a material adverse effect on our results of operations. In addition, significant increases in fraudulent activity could lead to regulatory intervention (such as increased customer notification requirements), which could increase our costs and also negatively impact our operating results, brand and reputation and could lead us to take steps to reduce fraud risk, which could increase our costs.

Damage to our reputation could negatively impact our business.

Maintaining a positive reputation is critical to our attracting and retaining customers, partners, investors and employees. In particular, adverse perceptions regarding our reputation could also make it more difficult for us to execute on our strategy of increasing retail deposits at the Bank and may lead to decreases in deposits. Harm to our reputation can arise from many sources, including employee misconduct, misconduct by our partners, outsourced service providers or other counterparties, litigation or regulatory actions, failure by us or our partners to meet minimum standards of service and quality, inadequate protection of customer information and compliance failures. Negative publicity regarding us (or others engaged in a similar business or activities), whether or not accurate, may damage our reputation, which could have a material adverse effect on our business, results of operations and financial condition.

The failure of third parties to provide various services that are important to our operations could have a material adverse effect on our business and results of operations.

Some services important to our business are outsourced to third-party vendors. For example, our credit card transaction processing, production and related services (including the printing and mailing of customer statements) are handled by First Data, and the technology platform for our online retail deposits is managed by Fiserv. First Data, Fiserv, and, in some cases, other third-party vendors, are the sole source or one of a limited number of sources of the services they provide for us. In January 2019, Fiserv announced that it had agreed to acquire First Data. It would be difficult and disruptive for us to replace some of our third-party vendors, particularly First Data and Fiserv, in a timely manner if they were unwilling or unable to provide us with these services in the future (as a result of their financial or business conditions or otherwise), and our business and operations likely would be materially adversely affected. First Data has publicly disclosed that it is highly leveraged. Our principal agreement with First Data expires in November 2026, unless it is terminated earlier or is extended pursuant to the terms thereof. Our principal agreement with Fiserv expires in March 26, 2020, unless it is terminated earlier or is extended pursuant to the terms thereof. In addition, if a third-party provider fails to provide the services we require, fails to meet contractual requirements, such as compliance with applicable laws and regulations, or suffers a cyber-attack or other security breach, our business could suffer economic and reputational harm that could have a material adverse effect on our business and results of operations.

Disruptions in the operation of our computer systems and data centers could have a material adverse effect on our business.

Our ability to deliver products and services to our partners and our customers, service our loans and otherwise operate our business and comply with applicable laws depends on the efficient and uninterrupted operation of our computer systems and data centers, as well as those of our partners and third-party service providers. These computer systems and data centers may encounter service interruptions at any time due to system or software failure, natural disaster or other reasons. In addition, the implementation of technology changes and upgrades to maintain current and integrate new systems may also cause service interruptions, transaction processing errors and system conversion delays and may cause our failure to comply with applicable laws, all of which could have a material adverse effect on our business.

We expect that new technologies and business processes applicable to the consumer credit industry will continue to emerge, and these new technologies and business processes may be better than those we currently use. The pace of technology change is high and our industry is intensely competitive, and we cannot assure you that we will be able to sustain our investment in new technology as critical systems and applications become obsolete and better ones become available. A failure to maintain current technology and business processes could cause disruptions in our operations or cause our products and services to be less competitive, all of which could have a material adverse effect on our business, financial condition and results of operations.

We have international operations that subject us to various international risks as well as increased compliance and regulatory risks and costs.

We have international operations, primarily in India, the Philippines and Canada, and some of our third-party service providers provide services to us from other countries, all of which subject us to a number of international risks, including, among other things, sovereign volatility and socio-political instability. For example, the Philippines has in the past experienced severe political and social instability. Any future political or social instability in the countries in which we operate could have a material adverse effect on our business operations.

U.S. regulations also govern various aspects of the international activities of domestic corporations and increase our compliance and regulatory risks and costs. Any failure on our part or the part of our service providers to comply with applicable U.S. regulations, as well as the regulations in the countries and markets in which we or they operate, could result in fines, penalties, injunctions or other similar restrictions, any of which could have a material adverse effect on our business, results of operations and financial condition.

If we are alleged to have infringed upon the intellectual property rights owned by others or are not able to protect our intellectual property, our business and results of operations could be adversely affected.

Competitors or other third parties may allege that we, or consultants or other third parties retained or indemnified by us, infringe on their intellectual property rights. We also may face allegations that our employees have misappropriated intellectual property of their former employers or other third parties. Given the complex, rapidly changing and competitive technological and business environment in which we operate, and the potential risks and uncertainties of intellectual property-related litigation, an assertion of an infringement claim against us may cause us to spend significant amounts to defend the claim (even if we ultimately prevail), pay significant money damages, lose significant revenues, be prohibited from using the relevant systems, processes, technologies or other intellectual property, cease offering certain products or services, or incur significant license, royalty or technology development expenses. Moreover, it has become common in recent years for individuals and groups to purchase intellectual property assets for the sole purpose of making claims of infringement and attempting to extract settlements from companies like ours. Even in instances where we believe that claims and allegations of intellectual property infringement against us are without merit, defending against such claims is time consuming and expensive and could result in the diversion of time and attention of our management and employees. In addition, although in some cases a third party may have agreed to indemnify us for such costs, such indemnifying party may refuse or be unable to uphold its contractual obligations.

Moreover, we rely on a variety of measures to protect our intellectual property and proprietary information, including copyrights, trademarks, patents, trade secrets and controls on access and distribution. These measures may not prevent misappropriation or infringement of our intellectual property or proprietary information and a resulting loss of competitive advantage, and in any event, we may be required to litigate to protect our intellectual property and proprietary information from misappropriation or infringement by others, which is expensive, could cause a diversion of resources and may not be successful. Third parties may challenge, invalidate or circumvent our intellectual property, or our intellectual property may not be sufficient to provide us with competitive advantages. Our competitors or other third parties may independently design around or develop similar technology, or otherwise duplicate our services or products such that we could not assert our intellectual property rights against them. In addition, our contractual arrangements may not effectively prevent disclosure of our intellectual property or confidential and proprietary information or provide an adequate remedy in the event of an unauthorized disclosure.

Litigation, regulatory actions and compliance issues could subject us to significant fines, penalties, judgments, remediation costs and/or requirements resulting in increased expenses.

Our business is subject to increased risks of litigation and regulatory actions as a result of a number of factors and from various sources, including the highly regulated nature of the financial services industry, the focus of state and federal prosecutors on banks and the financial services industry and the structure of the credit card industry.

In the normal course of business, from time to time, we have been named as a defendant in various legal actions, 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. In addition, while historically the arbitration provision in our customer agreements generally has limited our exposure to consumer class action litigation, there can be no assurance that we will be successful in enforcing our arbitration clause in the future. There may also be legislative or other efforts to directly or indirectly prohibit the use of pre-dispute arbitration clauses, or we may be compelled as a result of competitive pressure or reputational concerns to voluntarily eliminate pre-dispute arbitration clauses. If the arbitration provision is not enforceable or eliminated (for whatever reason), our exposure to class action litigation could increase significantly.

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 earnings and damage to our reputation. The current environment of additional regulation, increased regulatory compliance efforts and enhanced regulatory enforcement has resulted in significant operational and compliance costs and may prevent or make it less attractive for us to continue providing certain products and services. There is no assurance that these regulatory matters or other factors will not, in the future, affect how we conduct our business and in turn have a material adverse effect on our business, results of operations and financial condition.

We contest liability and/or the amount of damages as appropriate in each pending matter. The outcome of pending and future matters could be material to our results of operations, financial condition and cash flows depending on, among other factors, the level of our earnings for that period, and could adversely affect our business and reputation. For a discussion of certain legal proceedings, see “Regulation—Consumer Financial Services Regulation,” and Note 16. Legal Proceedings and Regulatory Matters to our consolidated financial statements.

In addition to litigation and regulatory matters, from time to time, through our operational and compliance controls, we identify compliance issues that require us to make operational changes and, depending on the nature of the issue, result in financial remediation to impacted cardholders. These self-identified issues and voluntary remediation payments could be significant depending on the issue and the number of cardholders impacted. They also could generate litigation or regulatory investigations that subject us to additional adverse effects on our business, results of operations and financial condition.

Our business could be adversely affected if we are unable to attract, retain and motivate key officers and employees.
Our success depends, in large part, on our ability to retain, recruit and motivate key officers and employees. Our senior management team has significant industry experience and would be difficult to replace. Competition for senior executives in the financial services and payment industry is intense. We may not be able to attract and retain qualified personnel to replace or succeed members of our senior management team or other key personnel. Guidelines issued by the federal banking regulators prohibits our payment of "excessive" compensation, or compensation that could lead to our material financial loss, to our executives, employees, and directors. In addition, proposed rules implementing the executive compensation provisions of the Dodd-Frank Act would limit the type and structure of compensation arrangements that we may enter into with our senior executives and persons deemed "significant risk-takers." These restrictions could negatively impact our ability to compete with other companies in recruiting, retaining and motivating key personnel. Failure to retain talented senior leadership could have a material adverse effect on our business, results of operations and financial condition.
Tax legislation initiatives or challenges to our tax positions could adversely affect our results of operations and financial condition.
We operate in multiple jurisdictions and we are subject to tax laws and regulations of the U.S. federal, state and local governments, and of various foreign jurisdictions. From time to time, legislative initiatives may be proposed, such as the 2017 Tax Act, which may impact our effective tax rate and could adversely affect our deferred tax assets, tax positions and/or our tax liabilities. In addition, U.S. federal, state and local, as well as foreign, tax laws and regulations are extremely complex and subject to varying interpretations. There can be no assurance that our historical tax positions will not be challenged by relevant tax authorities or that we would be successful in defending our positions in connection with any such challenge.
In addition, there is still some uncertainty around the interpretation of certain provisions of the recent U.S. tax reform. While the Tax Act had a significant positive impact on our after-tax results, technical corrections or other forthcoming guidance could change how we interpret provisions of it, which may impact our effective tax rate and could affect our deferred tax assets, tax positions and/or our tax liabilities.
State sales tax rules and regulations, and their application and interpretation by the respective states, could change and adversely affect our results of operations.
State sales tax rules and regulations, and their application and interpretation by the respective states, could adversely affect our results of operations. Retailers collect sales tax from retail customers and remit those collections to the applicable states. When customers fail to repay their loans, including the amount of sales tax advanced by us to the merchant on their behalf, we are entitled, in some cases, to seek a refund of the amount of sales tax from the applicable state. Sales tax laws and regulations enacted by the various states are subject to interpretation, and our compliance with such laws is routinely subject to audit and review by the states. Audit risk is concentrated in several states, and these states are conducting ongoing audits. The outcomes of ongoing and any future audits and changes in the states' interpretation of the sales tax laws and regulations involving the recovery of tax on bad debts could materially adversely impact our results of operations.

We could have a material indemnification obligation to GE under the TSSA if we cause the split-off from GE or certain preliminary transactions to fail to qualify for tax-free treatment or in the case of certain significant transfers of our stock following the split-off from GE.
GE completed its exit from its investment in us in an exchange offer that concluded in November 2015, resulting in our split-off from GE. The split-off was designed to qualify for tax free treatment to GE and its shareholders under Section 355 of the Internal Revenue Code of 1986, as amended (the "Code"). GE obtained a private letter ruling from the Internal Revenue Service ("IRS") regarding certain issues relating to the tax-–free treatment of the split-off and a series of preliminary transactions that occurred prior to implementing the exchange offer. Although the IRS private letter ruling is generally binding on the IRS, the continuing validity of such ruling is subject to the accuracy of factual representations and assumptions made in the IRS private letter ruling. The IRS private letter ruling addresses only certain aspects of the transaction. As a result, GE obtained an opinion from tax counsel confirming the tax-free treatment of the split-off. The opinion is based upon various factual representations and assumptions, as well as certain undertakings made by us and GE. If any of those factual representations or assumptions in the IRS private letter ruling or tax opinion are untrue or incomplete in any material respect, any undertaking is not complied with, or the facts upon which the IRS private letter ruling or tax opinion was based are materially different from the facts at the time of the distribution, the split-off may not qualify for tax-–free treatment. Opinions of counsel are not binding on the IRS. As a result, the conclusions expressed in the opinion of counsel could be challenged by the IRS, and if the IRS prevails in such challenge, the tax consequences of the split-off could be materially less favorable. If the split-off (or any of the preliminary transactions) is determined to be taxable, GE and its shareholders could incur significant tax liabilities, and under the TSSA we entered into with GE, we may be required to indemnify GE for any liabilities incurred by GE if the liabilities are caused by any action or inaction undertaken by us following the initial public offering of our common stock ("IPO") in 2014 or as a result of any direct or indirect transfers of our stock following the exchange offer.
In order to preserve the tax-–free status of the split-off and the preliminary transactions to GE, the TSSA includes a provision generally prohibiting us from taking any action or inaction that is within our control (other than actions or inactions that implemented the split-off or certain preliminary transactions or actions or inactions that are consented to by GE or are at the direction of GE) that would cause the split-off (or the preliminary transactions) to become taxable, and providing for an indemnity obligation from us to GE for tax liabilities incurred by GE as a result of a breach of these provisions by us or as a result of any direct or indirect transfers of our stock following the exchange offer.

See "Regulation—Risk Factors Relating to Regulation" on page 97 for additional risk factors.

Risk Management

Strong risk management is at the core of our business strategy and we have developed processes to manage the major categories of risk, namely credit, market, liquidity, operational (including compliance) and strategic risk.

As described in greater detail below under “—Risk Management Roles and Responsibilities,” we manage enterprise risk using an integrated framework that includes board-level oversight, administration by a group of cross-functional management committees, and day-to-day implementation by a dedicated risk management team led by the Chief Risk Officer (“CRO”). We also utilize the "Three Lines of Defense" risk management model to demonstrate and structure the roles, responsibilities and accountabilities in the organization for taking and managing risk. The Risk Committee of the Board of Directors has responsibility for the oversight of the risk management program, and three other board committees have other oversight roles with respect to risk management. Several management committees and subcommittees have important roles and responsibilities in administering the risk management program, including the Enterprise Risk Management Committee (the “ERMC”), the Management Committee (the “MC”), the Asset and Liability Management Committee (the “ALCO”) and the Capital Management Committee (the "CMC"). This committee-focused governance structure provides a forum through which risk expertise is applied cross-functionally to all major decisions, including development of policies, processes and controls used by the CRO and risk management team to execute the risk management philosophy.

The enterprise risk management philosophy is to ensure that all relevant risks are appropriately identified, measured, monitored and controlled. The approach in executing this philosophy focuses on leveraging risk expertise to drive enterprise risk management using a strong governance framework structure, a comprehensive enterprise risk assessment program and an effective risk appetite framework.

Risk Categories

Risk management is organized around five major risk categories: credit risk, market risk, liquidity risk, operational risk (including compliance), and strategic risk. We evaluate the potential impact of a risk event on us (including subsidiaries) by assessing the partner and customer, financial, reputational, and legal and regulatory impacts.

Credit Risk

Credit risk is the risk of loss that arises when an obligor fails to meet the terms of a contract and/or the underlying collateral is insufficient to satisfy the obligation. Credit risk includes exposure to consumer credit risk from customer loans as well as institutional credit risk, principally from our partners. Consumer credit risk is one of our most significant risks. See “Our Business—Credit Risk Management” for a description of the customer credit risk management procedures.

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. The principal market risk exposures arise from volatility in interest rates and their impact on economic value, capitalization levels and earnings. Market risk is managed by the ALCO, and is subject to policy and risk appetite limits on sensitivity of both earnings at risk and the economic value of equity. Market risk metrics are reviewed by ALCO monthly, the Risk Committee on a quarterly basis and the Board of Directors as required.

Liquidity Risk
Liquidity risk is the risk that an institution’s financial condition or overall safety and soundness are adversely affected by a real or perceived inability to meet contractual obligations and support planned growth. The primary liquidity objective is to maintain a liquidity profile that will enable us, even in times of stress or market disruption, to fund our existing assets and meet liabilities in a timely manner and at an acceptable cost. Policy and risk appetite limits require us and the Bank (and other entities within our business, as applicable) to ensure that sufficient liquid assets are available to survive liquidity stresses over a specified time period. Our Risk Appetite Statement requires funding diversification, monitoring early warning indicators in the capital markets, and other related limits. ALCO reviews liquidity exposures continuously in the context of approved policy and risk appetite limits and reports results quarterly to the Risk Committee, and the Board of Directors as required.
Operational Risk
Operational risk is the risk of loss arising from inadequate or failed processes, people or systems, external events (i.e. natural disasters) or compliance, reputational or legal matters, and includes any of those risks as they relate directly to us and our subsidiaries, as well as to third parties with whom we contract or otherwise do business. Compliance risk arises from the failure to adhere to applicable laws, rules, regulations and internal policies and procedures. Operational risk also includes model risk relating to various financial and other models used by us and our subsidiaries, including the Bank, and is subject to a formal governance process.
Strategic Risk
Strategic risk consists of the current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. The New Product Introduction ("NPI") Sub-Committee assesses the strategic viability and consistency of each new product or service. All new initiatives require the approval of the NPI Sub-Committee and a select number of new product requests are escalated to the MC and the Board of Directors, based on level of risk.
Risk Management Roles and Responsibilities
Responsibility for risk management flows to individuals and entities throughout our Company, including the Board of Directors, various board and management committees and senior management. The corporate culture and values, in conjunction with the risk management accountability incorporated into the integrated Enterprise Risk Governance Framework, which includes governance structure and three distinct Lines of Defense, has facilitated, and will continue to facilitate, the evolution of an effective risk presence across the Company.
The “First Line of Defense” is comprised of the business areas whose day-to-day activities involve decision-making and associated risk-taking for the Company. As the business owner, the first line is responsible for identifying, assessing, managing and controlling that risk, and for mitigating our overall risk exposure. The first line formulates strategy and operates within the risk appetite and risk governance framework. The “Second Line of Defense,” also known as the independent risk management organization, provides oversight of first line risk taking and management. The second line assists in determining risk capacity, risk appetite, and the strategies, policies and structure for managing risks. The second line owns the risk governance framework. The “Third Line of Defense” is comprised of Internal Audit. The third line provides independent and objective assurance to senior management and to the Board of Directors and Audit Committee that the first and second line risk management and internal control systems and its governance processes are well-designed and working as intended.
Set forth below is a further description of the roles and responsibilities related to the key elements of the Enterprise Risk Governance Framework.
Board of Directors
The Board of Directors, among other things, has approved the enterprise-wide Risk Appetite Statement for the Company, as well as certain other risk management policies and oversees the Company’s strategic plan and enterprise-wide risk management program. The Board of Directors may assign certain risk management activities to applicable committees and management.

Board Committees
The Board of Directors has established four committees that assist the board in its oversight of risk management. These committees and their risk-related roles are described below.
Audit Committee
In coordination with the Risk Committees of the Company and the Bank, the Audit Committee’s role, among other things, is to review: (i) the Company’s major financial risk exposures and the steps management has taken to monitor and control these risks; (ii) the Company’s risk assessment and risk management practices and the guidelines, policies and processes for risk assessment and risk management; (iii) the organization, performance and audit findings of our internal audit function; (iv) our public disclosures and effectiveness of internal controls; and (v) the Company’s risk guidelines and policies relating to financial statements, financial systems, financial reporting processes, compliance and auditing, and allowance for loan losses.
Nominating and Corporate Governance Committee
The Nominating and Corporate Governance Committee’s role, among other things, is to: (i) review and approve certain transactions with related persons; (ii) review and resolve any conflict of interest involving directors or executive officers; (iii) oversee the risks, if any, related to corporate governance structure and practices; and (iv) identify and discuss with management the risks, if any, related to social responsibility actions and public policy initiatives.
Management Development and Compensation Committee
The Management Development and Compensation Committee’s role, among other things, is to: (i) review our incentive compensation arrangements with a view to appropriately balancing risk and financial results in a manner that does not encourage employees to expose us or any of our subsidiaries to imprudent risks, and are consistent with safety and soundness; and (ii) review (with input from our CRO and the Bank’s CRO) the relationship between risk management policies and practices, corporate strategies and senior executive compensation.
Risk Committee
The Risk Committee’s role, among other things, is to: (i) assist the Board of Directors in its oversight of the Company’s Enterprise Risk Governance Framework, including as it relates to credit, investment, market, liquidity, operational compliance and strategic risks; (ii) review and, at least annually, approve the Company’s Enterprise Risk Governance Framework and risk assessment and risk management practices, guidelines and policies (including significant policies that management uses to manage credit and investment, market, liquidity, operational, compliance and strategic risks); (iii) review and, at least annually, recommend to the Board of Directors for approval the Company’s enterprise-wide risk appetite (including the Company’s liquidity risk tolerance), and review and approve the Company’s strategy relating to managing key risks and other policies on the establishment of risk limits as well as the guidelines, policies and processes for monitoring and mitigating such risks; (iv) meet separately on a regular basis with our CRO and (in coordination with the Bank’s Risk Committee, as appropriate) the Bank’s CRO; (v) receive periodic reports from management on metrics used to measure, monitor and manage known and emerging risks, including management’s view on acceptable and appropriate levels of exposure; (vi) receive reports from our internal audit, risk management and independent liquidity review functions on the results of risk management reviews and assessments; (vii) review and approve, at least annually, the Company’s enterprise-wide capital and liquidity framework (including its contingency funding plan) and, in coordination with the Bank’s Risk Committee, review, at least quarterly, the Bank’s, liquidity risk appetite, regulatory capital and ratios and internal capital adequacy assessment processes and, at least annually, the Bank’s allowance for loan losses methodology, annual capital plan and resolution plan; (viii) review, at least semi-annually, information from senior management regarding whether the Company is operating within its established risk appetite; (ix) review the status of financial services regulatory examinations; (x) review the independence, authority and effectiveness of the Company’s risk management function and independent liquidity review function; (xi) approve the appointment of, evaluate and, when appropriate, replace, the CRO; and (xii) review disclosure regarding risk contained in the Company’s annual and quarterly reports.

Management Committees

There are four management committees with important roles and responsibilities in the risk management function: the MC, the ERMC, the ALCO and the CMC. These committees and their risk-related roles are described below.

Management Committee

The MC is under the oversight of the Board of Directors and is comprised of our senior executives and chaired by our Chief Executive Officer. The MC has responsibility for reviewing and approving lending and investment activities of the Company, such as equity investments, acquisitions, dispositions, joint ventures, portfolio deals and investment issues regarding the Company. It is also responsible for overseeing the Company’s approach to managing its investments, reviewing and approving the Company’s annual strategic plan and annual operating plan, and overseeing activities administered by its Credit, Culture, Information Technology, New Product Introduction, Investment Review and Pricing subcommittees. The MC also reviews management reports provided on a periodic basis, or as requested, in order to monitor evolving issues, effectiveness of risk mitigation activities and performance against strategic plans. The MC may make decisions only within the authority that is granted to it by the Board of Directors and must escalate any investment or other proposals outside of its authority to the Board of Directors for final decision.

ERMC

The ERMC is a management committee under the oversight of the Risk Committee and is comprised of senior executives and chaired by the CRO. The ERMC has responsibility for risk oversight across the Company and for reporting on material risks to our Risk Committee. The responsibilities of the ERMC include the day-to-day oversight of risks impacting the Company, establishing a risk appetite statement and ensuring compliance across the Company with the overall risk appetite. The ERMC also oversees establishment of risk management policies, the performance and functioning of the relevant overall risk management function, and the implementation of appropriate governance activities and systems that support control of risks.

ALCO

The ALCO is a management committee under the oversight of the Risk Committee and is comprised of our senior executives and chaired by the Treasurer. It identifies, measures, monitors, manages and controls market, liquidity and credit (investments and bank relationships) risks to the Company’s balance sheet. ALCO activities include reviewing and monitoring cash management, investments, liquidity, funding and foreign exchange risk activities and overseeing the safe, sound and efficient operation of the Company in compliance with applicable policies, laws and regulations.

CMC

The CMC is a management committee under the oversight of the Risk Committee and is comprised of our senior executives and chaired by the SVP, Capital Management and Stress Testing. The CMC provides oversight of the Company’s capital management, stress testing, and recovery and resolution planning activities. The CMC supports the Risk Committee in overseeing capital management activities such as the Annual Capital Plan, the Internal Capital Adequacy Assessment Process, stress testing, the Pre-Provision Net Revenue and Credit Loss Methodologies, the Contingent Capital Plan as needed in the event of a breach, and the Recovery and Resolution Planning Process.

Chief Executive Officer, Chief Risk Officer and Other Senior Officers

The Chief Executive Officer (“CEO”) has ultimate responsibility for ensuring the management of the Company’s risk in accordance with the Company’s approved risk appetite statement, including through her role as chairperson of the MC. The CEO also provides leadership in communicating the risk appetite to internal and external stakeholders to help embed appropriate risk taking into the overall corporate culture of the Company.

The CRO manages our risk management team and, as chairperson of the ERMC, is responsible for establishing and implementing standards for the identification, management, measurement, monitoring and reporting of risk on an enterprise-wide basis. In collaboration with our CEO and the Chief Financial Officer, the CRO has responsibility for developing an appropriate risk appetite with corresponding limits that aligns with supervisory expectations, and this risk appetite statement has been approved by the Board of Directors. The CRO regularly reports to the Board of Directors and the Risk Committee on risk management matters.

The senior executive officers who serve as leaders in the "First Line of Defense," are responsible for ensuring that their respective functions operate within established risk limits, in accordance with the Company's Risk Appetite Statement. As members of the ERMC and the MC, they are also responsible for identifying risks, considering risk when developing strategic plans, budgets and new products and implementing appropriate risk controls when pursuing business strategies and objectives. In addition, senior executive officers are responsible for deploying sufficient financial resources and qualified personnel to manage the risks inherent in the Company's business activities.

Risk Management

The risk management team, including compliance, led by the CRO, provides oversight of our risk profile and is responsible for maintaining a compliance program that includes compliance risk assessment, policy development, testing and reporting activities. This team effectively serves in a "Second Line of Defense" role by overseeing the operating activities of the "First Line of Defense."

Internal Audit Team

The internal audit team is responsible for performing periodic, independent reviews and testing of compliance with the Company's and the Bank's risk management policies and standards, as well as with regulatory guidance and industry best practices. The internal audit team also assesses the design of the Company's and the Bank's policies and standards and validates the effectiveness of risk management controls, and reports the results of such reviews to the Audit Committee. The internal audit team effectively serves as the "Third Line of Defense" for the Company.

Enterprise Risk Assessment Process

The Enterprise Risk Assessment process (ERA) is a top-down process designed to identify, assess and quantify risk across the Company's primary risk categories and serves as a basis to determine the Company's risk profile. The Enterprise Risk Management team, in collaboration with the Risk Pillar leaders, performs an independent ERA using a methodology that measures likelihood, impact, vulnerability and the speed of onset to rate risks across Synchrony. The ERA plays an important role in directing the risk management activities by helping prioritize initiatives and focus resources on the most appropriate risks. The ERA is performed annually and refreshed periodically, and is the basis of the Material Risk Inventory which is a key input in the strategic and capital planning processes.

Stress testing activities provide a forward-looking assessment of risks and losses. Stress testing is integrated into the strategic, capital and liquidity planning processes, and the results are used to identify portfolio vulnerabilities and develop risk mitigation strategies or contingency plans across a range of stressed conditions.

Risk Appetite Framework

We operate in accordance with a Risk Appetite Statement setting forth objectives, plans and limits, and expressing preferences with respect to risk-taking activities in the context of overall business goals. The risk appetite statement is approved annually by the ERMC and the Board of Directors, with delegated authority to the CRO for implementation throughout the Company. The Risk Appetite Statement serves as a tool to preclude activities that are inconsistent with the business and risk strategy. The Risk Appetite Statement is reviewed and approved at least annually as part of the business planning process and will be modified, as necessary, to include updated risk tolerances by risk category, enabling us to meet prescribed goals while continuing to operate within established risk boundaries.

REGULATION

Regulation Related to Our Business

The Dodd-Frank Wall Street Reform and Consumer Protection Act and Related Developments

The Dodd-Frank Act, which was enacted in 2010, significantly restructured the financial regulatory regime in the United States. As discussed further throughout this section, certain aspects of the Dodd-Frank Act are subject to rules that have been taking effect over several years.

On May 24, 2018, the President signed into law the Economic Growth, Regulatory Relief, and Consumer Protection Act ("EGRRCPA"), which amended the Dodd-Frank Act and modified certain post-crisis regulatory requirements. On October 31, 2018, the Federal Reserve Board, OCC, and FDIC issued proposed rules, which we refer to as the Tailoring Proposals, that among other things would tailor the applicability of the Federal Reserve Board's enhanced prudential standards and apply certain standards for the first time to savings and loan holding companies (other than those substantially engaged in insurance underwriting or commercial activities) that have total assets of $100 billion or more based on the average of the previous four quarters, referred to as "covered savings and loan holding companies." At December 31, 2018, Synchrony had average total assets of $101.5 billion for the previous four quarters. For a description of the EGRRCPA and the Tailoring Proposals, see "-Legislative and Regulatory Developments."

The ongoing implementation of the Dodd-Frank Act, as well as the recent and possible future changes to the regulatory framework as a result of the EGRRCPA, the Tailoring Proposals, and additional expected proposals make it difficult to assess the overall financial impact of the Dodd-Frank Act and related regulatory developments on us and across the industry. See also "Regulation—Risk Factors Relating to Regulation—The Dodd-Frank Act and other legislative and regulatory developments have had, and may continue to have, a significant impact on our business, financial condition and results of operations."

Savings and Loan Holding Company Regulation

Overview

As a savings and loan holding company, we are required to register and file periodic reports with, and are subject to regulation, supervision and examination by, the Federal Reserve Board. The Federal Reserve Board has adopted guidelines establishing safety and soundness standards on such matters as liquidity risk management, securitizations, operational risk management, internal controls and audit systems, business continuity, and compensation and other employee benefits. We are regularly reviewed and examined by the Federal Reserve Board, which results in supervisory comments and directions relating to many aspects of our business that require our response and attention. The Federal Reserve Board has broad enforcement authority over us and our subsidiaries (other than the Bank and its subsidiaries). Under the Dodd-Frank Act, we are required to serve as a source of financial strength for any insured depository institution that we control, such as the Bank.

Capital

As a savings and loan holding company, Synchrony is subject to capital requirements.

The following are the minimum capital ratios to which Synchrony is subject:

- under the Basel III standardized approach, a common equity Tier 1 capital to risk-weighted assets ratio of 7% (the minimum of 4.5% plus a mandatory conservation buffer of 2.5%), a Tier 1 capital to risk-weighted assets ratio of 8.5% (the minimum of 6% plus a mandatory conservation buffer of 2.5%), and a total capital to risk-weighted assets ratio of 10.5% (a minimum of 8% plus a mandatory conservation buffer of 2.5%); and

- a leverage ratio of Tier 1 capital to total consolidated assets of 4%.

Additionally, under an approach to calculating capital for bank holding companies that the Federal Reserve Board has indicated it intends to propose to apply to covered savings and loan holding companies, Synchrony could become subject to a new risk-based capital buffer known as the "stress capital buffer" in lieu of the 2.5% capital conservation buffer. The stress capital buffer would be calculated as the amount of loss of common equity Tier 1 capital incurred by the institution in the severely adverse scenario of the most recent Comprehensive Capital Analysis and Review ("CCAR") exercise, assuming certain continued payments on capital instruments, and would be subject to a floor of 2.5% of risk-weighted assets. See "—Legislative and Regulatory Developments."

For a discussion of our capital ratios, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital."

The EGRRCPA amended the applicability of the Dodd-Frank Act's stress testing requirements, and we are not currently required to conduct stress tests. See "—Legislative and Regulatory Developments." Further, while we prepare and submit a form of capital plan to the Federal Reserve Board for its review, as a savings and loan holding company and a financial holding company, we currently are not subject to the Federal Reserve Board's capital plan submission requirements, CCAR process, and supervisory stress testing requirements that apply to large bank holding companies. However, the Federal Reserve Board has proposed in the Tailoring Proposals to subject covered savings and loan holding companies to biennial supervisory stress tests, and indicated that it intends to propose applying its capital plan submission requirements to covered savings and loan holding companies, which would result in such companies being subject to the CCAR process. See "—Legislative and Regulatory Developments."

Liquidity

As a savings and loan holding company with total consolidated assets in excess of $50 billion, we are required to comply with the modified Liquidity Coverage Ratio Rule ("modified LCR Rule"). The modified LCR Rule requires us to calculate, on a monthly basis, the ratio of the amount of our high quality liquid assets to our expected total net cash outflows over a 30-day stress period ("modified LCR Ratio"), and to maintain a modified LCR Ratio above 1.0. We are required to disclose our modified LCR Ratio and other associated liquidity data on a quarterly basis. In the Tailoring Proposals, the Federal Reserve Board has proposed to raise the threshold of the modified LCR Rule so that it would no longer apply to most banking organizations with less than $250 billion in total assets. See "—Legislative and Regulatory Developments."

In addition to the modified LCR Rule, we may in the future be required to comply with rules adopted by the Federal Reserve Board to implement the Basel III Net Stable Funding Ratio ("NSFR") in the United States, which would require us to maintain a minimum acceptable amount of stable funding based on our liquidity characteristics over a one-year period. In June 2016, the Federal Reserve Board proposed a rule to implement the NSFR in the United States. Under the proposed rule, we would be subject to a modified NSFR, which would be calibrated at 70 percent of the amount of stable funding that would be required of depository institution holding companies with $250 billion or more in total consolidated assets or $10 billion or more in total on-balance sheet foreign exposure. However, in connection with the Tailoring Proposals, the Federal Reserve Board indicated that it would not apply any final NSFR to most banking organizations with less than $250 billion in total assets.

Finally, the Federal Reserve Board requires bank holding companies of a similar size to us to comply with certain enhanced prudential standards with respect to liquidity management. Among other things, such bank holding companies must maintain diversified liquidity buffers and must regularly conduct liquidity stress tests. While, as a savings and loan holding company, we are not currently subject to the same enhanced prudential standards that apply to comparable size bank holding companies, we voluntarily comply with many aspects of the liquidity management requirements in those enhanced prudential standards, including the diversified buffer and stress testing requirements. In the Tailoring Proposals, the Federal Reserve Board has proposed to apply enhanced prudential standards with respect to liquidity management to covered savings and loan holding companies. See "—Legislative and Regulatory Developments."

Dividends and Stock Repurchases

We are limited in our ability to pay dividends or repurchase our stock by the Federal Reserve Board, including on the basis that doing so would be an unsafe or unsound banking practice. Where we intend to declare or pay a dividend, we generally will be required to inform and consult with the Federal Reserve Board in advance to ensure that such dividend does not raise supervisory concerns. It is the policy of the Federal Reserve Board that a savings and loan holding company like us should generally pay dividends on common stock only out of earnings, and only if prospective earnings retention is consistent with the company’s capital needs and overall current and prospective financial condition.

According to guidance from the Federal Reserve Board, our dividend policies will be assessed against, among other things, our ability to achieve applicable Basel III capital ratio requirements. If we do not achieve applicable Basel III capital ratio requirements, we may not be able to pay dividends. Although we currently expect to meet applicable Basel III capital ratio requirements, inclusive of the capital conservation buffer, we cannot be sure that we will meet those requirements or that even if we do, if we will be able to pay dividends.

In evaluating the appropriateness of a proposed redemption or repurchase of stock, the Federal Reserve Board will consider, among other things, the potential loss that we may suffer from the prospective need to increase reserves and write down assets as a result of continued asset deterioration, and our ability to raise additional common equity and other capital to replace the stock that will be redeemed or repurchased. The Federal Reserve Board also will consider the potential negative effects on our capital structure of replacing common stock with any lower-tier form of regulatory capital issued. Moreover, regulatory review of any capital plan we are currently required to submit could result in restrictions on our ability to pay dividends or make other capital distributions. 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” and “—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.”

The Federal Reserve Board has indicated that it intends to propose to subject covered savings and loan holding companies to capital plan submission requirements, which could also impact our ability to pay dividends, make other capital distributions, or redeem or repurchase our stock. See “—Legislative and Regulatory Developments.”

Activities

In general, savings and loan holding companies may only conduct, or acquire control of companies engaged in, financial activities as permitted under the relevant provisions of the Bank Holding Company Act and the Home Owners' Loan Act ("HOLA"). Savings and loan holding companies that have elected financial holding company status generally can engage in a broader range of financial activities than are otherwise permissible for savings and loan holding companies, including securities underwriting, dealing and making markets in securities, and making merchant banking investments in non-financial companies. Synchrony has elected for financial holding company status.

The Federal Reserve Board has the authority to limit a financial holding company’s ability to conduct otherwise permissible activities if the financial holding company or any of its depositary institution subsidiaries ceases to meet the applicable eligibility requirements, including requirements that the financial holding company and each of its U.S. depository institution subsidiaries maintain their status as “well-capitalized” and “well-managed.” The Federal Reserve Board may also impose corrective capital and/or managerial requirements on the financial holding company and may, for example, require divestiture of the holding company’s depository institutions if the deficiencies persist. Federal regulations additionally provide that if any depository institution controlled by a financial holding company fails to maintain at least a “Satisfactory” rating under the Community Reinvestment Act (“CRA”), the financial holding company and its subsidiaries are prohibited from engaging in additional activities that are permissible only for financial holding companies.

In addition, we are subject to banking laws and regulations that limit in certain respects the types of acquisitions and investments that we can make. For example, certain acquisitions of and investments in depository institutions or their holding companies that we may undertake are subject to the prior review and approval of our banking regulators, including the Federal Reserve Board, the OCC and the FDIC. Our banking regulators have broad discretion on whether to approve such acquisitions and investments. In deciding whether to approve a proposed acquisition or investment, federal bank regulators may consider, among other factors: (i) the effect of the acquisition or investment on competition, (ii) our financial condition and future prospects, including current and projected capital ratios and levels, (iii) the competence, experience and integrity of our management and its record of compliance with laws and regulations, (iv) the convenience and needs of the communities to be served, including our record of compliance under the CRA, (v) our effectiveness in combating money laundering, and (vi) any risks that the proposed acquisition poses to the U.S. banking or financial system.

Certain acquisitions of our voting stock may be subject to regulatory approval or notice under federal law. Investors are responsible for ensuring that they do not, directly or indirectly, acquire shares of our stock in excess of the amount that can be acquired without regulatory approval under the Change in Bank Control Act and the HOLA, which prohibit any person or company from acquiring control of us without, in most cases, the prior written approval of the Federal Reserve Board.

Savings Association Regulation

Overview

The Bank is required to file periodic reports with the OCC and is subject to regulation, supervision, and examination by the OCC, the FDIC, and the CFPB. The OCC has adopted guidelines establishing safety and soundness standards on such matters as loan underwriting and documentation, asset quality, earnings, internal controls and audit systems, risk management, interest rate risk exposure and compensation and other employee benefits. The Bank is periodically examined by the OCC, the FDIC, and the CFPB, which results in supervisory comments and directions relating to many aspects of the Bank's business that require the Bank's response and attention. In addition, the OCC, the FDIC, and the CFPB have broad enforcement authority over the Bank.

Capital

The Bank is required by OCC regulations to maintain specified levels of regulatory capital. Institutions that are not well-capitalized are subject to certain restrictions on brokered deposits and interest rates on deposits. The OCC is authorized and, under certain circumstances, required to take certain actions against an institution that fails to meet the minimum ratios for an adequately capitalized institution. At December 31, 2018, the Bank met or exceeded all applicable requirements to be deemed well-capitalized under OCC regulations.

The following are the minimum capital ratios to which the Bank is subject:

- under the Basel III standardized approach, a common equity Tier 1 capital to risk-weighted assets ratio of 7% (the minimum of 4.5% plus a mandatory conservation buffer of 2.5%), a Tier 1 capital to risk-weighted assets ratio of 8.5% (the minimum of 6% plus a mandatory conservation buffer of 2.5%), and a total capital to risk-weighted assets ratio of 10.5% (a minimum of 8% plus a mandatory conservation buffer of 2.5%); and
- a leverage ratio of Tier 1 capital to total consolidated assets of 4%.

For a discussion of the Bank's capital ratios, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital."

As a result of the EGRRCPA, as implemented by the federal banking agencies, the Bank is currently not required to conduct stress tests, based on the level of its total assets.

As an insured depository institution, the Bank is also subject to the Federal Deposit Insurance Act (the "FDIA"), which requires, among other things, the federal banking agencies to take "prompt corrective action" in respect of depository institutions that do not meet minimum capital requirements. The FDIA sets forth the following five capital tiers: "well-capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized." A depository institution's capital tier will depend upon how its capital levels compare with various relevant capital measures and certain other factors that are established by regulation. To be well-capitalized for purposes of the FDIA, the Bank must maintain a common equity Tier 1 capital to risk-weighted assets ratio of 6.5%, a Tier 1 capital to risk-weighted assets ratio of 8%, a total capital to risk-weighted assets ratio of 10%, and a leverage ratio of Tier 1 capital to total consolidated assets of 5%, and not be subject to any written agreement, order or capital directive, or prompt corrective action directive issued by the OCC to meet or maintain a specific capital level for any capital measure. At December 31, 2018, the Bank met or exceeded all applicable requirements to be deemed well-capitalized for purposes of the FDIA.

In addition, the Bank is required to comply with prudential regulation in connection with liquidity. In particular, under OCC guidelines establishing heightened standards for governance and risk management (the "Heightened Standards"), the Bank is required to establish liquidity stress testing and planning processes, which the Bank has done. For a discussion of the Heightened Standards, see "—Heightened Standards for Risk Management Governance" below.

Dividends and Stock Repurchases

OCC regulations limit the ability of savings associations to make distributions of capital, including payment of dividends, stock redemptions and repurchases, cash-out mergers and other transactions charged to the capital account. The Bank must obtain the OCC's approval or give the OCC prior notice before making a capital distribution in certain circumstances, including if the Bank proposes to make a capital distribution when it does not meet certain capital requirements (or will not do so as a result of the proposed capital distribution) or certain net income requirements. In addition, the Bank must file a prior written notice of a planned or declared dividend or other distribution with the Federal Reserve Board. The OCC or the Federal Reserve Board may object to a capital distribution if: among other things, (i) the Bank is, or as a result of such distribution would be, undercapitalized, significantly undercapitalized or critically undercapitalized, (ii) the regulators have safety and soundness concerns or (iii) the distribution violates a prohibition in a statute, regulation, agreement between us and the OCC or the Federal Reserve Board, or a condition imposed on us in an application or notice approved by the OCC or the Federal Reserve Board. Additional restrictions on dividends apply if the Bank fails the QTL test (described below under "—Activities").

The FDIA also prohibits any insured depository institution from making any capital distributions (including payment of a dividend) or paying any management fee to its parent holding company if the depository institution would thereafter be "undercapitalized." If a depository institution is less than adequately capitalized, it must prepare and submit a capital restoration plan to its primary federal regulator for approval. For a capital restoration plan to be acceptable, among other things, the depository institution's parent holding company must guarantee that the institution will comply with the capital restoration plan. If a depository institution fails to submit an acceptable capital restoration plan, it is treated as if it is "significantly undercapitalized." A "significantly undercapitalized" depository institution may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become "adequately capitalized," elect a new Board of Directors, reduce total assets or cease taking deposits from correspondent banks. A "critically undercapitalized" institution may be subject to the appointment of a conservator or receiver which could sell or liquidate the institution, be required to refrain from making payments on its subordinated debt, or be subject to additional restrictions on its activities.

Activities

Under HOLA, the OCC requires the Bank to comply with the qualified thrift lender, or "QTL" test. Under the QTL test, the Bank is required to maintain at least 65.00% of its "portfolio assets" (total assets less (i) specified liquid assets up to 20.00% of total assets, (ii) intangibles, including goodwill and (iii) the value of property used to conduct business) in certain "qualified thrift investments" (primarily residential mortgages and related investments, including certain mortgage-backed securities, credit card loans, student loans and small business loans) in at least nine months of the most recent 12-month period. The Bank currently meets that test. A savings association that fails to meet the QTL test is subject to certain operating restrictions and may be required to convert to a national bank charter.

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Savings associations, including the Bank, are subject as well to limitations on their lending and investments. These limitations include percentage of asset limitations on various types of loans the Bank may make. In addition, there are similar limitations on the types and amounts of investments the Bank may make.

Insured depository institutions, including the Bank, are subject to restrictions under Sections 23A and 23B of the Federal Reserve Act (as implemented by Federal Reserve Board Regulation W), which govern transactions between an insured depository institution and an affiliate, including an entity that is the institution's direct or indirect holding company and a nonbank subsidiary of such a holding company. Restrictions in Sections 23A and 23B of the Federal Reserve Act apply to "covered transactions" such as extensions of credit, issuances of guarantees or asset purchases. In general, these restrictions require that any extensions of credit made by the insured depository institution to an affiliate must be fully secured with qualifying collateral and that the aggregate amount of covered transactions is limited, as to any one affiliate of the Bank, to 10% of the Bank's capital stock and surplus, and, as to all of the Bank's affiliates in the aggregate, to 20% of the Bank's capital stock and surplus. In addition, transactions between the Bank and its affiliates must be on terms and conditions that are, or in good faith would be, offered by the Bank to non-affiliated companies (i.e., at arm's length).

The CRA is a federal law that generally requires an insured depository institution to identify the communities it serves and to make loans and investments, offer products and provide services, in each case designed to meet the credit needs of these communities. The CRA also requires an institution to maintain comprehensive records of CRA activities to demonstrate how it is meeting the credit needs of communities. These records are subject to periodic examination by the responsible federal banking agency of the institution. Based on these examinations, the agency rates the institution's compliance with CRA as "Outstanding," "Satisfactory," "Needs to Improve" or "Substantial Noncompliance." The CRA requires the agency to take into account the record of an institution in meeting the credit needs of the entire communities served, including low- and moderate- income neighborhoods, in determining such rating. Failure of an institution to receive at least a "Satisfactory" rating could inhibit the institution or its holding company from undertaking certain activities, including acquisitions. The Bank received a CRA rating of "Satisfactory" as of its most recent CRA examination.

The FDIA prohibits insured banks from accepting brokered deposits or offering interest rates on any deposits significantly higher than the prevailing rate in the bank's normal market area or nationally (depending upon where the deposits are solicited) unless it is "well-capitalized," or it is "adequately capitalized" and receives a waiver from the FDIC. A bank that is "adequately capitalized" and that accepts brokered deposits under a waiver from the FDIC may not pay an interest rate on any deposit in excess of 75 basis points over certain prevailing market rates. There are no such restrictions under the FDIA on a bank that is "well-capitalized." Further, "undercapitalized" institutions are subject to growth limitations. At December 31, 2018, the Bank met or exceeded all applicable requirements to be deemed well-capitalized for purposes of the FDIA. An inability to accept brokered deposits in the future could materially adversely impact our funding costs and liquidity.

Deposit Insurance

The FDIA requires the Bank to pay deposit insurance assessments. Deposit insurance assessments are affected by the minimum reserve ratio with respect to the federal Deposit Insurance Fund (the "DIF"). The Dodd-Frank Act increased the minimum reserve ratio with respect to the DIF to 1.35% and removed the statutory cap on the reserve ratio. The FDIC subsequently adopted a designated ratio of 2% and may increase that ratio in the future. Under the FDIC's current deposit insurance assessment methodology, the Bank is required to pay deposit insurance assessments based on its average consolidated total assets, less average tangible equity, and various other regulatory factors included in an FDIC assessment scorecard.

In the third quarter of 2018, the DIF reserve ratio reached the statutorily required minimum level of 1.35 percent, which ended the surcharges on banks with $10 billion or more in assets that had been in effect.

The FDIA creates a depositor preference regime for the resolution of all insured depository institutions, including the Bank. If any such institution is placed into receivership, the FDIC will pay (out of the remaining net assets of the failed institution and only to the extent of such assets) first secured creditors (to the extent of their security), second the administrative expenses of the receivership, third all deposits liabilities (both insured and uninsured), fourth any other general or senior liabilities, fifth any obligations subordinated to depositors or general creditors, and finally any remaining net assets to shareholders in that capacity.

Resolution Planning

Under FDIC regulations, the Bank is required annually to submit to the FDIC a plan for the Bank’s resolution in the event of its failure. The plan is designed to enable the FDIC, if appointed receiver for the Bank, to resolve the Bank under sections 11 and 13 of the FDIA in a manner that ensures that its depositors receive access to their insured deposits within one business day of the Bank's failure (two business days if the failure occurs on a day other than Friday), maximizes the net present value return from the sale or disposition of the Bank’s assets, and minimizes the amount of any loss realized by the creditors in the resolution. The resolution plan requirement is intended to ensure that the FDIC has access to all of the material information it needs to resolve the Bank efficiently in the event of its failure. On November 28, 2018, the FDIC announced that it would seek comment on revisions to the resolution plan requirement, including its applicability, and that no bank will be required to submit a resolution plan until the agency has finalized such revisions.

Heightened Standards for Risk Management Governance

The OCC’s Heightened Standards establish guidelines for the governance and risk management practices of large OCC-regulated institutions, including the Bank. These Heightened Standards require covered banks to establish and adhere to a written governance framework in order to manage and control their risk-taking activities, provide standards for covered banks’ boards of directors to oversee the risk governance framework, and describe the appropriate risk management roles and responsibilities of front line units, independent risk management, and internal audit functions. The Bank believes it complies with the Heightened Standards.

Legislative and Regulatory Developments

The EGRRCPA was enacted in May 2018 and includes a variety of provisions intended to promote economic growth, provide tailored regulatory relief for smaller and less complex financial institutions, and enhance consumer protections. Among other things, the law raised the asset size threshold for required company-run stress tests that the Dodd-Frank Act had applied to Synchrony and the Bank, from $10 billion to $250 billion in total assets, and changed the frequency of such tests to be “periodic” rather than annual. As implemented by the federal banking agencies, these changes became effective immediately for banking organizations with total assets of less than $100 billion, such as the Bank. By statute the changes will be effective in November 2019 for banking organizations with total assets of $100 billion or more, but less than $250 billion, such as Synchrony, and in February 2019, the Federal Reserve Board exempted Synchrony from company-run stress test requirements for the 2019 stress test cycle.

The Tailoring Proposals issued in October 2018, if adopted, would tailor existing regulatory requirements related to liquidity, capital, and other enhanced prudential standards to an institution’s risk and complexity profile for certain mid-size and large banking organizations using categories based on size and other factors. Most banking organizations with total assets of less than $100 billion would be uncategorized, and most banking organizations with total assets of $100 billion or more, but less than $250 billion, would be Category IV organizations. Uncategorized and Category IV organizations would not be subject to company-run stress tests, the LCR or modified LCR or, once finalized, the NSFR or modified NSFR. Uncategorized organizations also would not be subject to capital plan submission requirements, the CCAR process, or supervisory stress tests. Category IV organizations would be subject to capital plan submission requirements annually, the quantitative aspects of CCAR biennially, and supervisory stress testing biennially.

In addition, the Tailoring Proposals would apply to covered savings and loan holding companies certain enhanced prudential standards that previously have only applied to bank holding companies. These standards include supervisory stress testing, liquidity risk management, liquidity stress testing, and liquidity buffer requirements, and requirements to have in place a global risk-management framework and a risk committee of the board of directors. In connection with the Tailoring Proposals, the Federal Reserve Board also noted that it intends to propose a rule to apply to covered savings and loan holding companies capital plan submission requirements that currently apply to bank holding companies with $50 billion in assets, which would result in covered savings and loan holding companies becoming subject to the CCAR process. The Federal Reserve Board further noted that it will seek comment on whether it should apply the proposed stress capital buffer to covered savings and loan holding companies in the same manner as bank holding companies.

In December 2018, the federal banking agencies issued a final rule to provide banking organizations with an option to phase in the regulatory capital effects of the Current Expected Credit Loss (“CECL”) model, the new accounting standard for credit losses, over three years.

Consumer Financial Services Regulation

The relationship between us and our U.S. customers is regulated under federal and state consumer protection laws. Federal laws include the Truth in Lending Act, the Equal Credit Opportunity Act, HOLA, the Fair Credit Reporting Act (the "FCRA"), the Gramm-Leach-Bliley Act (the "GLBA"), the CARD Act and the Dodd-Frank Act. These and other federal laws, among other things, require disclosures of the cost of credit, provide substantive consumer rights, prohibit discrimination in credit transactions, regulate the use of credit report information, provide financial privacy protections, require safe and sound banking operations, prohibit unfair, deceptive and abusive practices, restrict our ability to raise interest rates on certain credit card balances, and subject us to substantial regulatory oversight. State and, in some cases, local laws also may regulate the relationship between us and our U.S. customers in these areas, as well as in the areas of collection practices, and may provide additional consumer protections. Moreover, we are subject to the Servicemembers Civil Relief Act, which protects persons called to active military service and their dependents from undue hardship resulting from their military service, and the Military Lending Act (the "MLA"), which extends specific protections if an accountholder, at the time of account opening, is a covered active duty member of the military or certain family members thereof (collectively, the "covered borrowers"). The Servicemembers Civil Relief Act applies to all debts incurred prior to the commencement of active duty (including credit card and other open-end debt) and limits the amount of interest, including service and renewal charges and any other fees or charges (other than bona fide insurance) that are related to the obligation or liability. The MLA became effective with respect to our credit card programs on October 3, 2017. The MLA applies to certain consumer loans, including credit extended pursuant to a credit card account, and extends specific protections if an accountholder, at the time of account opening, is a covered active duty member of the military or certain family members thereof (collectively, the "covered borrowers"). These protections include, but are not limited to: a limit on the military annual percentage rate that can be charged to 36%, delivery of certain required disclosures and a prohibition on mandatory arbitration agreements. If we were to extend credit to a covered borrower without complying with certain MLA provisions, the credit card agreement could be void from its inception.

Violations of applicable consumer protection laws can result in significant potential liability from litigation brought by customers, including actual damages, restitution and attorneys' fees. Federal banking regulators, as well as state attorneys general and other state and local consumer protection agencies, also may seek to enforce consumer protection requirements and obtain these and other remedies, including civil money penalties and fines.

The CARD Act was enacted in 2009 and most of the requirements became effective in 2010. The CARD Act made numerous amendments to the Truth in Lending Act, requiring us to make significant changes to many of our business practices, including marketing, underwriting, pricing and billing. The CARD Act's restrictions on our ability to increase interest rates on existing balances to respond to market conditions and credit risk ultimately limits our ability to extend credit to new customers and provide additional credit to current customers. Other CARD Act restrictions, such as limitations on late fees, have resulted and will continue to result in reduced interest income and loan fee income.

The FCRA regulates our use of credit reports and the reporting of information to credit reporting agencies, and also provides a standard for lenders to share information with affiliates and certain third parties and to provide firm offers of credit to consumers. The FCRA also places further restrictions on the use of information shared between affiliates for marketing purposes, requires the provision of disclosures to consumers when risk-based pricing is used in a credit decision, and requires safeguards to help protect consumers from identity theft.

Under HOLA, the Bank is prohibited from engaging in certain tying or reciprocity arrangements with its customers. In general, the Bank may not extend credit, lease or sell property, or furnish any services or fix or vary the consideration for these on the condition that: (i) the customer obtain or provide some additional credit, property, or services from or to the Bank or Synchrony or their subsidiaries or (ii) the customer may not obtain some other credit, property, or services from a competitor, except in each case to the extent reasonable conditions are imposed to assure the soundness of the credit extended. Certain arrangements are permissible. For example, the Bank may offer more favorable terms if a customer obtains two or more traditional bank products.

The Dodd-Frank Act established the CFPB, which regulates consumer financial products and services and certain financial services providers. The CFPB is authorized to prevent "unfair, deceptive or abusive acts or practices" and ensure consistent enforcement of laws so that all consumers have access to markets for consumer financial products and services that are fair, transparent and competitive. The CFPB has rulemaking and interpretive authority under the Dodd-Frank Act and other federal consumer financial services laws, as well as broad supervisory, examination and enforcement authority over large providers of consumer financial products and services, such as us. In addition, the CFPB has an online complaint system that allows consumers to log complaints with respect to various consumer finance products, including the products we offer. The system could inform future agency decisions with respect to regulatory, enforcement or examination focus. There continues to be uncertainty as to how the CFPB's strategies and priorities will impact our business and our results of operations going forward. See "Regulation—Risk Factors Relating to Regulation—There continues to be uncertainty as to how the Consumer Financial Protection Bureau's actions will impact our business; the agency's actions have had and may continue to have an adverse impact on our business."

Privacy

We are subject to various privacy, information security and data protection laws, including requirements concerning security breach notification. For example, in the United States, certain of our businesses are subject to the GLBA and implementing regulations and guidance. Among other things, the GLBA: (i) imposes certain limitations on the ability of financial institutions to share consumers' nonpublic personal information with nonaffiliated third parties, (ii) requires that financial institutions provide certain disclosures to consumers about their information collection, sharing and security practices and affords customers the right to "opt out" of the institution's disclosure of their personal financial information to nonaffiliated third parties (with certain exceptions) and (iii) requires financial institutions to develop, implement and maintain a written comprehensive information security program containing safeguards that are appropriate to the financial institution's size and complexity, the nature and scope of the financial institution's activities, the sensitivity of customer information processed by the financial institution as well as plans for responding to data security breaches. Federal and state laws also require us to respond appropriately to data security breaches. We have a program to comply with applicable privacy, information security, and data protection requirements imposed by federal, state, and foreign laws, including the GLBA.

In 2018, the State of California enacted the California Consumer Privacy Act ("CCPA"). The CCPA requires covered businesses to comply with requirements that give consumers the right to know what information is being collected from them and whether such information is sold or disclosed to third parties. The statute also allows consumers to access, delete, and prevent the sale of personal information that has been collected by covered businesses in certain circumstances. The CCPA does not apply to personal information collected, processed, sold, or disclosed pursuant to the GLBA or the California Financial Information Privacy Act. We believe we will be a covered business under the CCPA. The CCPA becomes effective on January 1, 2020. While we are continuing to evaluate the potential impact of the CCPA on our business, the CCPA could increase our costs.

See also "Regulation—Risk Factors Relating to Regulation—Regulations relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information and adversely affect our business opportunities."

Money Laundering and Terrorist Financing Prevention Program

We maintain an enterprise-wide program designed to enable us to comply with all applicable anti-money laundering and anti-terrorism financing laws and regulations, including, but not limited to, the Bank Secrecy Act and the Patriot Act. This program includes policies, procedures, processes and other internal controls designed to identify, monitor, manage and mitigate the risk of money laundering or terrorist financing posed by our products, services, customers and geographic locale. These controls include procedures and processes to detect and report suspicious transactions, perform customer due diligence, respond to requests from law enforcement, identify and verify a legal entity customer's beneficial owner(s) at the time a new account is opened and to understand the nature and purpose of the customer relationship, and meet all recordkeeping and reporting requirements related to particular transactions involving currency or monetary instruments. The program is coordinated by a compliance officer, undergoes an annual independent audit to assess its effectiveness, and requires training of employees.

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See “Regulation—Risk Factors Relating to Regulation—Failure to comply with anti-money laundering and anti-terrorism financing laws could have significant adverse consequences for us.”

Sanctions Programs

We have a program designed to comply with applicable economic and trade sanctions programs, including those administered and enforced by OFAC. These sanctions are usually targeted against foreign countries, terrorists, international narcotics traffickers and those believed to be involved in the proliferation of weapons of mass destruction. These regulations generally require either the blocking of accounts or other property of specified entities or individuals, but they may also require the rejection of certain transactions involving specified entities or individuals. We maintain policies, procedures and other internal controls designed to comply with these sanctions programs.

Risk Factors Relating to Regulation

The following discussion of risk factors contains “forward-looking statements,” as discussed in “Cautionary Note Regarding Forward-Looking Statements.” These risk factors may be important to understanding any statement in this Annual Report on Form 10-K or elsewhere. The following information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (MD&A), the consolidated financial statements and related notes in “Consolidated Financial Statements and Supplementary Data” and “Risk Factors Relating to Our Business” of this Form 10-K Report.

Our business is subject to government regulation, supervision, examination and enforcement, which could adversely affect our business, results of operations and financial condition.

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. As a savings and loan holding company and 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. We, including the Bank, are regularly reviewed and examined by our respective regulators, which results in supervisory comments and directions relating to many aspects of our business that require response and attention. See “Regulation” for more information about the regulations applicable to us.

Banking laws and regulations are primarily intended to protect federally insured deposits, the DIF and the banking system as a whole, and not intended to protect our stockholders, noteholders or creditors. If we fail to satisfy applicable laws and regulations, our respective regulators have broad discretion to enforce those laws and regulations, including with respect to the operation of our business, required capital levels, payment of dividends and other capital distributions, engaging in certain activities and making acquisitions and investments. Our regulators also have broad discretion with respect to the enforcement of applicable laws and regulations, including through enforcement actions that could subject us to civil money penalties, customer remediation programs, increased compliance costs, and limits or prohibitions on our ability to offer certain products and services or to engage in certain activities. In addition, to the extent we undertake actions requiring regulatory approval or non-objection, our regulators may make their approval or non-objection subject to conditions or restrictions that could have a material adverse effect on our business, results of operations and financial condition. Any other actions taken by our regulators could also have a material adverse impact on our business, reputation and brand, results of operations and financial condition. Moreover, some of our competitors are subject to different, and in some cases less restrictive, statutory and/or regulatory regimes, which may have the effect of providing them with a competitive advantage over us.

New laws, regulations, policies, or practical changes in enforcement of existing laws, regulations or policies applicable to our business, or our own reexamination of our current practices, could adversely impact our profitability, limit our ability to continue existing or pursue new business activities, require us to change certain of our business practices or alter our relationships with customers, affect retention of our key personnel, or expose us to additional costs (including increased compliance costs and/or customer remediation). These changes may also require us to invest significant management attention and resources to make any necessary changes and could adversely affect our business, results of operations and financial condition. For example, the CFPB has broad authority over our business. See "—There continues to be uncertainty as to how the Consumer Financial Protection Bureau's actions will impact our business; the agency's actions have had and may continue to have an adverse impact on our business."

We are also subject to potential enforcement and other actions that may be brought by state attorneys general or other state enforcement authorities and other governmental agencies. Any such actions could subject us to civil money penalties and fines, customer remediation programs and increased compliance costs, as well as damage our reputation and brand and limit or prohibit our ability to offer certain products and services or engage in certain business practices. For a discussion of risks related to actions or proceedings brought by regulatory agencies, see "—Risk Factors Relating to Our Business—Litigation, regulatory actions and compliance issues could subject us to significant fines, penalties, judgments, remediation costs and/or requirements resulting in increased expenses."

The Dodd-Frank Act and other legislative and regulatory developments have had, and may continue to have, a significant impact on our business, financial condition and results of operations.

The Dodd-Frank Act and regulations promulgated thereunder have had, and may continue to have, a significant adverse impact on our business, results of operations and financial condition. For example, the Dodd-Frank Act and related regulations restrict certain business practices, impose more stringent capital, liquidity and leverage ratio requirements, as well as additional costs (including increased compliance costs and increased costs of funding raised through the issuance of asset-backed securities), on us, and impact the value of our assets. In addition, the Dodd-Frank Act requires us to serve as a source of financial strength for any insured depository institution we control, such as the Bank. Such support may be required by the Federal Reserve Board at times when we might otherwise determine not to provide it or when doing so is not otherwise in the interest of Synchrony or its stockholders, noteholders or creditors. We describe certain provisions of the Dodd-Frank Act and other legislative and regulatory developments in "Regulation—Regulation Relating to Our Business." The overall impact of the Dodd-Frank Act and its implementing regulations on our business, financial condition and results of operations remains unclear.

The EGRRCPA and related regulatory reform proposals, including the Tailoring Proposals, have modified, and may further modify, many of the Dodd-Frank Act's requirements that apply to us. While certain aspects of these legislative and regulatory changes and proposals will reduce regulatory burdens for us, other aspects, including proposals to apply enhanced prudential standards to covered savings and loan holding companies for the first time, could impose additional requirements and constraints on us, including additional capital requirements and limitations on our ability to pay dividends or redeem or repurchase our stock.

Further, the ongoing implementation of the Dodd-Frank Act, as well as the recent and possible future changes to the regulatory framework as a result of the EGRRCPA, the Tailoring Proposals, and additional expected proposals make it difficult to assess the overall financial impact of the Dodd-Frank Act and related regulatory developments on us and across the industry. See "Regulation—Regulation Relating to Our Business—Legislative and Regulatory Developments."

There continues to be uncertainty as to how the Consumer Financial Protection Bureau’s actions will impact our business; the agency’s actions have had and may continue to have an adverse impact on our business.

The CFPB, which commenced operations in July 2011, has broad authority over our business. This includes authority to write regulations under federal consumer financial protection laws and to enforce those laws against and examine large financial institutions, such as us, for compliance. The CFPB is authorized to prevent “unfair, deceptive or abusive acts or practices” through its regulatory, supervisory and enforcement authority. The Federal Reserve Board and the OCC and state government agencies may also invoke their supervisory and enforcement authorities to prevent unfair and deceptive acts or practices. These federal and state agencies are authorized to remediate violations of consumer protection laws in a number of ways, including collecting civil money penalties and fines and providing for customer restitution. The CFPB also engages in consumer financial education, requests data and promotes the availability of financial services to underserved consumers and communities. In addition, the CFPB maintains an online complaint system that allows consumers to log complaints with respect to various consumer finance products, including the products we offer. This system could inform future CFPB decisions with respect to its regulatory, enforcement or examination focus.

There continues to be uncertainty as to how the CFPB’s strategies and priorities, including in both its examination and enforcement processes, will impact our business and our results of operations going forward. Actions by the CFPB could result in requirements to alter or cease offering affected products and services, including deferred interest products, making them less attractive to consumers and less profitable to us and also restricting our ability to offer them. For example, on May 9, 2017, the Bank received a Civil Investigative Demand from the CFPB seeking information related to the marketing and servicing of deferred interest promotions. In addition, since 2013, the Bank has entered into two consent orders with the CFPB - one in 2013 (the "2013 CFPB Consent Order”), which required us to provide remediation to certain customers and to make a number of changes to our CareCredit training, sales, marketing and servicing practices; and another in 2014 (together with the 2013 Consent Order, the "Consent Orders") with respect to a debt cancellation product and sales practices and an unrelated issue that arose from the Bank’s self-identified omission of certain Spanish-speaking customers and customers residing in Puerto Rico from two offers that were made to certain delinquent customers. The Bank’s resolutions with the CFPB do not preclude other regulators or state attorneys general from seeking additional monetary or injunctive relief with respect to CareCredit, and any such relief could have a material adverse effect on our business, results of operations or financial condition. Although we have committed significant resources to enhancing our compliance programs, changes by the CFPB in regulatory expectations, interpretations or practices or interpretations that are different or stricter than ours or those adopted in the past by other regulators could increase the risk of additional enforcement actions, fines and penalties. In recent years, the CFPB has identified certain areas of concern for consumers, including, for example, deferred interest products, subprime specialist credit card issuers, and unexpected rate increases with respect to variable interest rate products. Actions by the CFPB with respect to these or other areas could result in requirements to alter our products and services that may make them less attractive to consumers or less profitable to us.

Future actions by the CFPB (or other regulators) against us or our competitors that discourage the use of products we offer or suggest to consumers the desirability of other products or services could result in reputational harm and a loss of customers. If the CFPB changes regulations which it adopted in the past or which were adopted in the past by other regulators and transferred to the CFPB by the Dodd-Frank Act, or modifies, through supervision or enforcement, past related regulatory guidance or interprets existing regulations in a different or stricter manner than they have been interpreted in the past by us, the industry or other regulators, our compliance costs and litigation exposure could increase materially. If future regulatory or legislative restrictions or prohibitions are imposed that affect our ability to offer promotional financing, including deferred interest, for certain of our products or require us to make significant changes to our business practices, and we are unable to develop compliant alternatives with acceptable returns, these restrictions or prohibitions could have a material adverse impact on our business, results of operations and financial condition.

The Dodd-Frank Act authorizes state officials to enforce regulations issued by the CFPB and to enforce the Act’s general prohibition against unfair, deceptive or abusive practices. This could make it more difficult than in the past for federal financial regulators to declare state laws that differ from federal standards to be preempted. To the extent that states enact requirements that differ from federal standards or state officials and courts adopt interpretations of federal consumer laws that differ from those adopted by the CFPB, we may be required to alter or cease offering products or services in some jurisdictions, which would increase compliance costs and reduce our ability to offer the same products and services to consumers nationwide, and we may be subject to a higher risk of state enforcement actions.

Failure by Synchrony and the Bank to meet applicable capital adequacy and liquidity requirements could have a material adverse effect on us.

Synchrony and the Bank must meet rules for capital adequacy as discussed in “Regulation—Regulation Relating to Our Business.” As a stand-alone savings and loan holding company, Synchrony is subject to capital requirements similar to those that apply to the Bank. In addition, Synchrony and the Bank may be subject to increasingly stringent capital adequacy standards in the future. The Federal Reserve Board has indicated that it intends to propose to apply to covered savings and loan holding companies a stress capital buffer in lieu of the capital conservation buffer to which such companies currently are subject. See “Regulation—Regulation Relating to Our Business—Savings and Loan Holding Company Regulation—Capital.” We cannot predict the effects on Synchrony of capital requirements that have been or may be proposed.

The EGRRCPA amended the applicability of the Dodd-Frank Act’s stress testing requirements, and neither Synchrony nor the Bank is currently required to conduct such stress tests. See “Regulation—Regulation Relating to Our Business—Legislative and Regulatory Developments.” Additionally, as a savings and loan holding company and a financial holding company, Synchrony currently is not subject to the Federal Reserve Board’s capital plan submission requirements, CCAR process, and supervisory stress testing requirements that apply to large bank holding companies. However, the Federal Reserve Board has proposed to subject covered savings and loan holding companies to biennial supervisory stress tests, and indicated that it intends to propose applying its capital plan submission requirements to covered savings and loan holding companies, which would result in such companies being subject to the CCAR process. See “Regulation—Regulation Relating to Our Business—Legislative and Regulatory Developments.” To the extent Synchrony is made subject to the capital planning rule or the CCAR process, Synchrony could be subject to additional restrictions on its ability to return capital to shareholders.

Additionally, ASU 2016-13, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments, which implements CECL as a new impairment model based on expected credit losses, will require us to recognize all expected credit losses over the life of a loan based on historical experience, current conditions, and reasonable and supportable forecasts. We expect CECL to result in an increase to the Company's allowance for loan losses and a decrease in the Company's capital.

Synchrony must also comply with regulatory requirements related to the maintenance, management, monitoring and reporting of liquidity as discussed in “Regulation—Regulation Relating to Our Business.” Synchrony may become subject to additional liquidity requirements in the future. In particular, the Federal Reserve Board has proposed to apply enhanced prudential standards with respect to liquidity management to covered savings and loan holding companies. See “Regulation—Regulation Relating to Our Business—Legislative and Regulatory Developments.” We cannot predict the effects of such requirements on us.

If Synchrony or the Bank fails to meet current or future minimum capital, leverage or other financial requirements, its operations, results of operations and financial condition could be materially adversely affected. Among other things, failure by Synchrony or the Bank to maintain its status as “well capitalized” (or otherwise meet current or future minimum capital, leverage or other financial requirements) could compromise our competitive position and result in restrictions imposed by the Federal Reserve Board or the OCC, including, potentially, on the Bank’s ability to engage in certain activities. These could include restrictions on the Bank’s ability to enter into transactions with affiliates, accept brokered deposits, grow its assets, engage in material transactions, extend credit in certain highly leveraged transactions, amend or change its charter, bylaws or accounting methods, pay interest on its liabilities without regard to regulatory caps on the rates that may be paid on deposits, and pay dividends or repurchase stock. In addition, failure to maintain the well capitalized status of the Bank could result in our having to invest additional capital in the Bank, which could in turn require us to raise additional capital. The market and demand for, and cost of, our asset-backed securities also could be adversely affected by failure to meet current or future capital requirements.

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.

We are limited in our ability to pay dividends and repurchase our common stock by the Federal Reserve Board, which has broad authority to review our capital planning and risk management processes, and our current, projected and stressed capital levels, and to object to any capital action that the Federal Reserve Board considers to be unsafe or unsound. In addition, the declaration and amount of any future dividends to holders of our common stock or stock repurchases will be at the discretion of the Board of Directors and will depend on many factors, including the financial condition, earnings, capital and liquidity requirements of us and the Bank, applicable regulatory requirements, corporate law and contractual restrictions and other factors that the Board of Directors deems relevant. If we are unable to pay dividends or repurchase our common stock, it could adversely affect the market price of our common stock and market perceptions of Synchrony Financial. See “Regulation—Regulation Relating to Our Business—Savings and Loan Holding Company Regulation-Dividends and Stock Repurchases.”

We rely significantly on dividends and other distributions and payments from the Bank for liquidity, including to pay our obligations under our indebtedness and other indebtedness as they become due, and federal law limits the amount of dividends and other distributions and payments that the Bank may pay to us. For example, OCC regulations limit the ability of savings associations to make distributions of capital, including payment of dividends, stock redemptions and repurchases, cash-out mergers and other transactions charged to the capital account. The Bank must obtain the OCC’s approval prior to making a capital distribution in certain circumstances, including if the Bank proposes to make a capital distribution when it does not meet certain capital requirements (or will not do so as a result of the proposed capital distribution) or certain net income requirements. In addition, the Bank must file a prior written notice of a planned or declared dividend or other distribution with the Federal Reserve Board. The Federal Reserve Board or the OCC may object to a capital distribution if, among other things, the Bank is, or as a result of such dividend or distribution would be, undercapitalized or the Federal Reserve Board or OCC has safety and soundness concerns. Additional restrictions on bank dividends may apply if the Bank fails the QTL test. The application of these restrictions on the Bank’s ability to pay dividends involves broad discretion on the part of our regulators. Limitations on the Bank’s payments of dividends and other distributions and payments that we receive from the Bank could reduce our liquidity and limit our ability to pay dividends or our obligations under our indebtedness. See “Regulation—Regulation Relating to Our Business—Savings Association Regulation—Dividends and Stock Repurchases” and “—Activities.”

Regulations relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information and adversely affect our business opportunities.

We are subject to various privacy, information security and data protection laws, including requirements concerning security breach notification, and we could be negatively impacted by them. For example, in the United States, certain of our businesses are subject to the GLBA and implementing regulations and guidance. Among other things, the GLBA: (i) imposes certain limitations on the ability of financial institutions to share consumers' nonpublic personal information with nonaffiliated third parties, (ii) requires that financial institutions provide certain disclosures to consumers about their information collection, sharing and security practices and affords customers the right to "opt out" of the institution's disclosure of their personal financial information to nonaffiliated third parties (with certain exceptions) and (iii) requires financial institutions to develop, implement and maintain a written comprehensive information security program containing safeguards that are appropriate to the financial institution's size and complexity, the nature and scope of the financial institution's activities, and the sensitivity of customer information processed by the financial institution as well as plans for responding to data security breaches.

Moreover, various United States federal banking regulatory agencies, states and foreign jurisdictions have enacted data security breach notification requirements with varying levels of individual, consumer, regulatory and/or law enforcement notification in certain circumstances in the event of a security breach. Many of these requirements also apply broadly to our partners that accept our cards. In many countries that have yet to impose data security breach notification requirements, regulators have increasingly used the threat of significant sanctions and penalties by data protection authorities to encourage voluntary notification and discourage data security breaches.

Furthermore, legislators and/or regulators in the United States and other countries in which we operate are increasingly adopting or revising privacy, information security and data protection laws that potentially could have a significant impact on our current and planned privacy, data protection and information security-related practices, our collection, use, sharing, retention and safeguarding of consumer and/or employee information, and some of our current or planned business activities. This could also increase our costs of compliance and business operations and could reduce income from certain business initiatives. In the United States, this includes increased privacy-related enforcement activity at the Federal level, by the Federal Trade Commission, as well as at the state level, such as with regard to mobile applications, and state legislation such as the CCPA, which could increase our costs. In the European Union, this includes the General Data Protection Regulation. See "Regulation—Regulation Relating to Our Business—Privacy."

Compliance with current or future privacy, data protection and information security laws (including those regarding security breach notification and consumer privacy) affecting customer and/or employee data to which we are subject could result in higher compliance and technology costs and could restrict our ability to provide certain products and services (such as products or services that involve us sharing information with third parties or storing sensitive credit card information), which could materially and adversely affect our profitability. Our failure to comply with privacy, data protection and information security laws could result in potentially significant regulatory investigations and government actions, litigation, fines or sanctions, consumer or partner actions and damage to our reputation and our brand, all of which could have a material adverse effect on our business and results of operations.

Our use of third-party vendors and our other ongoing third-party business relationships are subject to increasing regulatory requirements and attention.

We regularly use third-party vendors and subcontractors as part of our business. We also have substantial ongoing business relationships with our partners and other third parties. These types of third-party relationships are subject to increasingly demanding regulatory requirements and attention by our federal bank regulators (the Federal Reserve Board, the OCC and the FDIC) and our consumer financial services regulator (the CFPB). Regulatory guidance requires us to enhance our due diligence, ongoing monitoring and control over our third-party vendors and subcontractors and other ongoing third-party business relationships, including with our partners. In certain cases, we may be required to renegotiate our agreements with these vendors and/or their subcontractors to meet these enhanced requirements, which could increase our costs. We expect that our regulators will hold us responsible for deficiencies in our oversight and control of our third-party relationships and in the performance of the parties with which we have these relationships. As a result, if our regulators conclude that we have not exercised adequate oversight and control over our third-party vendors and subcontractors or other ongoing third-party business relationships or that such third parties have not performed appropriately, we could be subject to enforcement actions, including the imposition of civil money penalties or other administrative or judicial penalties or fines as well as requirements for customer remediation.

Failure to comply with anti-money laundering and anti-terrorism financing laws could have significant adverse consequences for us.

We maintain an enterprise-wide program designed to enable us to comply with all applicable anti-money laundering and anti-terrorism financing laws and regulations, including, but not limited to, the Bank Secrecy Act and the Patriot Act. This program includes policies, procedures, processes and other internal controls designed to identify, monitor, manage and mitigate the risk of money laundering or terrorist financing posed by our products, services, customers and geographic locale. These controls include procedures and processes to detect and report suspicious transactions, perform customer due diligence, respond to requests from law enforcement, identify and verify a legal entity customer’s beneficial owner(s) at the time a new account is opened and to understand the nature and purpose of the customer relationship, and meet all recordkeeping and reporting requirements related to particular transactions involving currency or monetary instruments. We cannot be sure our programs and controls will be effective to ensure our compliance with all applicable anti-money laundering and anti-terrorism financing laws and regulations, and our failure to comply could subject us to significant sanctions, fines, penalties and reputational harm, all of which could have a material adverse effect on our business, results of operations and financial condition.

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Synchrony Financial:

Opinion on Internal Control Over Financial Reporting

We have audited Synchrony Financial and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Consolidated Statements of Financial Position of the Company as of December 31, 2018 and 2017, the related Consolidated Statements of Earnings, Comprehensive Income, Changes in Equity, and Cash Flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements), and our report dated February 15, 2019, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report on Management's Assessment of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP
New York, New York
February 15, 2019

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Synchrony Financial:

Opinion on the Consolidated Financial Statements

We have audited the accompanying Consolidated Statements of Financial Position of Synchrony Financial and subsidiaries' (the Company) as of December 31, 2018 and 2017, the related Consolidated Statements of Earnings, Comprehensive Income, Changes in Equity, and Cash Flows for each of the years in the three year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 15, 2019 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company’s auditor since 2013.

New York, New York
February 15, 2019

Synchrony Financial and subsidiaries
Consolidated Statements of Earnings

For the years ended December 31 ($ in millions, except per share data)	2018	2017	2016
Interest income:			
Interest and fees on loans (Note 4)	$ 17,644	$ 16,219	$ 14,682
Interest on investment securities	344	188	96
Total interest income	17,988	16,407	14,778
Interest expense:			
Interest on deposits	1,186	848	727
Interest on borrowings of consolidated securitization entities	344	263	244
Interest on third-party debt	340	280	277
Total interest expense	1,870	1,391	1,248
Net interest income	16,118	15,016	13,530
Retailer share arrangements	(3,099)	(2,937)	(2,902)
Net interest income, after retailer share arrangements	13,019	12,079	10,628
Provision for loan losses (Note 4)	5,545	5,296	3,986
Net interest income, after retailer share arrangements and provision for loan losses	7,474	6,783	6,642
Other income:			
Interchange revenue	710	653	602
Debt cancellation fees	267	272	262
Loyalty programs	(751)	(704)	(547)
Other	39	67	27
Total other income	265	288	344
Other expense:			
Employee costs	1,427	1,304	1,198

Professional fees	806	629	638
Marketing and business development	528	498	423
Information processing	426	373	338
Other	908	943	819
Total other expense	4,095	3,747	3,416
Earnings before provision for income taxes	3,644	3,324	3,570
Provision for income taxes (Note 14)	854	1,389	1,319
Net earnings	$ 2,790	$ 1,935	$ 2,251
Earnings per share			
Basic	$ 3.76	$ 2.43	$ 2.71
Diluted	$ 3.74	$ 2.42	$ 2.71

See accompanying notes to consolidated financial statements.

Synchrony Financial and subsidiaries
Consolidated Statements of Comprehensive Income

For the years ended December 31 ($ in millions)	2018	2017	2016
Net earnings	$2,790	$1,935	$2,251
Other comprehensive income (loss)			
Debt securities	(13)	(1)	(8)
Currency translation adjustments	(8)	3	(1)
Employee benefit plans	23	(13)	(3)
Other comprehensive income (loss)	2	(11)	(12)
Comprehensive income	$2,792	$1,924	$2,239

Amounts presented net of taxes.

See accompanying notes to consolidated financial statements.

Synchrony Financial and subsidiaries
Consolidated Statements of Financial Position

At December 31 ($ in millions)	2018	2017
Assets		
Cash and equivalents	$9,396	$11,602
Debt securities (Note 3)	6,062	4,473
Loan receivables: (Notes 4 and 5)		
Unsecuritized loans held for investment	64,969	55,526
Restricted loans of consolidated securitization entities	28,170	26,421
Total loan receivables	93,139	81,947
Less: Allowance for loan losses	(6,427)	(5,574)
Loan receivables, net	86,712	76,373
Goodwill (Note 6)	1,024	991
Intangible assets, net (Note 6)	1,137	749
Other assets	2,461	1,620
Total assets	$106,792	$95,808
Liabilities and Equity		
Deposits: (Note 7)		
Interest-bearing deposit accounts	$63,738	$56,276
Non-interest-bearing deposit accounts	281	212
Total deposits	64,019	56,488
Borrowings: (Notes 5 and 8)		
Borrowings of consolidated securitization entities	14,439	12,497
Senior unsecured notes	9,557	8,302
Total borrowings	23,996	20,799
Accrued expenses and other liabilities	4,099	4,287
Total liabilities	$92,114	$81,574
Equity:		
Common Stock, par share value $0.001 per share; 4,000,000,000 shares authorized; 833,984,684 shares issued at both December 31, 2018 and 2017; 718,758,598 and 770,531,433 shares outstanding at December 31, 2018 and 2017, respectively	$1	$1
Additional paid-in capital	9,482	9,445
Retained earnings	8,986	6,809
Accumulated other comprehensive income (loss):		
Investment securities	(32)	(19)
Currency translation adjustments	(25)	(17)
Employee benefit plans	(5)	(28)
Treasury Stock, at cost; 115,226,086 and 63,453,251 shares at December 31, 2018 and 2017, respectively	(3,729)	(1,957)
Total equity	14,678	14,234
Total liabilities and equity	$106,792	$95,808

See accompanying notes to consolidated financial statements.

Synchrony Financial and subsidiaries
Consolidated Statements of Changes in Equity

($ in millions, shares in thousands)	Common Stock Shares Issued	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
Balance at January 1, 2016	833,828	$ 1	$ 9,351	$ 3,293	$ (41)	$—	$ 12,604
Comprehensive income:							
Net earnings	—	—	—	2,251	—	—	2,251
Other comprehensive income	—	—	—	—	(12)	—	(12)
Purchases of treasury stock	—	—	—	—	—	(476)	(476)
Stock-based compensation	157	—	42	—	—	1	43
Dividends - common stock ($0.26 per share)	—	—	—	(214)	—	—	(214)
Balance at December 31, 2016	833,985	$ 1	$ 9,393	$ 5,330	$ (53)	$ (475)	$ 14,196
Balance at January 1, 2017	833,985	$ 1	$ 9,393	$ 5,330	$ (53)	$ (475)	$ 14,196
Comprehensive income:							
Net earnings	—	—	—	1,935	—	—	1,935
Other comprehensive income	—	—	—	—	(11)	—	(11)
Purchases of treasury stock	—	—	—	—	—	(1,497)	(1,497)
Stock-based compensation	—	—	52	(10)	—	15	57
Dividends - common stock ($0.56 per share)	—	—	—	(446)	—	—	(446)
Balance at December 31, 2017	833,985	$ 1	$ 9,445	$ 6,809	$ (64)	$ (1,957)	$ 14,234
Balance at January 1, 2018	833,985	$ 1	$ 9,445	$ 6,809	$ (64)	$ (1,957)	$ 14,234
Comprehensive income:							
Net earnings	—	—	—	2,790	—	—	2,790
Other comprehensive income	—	—	—	—	2	—	2
Purchases of treasury stock	—	—	—	—	—	(1,868)	(1,868)
Stock-based compensation	—	—	37	(82)	—	96	51
Dividends - common stock ($0.72 per share)	—	—	—	(534)	—	—	(534)
Other	—	—	—	3	—		3
Balance at December 31, 2018	833,985	$ 1	$ 9,482	$ 8,986	$ (62)	$ (3,729)	$ 14,678

See accompanying notes to consolidated financial statements.

Synchrony Financial and subsidiaries
Consolidated Statements of Cash Flows

For the years ended December 31 ($ in millions)	2018	2017	2016
Cash flows - operating activities			
Net earnings	$2,790	$1,935	$2,251
Adjustments to reconcile net earnings to cash provided from operating activities			
Provision for loan losses	5,545	5,296	3,986
Deferred income taxes	(53)	385	389
Depreciation and amortization	302	254	219
(Increase) decrease in interest and fees receivable	(280)	(298)	(429)
(Increase) decrease in other assets	81	144	(398)
Increase (decrease) in accrued expenses and other liabilities	356	210	(32)
All other operating activities	601	649	525
Cash provided from (used for) operating activities	9,342	8,575	6,511
Cash flows - investing activities			
Maturity and sales of debt securities	5,668	3,762	1,380
Purchases of debt securities	(7,271)	(3,159)	(3,380)
Acquisition of loan receivables	(8,183)	(433)	(54)
Net (increase) decrease in loan receivables	(8,448)	(9,238)	(11,092)
All other investing activities	(802)	(474)	(218)
Cash provided from (used for) investing activities	(19,036)	(9,542)	(13,364)
Cash flows - financing activities			
Borrowings of consolidated securitization entities			
Proceeds from issuance of securitized debt	5,093	4,311	3,791
Maturities and repayment of securitized debt	(3,157)	(4,210)	(4,999)
Third-party debt			
Proceeds from issuance of third-party debt	1,244	1,732	1,193
Maturities and repayment of third-party debt	—	(1,200)	(4,151)
Net increase (decrease) in deposits	7,509	4,431	8,666
Purchases of treasury stock	(1,868)	(1,497)	(476)
Dividends paid on common stock	(534)	(446)	(214)
All other financing activities	(34)	(5)	(5)
Cash provided from (used for) financing activities	8,253	3,116	3,805
Increase (decrease) in cash and equivalents, including restricted amounts	(1,441)	2,149	(3,048)
Cash and equivalents, including restricted amounts, at beginning of period	11,817	9,668	12,716
Cash and equivalents at end of year:			
Cash and equivalents	9,396	11,602	9,321
Restricted cash and equivalents included in other assets	980	215	$347
Total cash and equivalents, including restricted amounts, at end of year	$10,376	$11,817	$9,668
Supplemental disclosure of cash flow information			
Cash paid during the year for interest	$(1,815)	$(1,350)	$(1,160)
Cash paid during the year for income taxes	$(772)	$(754)	$(1,771)

See accompanying notes to consolidated financial statements.

NOTE 1. BUSINESS DESCRIPTION

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

References to the "Company," "we," "us" and "our" are to Synchrony Financial and its consolidated subsidiaries unless the context otherwise requires.

NOTE 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying 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 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.

We have reclassified certain prior-period amounts to conform to current-period presentation.

New Accounting Standards

Newly Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The new revenue recognition guidance became effective January 1, 2018 for the Company. The scope of ASU 2014-09 excludes interest and fee income on loans and as a result, the majority of the Company's revenue is not in the scope of the standard. The new guidance did not impact the timing or measurement of the Company's revenues, and as a result, the Company did not present any restated prior period results as a result of the standard becoming effective.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires restricted cash and restricted cash equivalents to be included within beginning and ending total cash amounts reported in the consolidated statements of cash flows. Disclosure of the nature of the restrictions on cash balances is required under the guidance. This standard is effective for annual and interim reporting periods for fiscal years beginning after December 15, 2017. We adopted the guidance retrospectively effective as of January 1, 2018. Upon adoption, changes in restricted cash, which had previously been presented as investing activities, are now included within beginning and ending cash and equivalents, including restricted amounts, balances in our Consolidated Statements of Cash Flows. Additionally, in August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which provided guidance on certain cash flow issues. This standard is effective for annual and interim reporting periods for fiscal years beginning after December 15, 2017. We adopted the guidance retrospectively effective as of January 1, 2018, which did not have a material impact on our consolidated financial statements.

Effective January 1, 2018, we have adopted the provisions of ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which require equity investments (except those accounted for under the equity method of accounting or that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in the Consolidated Statements of Earnings. However, in accordance with the new guidance, the company has elected to measure certain equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes for similar investments of the issuer. The adoption of this new guidance did not have a material impact on the consolidated financial statements.

Recently Issued But Not Yet Adopted Accounting Standards

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

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments. This ASU replaces the existing incurred loss impairment guidance with a new impairment model known as the Current Expected Credit Loss ("CECL") model, which is based on expected credit losses. The CECL model permits the use of judgment in determining an approach which is most appropriate for the Company, based on their facts and circumstances. The CECL model requires, upon origination of a loan, the recognition of all expected credit losses over the life of the loan based on historical experience, current conditions and reasonable and supportable forecasts. Upon origination, the Company will record its estimate of expected credit losses through a charge to earnings, with subsequent updates to this estimate recorded through the loss provision expense.

This standard is effective for annual and interim reporting periods for fiscal years beginning after December 15, 2019, with early adoption permitted for annual and interim periods for fiscal years beginning after December 15, 2018. We plan to adopt the standard on its effective date, which for us is January 1, 2020. Upon adoption, the amendments in this standard will be recognized through a cumulative-effect adjustment to retained earnings.

We have created a company-wide approach to evaluating the effects of implementing this standard. We are evaluating accounting interpretations and their impact to our estimation methods. We are beginning to implement changes to the related estimation models, processes and systems, in addition to assessing the impact on our disclosures. Given the change to expected losses for the estimated life of the financial asset and other significant differences compared to existing GAAP, this standard is expected to result in an increase to the Company’s allowance for loan losses and a decrease in the Company's regulatory capital. The extent of the impact of adoption will depend on the asset quality of the portfolio, and economic conditions and forecasts at adoption.

Segment Reporting

We conduct our operations through a single business segment. Substantially all of our interest and fees on loans and long-lived assets relate to our operations within the United States. Pursuant to FASB Accounting Standards Codification (“ASC”) 280, Segment Reporting, operating segments represent components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker in determining how to allocate resources and in assessing performance. The chief operating decision maker uses a variety of measures to assess the performance of the business as a whole, depending on the nature of the activity. Revenue activities are managed through three sales platforms (Retail Card, Payment Solutions and CareCredit). Those platforms are organized by the types of partners we work with to reach our customers, with success principally measured based on revenues, new accounts and other cardholder sales metrics. Detailed profitability information of the nature that could be used to allocate resources and assess the performance and operations for each sales platform individually, however, is not used by our chief operating decision maker. Expense activities, including funding costs, loan losses and operating expenses, are not measured for each platform but instead are managed for the Company as a whole.

Cash and Equivalents

Debt securities, money market instruments and bank deposits with original maturities of three months or less are included in cash and equivalents unless designated as available-for-sale and classified as investment securities. Cash and equivalents at December 31, 2018 primarily included cash and due from banks of $1.1 billion and interest-bearing deposits in other banks of $8.3 billion. Cash and equivalents at December 31, 2017 primarily included cash and due from banks of $1.4 billion and interest-bearing deposits in other banks of $10.1 billion.

Restricted Cash and Equivalents

Restricted cash and equivalents represent cash and equivalents that are not available to us due to restrictions related to its use. For example, the Bank is required to maintain reserves against its deposit liabilities in the form of vault cash and/or balances with the Federal Reserve Bank. In addition, our securitization entities are required to fund segregated accounts that may only be used for certain purposes, including payment of interest and servicing fees and repayment of maturing debt. We include our restricted cash and equivalents in other assets in our Consolidated Statements of Financial Position.

Investment Securities

We report investments in debt and marketable equity securities at fair value. See Note 9. Fair Value Measurements for further information on fair value. Changes in fair value on debt securities, which are classified as available-for-sale, are included in equity, net of applicable taxes. Changes in fair value on equity securities are included in earnings starting in 2018. We regularly review investment securities for impairment using both quantitative and qualitative criteria.

For debt securities, if we do not intend to sell the security, or it is not more likely than not, that we will be required to sell the security before recovery of our amortized cost, we evaluate other qualitative criteria to determine whether we do not expect to recover the amortized cost basis of the security, such as the financial health of, and specific prospects for the issuer, including whether the issuer is in compliance with the terms and covenants of the security. We also evaluate quantitative criteria including determining whether there has been an adverse change in expected future cash flows. If we do not expect to recover the entire amortized cost basis of the security, we consider the debt security to be other-than-temporarily impaired, and we record the difference between the security's amortized cost basis and its recoverable amount in earnings and the difference between the security's recoverable amount and fair value in other comprehensive income. If we intend to sell the security or it is more likely than not we will be required to sell the debt security before recovery of its amortized cost basis, the security is also considered other-than-temporarily impaired and we recognize the entire difference between the security's amortized cost basis and its fair value in earnings. Realized gains and losses are accounted for on the specific identification method.

Loan Receivables

Loan receivables primarily consist of open-end consumer revolving credit card accounts, closed-end consumer installment loans and open-end commercial revolving credit card accounts. Loan receivables are reported at the amounts due from customers, including unpaid interest and fees, deferred income and costs.

Loan Receivables Held for Sale

Loans purchased or originated with the intent to sell are classified as loan receivables held for sale and recorded at the lower of amortized cost or fair value. Loans initially classified as held for investment are transferred to loan receivables held for sale and recorded at the lower of amortized cost or fair value once a decision has been made to sell the loans. We continue to recognize interest and fees on these loans on the accrual basis. The fair value of loan receivables held for sale is determined on an aggregate homogeneous portfolio basis.

If a loan is transferred from held for investment to held for sale, declines in fair value related to credit are recorded as a charge-off, which establishes a new cost basis for the loan. Further declines in fair value and recoveries up to the amortized cost and realized gains or losses are recorded as a component of other income in our Consolidated Statements of Earnings.

Acquired Loans

To determine the fair value of loans at acquisition, we estimate expected cash flows and discount those cash flows using an observable market rate of interest, when available, adjusted for factors that a market participant would consider in determining fair value. In determining fair value, expected cash flows are adjusted to include prepayment, default rate, and loss severity estimates. The difference between the fair value and the amount contractually due is recorded as a loan discount or premium at acquisition.

Allowance for Loan Losses

Losses on loan receivables are recognized when they are incurred, which requires us to make our best estimate of probable losses inherent in the portfolio. The method for calculating the best estimate of probable losses takes into account our historical experience, adjusted for current conditions with each product and customer type, and our judgment concerning the probable effects of relevant observable data, trends and market factors.

We evaluate each portfolio for impairment quarterly. Our estimation process includes analysis of historical data, and there is a significant amount of judgment applied in selecting inputs and analyzing the results produced by the models to determine the allowance. We use a migration analysis to estimate the likelihood that a loan will progress through the various stages of delinquency. The migration analysis considers uncollectible principal, interest and fees reflected in the loan receivables. We use other analyses to estimate losses incurred on non-delinquent accounts. The considerations in these analyses include past performance, risk management techniques applied to various accounts, historical behavior of different account vintages, current economic conditions, recent trends in delinquencies, bankruptcy filings, account collection management, policy changes, account seasoning, loan volume and amounts, payment rates, forecasting uncertainties, and a qualitative assessment of the adequacy of the allowance for losses, which compares this allowance for losses to projected net charge-offs over the next twelve months, in a manner consistent with regulatory guidance. We regularly review our collection experience (including delinquencies and net charge-offs) in determining our allowance for loan losses. We also consider our historical loss experience to date based on actual defaulted loans and overall portfolio indicators including delinquent and non-accrual loans, trends in loan volume and lending terms, credit policies and other observable environmental factors such as unemployment and home price indices.

The underlying assumptions, estimates and assessments we use to provide for losses are updated periodically to reflect our view of current conditions and are subject to the regulatory examination process, which can result in changes to our assumptions. Changes in such estimates can significantly affect the allowance and provision for losses. It is possible that we will experience credit losses that are different from our current estimates. Charge-offs are deducted from the allowance for losses when we judge the principal to be uncollectible, and subsequent recoveries are added to the allowance, generally at the time cash is received on a charged-off account.

Delinquent receivables are those that are 30 days or more past due based on their contractual payments. Non-accrual loan receivables are those on which we have stopped accruing interest. We continue to accrue interest until the earlier of the time at which collection of an account becomes doubtful, or the account becomes 180 days past due, with the exception of non-credit card accounts, for which we stop accruing interest in the period that the account becomes 90 days past due.

Impaired loans represent loans for which it is probable that we will be unable to collect all amounts due, according to the original contractual terms of the loan agreement, and loans meeting the definition of a troubled debt restructuring ("TDR"). TDRs are those loans for which we have granted a concession to a borrower experiencing financial difficulties where we do not receive adequate compensation.

The same loan receivable may meet more than one of the definitions above. Accordingly, these categories are not mutually exclusive, and it is possible for a particular loan to meet the definitions of a TDR, impaired loan and non-accrual loan, and be included in each of these categories. The categorization of a particular loan also may not be indicative of the potential for loss.

Loan Modifications and Restructurings

Our loss mitigation strategy is intended to minimize economic loss and, at times, can result in rate reductions, principal forgiveness, extensions or other actions, which may cause the related loan to be classified as a TDR, and also as impaired. We use long-term modification programs for borrowers experiencing financial difficulty as a loss mitigation strategy to improve long-term collectability of the loans that are classified as TDRs. The long-term program involves changing the structure of the loan to a fixed payment loan with a maturity no longer than 60 months, and reducing the interest rate on the loan. The long-term program does not normally provide for the forgiveness of unpaid principal, but may allow for the reversal of certain unpaid interest or fee assessments. We also make loan modifications for customers who request financial assistance through external sources, such as a consumer credit counseling agency program. The loans that are modified typically receive a reduced interest rate, but continue to be subject to the original minimum payment terms, and do not normally include waiver of unpaid principal, interest or fees. The determination of whether these changes to the terms and conditions meet the TDR criteria includes our consideration of all relevant facts and circumstances. See Note 4. Loan Receivables and Allowance for Loan Losses for additional information on our loan modifications and restructurings.

Our allowance for loan losses on TDRs is generally measured based on the difference between the recorded loan receivable and the present value of the expected future cash flows, discounted at the original effective interest rate of the loan. If the loan is collateral dependent, we measure impairment based upon the fair value of the underlying collateral less estimated selling costs.

Data related to redefault experience is also considered in our overall reserve adequacy review. Once the loan has been modified, it returns to current status (re-aged), only after three consecutive minimum monthly payments are received post modification date, subject to a re-aging limitation of once a year, or twice in a five-year period in accordance with the Federal Financial Institutions Examination Council ("FFIEC") guidelines on Uniform Retail Credit Classification and Account Management policy issued in June 2000. We believe that the allowance for loan losses would not be materially different had we not re-aged these accounts.

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, fees and third-party fraud losses from charge-offs. Charged-off and recovered accrued and unpaid finance charges and fees are included in interest and fees on loans while fraud losses are included in other expense. Charge-offs are recorded as a reduction to the allowance for loan losses, and subsequent recoveries of previously charged-off amounts are credited to the allowance for loan losses. Costs incurred to recover charged-off loans are recorded as collection expense and are included in other expense in our Consolidated Statements of Earnings.

We charge-off unsecured closed-end consumer installment loans and loans secured by collateral when they are 120 days contractually past due, and unsecured open-ended revolving loans when they are 180 days contractually past due. Unsecured consumer loans in bankruptcy are charged-off within 60 days of notification of filing by the bankruptcy court or within contractual charge-off periods, whichever occurs earlier. Credit card loans of deceased account holders are charged-off within 60 days of receipt of notification.

Goodwill and Intangible Assets

We do not amortize goodwill but test it at least annually for impairment at the reporting unit level pursuant to ASC 350, Intangibles—Goodwill and Other. A reporting unit is defined under GAAP as the operating segment, or one level below that operating segment (the component level) if discrete financial information is prepared and regularly reviewed by segment management. Our single operating segment comprises a single reporting unit, based on the level at which segment management regularly reviews and measures the business operating results.

Goodwill impairment risk is first assessed by performing a qualitative review of entity-specific, industry, market and general economic factors for our reporting unit. If potential goodwill impairment risk exists that indicates that it is more likely than not that the carrying value of our reporting unit exceeds its fair value, we apply a two-step quantitative test. The first step compares the reporting unit's estimated fair value with its carrying value. If the carrying value of our reporting unit's net assets exceeds its fair value, the second step is applied to measure the difference between the carrying value and implied fair value of goodwill. If the carrying value of goodwill exceeds its implied fair value, the goodwill is considered impaired and reduced to its implied fair value. The qualitative assessment for each period presented in the consolidated financial statements was performed without hindsight, assuming only factors and market conditions existing as of those dates, and resulted in no potential goodwill impairment risk for our reporting unit. Consequently, goodwill was not deemed to be impaired for any of the periods presented.

Definite-lived intangible assets principally consist of customer-related assets including contract acquisition costs and purchased credit card relationships. These assets are amortized over their estimated useful lives and evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The evaluation compares the cash inflows expected to be generated from each intangible asset to its carrying value. If cash flows attributable to the intangible asset are less than the carrying value, the asset is considered impaired and written down to its estimated fair value. No material impairments of definite-lived intangible assets have been recognized in the periods presented in the consolidated financial statements.

Revenue Recognition

Interest and Fees on Loans

We use the effective interest method to recognize income on loans. Interest on loans is comprised largely of interest and late fees on credit card and other loans. Interest income is recognized based upon the amount of loans outstanding and their contractual interest rate. Late fees are recognized when billable to the customer. We continue to accrue interest and fees on credit cards until the accounts are charged-off in the period the account becomes 180 days past due. For non-credit card loans, we stop accruing interest and fees when the account becomes 90 days past due. Previously recognized interest income that was accrued but not collected from the customer is reversed. Although we stop accruing interest in advance of payments, we recognize interest income as cash is collected when appropriate, provided the amount does not exceed that which would have been earned at the historical effective interest rate; otherwise, payments received are applied to reduce the principal balance of the loan.

We resume accruing interest on non-credit card loans when the customer's account is less than 90 days past due and collection of such amounts is probable. Interest accruals on modified loans that are not considered to be TDRs may return to current status (re-aged) only after receipt of at least three consecutive minimum monthly payments subject to a re-aging limitation of once a year, or twice in a five-year period.

Direct loan origination costs on credit card loans are deferred and amortized on a straight-line basis over a one-year period, or the life of the loan for other loan receivables, and are included in interest and fees on loans in our Consolidated Statements of Earnings. See Note 4. Loan Receivables and Allowance for Loan Losses for further detail.

Other loan fees including miscellaneous fees charged to borrowers are recognized net of waivers and charge-offs when the related transaction or service is provided, and are included in other income in our Consolidated Statements of Earnings.

Promotional Financing

Loans originated with promotional financing may include deferred interest financing (interest accrues during a promotional period and becomes payable if the full purchase amount is not paid off during the promotional period), no interest financing (no interest accrues during a promotional period but begins to accrue thereafter on any outstanding amounts at the end of the promotional period) and reduced interest financing (interest accrues monthly at a promotional interest rate during the promotional period). For deferred interest financing, we bill interest to the borrower, retroactive to the inception of the loan, if the loan is not repaid prior to the specified date. Income is recognized on such loans when it is billable. In almost all cases, our retail partner will pay an upfront fee or reimburse us to compensate us for all or part of the costs associated with providing the promotional financing. Upfront fees are deferred and accreted to income over the promotional period. Reimbursements are estimated and accrued as income over the promotional period.

Purchased Loans

Loans acquired by purchase are recorded at fair value, which incorporates an estimate at the acquisition date of the credit losses over the remaining life of the acquired loans. As a result, the allowance for losses is not carried over at acquisition. For purchase credit impaired loans, the excess of cash flows expected at acquisition over the initial acquisition cost is recognized into interest income over their estimated remaining lives using the effective interest method. Subsequent decreases to the expected cash flows for these loans require us to evaluate the need for an allowance for credit losses. Subsequent improvements in expected cash flows are recognized into interest income prospectively. For other acquired loans, the excess of contractually required cash flows over the initial acquisition cost is recognized into interest income over the remaining lives using the effective interest method. Subsequent increases in incurred losses for these loans require us to evaluate the need for an allowance for credit losses subject to our allowance for loan losses methodology described above under "Allowance for Loan Losses."

Retailer Share Arrangements
Most of our Retail Card program agreements and certain other program agreements contain retailer share arrangements that provide for payments to our partners if the economic performance of the program exceeds a contractually defined threshold. We also provide other economic benefits to our partners such as royalties on purchase volume or payments for new accounts, in some cases instead of retailer share arrangements (for example, on our co-branded credit cards). Although the share arrangements vary by partner, these arrangements are generally structured to measure the economic performance of the program, based typically on agreed upon program revenues (including interest income and certain other income) less agreed upon program expenses (including interest expense, provision for credit losses, retailer payments and operating expenses), and share portions of this amount above a negotiated threshold. These thresholds and the economic performance of a program are based on, among other things, agreed upon measures of program expenses. On a quarterly basis, we make a judgment as to whether it is probable that the performance threshold will be met under a particular retail partner’s retailer share arrangement. The current period’s estimated contribution to that ultimate expected payment is recorded as a liability. To the extent facts and circumstances change and the cumulative probable payment for prior months has changed, a cumulative adjustment is made to align the retailer share arrangement liability balance with the amount considered probable of being paid relating to past periods.
Loyalty Programs
Our loyalty programs are designed to generate increased purchase volume per customer while reinforcing the value of our credit cards and strengthening cardholder loyalty. These programs typically provide cardholders with statement credit or cash back rewards. Other programs include rewards points, which are redeemable for a variety of products or awards, or merchandise discounts that are earned by achieving a pre-set spending level on their private label credit card, Dual Card or general purpose co-branded credit card. These programs are primarily in our Retail Card platform. We establish a rewards liability based on points and merchandise discounts earned that are ultimately expected to be redeemed and the average cost per point at redemption. The rewards liability is included in accrued expenses and other liabilities in our Consolidated Statements of Financial Position. Cash rebates are earned based on a tiered percentage of purchase volume. As points and discounts are redeemed or cash rebates are issued, the rewards liability is relieved. The estimated cost of loyalty programs is classified as a reduction to other income in our Consolidated Statements of Earnings.
Fraud Losses
We experience third-party fraud losses from the unauthorized use of credit cards and when loans are obtained through fraudulent means. Fraud losses are included as a charge within other expense in our Consolidated Statements of Earnings, net of recoveries, when such losses are probable. Loans are charged off, as applicable, after the investigation period has completed.
Income Taxes
We recognize the current and deferred tax consequences of all transactions that have been recognized in the financial statements using the provisions of the enacted tax laws. The effects of tax adjustments and settlements from taxing authorities are presented in our consolidated financial statements in the period they occur.

Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax laws and rates that will be in effect when the differences are expected to reverse. We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. In making decisions regarding our ability to realize tax assets, we evaluate all positive and negative evidence, including projected future taxable income, taxable income in carryback periods, expected reversal of deferred tax liabilities and the implementation of available tax planning strategies.

We recognize the financial statement impact of uncertain income tax positions when we conclude that it is more likely than not, based on the technical merits of a position, that the position will be sustained upon examination. In certain situations, 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. We recognize accrued interest and penalties related to unrecognized tax benefits as interest expense and provision for income taxes, respectively, in our Consolidated Statements of Earnings.

Fair Value Measurements

Fair value is the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1— Quoted prices for identical instruments in active markets.

Level 2— Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3— Significant inputs to the valuation are unobservable.

We maintain policies and procedures to value instruments using the best and most relevant data available. In addition, we have risk management teams that review valuations, including independent price validation for certain instruments. We use non-binding broker quotes and third-party pricing services as our primary basis for valuation when there is limited or no relevant market activity for a specific instrument or for other instruments that share similar characteristics. We have not adjusted prices that we have obtained.

The third-party brokers and third-party pricing services do not provide us access to their proprietary valuation models, inputs and assumptions. Accordingly, our risk management, treasury and/or finance personnel conduct reviews of these brokers and services, as applicable. In addition, we conduct internal reviews of pricing provided by our third-party pricing service for all investment securities on a quarterly basis to ensure reasonableness of valuations used in the consolidated financial statements. These reviews are designed to identify prices that appear stale, those that have changed significantly from prior valuations and other anomalies that may indicate that a price may not be accurate. Based on the information available, we believe that the fair values provided by the third-party brokers and pricing services are representative of prices that would be received to sell the assets at the measurement date (exit prices) and are classified appropriately in the hierarchy.

Recurring Fair Value Measurements

Our investments in debt and certain equity securities, as well as certain contingent consideration obligations are measured at fair value every reporting period on a recurring basis.

Non-Recurring Fair Value Measurements

Certain assets are measured at fair value on a non-recurring basis. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances. Assets that are written down to fair value when impaired are not subsequently adjusted to fair value unless further impairment occurs.

Financial Assets and Financial Liabilities Carried at Other than Fair Value

The following is a description of the valuation techniques used to estimate the fair values of the financial assets and liabilities carried at other than fair value.

Loan receivables, net

In estimating the fair value for our loan receivables, we use a discounted future cash flow model. We use various unobservable inputs including estimated interest and fee income, payment rates, loss rates and discount rates (which consider current market interest rate data adjusted for credit risk and other factors) to estimate the fair values of loans. When collateral dependent, loan receivables may be valued using collateral values.

Deposits

For demand deposits with no defined maturity, carrying value approximates fair value due to the liquid nature of these deposits. For fixed-maturity certificates of deposit, fair values are estimated by discounting expected future cash flows using market rates currently offered for deposits with similar remaining maturities.

Borrowings

The fair values of borrowings of consolidated securitization entities are based on valuation methodologies that utilize current market interest rate data, which are comparable to market quotes adjusted for our non-performance risk. Borrowings that are publicly traded securities are classified as level 2. Borrowings that are not publicly traded are classified as level 3.

The fair values of the senior unsecured notes are based on secondary market trades and other observable inputs and are classified as level 2.

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. Our debt securities consist of the following:

	December 31, 2018				December 31, 2017			
($ in millions)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
U.S. government and federal agency	$2,889	$ —	$ (1)	$ 2,888	$2,419	$ —	$ (3)	$ 2,416
State and municipal	50	—	(2)	48	44	—	—	44
Residential mortgage-backed[(a)]	1,180	1	(42)	1,139	1,258	1	(28)	1,231
Asset-backed[(b)]	1,988	—	(3)	1,985	781	—	(1)	780
U.S. corporate debt	2	—	—	2	2	—	—	2
Total	$6,109	$ 1	$ (48)	$ 6,062	$4,504	$ 1	$ (32)	$ 4,473

(a) All of our residential mortgage-backed securities have been issued by government-sponsored entities and are collateralized by U.S. mortgages. At December 31, 2018 and 2017, $313 million and $344 million of residential mortgage-backed securities, respectively, are pledged by the Bank as collateral to the Federal Reserve to secure Federal Reserve Discount Window advances.

(b) All of our asset-backed securities are collateralized by credit card loans.

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

	In loss position for Less than 12 months		12 months or more	
($ in millions)	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
At December 31, 2018				
U.S. government and federal agency	$2,838	$ (1)	$—	$ —
State and municipal	23	(1)	8	(1)
Residential mortgage-backed	102	—	933	(42)
Asset-backed	1,665	(2)	114	(1)
Total	$4,628	$ (4)	$1,055	$ (44)
At December 31, 2017				
U.S. government and federal agency	$2,416	$ (3)	$—	$ —
State and municipal	—	—	29	—
Residential mortgage-backed	142	(1)	1,026	(27)
Asset-backed	626	(1)	—	—
Total	$3,184	$ (5)	$1,055	$ (27)

We regularly review debt securities for impairment using both qualitative and quantitative criteria. We presently do not intend to sell our debt securities that are in an unrealized loss position and believe that it is not more likely than not that we will be required to sell these securities before recovery of our amortized cost.

There were no other-than-temporary impairments recognized on our debt securities for the years ended December 31, 2018, 2017 and 2016.

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

At December 31, 2018 ($ in millions)	Amortized cost	Estimated fair value
Due		
Within one year	$ 4,506	$ 4,504
After one year through five years	$ 373	$ 372
After five years through ten years	$ 164	$ 163
After ten years	$ 1,066	$ 1,023

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 years ended December 31, 2018, 2017 and 2016.

Although we generally do not have the intent to sell any specific securities held at December 31, 2018, in the ordinary course of managing our debt securities portfolio, we may sell securities prior to their maturities for a variety of reasons, including diversification, credit quality, yield, liquidity requirements and funding obligations.

NOTE 4. LOAN RECEIVABLES AND ALLOWANCE FOR LOAN LOSSES

At December 31 ($ in millions)	2018	2017
Credit cards	$89,994	$79,026
Consumer installment loans	1,845	1,578
Commercial credit products	1,260	1,303
Other	40	40
Total loan receivables, before allowance for losses(a)(b)	$93,139	$81,947

(a) Total loan receivables include $28.2 billion and $26.4 billion of restricted loans of consolidated securitization entities at December 31, 2018 and 2017, respectively. See Note 5. Variable Interest Entities for further information on these restricted loans.

(b) At December 31, 2018 and 2017, loan receivables included deferred costs, net of deferred income, of $105 million and $97 million, respectively.

Loan Receivables Acquired

On July 2, 2018, we completed our acquisition of the U.S. PayPal Credit financing program, comprising of $7.6 billion of outstanding loan receivables. We also extended our existing co-brand credit card program with PayPal and Synchrony Bank is now PayPal's exclusive issuing bank for the PayPal Credit consumer financing program in the United States through 2028. This transaction was accounted for as an asset purchase and the loan receivables are included within Credit cards at December 31, 2018 in the table above.

Our portfolio of loan receivables includes certain consumer and commercial loans acquired with evidence of credit deterioration that were recorded at fair value at acquisition and subsequently accounted for as purchase credit impaired ("PCI") loans. At December 31, 2018, the total recorded investment in PCI loan receivables is $73 million, with a related valuation allowance of $21 million. Unpaid balance of the PCI loan receivables at December 31, 2018 is $111 million.

Allowance for Loan Losses

($ in millions)	Balance at January 1, 2018	Provision charged to operations	Gross charge-offs	Recoveries	Balance at December 31, 2018
Credit cards	$ 5,483	$ 5,448	$ (5,435)	$ 831	$ 6,327
Consumer installment loans	40	45	(56)	15	44
Commercial credit products	50	52	(53)	6	55
Other	1	—	—	—	1
Total	$ 5,574	$ 5,545	$ (5,544)	$ 852	$ 6,427

($ in millions)	Balance at January 1, 2017	Provision charged to operations	Gross charge-offs	Recoveries	Balance at December 31, 2017
Credit cards	$ 4,254	$ 5,200	$ (4,883)	$ 912	$ 5,483
Consumer installment loans	37	41	(52)	14	40
Commercial credit products	52	55	(63)	6	50
Other	1	—	—	—	1
Total	$ 4,344	$ 5,296	$ (4,998)	$ 932	$ 5,574

($ in millions)	Balance at January 1, 2016	Provision charged to operations	Gross charge-offs	Recoveries	Balance at December 31, 2016
Credit cards	$ 3,420	$ 3,898	$ (3,873)	$ 809	$ 4,254
Consumer installment loans	26	43	(45)	13	37
Commercial credit products	50	45	(51)	8	52
Other	1	—	—	—	1
Total	$ 3,497	$ 3,986	$ (3,969)	$ 830	$ 4,344

Delinquent and Non-accrual Loans

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

At December 31, 2017 ($ in millions)	30-89 days delinquent	90 or more days delinquent	Total past due	90 or more days delinquent and accruing	Total non-accruing
Credit cards	$ 1,906	$ 1,849	$ 3,755	$ 1,849	$ —
Consumer installment loans	25	5	30	—	5
Commercial credit products	31	15	46	15	—
Total delinquent loans	$ 1,962	$ 1,869	$ 3,831	$ 1,864	$ 5
Percentage of total loan receivables	2.4 %	2.3 %	4.7 %	2.3 %	— %

(a) Excludes PCI loan receivables.

Impaired Loans and Troubled Debt Restructurings

Most of our non-accrual loan receivables are smaller balance loans evaluated collectively, by portfolio, for impairment and therefore are outside the scope of the disclosure requirements for impaired loans. Accordingly, impaired loans represent restructured smaller balance homogeneous loans meeting the definition of a TDR. We use certain loan modification programs for borrowers experiencing financial difficulties. These loan modification programs include interest rate reductions and payment deferrals in excess of three months, which were not part of the terms of the original contract.

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

For the years ended December 31 ($ in millions)	2018	2017
Credit cards	$886	$753
Consumer installment loans	—	—
Commercial credit products	3	3
Total	$889	$756

Our allowance for loan losses on TDRs is generally measured based on the difference between the recorded loan receivable and the present value of the expected future cash flows, discounted at the original effective interest rate of the loan. Interest income from loans accounted for as TDRs is accounted for in the same manner as other accruing loans.

The following table provides information about loans classified as TDRs and specific reserves. We do not evaluate credit card loans for impairment on an individual basis but instead estimate an allowance for loan losses on a collective basis. As a result, there are no impaired loans for which there is no allowance.

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

At December 31, 2017 ($ in millions)	Total recorded investment	Related allowance	Net recorded investment	Unpaid principal balance
Credit cards	$ 1,038	$ (444)	$ 594	$ 925
Consumer installment loans	—	—	—	—
Commercial credit products	5	(2)	3	5
Total	$ 1,043	$ (446)	$ 597	$ 930

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:

Years ended December 31,	2018			2017			2016		
($ in millions)	Interest income recognized during period when loans were impaired	Interest income that would have been recorded with original terms	Average recorded investment	Interest income recognized during period when loans were impaired	Interest income that would have been recorded with original terms	Average recorded investment	Interest income recognized during period when loans were impaired	Interest income that would have been recorded with original terms	Average recorded investment
Credit cards	$49	$ 266	$ 1,112	$48	$ 220	$ 960	$48	$ 178	$ 805
Consumer installment loans	—	—	—	—	—	—	—	—	—
Commercial credit products	—	1	5	—	2	5	—	1	6
Total	$49	$ 267	$ 1,117	$48	$ 222	$ 965	$48	$ 179	$ 811

Payment Defaults

The following table presents the type, number and amount of loans accounted for as TDRs that enrolled in a modification plan within the previous 12 months from the applicable balance sheet date and experienced a payment default during the periods presented. A customer defaults from a modification program after two consecutive missed payments.

Years ended December 31,	2018		2017		2016	
($ in millions)	Accounts defaulted	Loans defaulted	Accounts defaulted	Loans defaulted	Accounts defaulted	Loans defaulted
Credit cards	38,976	$ 91	40,316	$ 90	35,648	$ 72
Consumer installment loans	—	—	—	—	—	—
Commercial credit products	76	1	110	1	84	1
Total	39,052	$ 92	40,426	$ 91	35,732	$ 73

Credit Quality Indicators

Our loan receivables portfolio includes both secured and unsecured loans. Secured loan receivables are largely comprised of consumer installment loans secured by equipment. Unsecured loan receivables are largely comprised of our open-ended consumer and commercial revolving credit card loans. As part of our credit risk management activities, on an ongoing basis, we assess overall credit quality by reviewing information related to the performance of a customer’s account with us, as well as information from credit bureaus, such as a Fair Isaac Corporation (“FICO”) or other credit scores, relating to the customer’s broader credit performance. FICO scores are generally obtained at origination of the account and are refreshed, at a minimum quarterly, but could be as often as weekly, to assist in predicting customer behavior. We categorize these credit scores into the following three credit score categories: (i) 661 or higher, which are considered the strongest credits; (ii) 601 to 660, considered moderate credit risk; and (iii) 600 or less, which are considered weaker credits. There are certain customer accounts for which a FICO score is not available where we use alternative sources to assess their credit and predict behavior. The following table provides the most recent FICO scores available for our customers at December 31, 2018 and 2017, respectively, as a percentage of each class of loan receivable. The table below excludes 0.5% and 0.6% of our total loan receivables balance at each of December 31, 2018 and 2017, respectively, which represents those customer accounts for which a FICO score is not available.

At December 31	2018			2017		
	661 or higher	601 to 660	600 or less	661 or higher	601 to 660	600 or less
Credit cards	74 %	18 %	8 %	73 %	19 %	8 %
Consumer installment loans	80 %	14 %	6 %	79 %	15 %	6 %
Commercial credit products	90 %	5 %	5 %	88 %	7 %	5 %

Unfunded Lending Commitments

We manage the potential risk in credit commitments by limiting the total amount of credit, both by individual customer and in total, by monitoring the size and maturity of our portfolios and by applying the same credit standards for all of our credit products. Unused credit card lines available to our customers totaled approximately $418 billion and $370 billion at December 31, 2018 and 2017, 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:

For the years ended December 31 ($ in millions)	2018	2017	2016
Credit cards	$17,342	$15,941	$14,424
Consumer installment loans	156	137	117
Commercial credit products	144	139	139
Other	2	2	2
Total	$17,644	$16,219	$14,682

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 years ended December 31, 2018 and 2017. 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.

At December 31 ($ in millions)	2018	2017
Assets		
Loan receivables, net[(a)]	$26,454	$24,990
Other assets[(b)]	813	62
Total	$27,267	$25,052
Liabilities		
Borrowings	$14,439	$12,497
Other liabilities	36	30
Total	$14,475	$12,527

(a) Includes $1.7 billion and $1.4 billion of related allowance for loan losses resulting in gross restricted loans of $28.2 billion and $26.4 billion at December 31, 2018 and 2017, respectively.

(b) Includes $803 million and $55 million of segregated funds held by the VIEs at December 31, 2018 and 2017, respectively, which are classified as restricted cash and equivalents and included as a component of other assets in our Consolidated Statements of Financial Position.

The balances presented above are net of intercompany balances and transactions that are eliminated in our 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 $5.0 billion, $4.2 billion and $4.5 billion for the years ended December 31, 2018, 2017 and 2016, respectively. Related expenses consisted primarily of provision for loan losses of $1.5 billion, $1.3 billion and $1.0 billion for the years ended December 31, 2018, 2017 and 2016, respectively, and interest expense of $344 million, $263 million and $244 million for the years ended December 31, 2018, 2017 and 2016, respectively. These amounts do not include intercompany transactions, principally fees and interest, which are eliminated in our consolidated financial statements.

NOTE 6. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

($ in millions)	2018	2017
Balance at January 1	$991	$949
Acquisitions	33	42
Balance at December 31	$1,024	$991

Intangible Assets Subject to Amortization

At December 31 ($ in millions)	2018 Gross carrying amount	2018 Accumulated amortization	2018 Net	2017 Gross carrying amount	2017 Accumulated amortization	2017 Net
Customer-related	$1,630	$ (803)	$827	$1,242	$ (679)	$563
Capitalized software and other	562	(252)	310	368	(182)	186
Total	$2,192	$ (1,055)	$1,137	$1,610	$ (861)	$749

During the year ended December 31, 2018, we recorded additions to intangible assets subject to amortization of $632 million, primarily related to customer-related intangible assets, as well as capitalized software expenditures.
Customer-related intangible assets primarily relate to retail partner contract acquisitions and extensions, as well as purchased credit card relationships. During the years ended December 31, 2018 and 2017, we recorded additions to customer-related intangible assets subject to amortization of $406 million and $187 million, respectively, primarily related to payments made to acquire and extend certain retail partner relationships. These additions had a weighted average amortizable life of 9 years and 10 years, respectively.
Amortization expense related to retail partner contracts was $125 million, $112 million and $100 million for the years ended December 31, 2018, 2017 and 2016, respectively, and is included as a component of marketing and business development expense in our Consolidated Statements of Earnings. All other amortization expense was $115 million, $84 million and $74 million for the years ended December 31, 2018, 2017 and 2016, respectively, and is included as a component of other expense in our Consolidated Statements of Earnings.
We estimate annual amortization expense for existing intangible assets over the next five calendar years to be as follows:

($ in millions)	2019	2020	2021	2022	2023
Amortization expense	$240	$214	$167	$125	$ 85

NOTE 7. DEPOSITS

Deposits

	2018		2017	
At December 31 ($ in millions)	Amount	Average rate [a]	Amount	Average rate [a]
Interest-bearing deposits	$63,738	2.0 %	$56,276	1.6 %
Non-interest-bearing deposits	281	—	212	—
Total deposits	$64,019		$56,488	

(a) Based on interest expense for the years ended December 31, 2018 and 2017 and average deposits balances.

At December 31, 2018 and 2017, interest-bearing deposits included $20.2 billion and $16.2 billion of certificates of deposit of $100,000 or more, respectively. Of the total certificates of deposit of $100,000 or more, $6.9 billion and $5.3 billion were certificates of deposit of $250,000 or more at December 31, 2018 and 2017, respectively.

At December 31, 2018, our interest-bearing time deposits maturing over the next five years and thereafter were as follows:

($ in millions)	2019	2020	2021	2022	2023	Thereafter
Deposits	$25,298	$9,125	$2,805	$2,457	$1,164	$ 1,336

The above maturity table excludes $17.9 billion of demand deposits with no defined maturity, of which $16.7 billion are savings accounts. In addition, at December 31, 2018, we had $3.6 billion of broker network deposit sweeps procured through a program arranger who channels brokerage account deposits to us that are also excluded from the above maturity table. Unless extended, the contracts associated with these broker network deposit sweeps will terminate between 2020 and 2025.

NOTE 8. BORROWINGS

	2018				2017
At December 31 ($ in millions)	Maturity date	Interest Rate	Weighted average interest rate	Outstanding Amount[a]	Outstanding Amount[a]
Borrowings of consolidated securitization entities:					
Fixed securitized borrowings	2019 - 2023	1.58% - 3.87%	2.47 %	$ 8,664	$ 8,347
Floating securitized borrowings	2019 - 2021	3.05% - 3.66%	3.23 %	5,775	4,150
Total borrowings of consolidated securitization entities			2.78 %	14,439	12,497
Senior unsecured notes:					
Synchrony Financial senior unsecured notes:					
Fixed senior unsecured notes	2019 - 2027	2.60% - 4.50%	3.59 %	7,318	7,310
Floating senior unsecured notes	2020	3.81 %	3.81 %	250	250
Synchrony Bank senior unsecured notes:					
Fixed senior unsecured notes	2021 - 2022	3.00% - 3.65%	3.33 %	1,490	742
Floating senior unsecured notes	2020	3.43 %	3.43 %	499	—
Total senior unsecured notes			3.54 %	9,557	8,302

Total borrowings	$ 23,996	$ 20,799

(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 over the next five years and thereafter:

($ in millions)	2019	2020	2021	2022	2023	Thereafter
Borrowings	$5,985	$6,575	$5,400	$1,634	$707	$ 3,750

Senior Unsecured Notes

2018 Issuances ($ in millions):

Issuance Date	Principal Amount	Maturity	Interest Rate	
Synchrony Bank				
January 2, 2018	$ 500	2020	Floating rate (three-month LIBOR plus 0.625%)	
May 24, 2018	$ 750	2021	3.650	%

Credit Facilities

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

At December 31, 2018, we had an aggregate of $3.9 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.

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

Recurring Fair Value Measurements

At December 31, 2018 ($ in millions)	Level 1	Level 2	Level 3	Total[(a)]
Assets				
Debt securities				
U.S. Government and Federal Agency	$ —	$2,888	$ —	$2,888
State and municipal	—	—	48	48
Residential mortgage-backed	—	1,139	—	1,139
Asset-backed	—	1,985	—	1,985
U.S. Corporate	—	—	2	2
Other Assets[(b)]	15	—	13	28
Total	$ 15	$6,012	$ 63	$6,090
Liabilities				
Contingent consideration	—	—	26	26
Total	$ —	$—	$ 26	$26
At December 31, 2017 ($ in millions)				
Assets				
Debt securities				
U.S. Government and Federal Agency	$ —	$2,416	$ —	$2,416
State and municipal	—	—	44	44
Residential mortgage-backed	—	1,231	—	1,231
Asset-backed	—	780	—	780
U.S. corporate debt	—	—	2	2
Other Assets[(b)]	15	—	—	15
Total	$ 15	$4,427	$ 46	$4,488

(a) For the years ended December 31, 2018 and 2017, there were no securities transferred between levels.

(b) Other assets primarily relate to equity investments measured at fair value.

Loop Commerce
The contingent consideration in the table above relates to the acquisition of Loop Commerce, a provider of digital and in-store gifting services, which was completed in June 2018. Under the acquisition agreement, the actual amount of contingent consideration to be paid to prior investors is dependent on certain future revenues of Loop Commerce over each annual period during the three-year period ending June 30, 2021. The fair value of the contingent consideration was estimated by applying the income approach based upon significant Level 3 inputs not observable in the market. The assumptions used in the analysis are inherently subjective, and thus the ultimate amount of the contingent consideration liability may differ materially from the most recent estimate. The contingent consideration obligation has been subsequently remeasured to fair value at each reporting date following the acquisition, with changes to fair value recognized in the Consolidated Statement of Earnings. At the date of acquisition, the range of potential payments of this contingent consideration was between zero and $126 million. The higher end of this range would be payable in the event the future revenues of Loop Commerce meet the required targets for all three annual periods during the earnout term.
Additionally, as part of the acquisition of Loop Commerce, the Company entered into compensation arrangements with certain employees of Loop Commerce which are also contingent on certain future revenues of Loop Commerce over each annual period during the three-year period ending June 30, 2021.
Level 3 Fair Value Measurements
Our other 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. For a description of our process to evaluate third-party pricing servicers, see Note 2. Basis of Presentation and Summary of Significant Accounting Policies. 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 years ended December 31, 2018 and 2017 were not material.

Financial Assets and Financial Liabilities Carried at Other than Fair Value

At December 31, 2018 ($ in millions)	Carrying value	Corresponding fair value amount Total	Level 1	Level 2	Level 3
Financial Assets					
Financial assets for which carrying values equal or approximate fair value:					
Cash and equivalents[a]	$9,396	$9,396	$9,396	$—	$—
Other assets[b]	$980	$980	$980	$—	$—
Financial assets carried at other than fair value:					
Loan receivables, net[c]	$86,712	$95,305	$—	$—	$95,305
Financial Liabilities					
Financial liabilities carried at other than fair value:					
Deposits	$64,019	$63,942	$—	$63,942	$—
Borrowings of consolidated securitization entities	$14,439	$14,400	$—	$8,626	$5,774
Senior unsecured notes	$9,557	$9,062	$—	$9,062	$—

At December 31, 2017 ($ 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]	$11,602	$11,602	$11,602	$—	$—
Other assets[b]	$215	$215	$215	$—	$—
Financial assets carried at other than fair value:					
Loan receivables, net[c]	$76,373	$85,871	$—	$—	$85,871
Financial Liabilities					
Financial liabilities carried at other than fair value:					
Deposits	$56,488	$56,754	$—	$56,754	$—
Borrowings of consolidated securitization entities	$12,497	$12,475	$—	$8,323	$4,152
Senior unsecured notes	$8,302	$8,471	$—	$8,471	$—

(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.
(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 Act. 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 Consumer Financial Protection Bureau ("CFPB"). In addition, the Bank, as an insured depository institution, is supervised by the Federal Deposit Insurance Corporation.

Failure to meet minimum capital requirements can initiate certain mandatory and, possibly, additional discretionary actions by regulators that, if undertaken, could limit our business activities and have a material adverse effect on our consolidated financial statements. Under capital adequacy guidelines, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require us and the Bank to maintain minimum amounts and ratios (set forth in the table below) of Total, Tier 1 and common equity Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital to average assets (as defined). For Synchrony Financial to be a well-capitalized savings and loan holding company, the Bank must be well-capitalized and Synchrony Financial must not be subject to any written agreement, order, capital directive, or prompt corrective action directive issued by the Federal Reserve Board to meet and maintain a specific capital level for any capital measure.

At December 31, 2018 and 2017, Synchrony Financial met all applicable requirements to be deemed well-capitalized pursuant to Federal Reserve Board regulations. At December 31, 2018 and 2017, 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 December 31, 2018 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 December 31, 2018 ($ in millions)	Actual		Minimum for capital adequacy purposes	
	Amount	Ratio[a]	Amount	Ratio[b]
Total risk-based capital	$14,013	15.3 %	$7,339	8.0 %
Tier 1 risk-based capital	$12,801	14.0 %	$5,505	6.0 %
Tier 1 leverage	$12,801	12.3 %	$4,157	4.0 %
Common equity Tier 1 Capital	$12,801	14.0 %	$4,128	4.5 %

At December 31, 2017 ($ in millions)	Actual		Minimum for capital adequacy purposes	
	Amount	Ratio[a]	Amount	Ratio[b]
Total risk-based capital	$13,954	17.3 %	$6,454	8.0 %
Tier 1 risk-based capital	$12,890	16.0 %	$4,840	6.0 %
Tier 1 leverage	$12,890	13.8 %	$3,724	4.0 %
Common equity Tier 1 Capital	$12,890	16.0 %	$3,630	4.5 %

Synchrony Bank

At December 31, 2018 ($ in millions)	Actual		Minimum for capital adequacy purposes		Minimum to be well-capitalized under prompt corrective action provisions	
	Amount	Ratio[(a)]	Amount	Ratio[(b)]	Amount	Ratio
Total risk-based capital	$12,258	15.4 %	$6,348	8.0 %	$7,934	10.0 %
Tier 1 risk-based capital	$11,207	14.1 %	$4,761	6.0 %	$6,348	8.0 %
Tier 1 leverage	$11,207	12.4 %	$3,612	4.0 %	$4,515	5.0 %
Common equity Tier 1 Capital	$11,207	14.1 %	$3,570	4.5 %	$5,157	6.5 %

At December 31, 2017 ($ 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	$10,842	16.2 %	$5,340	8.0 %	$6,675	10.0 %
Tier 1 risk-based capital	$9,958	14.9 %	$4,005	6.0 %	$5,340	8.0 %
Tier 1 leverage	$9,958	12.9 %	$3,083	4.0 %	$3,854	5.0 %
Common equity Tier 1 Capital	$9,958	14.9 %	$3,004	4.5 %	$4,339	6.5 %

(a) Capital ratios are calculated based on the Basel III Standardized Approach rules which, at December 31, 2017 included applicable transition provisions.

(b) At December 31, 2018 and 2017, 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 1.875 percentage points and 1.25 percentage points, respectively, to avoid limits on capital distributions and certain discretionary bonus payments to executive officers and similar employees.

The Bank may pay dividends on its stock, with consent or non-objection from the OCC and the Federal Reserve Board, among other things, if its regulatory capital would not thereby be reduced below the applicable regulatory capital requirements.

NOTE 11. EMPLOYEE BENEFIT PLANS

The following summarizes information related to the Synchrony benefit plans and our remaining obligations to GE related to certain of their plans.

Savings Plan

Our U.S. employees are eligible to participate in a qualified defined contribution savings plan that allows them to contribute a portion of their pay to the plan on a pre-tax basis. We make employer contributions to the plan equal to 3% of eligible compensation and make matching contributions of up to 4% of eligible compensation. We also provide certain additional contributions to the plan for employees who were participants in GE's pension plan at the time of Synchrony's separation from GE in November 2015 (the “Separation”). The expenses incurred associated with this plan were $74 million, $76 million and $77 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Health and Welfare Benefits

We provide health and welfare benefits to our employees, including health, dental, prescription drug and vision for which we are self-insured. The expenses incurred associated with these benefits were $117 million, $103 million and $99 million for the years ended December 31, 2018, 2017 and 2016, respectively.

GE Benefit Plans and Reimbursement Obligations

Prior to Separation, our employees participated in various GE retirement and retiree health and life insurance benefit plans. Certain of these retirement benefits vested as a result of Separation. Under the terms of the Employee Matters Agreement between us and GE, GE will continue to pay for these benefits and we are obligated to reimburse them. The principal retirement benefits subject to this arrangement are fixed, life-time annuity payments. The estimated liability for our reimbursement obligations to GE for retiree benefits was $176 million and $201 million at December 31, 2018 and 2017, respectively, and is included in other liabilities in our Consolidated Statement of Financial Position.

NOTE 12. EARNINGS PER SHARE

Basic earnings per share is computed by dividing earnings available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the assumed conversion of all dilutive securities.

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

	Years ended December 31,		
(in millions, except per share data)	2018	2017	2016
Net earnings	$2,790	$1,935	$2,251
Weighted average common shares outstanding, basic	742.3	795.6	829.2
Effect of dilutive securities	4.6	4.1	2.3
Weighted average common shares outstanding, dilutive	746.9	799.7	831.5
Earnings per basic common share	$3.76	$2.43	$2.71
Earnings per diluted common share	$3.74	$2.42	$2.71

We have issued certain stock based awards under the Synchrony Financial 2014 Long-Term Incentive Plan. A total of 4 million, 3 million and 2 million shares for the years ended December 31, 2018, 2017 and 2016, respectively, related to these awards, were considered anti-dilutive and therefore were excluded from the computation of diluted earnings per share.

NOTE 13. EQUITY AND OTHER STOCK RELATED INFORMATION

Dividend and Share Repurchases

During the year ended December 31, 2018, 2017 and 2016, we declared and paid cash dividends of $0.72, $0.56 and $0.26 per share of common stock, or $534 million, $446 million and $214 million, respectively.

In 2018, we completed our 2017 share repurchase program and on May 18, 2018, the Board of Directors approved a share repurchase program of up to $2.2 billion of our outstanding shares of common stock through June 30, 2019. During the year ended December 31, 2018, the Company repurchased an aggregate of 54.7 million shares of our common stock for $1.9 billion under both programs. We made and expect to continue to make share repurchases subject to market conditions and other factors, including legal and regulatory restrictions and required approvals.

Synchrony Financial Incentive Programs

We have established the Synchrony Financial 2014 Long-Term Incentive Plan, which we refer to as the “Incentive Plan.” The Incentive Plan permits us to issue stock-based, stock-denominated and other awards to officers, employees, consultants and non-employee directors providing services to the Company and our participating affiliates. Available awards under the Incentive Plan include stock options and stock appreciation rights (“SARs”), restricted stock and restricted stock units (“RSUs”), performance awards and other awards valued in whole or in part by reference to or otherwise based on our common stock (other stock-based awards), and dividend equivalents. A total of 45.1 million shares of our common stock (including authorized and unissued shares) are available for granting awards under the Incentive Plan.

During 2018, all outstanding RSUs and stock options issued to certain employees in connection with our IPO fully vested. Our annual grants of RSUs and stock options generally vest 20% annually, starting with the first anniversary of the award date, provided that the employee has remained continuously employed by the Company through such vesting date. Each RSU is convertible into one share of Synchrony Financial common stock.

The total compensation expense recorded for these awards was not material for all periods presented. At December 31, 2018, there were 4.2 million RSUs unvested and 9.7 million stock options issued and outstanding and $89 million of total unrecognized compensation cost related to these awards, which is expected to be amortized over a weighted average period of 2.8 years.

NOTE 14. INCOME TAXES

Earnings before Provision for Income Taxes

For the years ended December 31 ($ in millions)	2018	2017	2016
U.S.	$3,628	$3,334	$3,545
Non-U.S.	16	(10)	25
Earnings before provision for income taxes	$3,644	$3,324	$3,570

Provision for Income Taxes

For the years ended December 31 ($ in millions)	2018	2017	2016
Current provision for income taxes			
U.S. Federal	$775	$900	$829
U.S. state and local	115	92	86
Non-U.S.	17	12	15
Total current provision for income taxes	907	1,004	930
Deferred (benefit) provision for income taxes			
U.S. Federal	(55)	367	357
U.S. state and local	(7)	20	33
Non-U.S.	9	(2)	(1)
Deferred (benefit) provision for income taxes	(53)	385	389
Total provision for income taxes	$854	$1,389	$1,319

U.S. income taxes have not been provided on temporary differences related to investments in certain non-U.S. subsidiaries. These temporary differences are due to earnings that have been reinvested abroad for an indefinite period of time and other differences between the book basis and tax basis in the equity in our non-U.S. subsidiaries. Any U.S. tax liability associated with these temporary differences would not be material to the consolidated financial statements.

Tax Reform

On December 22, 2017, the Tax Act was signed into law. The Tax Act significantly revised the U.S. income tax laws, which impacted our year ended December 31, 2017, including lowering the corporate income tax rate from 35% to 21% effective January 1, 2018. We recognized additional discrete tax expense of $160 million for the year ended December 31, 2017, primarily due to the remeasurement of our net deferred tax asset following enactment of the Tax Act.

Reconciliation of Our Effective Tax Rate to the U.S. Federal Statutory Income Tax Rate

For the years ended December 31	2018	2017	2016
U.S. federal statutory income tax rate	21.0%	35.0 %	35.0 %
U.S. state and local income taxes, net of federal benefit	2.4	2.2	2.2
Tax Act enactment	—	4.8	—
All other, net	—	(0.2)	(0.3)
Effective tax rate	23.4%	41.8 %	36.9 %

Significant Components of Our Net Deferred Income Taxes

At December 31 ($ in millions)	2018	2017
Assets		
Allowance for loan losses	$1,588	$1,381
Compensation and employee benefits	110	95
Other assets	113	90
Total deferred income tax assets before valuation allowance	1,811	1,566
Valuation allowance	—	—
Total deferred income tax assets	$1,811	$1,566
Liabilities		
Original issue discount	$(1,198)	$(1,053)
Goodwill and identifiable intangibles	(187)	(141)
Other liabilities	(133)	(120)
Total deferred income tax liabilities	(1,518)	(1,314)
Net deferred income tax assets	$293	$252

Tax Sharing and Separation Agreement

In connection with our initial public offering in August 2014 ("IPO"), we entered into a Tax Sharing and Separation Agreement ("TSSA"), which governs certain Separation-related tax matters between the Company and GE following the IPO. Under the TSSA, we generally are responsible for all taxes attributable to us or our operations for taxable periods following December 31, 2013.

For periods prior to Separation, we filed tax returns on a consolidated basis with GE and are under continuous examination by the IRS and the tax authorities of various states as part of their audit of GE's tax returns. The IRS is currently auditing GE's consolidated U.S. income tax returns for 2012 through 2015.

Unrecognized Tax Benefits

Reconciliation of Unrecognized Tax Benefits

($ in millions)	2018	2017
Balance at January 1	$255	$150
Additions:		
Tax positions of the current year	85	99
Tax positions of prior years	3	16
Reductions:		
Prior year tax positions	(64)	(4)
Settlements with tax authorities	(3)	—
Expiration of the statute of limitation	(25)	(6)
Balance at December 31	$251	$255
Portion of balance that, if recognized, would impact the effective income tax rate	$164	$173

The amount of unrecognized tax benefits that is reasonably possible to be resolved in the next twelve months is expected to be $86 million, of which, $27 million, if recognized, would reduce the company’s tax expense and effective tax rate. Included in the $86 million of unrecognized benefits are certain temporary differences that would not affect the effective tax rate if they were recognized in the Consolidated Statement of Earnings.

Additionally, there are unrecognized tax benefits of $29 million and $30 million for the years ended December 31, 2018 and 2017, respectively, that are included in the tabular reconciliation above but recorded in the Consolidated Statement of Financial Position as a reduction of the related deferred tax asset for net operating losses.

Interest expense and penalties related to income tax liabilities recognized in our Consolidated Statements of Earnings were not material for all periods presented.

In addition to the audits of GE's tax returns, we are under examination in various states going back to 2011. We believe that there are no issues or claims that are likely to significantly impact our results of operations, financial position or cash flows. We further believe that we have made adequate provision for all income tax uncertainties that could result from such examinations.

NOTE 15. PARENT COMPANY FINANCIAL INFORMATION

The following tables present parent company financial statements for Synchrony Financial. At December 31, 2018, restricted net assets of our subsidiaries were $12.8 billion.

Condensed Statements of Earnings

For the years ended December 31 ($ in millions)	2018	2017	2016
Interest income:			
Interest income from subsidiaries	$220	$125	$65
Interest on debt securities	20	23	13
Total interest income	240	148	78
Interest expense:			
Interest on third-party debt	287	268	277
Total interest expense	287	268	277
Net interest income	(47)	(120)	(199)
Dividends from bank subsidiaries	950	1,040	320
Dividends from nonbank subsidiaries	318	1,133	2,290
Other income	115	91	90
Other expense	120	115	141
Earnings before benefit from income taxes	1,216	2,029	2,360
Benefit from income taxes	(8)	(89)	(77)
Equity in undistributed net earnings of subsidiaries	1,566	(183)	(186)
Net earnings	$2,790	$1,935	$2,251
Comprehensive income	$2,792	$1,924	$2,239

Condensed Statements of Financial Position

At December 31 ($ in millions)	2018	2017
Assets		
Cash and equivalents	$3,356	$1,975
Debt securities	869	1,687
Investments in and amounts due from subsidiaries[a]	18,566	18,655
Goodwill	17	17
Other assets	89	172
Total assets	$22,897	$22,506
Liabilities and Equity		
Amounts due to subsidiaries	$184	$260
Senior unsecured notes	7,568	7,560
Accrued expenses and other liabilities	467	452
Total liabilities	8,219	8,272
Equity:		
Total equity	14,678	14,234
Total liabilities and equity	$22,897	$22,506

(a) Includes investments in and amounts due from bank subsidiaries of $13.1 billion and $12.3 billion at December 31, 2018 and 2017, respectively.

Condensed Statements of Cash Flows

For the years ended December 31 ($ in millions)	2018	2017	2016
Cash flows - operating activities			
Net earnings	$2,790	$1,935	$2,251
Adjustments to reconcile net earnings to cash provided from operating activities			
Deferred income taxes	8	(43)	9
(Increase) decrease in other assets	106	18	95
Increase (decrease) in accrued expenses and other liabilities	6	(38)	34
Equity in undistributed net earnings of subsidiaries	(1,566)	183	186
All other operating activities	66	53	72
Cash provided from (used for) operating activities	1,410	2,108	2,647
Cash flows - investing activities			
Net (increase) decrease in investments in and amounts due from subsidiaries	1,687	(947)	(1,641)
Maturity and sales of debt securities	1,493	1,914	1,249
Purchases of debt securities	(681)	(1,402)	(1,452)
All other investing activities	(94)	(45)	(3)
Cash provided from (used for) investing activities	2,405	(480)	(1,847)
Cash flows - financing activities			
Third-party debt			
Proceeds from issuance of third-party debt	—	991	1,193
Maturities and repayment of third-party debt	—	(1,200)	(4,151)
Purchases of treasury stock	(1,868)	(1,497)	(476)
Dividends paid on common stock	(534)	(446)	(214)
Increase (decrease) in amounts due to subsidiaries	(4)	27	21
All other financing activities	(28)	(2)	—
Cash provided from (used for) financing activities	(2,434)	(2,127)	(3,627)
Increase (decrease) in cash and equivalents	1,381	(499)	(2,827)
Cash and equivalents at beginning of year	1,975	2,474	5,301
Cash and equivalents at end of year	$3,356	$1,975	$2,474

NOTE 16. 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 consolidated financial condition or liquidity. However, in light of the uncertainties involved in such matters, the ultimate outcome of a particular matter could be material to our operating results for a particular period depending on, among other factors, the size of the loss or liability imposed and the level of our earnings for that period, and could adversely affect our business and reputation.

Below is a description of certain of our regulatory matters and legal proceedings.

Regulatory Matters

On October 30, 2014, the United States Trustee, which is part of the Department of Justice, filed an application in In re Nyree Belton, a Chapter 7 bankruptcy case pending in the U.S. Bankruptcy Court for the Southern District of New York for orders authorizing discovery of the Bank pursuant to Rule 2004 of the Federal Rules of Bankruptcy Procedure, related to an investigation of the Bank's credit reporting. The discovery, which is ongoing, concerns allegations made in Belton et al. v. GE Capital Consumer Lending, a putative class action adversary proceeding pending in the same Bankruptcy Court. In the Belton adversary proceeding, which was filed on April 30, 2014, plaintiff alleges that the Bank violates the discharge injunction under Section 524(a)(2) of the Bankruptcy Code by attempting to collect discharged debts and by failing to update and correct credit information to credit reporting agencies to show that such debts are no longer due and owing because they have been discharged in bankruptcy. Plaintiff seeks declaratory judgment, injunctive relief and an unspecified amount of damages. On December 15, 2014, the Bankruptcy Court entered an order staying the adversary proceeding pending an appeal to the District Court of the Bankruptcy Court's order denying the Bank's motion to compel arbitration. On October 14, 2015, the District Court reversed the Bankruptcy Court and on November 4, 2015, the Bankruptcy Court granted the Bank's motion to compel arbitration.

On May 9, 2017, the Bank received a Civil Investigative Demand from the CFPB seeking information related to the marketing and servicing of deferred interest promotions.

Other Matters

The Bank or the Company is, or has been, defending a number of putative class actions alleging claims under the federal Telephone Consumer Protection Act ("TCPA") as a result of phone calls made by the Bank. The complaints generally have alleged that the Bank or the Company placed calls to consumers by an automated telephone dialing system or using a pre-recorded message or automated voice without their consent and seek up to $1,500 for each violation, without specifying an aggregate amount. Campbell et al. v. Synchrony Bank was filed on January 25, 2017 in the U.S. District Court for the Northern District of New York. The original complaint named only J.C. Penney Company, Inc. and J.C. Penney Corporation, Inc. as the defendants but was amended on April 7, 2017 to replace those defendants with the Bank. Neal et al. v. Wal-Mart Stores, Inc. and Synchrony Bank, for which the Bank is indemnifying Wal-Mart, was filed on January 17, 2017 in the U.S. District Court for the Western District of North Carolina. The original complaint named only Wal-Mart Stores, Inc. as a defendant but was amended on March 30, 2017 to add Synchrony Bank as an additional defendant. Mott et al. v. Synchrony Bank was filed on February 2, 2018 in the U.S. District Court for the Middle District of Florida.

On November 2, 2018, a putative class action lawsuit, Retail Wholesale Department Store Union Local 338 Retirement Fund v. Synchrony Financial, et al., was filed in the U.S. District Court for the District of Connecticut, naming as defendants the Company and two of its officers. The lawsuit asserts violations of the Exchange Act for allegedly making materially misleading statements and/or omitting material information concerning the Company's underwriting practices and private-label card business, and was filed on behalf of a putative class of persons who purchased or otherwise acquired the Company's common stock between October 21, 2016 and November 1, 2018. The complaint seeks an award of unspecified compensatory damages, costs and expenses.

On 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 Retail Wholesale 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.

NOTE 17. SUBSEQUENT EVENTS

On January 23, 2019, we announced our agreement to sell the outstanding loan receivables related to our Walmart program agreement. The sale of the portfolio, which is subject to customary closing conditions, is expected to be completed either late in the third quarter, or early in the fourth quarter, of 2019. Beginning in the first quarter of 2019, we will present these loan receivables as loan receivables held for sale on our Consolidated Statement of Financial Position and recognize the associated adjustments to allowance for loan losses as a reduction to Provision for Loan Losses in our Consolidated Statement of Earnings in the first quarter of 2019.

NOTE 18. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	Quarterly Periods Ended							
($ in millions)	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Interest income	$4,876	$ 4,694	$4,174	$4,244	$ 4,291	$ 4,233	$3,970	$3,913
Interest expense	543	488	437	402	375	357	333	326
Net interest income	4,333	4,206	3,737	3,842	3,916	3,876	3,637	3,587
Earnings before provision for income taxes	1,012	893	892	847	875	879	788	782
Provision for income taxes	229	222	196	207	490	324	292	283
Net earnings	$783	$ 671	$696	$640	$ 385	$ 555	$496	$499
Earnings per share								
Basic	$1.09	$ 0.91	$0.93	$0.84	$ 0.49	$ 0.70	$0.62	$0.61
Diluted	$1.09	$ 0.91	$0.92	$0.83	$ 0.49	$ 0.70	$0.61	$0.61

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Controls and Procedures

Evaluation of Disclosure 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 December 31, 2018.

Changes in Internal Control Over Financial Reporting

No change in internal control over financial reporting occurred during the fiscal quarter ended December 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report on Management's Assessment of Internal Control Over Financial Reporting

The management of Synchrony Financial (“the Company”) is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined by Exchange Act Rules 13a-15 and 15d-15. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are made only in accordance with authorizations of the Company's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Although any system of internal control can be compromised by human error or intentional circumvention of required procedures, we believe our system provides reasonable assurance that financial transactions are recorded and reported properly, providing an adequate basis for reliable financial statements.

The Company’s management has used the criteria established in Internal Control - Integrated Framework (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) to evaluate the effectiveness of the Company’s internal control over financial reporting.

The Company’s management has assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2018 and has concluded that such internal control over financial reporting is effective. There are no material weaknesses in the Company’s internal control over financial reporting that have been identified by the Company’s management.

KPMG LLP, an independent registered public accounting firm, has audited the consolidated financial statements of the Company for the year ended December 31, 2018 and has also issued an audit report, which is included in "Consolidated Financial Statements and Supplementary Data” of this Form 10-K Report, on internal control over financial reporting as of December 31, 2018 under Auditing Standard No. 2201 of the Public Company Accounting Oversight Board (“PCAOB”).

OTHER KEY INFORMATION
Properties

Facilities
Our corporate headquarters are located on a site in Stamford, Connecticut that we lease from a third party.
In addition to those set forth below, we maintain small offices at a few of our U.S. partner locations pursuant to servicing, lease or license agreements.
We believe our space is adequate for our current needs and that suitable additional or substitute space will be available to accommodate the foreseeable expansion of our operations.
The table below sets out selected information on our principal facilities.

Location	Owned/Leased
Corporate Headquarters:	
Stamford, CT	Leased
Bank Headquarters:	
Draper, UT	Leased
Payment Processing Centers:	
Atlanta, GA	Leased
Longwood, FL	Leased
Customer Service Centers:	
Altamonte Springs, FL	Leased
Canton, OH	Leased
Charlotte, NC	Leased
Hyderabad, India	Leased
Kettering, OH	Leased
Manila, Philippines (2)	Leased
Cebu, Philippines	Leased
Merriam, KS	Owned
Phoenix, AZ	Leased
Rapid City, SD	Leased
San Juan, PR	Leased
Other Support Centers:	
Alpharetta, GA (2)	Leased
Bellevue, WA	Leased
Bentonville, AR	Leased
Champaign, IL	Leased
Chicago, IL (2)	Leased
Costa Mesa, CA	Leased
Frisco, TX	Leased
Menlo Park, CA	Leased
New York, NY	Leased
San Francisco, CA	Leased
St. Paul, MN	Leased
Walnut Creek, CA	Leased

Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock trades on the New York Stock Exchange under the symbol "SYF."

The following table reflects the cash dividends we declared for the periods indicated.

($ in dollars)	Cash dividends declared
2018	
Fourth quarter	$ 0.21
Third quarter	$ 0.21
Second quarter	$ 0.15
First quarter	$ 0.15
2017	
Fourth quarter	$ 0.15
Third quarter	$ 0.15
Second quarter	$ 0.13
First quarter	$ 0.13

Holders

At February 11, 2019, the approximate number of holders of record of common stock was 2,733.

Dividends

Dividend Policy. The declaration and payment of any future dividends to holders of our common stock or stock repurchases will be at the discretion of Synchrony's Board of Directors and will depend on many factors, including the financial condition, earnings, capital and liquidity requirements of us and the Bank, applicable regulatory restrictions, corporate law and contractual restrictions and other factors that the Board of Directors deems relevant.

As a savings and loan holding company, our ability to pay dividends to our stockholders or to repurchase our stock is subject to regulation by the Federal Reserve Board. In addition, as a holding company, we rely significantly on dividends, distributions and other payments from the Bank to fund dividends to our stockholders. The ability of the Bank to make dividends and other distributions and payments to us is subject to regulation by the OCC and the Federal Reserve Board. 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" and "—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."

Performance Graph

The following graph compares the cumulative total stockholders return (rounded to the nearest whole dollar) of the Company's common stock, the S&P 500 Stock Index and the S&P 500 Financials Index for the period from July 31, 2014 through December 31, 2018. The graph assumes an initial investment of $100 on July 31, 2014, the date the Company began trading on the NYSE following the IPO. The cumulative returns for the Company's common stock and financial indices assume full reinvestment of dividends. This graph does not forecast future performance of the Company's common stock.

	July 31, 2014	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018
Synchrony Financial	$100.00	$ 129.35	$ 132.22	$ 159.07	$ 172.39	$ 107.21
S&P 500	$100.00	$ 107.60	$ 109.09	$ 122.14	$ 148.80	$ 142.28
S&P 500 Financials	$100.00	$ 111.35	$ 109.65	$ 134.65	$ 164.52	$ 143.08

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Issuer Purchases of Equity Securities

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 December 31, 2018.

($ in millions, except per share data)	Total Number of Shares Purchased[(a)]	Average Price Paid Per Share[(b)]	Total Number of Shares Purchased as Part of Publicly Announced Program[(c)]	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Program[(b)]
October 1 - 31, 2018	4,249	$ 31.39	—	$ 953.0
November 1 - 30, 2018	—	$ —	—	$ 953.0
December 1 - 31, 2018	3	$ 23.76	—	$ 953.0
Total	4,252	$ 31.39	—	$ 953.0

(a) Includes 4,249 shares, 0 shares and 3 shares withheld in October, November and December, respectively, to offset tax withholding obligations that occur upon the delivery of outstanding shares underlying restricted stock awards or upon the exercise of stock options.

(b) Amounts exclude commission costs.

(c) On May 17, 2018, the Board of Directors approved the 2018 Share Repurchase Program.

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Exhibits and Financial Statement Schedules

(a) Documents filed as part of this Form 10-K:

1. Consolidated Financial Statements
The consolidated financial statements required to be filed in this annual report on Form 10-K are listed below and appear herein on the pages indicated.

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2. Financial Statement Schedules
Separate financial statement schedules have been omitted either because they are not applicable or because the required information is included in the consolidated financial statements.
3. Exhibits
A list of the exhibits being filed or furnished with or incorporated by reference into this annual report on Form 10-K is provided below:
EXHIBIT INDEX

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Synchrony Financial (incorporated by reference to Exhibit 3.2 of Amendment No. 5 to Form S-1 Registration Statement filed by Synchrony Financial on July 18, 2014 (No. 333-194528))
3.2	Amended and Restated Bylaws of Synchrony Financial (incorporated by reference to Exhibit 3.1 of Form 8-K filed by Synchrony Financial on November 1, 2016)
4.1	Indenture, dated as of August 11, 2014, between Synchrony Financial and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.1 of Form 8-K filed by Synchrony Financial on August 13, 2014)
4.2	First Supplemental Indenture, dated as of August 11, 2014, between Synchrony Financial and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.2 of Form 8-K filed by Synchrony Financial on August 13, 2014)
4.3	Second Supplemental Indenture, dated as of February 2, 2015, between Synchrony Financial and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.1 of Form 8-K filed by Synchrony Financial on February 2, 2015)
4.4	Third Supplemental Indenture, dated as of July 23, 2015, between Synchrony Financial and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.1 of Form 8-K filed by Synchrony Financial on July 23, 2015)
4.5	Sixth Supplemental Indenture, dated as of August 4, 2016, between Synchrony Financial and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.1 of Form 8-K filed by Synchrony Financial on August 4, 2016)
4.6	Seventh Supplemental Indenture, dated as of December 1, 2017, between Synchrony Financial and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.1 of Form 8-K filed by Synchrony Financial on December 1, 2017)

4.7	Form of 2.700% Senior Notes due 2020 (incorporated by reference to Exhibit 4.2 of Form 8-K filed by Synchrony Financial on February 2, 2015)
4.8	Form of Floating Rate Senior Notes due 2020 (incorporated by reference to Exhibit 4.3 of Form 8-K filed by Synchrony Financial on February 2, 2015)

4.9	Form of 4.500% Senior Notes due 2025 (incorporated by reference to Exhibit 4.2 of Form 8-K filed by Synchrony Financial on July 23, 2015)
4.10	Form of 3.700% Senior Notes due 2026 (incorporated by reference to Exhibit 4.2 of Form 8-K filed by Synchrony Financial on August 4, 2016)
4.11	Form of 3.950% Senior Notes due 2027 (incorporated by reference to Exhibit 4.2 of Form 8-K filed by Synchrony Financial on December 1, 2017)
4.12	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 of Amendment No. 5 to Form S-1 Registration Statement filed by Synchrony Financial on July 18, 2014 (No. 333-194528))
10.1	Master Agreement, dated as of July 30, 2014, among General Electric Capital Corporation, Synchrony Financial, and, solely for purposes of certain sections and articles set forth therein, General Electric Company (incorporated by reference to Exhibit 10.1 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on August 1, 2014 (333-197244))
10.2	Transitional Services Agreement, dated August 5, 2014, by and among General Electric Capital Corporation, Synchrony Financial and Retail Finance International Holdings, Inc. (incorporated by reference to Exhibit 10.1 of Form 8-K filed by Synchrony Financial on August 11, 2014)
10.3	Tax Sharing and Separation Agreement, dated as of August 5, 2014, by and between General Electric Company and Synchrony Financial (incorporated by reference to Exhibit 10.3 of Form 8-K filed by Synchrony Financial on August 11, 2014)
10.4	Employee Matters Agreement, dated as of August 5, 2014, by and among General Electric Company, General Electric Capital Corporation and Synchrony Financial (incorporated by reference to Exhibit 10.4 of Form 8-K filed by Synchrony Financial on August 11, 2014)
10.5	Transitional Trademark License Agreement, dated as of August 5, 2014, by and between GE Capital Registry, Inc. and Synchrony Financial (incorporated by reference to Exhibit 10.5 of Form 8-K filed by Synchrony Financial on August 11, 2014)
10.6	Intellectual Property Cross License Agreement, dated as of August 5, 2014, by and between General Electric Company and General Electric Capital Corporation, on the one hand, and Synchrony Financial, on the other hand (incorporated by reference to Exhibit 10.6 of Form 8-K filed by Synchrony Financial on August 11, 2014)
10.7	Credit Agreement, dated as of July 30, 2014, among Synchrony Financial, as borrower, JPMorgan Chase Bank, N.A., as administrative agent, and the other Lenders party thereto (incorporated by reference to Exhibit 1.1 of Amendment No. 8 to Form S-1 Registration Statement filed by Synchrony Financial on August 1, 2014 (333-197244))
10.8	Amendment No. 1 to Credit Agreement, dated October 1, 2014, by and among Synchrony Financial, the Lenders party thereto and JP Morgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.2 to Form 8-K filed by Synchrony Financial on October 6, 2014)
10.9+	Form of agreement for awards under Synchrony 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.11 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on August 1, 2014 (333-197244))
10.10+	Form of agreement for awards of Performance Share Units under Synchrony 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q filed by Synchrony Financial on April 28, 2016)
10.11	Master Indenture, dated as of September 25, 2003, between Synchrony Credit Card Master Note Trust (formerly known as GE Capital Credit Card Master Note Trust), as Issuer and Deutsche Bank Trust Company Americas, as Indenture Trustee (incorporated by reference to Exhibit 4.1 of Amendment No. 1 to Form S-3 Registration Statement filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 20, 2004 (No. 333-107495, 333-107495-01 and 333-107495-02))
10.12	Omnibus Amendment No. 1 to Securitization Documents, dated as of February 9, 2004, among RFS Holding, L.L.C., RFS Funding Trust, GE Capital Retail Bank (formerly known as Monogram Credit Card Bank of Georgia), Synchrony Credit Card Master Note Trust, Deutsche Bank Trust Company Delaware, as Trustee of

	RFS Funding Trust, RFS Holding, Inc. and Deutsche Bank Trust Company Americas, as Indenture Trustee (incorporated by reference to Exhibit 4.16 of Amendment No. 1 to Form S-3 Registration Statement filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 20, 2004 (No. 333-107495, 333-107495-01 and 333-107495-02))
10.13	Second Amendment to Master Indenture, dated as of June 17, 2004, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.4 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on July 2, 2004)
10.14	Third Amendment to Master Indenture, dated as of August 31, 2006, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on September 5, 2006)

10.15	Fourth Amendment to Master Indenture, dated as of June 28, 2007, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on July 3, 2007)
10.16	Fifth Amendment to Master Indenture, dated as of May 22, 2008, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 28, 2008)
10.17	Sixth Amendment to Master Indenture, dated as of August 7, 2009, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on August 7, 2009)
10.18	Seventh Amendment to Master Indenture, dated as of January 21, 2014, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on January 21, 2014)
10.19	Eighth Amendment to Master Indenture and Omnibus Supplement to Specified Indenture Supplements, dated as of March 11, 2014, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 14, 2014)
10.20	Ninth Amendment to Master Indenture, dated as of November 24, 2015, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on November 25, 2015)
10.21	Tenth Amendment to Master Indenture, dated as of March 3, 2016, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 7, 2016)
10.22	Eleventh Amendment to Master Indenture, dated as of April 21, 2017, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on April 26, 2017)
10.23	Second Omnibus Supplement to Specified Indenture Supplements, dated as of April 21, 2017, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.6 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on April 26, 2017)
10.24	Form of Indenture Supplement, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.8 of Form S-3 Registration Statement filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 16, 2012 (333-181466))
10.25	Form of Indenture Supplement, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.12 of Form SF-3 Registration Statement filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on December 30, 2015 (333-206176))
10.26	Form of VFN Indenture Supplement, between Synchrony Credit Card Master Note Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 10.24 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on August 1, 2014 (333-197244))
10.27	Form of Loan Agreement (VFN Series, Class A), among Synchrony Credit Card Master Note Trust, the Lenders party thereto from time to time, and the Managing Agents party thereto from time to time (incorporated by reference to Exhibit 10.25 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on August 1, 2014 (333-197244))

10.28	Trust Agreement, dated as of September 25, 2003, between RFS Holding, L.L.C. and The Bank of New York (Delaware) (incorporated by reference to Exhibit 4.3 of Amendment No. 1 to Form S-3 Registration Statement filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 20, 2004 (No. 333-107495, 333-107495-01 and 333-107495-02))
10.29	First Amendment to Trust Agreement, dated as of January 21, 2014, between RFS Holding, L.L.C. and BNY Mellon Trust of Delaware (incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Master Note Trust and RFS Holding, L.L.C. on January 21, 2014)
10.30	Second Amendment to Trust Agreement, dated as of September 8, 2014, between RFS Holding, L.L.C. and BNY Mellon Trust of Delaware (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Master Note Trust and RFS Holding, L.L.C. on September 11, 2014)

10.31	Third Amendment to Trust Agreement, dated as of April 21, 2017, between RFS Holding, L.L.C. and BNY Mellon Trust of Delaware (incorporated by reference to Exhibit 4.5 of the current report on Form 8-K filed by Synchrony Credit Master Note Trust and RFS Holding, L.L.C. on April 26, 2017)
10.32	Custody and Control Agreement, dated as of September 25, 2003 by and among Deutsche Bank Trust Company of Americas, in its capacity as Custodian and in its capacity as Indenture Trustee, and Synchrony Credit Card Master Note Trust (incorporated by reference to Exhibit 4.8 of Amendment No. 1 to Form S-3 Registration Statement filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 20, 2004 (No. 333-107495, 333-107495-01 and 333-107495-02))
10.33	Receivables Sale Agreement, dated as of June 27, 2003, between GE Capital Retail Bank (formerly known as Monogram Credit Card Bank of Georgia) and RFS Holding, L.L.C. (incorporated by reference to Exhibit 4.9 of Amendment No. 1 to Form S-3 Registration Statement filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 20, 2004 (No. 333-107495, 333-107495-01 and 333-107495-02))
10.34	RSA Assumption Agreement and Second Amendment to Receivables Sale Agreement, dated as of February 7, 2005, between GE Capital Retail Bank (formerly known as GE Money Bank) and RFS Holding, L.L.C. (incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on February 11, 2005)
10.35	Third Amendment to Receivables Sale Agreement, dated as of December 21, 2006, between GE Capital Retail Bank (formerly known as GE Money Bank) and RFS Holding, L.L.C. (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on December 21, 2006)
10.36	Fourth Amendment to Receivables Sale Agreement, dated as of May 21, 2008, between GE Capital Retail Bank (formerly known as GE Money Bank) and RFS Holding, L.L.C. (incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 28, 2008)
10.37	Designation of Removed Accounts and Fifth Amendment to Receivables Sale Agreement, dated as of December 29, 2008, between GE Capital Retail Bank (formerly known as GE Money Bank) and RFS Holding, L.L.C. (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on December 30, 2008)
10.38	Designation of Removed Accounts and Sixth Amendment to Receivables Sale Agreement, dated as of February 26, 2009, between GE Capital Retail Bank (formerly known as GE Money Bank) and RFS Holding, L.L.C. (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on February 26, 2009)
10.39	Seventh Amendment to Receivables Sale Agreement, dated as of November 23, 2010, between GE Capital Retail Bank (formerly known as GE Money Bank), and RFS Holding, L.L.C. (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on November 24, 2010)
10.40	Eighth Amendment to Receivables Sale Agreement, dated as of March 20, 2012, among GE Capital Retail Bank, RFS Holding, Inc., PLT Holding, L.L.C. and RFS Holding, L.L.C. (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 21, 2012)
10.41	Ninth Amendment to Receivables Sale Agreement, dated as of March 11, 2014, among GE Capital Retail Bank, RFS Holding, Inc., PLT Holding, L.L.C. and RFS Holding, L.L.C. (incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 14, 2014)
10.42	Designation of Removed Accounts and Tenth Amendment to Receivables Sale Agreement, dated as of November 7, 2014, among Synchrony Bank (formerly known as GE Capital Retail Bank), RFS Holding Inc., PLT Holding, L.L.C. and RFS Holding, L.L.C. (incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on November 14, 2014)
10.43	

	Eleventh Amendment to Receivables Sale Agreement, dated as of March 3, 2016 among Synchrony Bank (formerly known as GE Capital Retail Bank), RFS Holding Inc., PLT Holding, L.L.C. and RFS Holding, L.L.C. (incorporated by reference to Exhibit 4.3 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 7, 2016)
10.44	Twelfth Amendment to Receivables Sale Agreement, dated as of April 21, 2017 between Synchrony Bank (formerly known as GE Capital Retail Bank) and RFS Holding, L.L.C. (incorporated by reference to Exhibit 4.4 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on April 26, 2017)
10.45	Thirteenth Amendment to Receivables Sale Agreement, dated as of May 31, 2017 between Synchrony Bank (formerly known as GE Capital Retail Bank) and RFS Holding, L.L.C. (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on June 2, 2017)

10.46	Transfer Agreement, dated as of September 25, 2003, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust (incorporated by reference to Exhibit 4.12 of Amendment No. 1 to Form S-3 Registration Statement filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 20, 2004 (No. 333-107495, 333-107495-01 and 333-107495-02))
10.47	Second Amendment to Transfer Agreement, dated as of June 17, 2004, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust (incorporated by reference to Exhibit 4.3 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on July 2, 2004)
10.48	Third Amendment to Transfer Agreement, dated as of November 21, 2004, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on November 24, 2004)
10.49	Fourth Amendment to Transfer Agreement, dated as of August 31, 2006, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust (incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on September 5, 2006)
10.50	Fifth Amendment to Transfer Agreement, dated as of December 21, 2006, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust (incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on December 21, 2006)
10.51	Sixth Amendment to Transfer Agreement, dated as of May 21, 2008, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust (incorporated by reference to Exhibit 4.4 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 28, 2008)
10.52	Reassignment of Receivables in Removed Accounts and Seventh Amendment to Transfer Agreement, dated as of December 29, 2008, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust (incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on December 30, 2008)
10.53	Reassignment No. 4 of Receivables in Removed Accounts and Eighth Amendment to Transfer Agreement, dated as of February 26, 2009, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust (incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on February 26, 2009)
10.54	Ninth Amendment to Transfer Agreement, dated as of March 31, 2010, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust (incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 31, 2010)
10.55	Tenth Amendment to Transfer Agreement, dated as of March 20, 2012, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust (incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 21, 2012)
10.56	Eleventh Amendment to Transfer Agreement, dated as of March 3, 2016, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust (incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 7, 2016)
10.57	Twelfth Amendment to Transfer Agreement, dated as of February 23, 2017, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on February 28, 2017)
10.58	Thirteenth Amendment to Transfer Agreement, dated as of April 21, 2017, between RFS Holding, L.L.C. and Synchrony Credit Card Master Note Trust (incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on April 26, 2017)
10.59	Servicing Agreement, dated as of June 27, 2003, by and among RFS Funding Trust Synchrony Credit Card Master Note Trust and General Electric Capital Corporation, successor to GE Capital Retail Bank (formerly known as Monogram Credit Card Bank of Georgia) (incorporated by reference to Exhibit 4.13 of Amendment No. 1 to Form S-3 Registration Statement filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 20, 2004 (No. 333-107495, 333-107495-01 and 333-107495-02))
10.60	Servicing Assumption Agreement, dated as of February 7, 2005, by GE Capital Retail Bank (formerly known as GE Money Bank) (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by

	Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on February 11, 2005)
10.61	First Amendment to Servicing Agreement, dated as of May 22, 2006, between Synchrony Credit Card Master Note Trust and GE Capital Retail Bank (formerly known as GE Money Bank) (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 25, 2006)

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10.62	Second Amendment to Servicing Agreement, dated as of June 28, 2007, between Synchrony Credit Card Master Note Trust and GE Capital Retail Bank (formerly known as GE Money Bank) (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on June 28, 2007)
10.63	Instrument of Resignation, Appointment and Acceptance and Third Amendment to Servicing Agreement, dated as of May 22, 2008, by and among Synchrony Credit Card Master Note Trust, GE Capital Retail Bank (formerly known as GE Money Bank) and General Electric Capital Corporation (incorporated by reference to Exhibit 4.3 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 28, 2008)
10.64	Fourth Amendment to Servicing Agreement, dated as of July 16, 2014, between Synchrony Credit Card Master Note Trust and General Electric Capital Corporation (incorporated by reference to Exhibit 4.14 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on July 16, 2014)
10.65	Fifth Amendment to Servicing Agreement, dated as of November 24, 2015, between Synchrony Credit Card Master Note Trust and General Electric Capital Corporation (incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on November 25, 2015)
10.66	Sixth Amendment to Servicing Agreement, dated as of April 21, 2017, between Synchrony Credit Card Master Note Trust and Synchrony Financial (incorporated by reference to Exhibit 4.3 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on April 26, 2017)
10.67	Instrument of Resignation, Appointment and Acceptance, dated as of December 2, 2015, by and among Synchrony Credit Card Master Note Trust, General Electric Capital LLC and Synchrony Financial (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on December 4, 2015)
10.68	Servicer Performance Guaranty, dated as of December 2, 2015, between General Electric Capital LLC and Synchrony Financial (incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on December 4, 2015)
10.69	Administration Agreement, dated as of September 25, 2003, among Synchrony Credit Card Master Note Trust, General Electric Capital Corporation, as Administrator, and The Bank of New York (Delaware), not in its individual capacity but solely as Trustee (incorporated by reference to Exhibit 4.14 of Amendment No. 1 to Form S-3 Registration Statement filed on May 20, 2004 (No. 333-107495, 333-107495-01 and 333-107495-02))
10.70	Asset Representations Review Agreement, dated as of March 4, 2016, among Synchrony Bank, RFS Holding, L.L.C., Synchrony Credit Card Master Note Trust, Synchrony Financial and Clayton Fixed Income Services LLC (incorporated by reference to Exhibit 4.4 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on March 7, 2016)
10.71	First Amendment to Administration Agreement, dated as of May 4, 2009, between Synchrony Credit Card Master Note Trust and General Electric Capital Corporation (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Credit Card Master Note Trust and RFS Holding, L.L.C. on May 6, 2009)
10.72	Master Indenture, dated as of February 29, 2012, between GE Sales Finance Master Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 10.55 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 (No. 333-194528))
10.73	Supplement No. 1 to Master Indenture, dated as of September 19, 2012, between GE Sales Finance Master Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 10.56 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 (No. 333-194528))
10.74	Supplement No. 2 to Master Indenture, dated as of March 21, 2014, between GE Sales Finance Master Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 10.57 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 (No. 333-194528))
10.75	

	Form of Indenture Supplement, between GE Sales Finance Master Trust and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 10.58 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on August 1, 2014 (333-197244))
10.76	Form of Loan Agreement, among GE Sales Finance Master Trust, the Lenders party thereto from time to time, and the Lender Group Agents for the Lender Groups party thereto from time to time (incorporated by reference to Exhibit 10.59 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on August 1, 2014 (333-197244))
10.77†	Amended and Restated Trust Agreement of GE Sales Finance Master Trust, dated as of February 29, 2012, between GE Sales Finance Holding, L.L.C. and BNY Mellon Trust of Delaware (incorporated by reference to Exhibit 10.60 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 (No. 333-194528))

10.78†	Amended and Restated Receivables Participation Agreement, dated as of February 29, 2012, between GE Capital Retail Bank and GEMB Lending Inc. (incorporated by reference to Exhibit 10.61 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 (No. 333-194528))
10.79	First Amendment to Amended and Restated Receivables Participation Agreement, dated as of August 17, 2012, between GE Capital Retail Bank and GEMB Lending Inc. (incorporated by reference to Exhibit 10.62 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 (No. 333-194528))
10.80	Second Amendment to Amended and Restated Receivables Participation Agreement, dated as of August 5, 2013, between GE Capital Retail Bank and GEMB Lending Inc. (incorporated by reference to Exhibit 10.63 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 (No. 333-194528))
10.81	Participation Interest Sale Agreement, dated as of February 29, 2012, between GEMB Lending Inc. and GE Sales Finance Holding, L.L.C. (incorporated by reference to Exhibit 10.64 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 (No. 333-194528))
10.82	First Amendment to Participation Interest Sale Agreement, dated as of September 19, 2012, between GEMB Lending Inc. and GE Sales Finance Holding, L.L.C. (incorporated by reference to Exhibit 10.65 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 (No. 333-194528))
10.83	Second Amendment to Participation Interest Sale Agreement, dated as of March 21, 2014, between GEMB Lending Inc. and GE Sales Finance Holding, L.L.C. (incorporated by reference to Exhibit 10.66 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 (No. 333-194528))
10.84	Transfer Agreement, dated as of February 29, 2012, between GE Sales Finance Holding, L.L.C. and GE Sales Finance Master Trust (incorporated by reference to Exhibit 10.67 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 (No. 333-194528))
10.85	First Amendment to Transfer Agreement, dated as of September 19, 2012, between GE Sales Finance Holding, L.L.C. and GE Sales Finance Master Trust (incorporated by reference to Exhibit 10.68 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 (No. 333-194528))
10.86	Second Amendment to Transfer Agreement, dated as of March 21, 2014, between GE Sales Finance Holding, L.L.C. and GE Sales Finance Master Trust (incorporated by reference to Exhibit 10.69 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 (No. 333-194528))
10.87	Servicing Agreement, dated as of February 29, 2012, between GE Capital Retail Bank and GE Sales Finance Master Trust (incorporated by reference to Exhibit 10.70 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 (No. 333-194528))
10.88	Administration Agreement, dated as of February 29, 2012, between GE Sales Finance Master Trust and GE Capital Retail Bank (incorporated by reference to Exhibit 10.71 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on April 25, 2014 (No. 333-194528))
10.89	General Electric Supplementary Pension Plan, as amended effective January 1, 2011 (incorporated by reference to Exhibit 10(g) of the annual report on Form 10-K filed by General Electric Company on February 25, 2011)
10.90	Form of Indemnification Agreement for directors, executive officers and key employees (incorporated by reference to Exhibit 10.89 of Amendment No. 1 to Form S-1 Registration Statement filed by Synchrony Financial on August 1, 2014 (333-197244))
10.91+	Synchrony Financial Non-Employee Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.91 of Amendment No. 5 to Form S-1 Registration Statement filed by Synchrony Financial on July 18, 2014 (No. 33-194528))
10.92+	Form of Synchrony Financial Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to Form 8-K filed by Synchrony Financial on September 22, 2014)

10.93+	First Amendment to the Synchrony Financial Deferred Compensation Plan (incorporated by reference to Exhibit 10.109 to 2014 Annual Report on Form 10-K filed by Synchrony Financial on February 23, 2015)
10.94+	Form of Restricted Stock Unit and Non-Qualified Stock Option Award (incorporated by reference to Exhibit 10.2 to Form 8-K filed by Synchrony Financial on September 22, 2014)
10.95+	Form of Synchrony Financial Annual Incentive Plan (incorporated by reference to Exhibit 10.1 to Form 8-K filed by Synchrony Financial on December 12, 2014)
10.96+	Form of Synchrony Financial Amended and Restated Restoration Plan (incorporated by reference to Exhibit 10.3 to Form 10-Q filed by Synchrony Financial on July 28, 2017)
10.97+	Synchrony Financial Amended and Restated Executive Severance Plan (incorporated by reference to Exhibit 10.2 to Form 10-Q filed by Synchrony Financial on July 28, 2017)

10.98+	First Amendment to the Synchrony Financial Restoration Plan (incorporated by reference to Exhibit 10.118 to 2015 Annual Report on Form 10-K filed by Synchrony Financial on February 25, 2016)
10.99+	Second Amendment to the Synchrony Financial Restoration Plan (incorporated by reference to Exhibit 10.119 to 2015 Annual Report on Form 10-K filed by Synchrony Financial on February 25, 2016)
10.100+	Form of Synchrony Financial Change in Control Severance Plan (incorporated by reference to Exhibit 10.3 to Form 8-K filed by Synchrony Financial on May 27, 2015)
10.101+	Synchrony Financial Amended and Restated 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Form 10-Q filed by Synchrony Financial on July 28, 2017)
10.102†	Services Agreement, dated as of September 15, 2015, between Retail Finance Servicing, LLC and First Data Resources, LLC (incorporated by reference to Exhibit 10.1 to Form 8-K filed by Synchrony Financial on September 15, 2015)
10.103	Letter, dated as of October 19, 2015, delivered by General Electric Capital Corporation and acknowledged and agreed to by General Electric Company and Synchrony Financial(incorporated by reference to Exhibit 10.116 of Form S-4 Registration Statement filed by Synchrony Financial on October 19, 2015 (No. 333-207479))
10.104+	Amended and Restated form of agreement for awards of Restricted Stock Units and Non-Qualified Stock Options under Synchrony 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Form 10-Q filed by Synchrony Financial on April 26, 2018)
10.105+	Amended and Restated form of agreement for awards of Performance Share Units under Synchrony 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to Form 10-Q filed by Synchrony Financial on April 26, 2018)
10.106+	Form of agreement for awards of Restricted Stock Units under Synchrony 2014 Long-Term Incentive Plan to directors of Synchrony Financial (incorporated by reference to Exhibit 10.3 to Form 10-Q filed by Synchrony Financial on April 26, 2018)
10.107+	Amended and Restated Executive Severance Plan (incorporated by reference to Exhibit 10.4 to Form 10-Q filed by Synchrony Financial on April 26, 2018)
10.108	Amended and Restated Master Indenture, dated as of May 1, 2018, between Synchrony Card Issuance Trust, as Issuer and The Bank of New York Mellon, as Indenture Trustee (incorporated by reference to Exhibit 4.1 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))
10.109	Form of Class A Terms Document, between Synchrony Card Issuance Trust and The Bank of New York Mellon (incorporated by reference to Exhibit 4.3 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))
10.110	Form of Class B Terms Document, between Synchrony Card Issuance Trust and The Bank of New York Mellon (incorporated by reference to Exhibit 4.4 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))
10.111	Form of Class C Terms Document, between Synchrony Card Issuance Trust and The Bank of New York Mellon (incorporated by reference to Exhibit 4.5 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))
10.112	Form of Class D Terms Document, between Synchrony Card Issuance Trust and The Bank of New York Mellon (incorporated by reference to Exhibit 4.6 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))
10.113	Amended and Restated Trust Agreement, among Synchrony Card Funding, LLC, Citibank, N.A. and Citicorp Trust Delaware, National Association (incorporated by reference to Exhibit 4.7 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No.

	333-224689 and 333-224689-01))
10.114	Custody and Control Agreement, dated as of November 17, 2017, by and among The Bank of New York Mellon, in its capacity as Custodian and in its capacity as Indenture Trustee, and Synchrony Card Issuance Trust (incorporated by reference to Exhibit 4.8 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))
10.115	Amended and Restated Receivables Sale Agreement, dated as of May 1, 2018, between Synchrony Bank and Synchrony Card Funding, LLC (incorporated by reference to Exhibit 4.9 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))
10.116	Amended and Restated Transfer Agreement, dated as of May 1, 2018, between Synchrony Card Funding, LLC and Synchrony Card Issuance Trust (incorporated by reference to Exhibit 4.10 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))

10.117	Amended and Restated Servicing Agreement, dated as of May 1, 2018, between Synchrony Card Issuance Trust and Synchrony Bank (incorporated by reference to Exhibit 4.11 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))
10.118	Form of Risk Retention Agreement, among Synchrony Bank, Synchrony Card Funding, LLC and Synchrony Card Issuance Trust (incorporated by reference to Exhibit 4.12 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))
10.119	Administration Agreement, dated as of November 30, 2017, between Synchrony Card Issuance Trust and Synchrony Bank (incorporated by reference to Exhibit 4.13 of Form SF-3 Registration Statement filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on May 4, 2018 (No. 333-224689 and 333-224689-01))
10.120	Asset Representations Review Agreement, dated as of August 15, 2018, among Synchrony Bank, Synchrony Card Funding, LLC, Synchrony Card Issuance Trust and Clayton Fixed Income Services LLC (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on August 20, 2018)
10.121	Synchrony Series Indenture Supplement, dated as of September 26, 2018, between Synchrony Card Issuance Trust and The Bank of New York Mellon (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by Synchrony Card Issuance Trust and Synchrony Card Funding, LLC on October 2, 2018)
21.1*	Subsidiaries of the Registrant
23.1*	Consent of KPMG LLP
24.1*	Powers of Attorney (included on the signature page)
31(a)*	Certification Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended
31(b)*	Certification Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended
32*	Certification Pursuant to 18 U.S.C. Section 1350
101	The following materials from Synchrony Financial's Annual Report on Form 10-K for the year ended December 31, 2018, formatted in XBRL (eXtensible Business Reporting Language); (i) Consolidated Statements of Earnings for the years ended December 31, 2018, 2017 and 2016, (ii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016, (iii) Consolidated Statements of Financial Position at December 31, 2018 and 2017, (iv) Consolidated Statements of Changes in Equity for the years ended December 31, 2018, 2017 and 2016, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016, and (vi) Notes to Consolidated Financial Statements

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* Filed electronically herewith.

† Confidential treatment granted to certain portions, which portions have been provided separately to the Securities and Exchange Commission.

+ Management contract or compensatory plan or arrangement required to be filed as an exhibit to Form 10-K pursuant to Item 15(b) of this report.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report on Form 10-K for the fiscal year ended December 31, 2018, to be signed on its behalf by the undersigned, and in the capacity indicated, thereunto duly authorized in the City of Stamford and State of Connecticut on the 15th day of February 2019.

Synchrony Financial
(Registrant)

/s/ Brian D. Doubles
Brian D. Doubles
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

Power of Attorney

Each person whose signature appears below hereby constitutes and appoints Margaret M. Keane, Brian D. Doubles and Jonathan S. Mothner, and each of them acting individually, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, to execute for him or her and in his or her name, place and stead, in any and all capacities, any and all amendments to this annual report on Form 10-K, and to file the same, with all exhibits thereto and any other documents required in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and their substitutes, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Margaret M. Keane Margaret M. Keane Director, President and Chief Executive Officer	Principal Executive Officer Director	February 15, 2019
/s/ Brian D. Doubles Brian D. Doubles Executive Vice President and Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)	Principal Financial Officer	February 15, 2019
/s/ David P. Melito David P. Melito Senior Vice President and Controller	Principal Accounting Officer	February 15, 2019
/s/ Paget L. Alves Paget L. Alves	Director	February 15, 2019
/s/ Arthur W. Coviello, Jr. Arthur W. Coviello, Jr.	Director	February 15, 2019
/s/ William W. Graylin William W. Graylin	Director	February 15, 2019
/s/ Roy A. Guthrie Roy A. Guthrie	Director	February 15, 2019
/s/ Richard C. Hartnack Richard C. Hartnack	Director	February 15, 2019
/s/ Jeffrey G. Naylor Jeffrey G. Naylor	Director	February 15, 2019
/s/ Laurel J. Richie Laurel J. Richie	Director	February 15, 2019
/s/ Olympia J. Snowe Olympia J. Snowe	Director	February 15, 2019
/s/ Ellen M. Zane Ellen M. Zane	Director	February 15, 2019

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