

Synchrony Financial
Form 424B1
July 31, 2014
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**Filed Pursuant to Rule 424(b)(1)
Registration No. 333-194528**

PROSPECTUS

125,000,000 Shares

Common Stock

We are offering 125,000,000 shares of our common stock in this offering. This is our initial public offering, and no public market currently exists for our shares.

We have granted the underwriters an option to purchase up to an aggregate of 18,750,000 additional shares of our common stock at the initial public offering price less the underwriting discount.

Our shares of common stock have been authorized for listing on the New York Stock Exchange under the symbol SYF.

At our request, the underwriters have reserved 2% of the shares of common stock to be issued by us and offered by this prospectus for sale, at the initial public offering price, to directors, officers, employees and other individuals associated with our company and members of their respective families. See **Underwriters Directed Share Program**.

Investing in our common stock involves risks. See Risk Factors beginning on page 23.

PRICE \$23.00 PER SHARE

	Per Share	Total
Initial public offering price	\$ 23.00	\$ 2,875,000,000
Underwriting discounts and commissions ⁽¹⁾	\$ 0.69	\$ 86,250,000
Proceeds to us	\$ 22.31	\$ 2,788,750,000

(1) We have agreed to reimburse the underwriters for certain FINRA-related expenses. See Underwriters. **Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

The underwriters expect to deliver the shares of our common stock to purchasers on August 5, 2014.

Joint Book-Running Managers

<i>Global Coordinator</i>	<i>Global Coordinator</i>		
Goldman, Sachs & Co.	J.P. Morgan	Citigroup	Morgan Stanley
Barclays	BofA Merrill Lynch	Credit Suisse	Deutsche Bank Securities
	<i>Co-Lead Managers</i>		

BNP PARIBAS	HSBC	Mizuho Securities	MUFG	RBC Capital Markets
RBS	Santander	SMBC Nikko		SOCIETE GENERALE
		<i>Co-Managers</i>		

Banca IMI	Blaylock Beal Van, LLC	CastleOak Securities, L.P.	COMMERZBANK
Credit Agricole CIB	Fifth Third Securities	Guggenheim Securities	ING
Keefe, Bruyette & Woods	Lebenthal Capital Markets	Loop Capital Markets	Mischler Financial Group, Inc.

<i>A Stifel Company</i>	The Williams Capital Group, L.P.
Ramirez & Co., Inc.	

July 30, 2014

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Neither we nor any of the underwriters has authorized anyone to provide you with information different from, or in addition to, that contained in this prospectus or any free writing prospectus prepared by or on behalf of us or to which we may have referred you in connection with this offering. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you.

Neither we nor any of the underwriters is making an offer to sell or seeking offers to buy these securities in any jurisdiction where or to any person to whom the offer or sale is not permitted. The information in this prospectus is accurate only as of the date on the front cover of this prospectus and the information in any free writing prospectus that we may provide you in connection with this offering is accurate only as of the date of that free writing prospectus. Our business, financial condition, results of operations and future growth prospects may have changed since those dates.

Through and including August 24, 2014 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

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For investors outside the United States: Neither we nor any of the underwriters has done anything that would permit this offering or possession or distribution of this prospectus or any free writing prospectus we may provide to you in connection with this offering in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus and any such free writing prospectus outside of the United States.

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Certain Defined Terms

Except as the context may otherwise require in this prospectus, references to:

we, us, our, and the Company are to SYNCHRONY FINANCIAL and its subsidiaries, which together represent the businesses that historically have conducted GE's North American retail finance business;

Synchrony are to SYNCHRONY FINANCIAL only;

GE are to General Electric Company and its subsidiaries;

GECC are to General Electric Capital Corporation (a subsidiary of GE) and its subsidiaries;

GECCI are to GE Consumer Finance, Inc. (a subsidiary of GECC that currently owns Synchrony) and its subsidiaries; and

the Bank are to Synchrony Bank (a subsidiary of Synchrony), previously known as GE Capital Retail Bank.

FICO score means 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. For a description of certain other terms we use, including active account, open account and purchase volume, see the notes to Prospectus Summary Summary Historical and Pro Forma Financial Information 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.

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 prospectus, 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 platform revenue for the year ended December 31, 2013 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 prospectus is given at December 31, 2013.

Synchrony and its logos and other trademarks referred to in this prospectus, including, Optimizer^{plus}, Optimizer^{plus} Perks, CareCredit, Quickscreen[®] and eQuickscreen belong to us. Solely for convenience, we refer to our trademarks in this prospectus 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 prospectus are the property of their respective owners.

Industry and Market Data

This prospectus 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. Statements in this prospectus that we are the largest provider of private label credit cards in the United States (based on purchase volume and receivables) are based on issue number

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1,039 of The Nilson Report, a subscription-based industry newsletter, dated April 2014 (based on 2013 data), and references to The Nilson Report (December 2013) are to issue number 1,031 of The Nilson Report, dated December 2013.

Non-GAAP Measures

To assess and internally report the revenue performance of our three sales platforms, we use a measure we refer to as platform revenue. Platform revenue is the sum of three line items in our Combined Statements of Earnings prepared in accordance with U.S. generally accepted accounting principles (GAAP): interest and fees on loans, plus other income, less retailer share arrangements. Platform revenue itself is not a measure presented in accordance with GAAP. For a reconciliation of platform revenue to interest and fees on loans, see Management s Discussion and Analysis of Financial Condition and Results of Operations Preliminary Financial Information for the Three Months Ended June 30, 2014 Platform Analysis, Results of Operations For the Three Months Ended March 31, 2014 and 2013 Platform Analysis and Results of Operations For the Years Ended December 31, 2013, 2012 and 2011 Platform Analysis. We deduct retailer share arrangements but do not deduct other line item expenses, such as interest expense, provision for loan losses and other expense, because those items are managed for the business as a whole. We believe that platform revenue is a useful measure to investors because it represents management s view of the net revenue contribution of each of our platforms. This measure should not be considered a substitute for interest and fees on loans or other measures of performance we have reported in accordance with GAAP.

We also present certain capital ratios for the Company calculated on a pro forma basis. As a new savings and loan holding company, the Company historically has not been required by regulators to disclose capital ratios, and therefore these capital ratios are non-GAAP measures. We believe these capital ratios are useful measures to investors because they are widely used by analysts and regulators to assess the capital position of financial services companies, although our pro forma Basel I Tier 1 common ratio is not a Basel I defined regulatory capital ratio, and our pro forma Basel I and Basel III Tier 1 common ratios may not be comparable to similarly titled measures reported by other companies. Our pro forma Basel I Tier 1 common ratio is the ratio of Tier 1 common equity (as calculated in the reconciliation referred to below) to total risk-weighted assets as calculated in accordance with the U.S. Basel I capital rules. Our pro forma Basel III Tier 1 common ratio is the ratio of common equity Tier 1 capital to total risk-weighted assets, each as calculated in accordance with the U.S. Basel III capital rules (on a fully phased-in basis). Our pro forma Basel III Tier 1 common ratio is a preliminary estimate reflecting management s interpretation of the final Basel III capital rules adopted in July 2013 by the Federal Reserve Board, which have not been fully implemented, and our estimate and interpretations are subject to, among other things, ongoing regulatory review and implementation guidance. For a reconciliation of the components of these capital ratios to their nearest comparable GAAP component, see Management s Discussion and Analysis of Financial Condition and Results of Operations Capital.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and may not contain all of the information that may be important to you. You should read this entire prospectus carefully, including the information set forth in Risk Factors, our combined financial statements and the related notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus, before making an investment decision.

Our Company

We are one of the premier consumer financial services companies in the United States. Our roots in consumer finance trace back to 1932, and today we are the largest provider of private label credit cards in the United States based on purchase volume and receivables. 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 we refer to as our partners. Through our partners' 329,000 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 2013 and the first quarter of 2014, we financed \$93.9 billion and \$21.1 billion of purchase volume, respectively, and at March 31, 2014, we had \$54.3 billion of loan receivables and 57.3 million active accounts. Our active accounts represent a geographically diverse group of both consumers and businesses, with an average FICO score of 710 for consumer active accounts at March 31, 2014. Our business has been profitable and resilient, including through the recent U.S. financial crisis and ensuing years. For the year ended December 31, 2013, we had net earnings of \$2.0 billion, representing a return on assets of 3.5%, and for the three months ended March 31, 2014, we had net earnings of \$558 million, representing a return on assets of 3.9%.

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, Walmart, Amazon and Ethan Allen. 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. For example, the purchase volume in our Retail Card platform from our online and mobile channels increased by \$3.0 billion, or 39.5%, from \$7.6 billion in 2011 to \$10.6 billion in 2013.

We offer our credit products primarily through our wholly-owned subsidiary, Synchrony Bank (previously known as GE Capital Retail Bank) (the Bank). 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, under our Optimizer^{Plus} brand. We also take deposits at the Bank through third-party securities brokerage firms that offer our FDIC-insured deposit products to their customers. We are expanding our online direct banking operations to increase our deposit base as a source of stable and diversified low cost funding for our credit activities. We had \$27.4 billion in deposits at March 31, 2014.

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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 at or for the three months ended March 31, 2014:

(\$ in millions, except for average loan receivable balances)

	Retail Card	Payment Solutions	CareCredit
Partner locations (at December 31, 2013)	34,000	118,000	177,000
Period end active accounts (in millions)	46.2	6.7	4.4
Average loan receivable balance	\$ 794	\$ 1,599	\$ 1,464
Average FICO for consumer active accounts	713	708	683
Period end loan receivables	\$ 37,175	\$ 10,647	\$ 6,463

Retail Card. Retail Card is a leading provider of private label credit cards, and also provides Dual Cards and small and medium-sized business credit products. We offer one or more of these products primarily through 19 national and regional retailers with which we have program agreements that have an expiration date in 2016 or beyond and which accounted for 95.3% of our Retail Card platform revenue for the year ended December 31, 2013 and 94.9% of our Retail Card loan receivables at March 31, 2014. The average length of our relationship with all of our Retail Card partners is 15 years and collectively they have 34,000 retail locations. Our partners are diverse by industry and include Amazon, Belk, Chevron, Gap, JCPenney, Lowes, Sam's Club, T.J.Maxx and Walmart. Our Retail Card programs typically are exclusive with respect to the credit products we offer at that partner. Private label credit cards are partner-branded credit cards that are used for the purchase of goods and services from the partner. Our patented Dual Cards are credit cards that function as a private label credit card when used to purchase goods and services from our partners and as a general purpose credit card when used elsewhere. Substantially all of the credit extended in this platform is on standard (i.e., non-promotional) terms. Retail Card accounted for \$6.4 billion, or 68.0%, of our total platform revenue for the year ended December 31, 2013, and \$1.7 billion, or 69.0%, of our total platform revenue for the three months ended March 31, 2014.

Payment Solutions. Payment Solutions is a leading provider of promotional financing for major consumer purchases, offering primarily private label credit cards and installment loans. We offer these products through 264 programs with national and regional retailers, manufacturers, buying groups and industry associations, and a total of 62,000 participating partners that collectively have 118,000 retail locations. Our partners operate in seven product markets: automotive (tires and repair), home furnishing/flooring, electronics/appliances, jewelry and other luxury items, power (motorcycles, ATVs and lawn and garden), home specialty (windows, doors, roofing, siding, HVAC and repair) and other retail. We have programs with a diverse group of retailers, manufacturers, buying groups and industry associations, such as Ashley HomeStores, Discount Tire, h.h.gregg, the North American Home Furnishings Association and P.C. Richard & Son. Substantially all of the credit extended in this platform is promotional financing for major purchases. We offer three types of promotional financing: deferred interest, no interest and reduced interest. In almost all cases, our partners compensate us for all or part of the cost of providing this promotional financing. Payment Solutions accounted for \$1.5 billion, or 16.0%, of our total platform revenue for the year ended December 31, 2013, and \$371 million, or 15.1%, of our total platform revenue for the three months

ended March 31, 2014.

CareCredit. CareCredit is a leading provider of promotional financing to consumers for elective healthcare procedures or services, such as dental, veterinary, cosmetic, vision and audiology. We offer our products through a network we have developed of 152,000 healthcare partners that collectively have 177,000 locations. The vast majority of our partners are individual and small groups of independent healthcare providers, and the remainder are national and regional healthcare providers and manufacturers. Our national and regional healthcare and manufacturer partners include LCA-Vision,

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Heartland Dental, Starkey Laboratories and Veterinary Centers of America (VCA Antech). We also have relationships with more than 100 professional and other associations, including the American Dental Association and the American Animal Hospital Association, various state dental and veterinary associations, manufacturers and buying groups, which endorse and promote (in some cases for compensation) our credit products to their members. We offer customers a CareCredit-branded private label credit card that may be used across our network of CareCredit providers. Substantially all of the credit extended in this platform is promotional financing, and in almost all cases, our partners compensate us for all or part of the cost of providing this promotional financing. CareCredit accounted for \$1.5 billion, or 16.0%, of total platform revenue for the year ended December 31, 2013, and \$388 million, or 15.9%, of our total platform revenue for the three months ended March 31, 2014.

Our Value Proposition

We offer strong value propositions to both our partners and our customers.

Our Value Proposition

Value to Our Partners

Our consumer finance programs deliver the following benefits to our partners:

Increased sales. Our programs drive increased sales for our partners by providing instant credit with an attractive value proposition (which may include discounts, promotional financing and customized loyalty rewards). Based on our research and experience in our Retail Card and Payment Solutions platforms, we believe average sales per customer in these platforms are generally higher for customers who use our cards compared to consumers who do not. In Payment Solutions, the availability of promotional financing is important to the consumer's decision to make purchases of big-ticket items and a driver of retailer selection. In CareCredit, the availability of credit can also have a substantial influence over consumer spending with a significant number of consumers indicating in our research that they would postpone or forego all or a portion of their desired healthcare procedures or services if credit was not available through their healthcare providers.

Strengthened customer loyalty. Our programs benefit our partners through strengthened customer loyalty. Our Retail Card customers have had their cards an average of 7.9 years at March 31, 2014. We believe customer loyalty drives repeat business and additional sales. In the year ended December 31,

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2013, our 50.8 million active Retail Card accounts made an average of more than 12 purchases per account. Our CareCredit customers can use their card at any provider within our provider network, which we believe is an important source of new business to our providers, and 69% of CareCredit transactions in 2013 were from existing customers reusing their card at one or more providers.

Enhanced marketing. We have developed significant marketing expertise that we share with our partners, including through dedicated on-site teams, a national field sales force and experts who reside in our marketing centers of excellence. We believe this expertise is of substantial value to our partners in increasing sales and profitability. Our omni-channel capabilities allow us to market our credit products wherever our partners offer their products. Our customer relationship management (CRM) and data analytics capabilities allow us to track customer responsiveness to different marketing strategies, which helps us target marketing messages and promotional offers to our partners' customers. In Payment Solutions, our dedicated industry-focused sales and marketing teams bring substantial retailer marketing expertise to our smaller retailer and merchant partners. These partners benefit from our research on how to increase store traffic with various promotional offerings. We also provide them with website and e-commerce capabilities that many could not afford to develop on their own.

Additional economic benefits. Our programs provide economic benefits to our partners in addition to increasing sales. Our Retail Card partners typically benefit from retailer share arrangements that provide for payments to them once the economic performance of the program exceeds a contractually-defined threshold. These shared economics enhance our partners' engagement with us and provide an incentive for partners to support our programs. In addition, for most of our partners, our credit programs reduce costs by eliminating the interchange fees for in-store purchases that would otherwise be paid when general purpose credit cards or debit cards are used. Our programs also allow our partners to avoid the risks and administrative costs associated with carrying an accounts receivable balance for their customers, and this is particularly attractive to many of our CareCredit partners.

Value to Our Customers

Our consumer finance programs deliver the following benefits to our customers:

Instant access to credit. We offer qualified customers instant access to credit at the point of sale and across multiple channels. Annual applications for our credit products increased by 24.7%, from 37.7 million applications in 2011 to 47.0 million in 2013. In addition, our applications from online and mobile channels increased by 42.6%, from 9.4 million in 2011 to 13.4 million in 2013. Our Retail Card programs provide financing for frequent purchases with attractive program benefits, including, in the case of our Dual Card, the convenience of a general purpose credit card. Payment Solutions and CareCredit offer promotional financing that enables qualified customers to make major purchases, including, in the case of CareCredit, elective healthcare procedures or services that typically are not covered by insurance.

Attractive discounts, promotional terms and loyalty rewards. We believe our programs provide substantial value to our customers through attractive discounts, promotional terms and loyalty rewards. Retail Card customers typically benefit from first purchase discounts (e.g., 10% or more off the purchase price when a new account is opened) and discounts or loyalty rewards when their card is used to make subsequent

purchases from our partners. Our Retail Card customers typically earn rewards based on the amount of their purchases from our partners at a rate which is generally higher than the reward rate on general purpose cash back credit cards. Our Payment Solutions and CareCredit customers typically benefit from promotional financing such as interest-free periods on purchases. These types of promotions typically are not available to consumers when they use a general purpose credit card outside of introductory offer periods.

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Ability to obtain separate financing for major purchases. We believe many consumers prefer to obtain separate financing for major purchases or category expenditures rather than accessing available borrowing capacity under their general purpose credit cards or using cash. We believe our customers also value the ability to compartmentalize, budget and track their spending and borrowing through separate financing for a major purchase.

Our Industry

We believe our business is well positioned to benefit from the following favorable industry trends:

Improvements in consumer spending and credit utilization. Consumer spending has increased as U.S. economic conditions and consumer confidence continue to recover from the recent financial crisis. The U.S. consumer payments industry, which consists of credit, debit, cash, check and electronic payments, is projected to grow by 25% from 2012 to 2017 (from \$8.7 trillion in 2012 to \$10.9 trillion in 2017) according to The Nilson Report (December 2013). According to that report, credit card payments are expected to account for the majority of the growth of the U.S. consumer payments industry. Credit card payments accounted for \$2.3 trillion or 26.7% of U.S. consumer payments volume in 2012 and are expected to grow to \$3.8 trillion or 34.9% of U.S. consumer payments volume in 2017. Credit card spending is growing as a percentage of total consumer spending, driven in part by the growth of online and mobile purchases.

Improvements in U.S. household finances. U.S. household finances have recovered substantially since the financial crisis. According to the Board of Governors of the Federal Reserve System (the Federal Reserve Board), the average U.S. household's ratio of debt payments to disposable personal income (debt service ratio) is better than pre-crisis levels, having improved to 9.9% for the three months ended March 31, 2014 from 13.1% for the three months ended September 30, 2007. According to the Federal Reserve Board, aggregate U.S. household net worth also has increased, from \$68.0 trillion at December 31, 2007 to \$81.8 trillion at March 31, 2014.

Growth of direct banking and deposit balances. According to 2012 and 2013 American Bankers Association surveys, the percentage of customers who prefer to do their banking via direct channels (internet, mail, phone and mobile) increased from 53% to 61% between 2010 and 2013, while those who prefer branch banking declined from 25% to 18% over the same period. This preference for direct banking has been evidenced by robust growth in direct deposits. U.S. direct deposits increased by 41%, from \$346.1 billion at December 31, 2010 to \$488.4 billion at December 31, 2013, according to data for 17 surveyed banks from SNL Financial, a financial institutions data and analysis provider.

Competitive Strengths

Our business has a number of competitive strengths, including the following:

Large, diversified and well established consumer finance franchise. Our business is large and diversified with 57.3 million active accounts at March 31, 2014 and a partner network with 329,000 locations across the United States and in Canada. At March 31, 2014, we had \$54.3 billion in total loan receivables, and we are the largest provider of private label credit cards in the United States based on purchase volume and

receivables according to The Nilson Report (April 2014). We have built large scale operations that support each of our sales platforms, and we believe our extensive partner network, with its broad geographic reach and diversity by industry, provides us with a distribution capability that is difficult to replicate. We believe the scale of our business and resulting operating efficiencies also contribute significantly to our success and profitability. In addition, we believe our partner-centric model, including our distribution capability, could lend itself to geographic expansion.

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Partner-centric model with long-standing and stable relationships. Our business is based on a partner-centric, business-to-business model. Our ability to establish and maintain deep, collaborative relationships with our partners is a core skill that we have developed through decades of experience, and we have more than 1,000 dedicated employees, most of whom are co-located with our partners, to help drive the growth of our partners' sales and our share of their sales. At December 31, 2013, the average length of our relationship for our 40 largest programs across all platforms, which accounted in aggregate for 75.6% of our platform revenue for the year ended December 31, 2013, is 15 years. From these same 40 programs, 64.2% of our platform revenue for the year ended December 31, 2013 was generated under programs with current contractual terms that continue through at least January 1, 2017. A diverse and growing group of more than 200,000 partners accounted for the remaining 24.4% of our platform revenue for the year ended December 31, 2013.

Deeply integrated technology across multiple channels. Our proprietary technology is deeply integrated with our partners' systems and processes, which enables us to provide customized credit products to their customers at the point of sale across multiple channels. Our technologies enable customers to apply for credit at the point of sale in-store, online or on a mobile device and, if approved, purchase instantly. Our online and mobile technologies are capable of being seamlessly integrated into our partners' systems to enable our customers to check their available credit line, manage their account, access our eChat online customer service and participate in the relevant partners' loyalty rewards programs online and using mobile devices. In addition, in CareCredit, we have developed what we believe is one of the largest healthcare provider locators of its kind, helping to connect customers to our 177,000 healthcare provider locations. This online locator received an average of 560,000 hits per month in 2013, helping to drive incremental business for our provider partners. We believe that our continued investment in technology and mobile offerings will help us deepen our relationships with our existing partners, as well as provide a competitive advantage when seeking to win new business.

Strong operating performance. Over the three years ended December 31, 2013, we have grown our purchase volume and loan receivables at 9.8% and 8.2% compound annual growth rates, respectively. For the years ended December 31, 2013, 2012 and 2011, our net earnings were \$2.0 billion, \$2.1 billion and \$1.9 billion, respectively, and our return on assets was 3.5%, 4.2% and 4.1%, respectively. For the three months ended March 31, 2014, our net earnings were \$558 million, and our return on assets was 3.9%. We were profitable throughout the recent U.S. financial crisis. We believe our ability to maintain profitability through various economic cycles is attributable to our rigorous underwriting process, strong pricing discipline, low cost to acquire new accounts, operational expertise and retailer share arrangements with our largest partners.

Strong balance sheet and capital base. We have a strong capital base and a diversified and stable funding profile with access to multiple sources of funding, including a growing deposit platform at the Bank, securitized financings under well-established programs, a new GECC term loan facility and a new bank term loan facility. In addition, following this offering, we intend to access the public unsecured debt markets as a source of funding. At March 31, 2014, pro forma for the Transactions (as defined under Summary Historical and Pro Forma Financial Information), we would have had a fully phased-in Basel III Tier 1 common ratio of 14.1%, and our business would have been funded with \$27.4 billion of deposits at the Bank, \$14.6 billion of securitized financings, \$1.5 billion of transitional funding from the new GECC term loan facility, \$8.0 billion from the new bank term loan facility and \$3.0 billion of additional unsecured debt from a

planned debt offering. At March 31, 2014, on a pro forma basis, we would have had \$12.0 billion of cash and short-term liquid investments (or 18.0% of total assets). We also had, at the same date and on the same basis, 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. In addition, we currently have an aggregate of approximately \$5.6 billion of undrawn committed capacity under our securitization programs.

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Experienced and effective risk management. We have an experienced risk management team and an enterprise risk management infrastructure that we believe enable us to effectively manage our risk. Our enterprise risk management function is designed to identify, measure, monitor and control risk, including credit, market, liquidity, strategic and operational risks. Our focus on the credit process is evidenced by the success of our business through multiple economic cycles. We control the credit criteria for all of our programs and issue credit only to consumers who qualify under those credit criteria. Our systems are integrated with our partners' systems, and therefore we can use our proprietary credit approval processes to make credit decisions instantly at the point of sale and across all application channels in accordance with our underwriting guidelines and risk appetite. Our risk management strategies are customized by industry and partner, and we believe our proprietary decisioning systems and customized credit scores provide significant incremental predictive capabilities over standard credit bureau-based scores alone. In addition, we have an extensive compliance program, and we have invested, and will continue to invest, in enhancing our regulatory compliance capabilities.

High quality and diverse asset base. The quality of our loan receivables portfolio is high. Our consumer active accounts had an average FICO score of 710, and our total loan receivables had a weighted average consumer FICO score of 694, in each case at March 31, 2014. In addition, 70.4% of our portfolio's loan receivables are from consumers with a FICO score of greater than 660 at March 31, 2014. Our over-30 day delinquency rate at March 31, 2014 is below 2007 pre-financial crisis levels. We have a seasoned customer base with 37.9% of our loan receivables at March 31, 2014 associated with accounts that have been open for more than five years. Our portfolio is also diversified by geography, with receivables balances broadly reflecting the U.S. population distribution.

Experienced management team and business built on GE culture. Our senior management team, including key members who helped us successfully navigate the financial crisis, will continue to lead our Company following this offering. We have operated as a largely standalone business within GECC, with our own sales, marketing, risk management, operations, collections, customer service and compliance functions. Our business has been built on GE's culture and heritage, with a strong emphasis on our partners and customers, a rigorous use of metrics and analytics, a disciplined approach to risk management and compliance and a focus on continuous improvement and strong execution.

Our Business and Growth Strategy

We intend to grow our business and increase our profitability by building on our financial and operating strengths and capitalizing on projected favorable industry trends, as well as by pursuing a number of important growth strategies for our business, including the following:

Increase customer penetration at our existing partners. We believe there is a significant opportunity to grow our business by increasing the usage of our cards in each of our sales platforms. In Retail Card, based on sales data provided by our partners, we have increased penetration of our partners' aggregate sales in each of the last three years. For the year ended December 31, 2013, penetration of our Retail Card partners' sales ranged from 1% to 49%, and the aggregate sales of all Retail Card partners were \$555.6 billion, which we believe represents a significant opportunity for potential growth. We believe there is also a significant market opportunity for us to increase our penetration in Payment Solutions and CareCredit.

Attract new partners. We seek to attract new partners by both launching new programs and acquiring existing programs from our competitors. In Retail Card, which is typically characterized by longer-term, exclusive

relationships, we added four new Retail Card partners from January 1, 2011 through March 31, 2014, which accounted for \$2.1 billion of receivables at March 31, 2014. In Payment Solutions, where a significant portion of our programs include independent dealers and merchants that enter into separate arrangements with us, we established 52 new Payment Solutions programs from January 1, 2011 through March 31, 2014, which accounted

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for \$1.3 billion of loan receivables at March 31, 2014, and we increased our total partners from 57,000 at December 31, 2010 to 62,000 at March 31, 2014. In CareCredit, where we attract new healthcare provider partners largely by leveraging our endorsements from professional associations and healthcare consultants, we increased the number of partners with which we had agreements from 122,000 at December 31, 2010 to 152,000 at March 31, 2014. We believe there is a significant opportunity to attract new partners in each of our platforms, including by adding additional merchants, dealers and healthcare providers under existing programs.

Our strategies to both increase penetration among our current partners and attract new partners include the following elements:

Leverage technology to support our partners. Our business model is focused on supporting our partners by offering credit wherever they offer their products and services (i.e., in-store, online and on mobile devices). We intend to continue to make significant investments in online and mobile technologies, which we believe will lead to new accounts, increased sales and deeper relationships with our existing partners and will give us an advantage when competing for new partners. We intend to continue to roll out the capability for consumers to apply for our products via their mobile devices, receive an instant credit decision and obtain immediate access to credit, and to deliver targeted rewards and promotions to our customers via their mobile devices for immediate use.

Capitalize on our advanced data, analytics and customer relationship management capabilities. We believe that our ongoing efforts to expand our data and analytics capabilities help differentiate us from our competitors. We have access to a vast amount of data (such as our customers' purchase patterns and payment histories) from our 110.7 million open accounts at March 31, 2014 and the hundreds of millions of transactions our customers make each year. Consistent with applicable privacy rules and regulations, we are developing new tools to assess this data to develop and deliver valuable insights and actionable analysis that can be used to improve the effectiveness of marketing strategies leading to incremental growth for both our partners and our business. Our recently enhanced CRM platform will utilize these insights and analysis to drive more relevant and timely offers to our customers via their preferred channels of communication. We believe the combination of our analytics expertise and extensive data access will drive greater partner engagement and increased sales, strengthen customer loyalty, and provide us a competitive advantage.

Launch our integrated multi-tender loyalty programs. We are leveraging our extensive data analytics, loyalty experience and broad retail presence to launch multi-tender loyalty programs that enable customers to earn rewards from a partner, regardless of how they pay for their purchases (e.g., cash, private label or general purpose credit cards). By expanding our loyalty program capabilities beyond private label credit cards we can provide deeper insights to our partners about their customers, including spending patterns and shopping behaviors. Multi-tender loyalty programs will also provide us with access to non-cardholders, giving us the opportunity to grow our customer base by marketing our credit products to them and delivering a more compelling value proposition.

Increase focus on small and mid-sized businesses. We currently offer private label credit cards and Dual Cards for small to mid-sized commercial customers that are similar to our consumer offerings. We are increasing our focus on marketing our commercial pay-in-full accounts receivable product to a wide range of

business customers and are rolling out an improved customer experience for this product with enhanced functionality. Our loan receivables from business customers were \$1.3 billion at March 31, 2014, and we believe our strategic focus on business customers will enable us to continue to attract new business customers and increase the diversity of our loan receivables.

Expand our direct banking activities. In January 2013, we acquired the deposit business of MetLife Bank, N.A. (MetLife), which is a direct banking platform that at the time of the acquisition had \$6.0 billion in U.S. direct deposits and \$0.4 billion in brokered deposits. Our U.S. direct deposits grew from \$0.9 billion at December 31, 2012 to \$13.0 billion at March 31, 2014 (including the MetLife acquisition).

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The acquisition of this banking platform is a key part of our strategy to increase our deposit base as a source of stable and diversified low cost funding. The platform is highly scalable, allowing us to expand without the overhead expenses of a traditional brick and mortar branch network. We believe we are well-positioned to benefit from the consumer-driven shift from branch banking to direct banking. According to 2012 and 2013 American Bankers Association surveys, the percentage of customers who prefer to do their banking via direct channels (i.e., internet, mail, phone and mobile) increased from 53% to 61% between 2010 and 2013, while those who prefer branch banking declined from 25% to 18% over the same period. To attract new deposits and retain existing ones, we are increasing our advertising and marketing, enhancing our loyalty program and expanding mobile banking offerings. We also intend to introduce new deposit and credit products and enhancements to our existing products. These new and enhanced products may include the introduction of checking accounts, overdraft protection lines of credit, a bill payment account feature and Synchrony-branded debit and general purpose credit cards, as well as enhanced small business deposit accounts and expanded affinity offers.

Recent Developments Preliminary Financial Information for the Three Months Ended June 30, 2014

In the section Management's Discussion and Analysis of Financial Condition and Results of Operations Preliminary Financial Information for the Three Months Ended June 30, 2014 we provide certain preliminary unaudited financial information at and for the three months ended June 30, 2014 based on currently available information. Our actual results may differ from this preliminary information due to the completion of our financial closing procedures, final adjustments and other developments that may arise between now and the time the financial results for the three months ended June 30, 2014 are finalized and publicly reported, and the completion of the review by our independent registered public accounting firm, all of which will occur after the offering has been completed.

Our preliminary information at and for the three months ended June 30, 2014 reflects that we financed \$26.0 billion of purchase volume and had \$54.9 billion of loan receivables, 59.2 million active accounts, and net earnings of \$472 million (representing a return on assets of 3.1%). You should read this information in conjunction with the information under Selected Historical and Pro Forma Financial Information, Management's Discussion and Analysis of Financial Condition and Results of Operations and our combined financial statements and the related notes included elsewhere in this prospectus.

Formation and Regulation of Synchrony

Synchrony is a holding company for the legal entities that historically conducted GE's North American retail finance business. Synchrony (previously named GE Capital Retail Finance Corporation) was incorporated in Delaware on September 12, 2003, but prior to April 1, 2013 conducted no business. During the period from April 1, 2013 to September 30, 2013, as part of a regulatory restructuring, substantially all of the assets and operations of GE's North American retail finance business, including the Bank, were transferred to Synchrony. The remaining assets and operations of that business subsequently have been transferred to Synchrony.

As a savings and loan holding company, Synchrony is subject to extensive regulation, supervision and examination by the Federal Reserve Board. In addition, as a large provider of consumer financial services, Synchrony is subject to extensive regulation, supervision and examination by the Consumer Financial Protection Bureau (the CFPB).

The Bank is a federally chartered savings association and therefore is subject to extensive 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.

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For a discussion of the regulation of our Company and the Bank, see Regulation. For information regarding certain regulatory matters, including consent orders or assurances of discontinuances that we have entered into with the CFPB, the Department of Justice (the DOJ) and the Attorney General for the State of New York relating to our CareCredit platform, our debt cancellation product and sales practices and certain collection offers, see

Regulation Consumer Financial Services Regulation and Risk Factors Risks Relating to Regulation Changes to our methods of offering our CareCredit products could materially impact operating results.

GE Ownership and Our Separation from GE

GE currently owns 100% of the common stock of GECC, GECC currently owns 100% of the common stock of GECCI and GECCI currently owns 100% of the common stock of Synchrony.

Steps to Our Separation from GE. On November 15, 2013, GE announced that it planned a staged exit from our business, consistent with its strategy of reducing GECC's percentage of GE's total earnings and increasing GECC's focus on its commercial lending and leasing businesses. GE's exit from our business is expected to consist of three distinct, but inter-related steps described below.

This Offering. This offering is the first step in GE's exit from our business. After the completion of this offering, GE will beneficially own 84.9% of our outstanding common stock (or 83.1% if the underwriters' option to purchase additional shares of common stock from us is exercised in full). As a result of the offering, our total equity at March 31, 2014, pro forma for the Transactions, would increase from \$6.0 billion to \$9.0 billion, of which GE's 84.9% interest would represent \$7.6 billion.

Separation. The second step of GE's exit from our business will involve GE's disposition of all of its remaining shares of our stock through a Split-off (defined below) or one or more other transactions following this offering, which disposition is referred to as the Separation.

Form of Separation Transaction. GE has indicated that it expects to effect a split-off transaction by making a tax-free distribution of all of its remaining shares of our stock to electing GE stockholders in exchange for shares of GE's common stock (the Split-off). GE may also decide to exit our business by selling or otherwise distributing or disposing of all or a portion of its shares of our stock in a different type of transaction. We do not expect that the form in which the Separation occurs (a Split-off or some other form of distribution or disposition) will have materially different implications for our profitability.

Conditions to Separation. The Separation would be subject to various conditions, including receipt of any necessary bank regulatory and other approvals (as discussed below), the existence of satisfactory market conditions, and, in the case of the Split-off, a private letter ruling from the Internal Revenue Service (IRS) as to certain issues relating to, and an opinion from tax counsel confirming, the tax-free treatment of the transaction to GE and its stockholders.

GE SLHC Deregistration. The final step in GE's exit from our business will be complete when the Federal Reserve Board determines that GE no longer controls us for regulatory purposes and releases GE from savings and loan holding company registration (the "GE SLHC Deregistration").

Bank Regulatory Approvals Required for Separation and the GE SLHC Deregistration. In addition to GE's application for the GE SLHC Deregistration, we will be required to file an application with, and receive approval from, the Federal Reserve Board to continue to be a savings and loan holding company and to retain ownership of the Bank following the Separation and the GE SLHC Deregistration. In reviewing and acting on our application, the Federal Reserve Board will consider a range of factors and has significant discretion. We do not expect the Federal Reserve Board to act on our application until, among other things, it has completed an in-

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depth review as to our preparedness to operate on a standalone basis, independently of GE, and is satisfied with the results. We anticipate that this review will not begin until some period after the completion of this offering and will require a considerable period of time. We are taking and will continue to take significant steps in order to prepare to operate on a standalone basis, independently of GE, including the following:

Increase capital and liquidity levels. We will use all the net proceeds from the offering to significantly increase our capital levels and, together with the net proceeds of the new debt financings and after repayment of GECC related party debt (each as described below), our liquidity levels. In connection with our application to the Federal Reserve Board and the Separation, we expect to continue to increase our capital and liquidity levels by, among other things, retaining net earnings and by not paying a dividend or returning capital through stock repurchases until our application to the Federal Reserve Board is approved. We will also seek to continue to increase our liquidity through growth of our direct deposits and other funding sources, including unsecured debt. At March 31, 2014, pro forma for the Transactions, we would have had a fully phased-in Basel III Tier 1 common ratio of 14.1%, and we would have had liquidity consisting of \$12.0 billion of cash and short-term liquid investments (or 18.0% of total assets). In addition, we currently have an aggregate of approximately \$5.6 billion of undrawn committed capacity under our securitization programs.

Establish and expand standalone operations and infrastructure. We are currently establishing or significantly expanding, and expect to continue to establish or expand, our standalone corporate governance, risk management, capital planning, treasury, information technology, compliance, regulatory, internal audit and other control operations and infrastructure. Although at the time of this offering we will continue to receive certain services from GE on a transitional basis, we expect to reduce our reliance on these services in connection with our application to the Federal Reserve Board and the Separation, replacing such services with those provided by unaffiliated third parties or with our own capabilities. We may be required to operate without receiving any of these services from GE prior to the Separation.

Reduce or eliminate funding provided by GECC. In connection with the offering, we will repay all then-outstanding related party debt owed to GECC and its affiliates (of which \$8.1 billion was outstanding at March 31, 2014), and we will incur \$1.5 billion of related party debt under a new GECC term loan facility (described below). We expect that, in connection with our application to the Federal Reserve Board and the Separation, we will prepay part or substantially all of the outstanding related party debt owed to GECC under the new facility.

Diversify funding sources. In addition to reducing the amount of outstanding related party debt owed to GECC, we intend to further diversify our funding sources by growing the amount of our direct deposits, by reducing the proportion of funding provided by brokered deposits, and by accessing the unsecured debt markets.

The Federal Reserve Board may require us to take additional actions beyond the significant infrastructure expansion and other steps we are already planning and implementing and beyond what we are now anticipating.

Anticipated Timeframe for Separation and GE SLHC Deregistration. GE has indicated that it currently is targeting to complete the Separation in late 2015. We may not be prepared, or able to satisfy the Federal Reserve Board that we are prepared, to operate on a standalone basis, independently of GE, by that time. More generally, the conditions to

any transaction involved in the Separation may not be satisfied in late 2015 or thereafter, or GE may decide for any reason not to consummate the Separation in late 2015 or thereafter. Further, GE's willingness to proceed with the Separation may effectively be conditioned on its obtaining the necessary determination by the Federal Reserve Board that the GE SLHC Deregistration will occur upon Separation, although the Separation and the GE SLHC Deregistration need not coincide. For this reason, any delays in obtaining the GE SLHC Deregistration may delay the consummation of the Separation.

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Anticipated Costs Associated with Separation and GE SLHC Deregistration. We currently expect to incur significant additional expenses to operate as a fully independent public company. For a discussion of these expenses, see Management's Discussion and Analysis of Financial Condition and Results of Operations Business Trends and Conditions, Separation from GE and Related Financial Arrangements, Use of Proceeds and Selected Historical and Pro Forma Financial Information Unaudited Pro Forma Financial Information.

For a discussion of certain risks associated with Separation and the GE SLHC Deregistration, including risks related to anticipated timing and costs, see Risk Factors Risks Relating to Our Separation from GE.

Payment of Dividends to GE. During the years ended December 31, 2011, 2012 and 2013, we made net transfers to parent of \$1,907 million, \$1,869 million and \$586 million, respectively. During the three months ended March 31, 2014 and June 30, 2014 (preliminary), we made net transfers to parent of \$479 million and \$124 million, respectively. We have not made and will not make any net transfer to parent subsequent to June 30, 2014 and prior to this offering. Following the offering, GE will receive dividends only in its capacity as a stockholder on the same basis as stockholders generally. For a description of our expectations regarding the payment of dividends following the offering, see Dividend Policy.

Debt Financings

Prior to the completion of this offering, we will enter into a term loan facility (the New Bank Term Loan Facility) with third party lenders that will provide \$8.0 billion principal amount of unsecured term loans maturing in 2019. Prior to the completion of this offering, we will also enter into a term loan facility (the New GECC Term Loan Facility) with GECC that will provide \$1.5 billion principal amount of unsecured term loans maturing in 2019. We expect to borrow the full amount available under the New Bank Term Loan Facility and the New GECC Term Loan Facility concurrent with the closing of this offering. See Use of Proceeds.

We also currently plan to issue approximately \$3.0 billion of senior unsecured debt securities in one or more series shortly after the completion of this offering (the Planned Debt Offering). We cannot assure you that the Planned Debt Offering will be completed or, if completed, on what terms it will be completed.

For a discussion of these financings, see Description of Certain Indebtedness New Bank Term Loan Facility, New GECC Term Loan Facility and New Senior Notes.

Our primary funding sources historically have included cash from operations, deposits (direct and brokered deposits), securitization financings and related party debt provided by GECC and its affiliates. As described in Use of Proceeds below, we intend to use the net proceeds from this offering, together with borrowings under the New Bank Term Loan Facility, the New GECC Term Loan Facility and the Planned Debt Offering, to, among other things, repay all of our related party debt owed to GECC and its affiliates outstanding on the closing date of this offering (\$8,062 million was outstanding at March 31, 2014). The weighted average interest rate on this related party debt was 1.7% and 2.3% per annum for the year ended December 31, 2013 and the three months ended March 31, 2014, respectively. We expect the new debt (including the New GECC Term Loan Facility) will be higher cost funding than the existing related party debt, and that our debt outstanding will increase to fund a larger liquidity portfolio. Pro forma for the Transactions, at March 31, 2014 our debt outstanding would have increased by approximately \$4.4 billion. For the year ended December 31, 2013, our interest expense would have increased by \$209 million, and our cost of funds would have increased from 1.6% to 1.9% per annum, and for the three months ended March 31, 2014, our interest expense would have increased by \$45 million, and our cost of funds would have increased from 1.6% to 1.8% per annum. See Selected Historical and Pro Forma Financial Information Unaudited Pro Forma Financial Information and Management's Discussion and Analysis of Financial Condition and Results of Operations Business Trends and

Conditions Changing funding mix and increased funding costs.

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We expect to prepay part or substantially all of the New GECC Term Loan Facility with the proceeds of additional third party financing in connection with our application to the Federal Reserve Board and the Separation. We do not expect that the refinancing of the New GECC Term Loan Facility with third party financing will have an adverse impact on our profitability.

Risks Relating to Our Company

As part of your evaluation of our Company, you should consider the risks associated with our business, regulation of our business, the Separation and this offering. These risks include:

Risks relating to our business, including: (i) impact of macroeconomic conditions; (ii) retaining existing partners and attracting new partners, concentration of our platform revenue in a small number of Retail Card partners, promotion and support of our products by our partners, and financial performance of our partners; (iii) our need for additional financing, higher borrowing costs and adverse financial market conditions impacting our funding and liquidity, and reduction in our credit ratings; (iv) our ability to securitize our loans, occurrence of an early amortization of our securitization facilities, loss of the right to service or subservice our securitized loans, and lower payment rates on our securitized loans; (v) our reliance on dividends, distributions and other payments from the Bank; (vi) our ability to grow our deposits in the future; (vii) changes in market interest rates; (viii) 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 accuracy of the assumptions or estimates used in preparing our financial statements; (ix) our ability to offset increases in our costs with decreases in retailer share arrangements; (x) competition in the consumer finance industry; (xi) our concentration in the U.S. consumer credit market; (xii) our ability to successfully develop and commercialize new or enhanced products and services; (xiii) our ability to realize the value of strategic investments; (xiv) reductions in interchange fees; (xv) fraudulent activity; (xvi) cyber-attacks or other security breaches; (xvii) failure of third parties to provide various services that are important to our operations; (xviii) disruptions in the operations of our computer systems and data centers; (xix) international risks and compliance and regulatory risks and costs associated with international operations; (xx) catastrophic events; (xxi) alleged infringement of intellectual property rights of others and our ability to protect our intellectual property; (xxii) litigation, regulatory actions and compliance issues; (xxiii) damage to our reputation; (xxiv) our ability to attract, retain and motivate key officers and employees; (xxv) tax legislation initiatives or challenges to our tax positions; and (xxvi) state sales tax rules and regulations;

Risks relating to regulation, including: (i) significant and extensive regulation, supervision and examination of, and enforcement relating to, our business by governmental authorities, impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) and, the impact of the CFPB's regulation of our business; (ii) changes to our methods of offering our CareCredit products; (iii) failure to meet capital adequacy rules; (iv) restrictions that limit our ability to pay dividends and repurchase our capital stock and that limit the Bank's ability to pay dividends; (v) regulations relating to privacy, information security and data protection; (vi) use of third-party vendors and ongoing third-party business relationships; (vii) failure to comply with anti-money laundering and anti-terrorism financing laws; and (viii) as long as we are controlled by GECC for bank regulatory purposes, regulation and supervision of GECC;

Risks relating to the Separation, including: (i) GE not completing the Separation as planned or at all, GE's inability to obtain the GE SLHC Deregistration and GE continuing to have significant control over us; (ii) completion by the Federal Reserve of a review (with satisfactory results) of our preparedness to operate on a standalone basis, independently of GE, and Federal Reserve Board approval required for us to continue to be a savings and loan holding company; (iii) need to significantly expand many aspects of our operations and infrastructure; (iv) Federal Reserve Board agreement required for us to be treated as a

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financial holding company after the GE SLHC Deregistration; (v) loss of association with GE's strong brand and reputation; (vi) limited right to use the GE brand name and logo and need to establish a new brand; (vii) terms of our arrangements with GE may be more favorable than we will be able to obtain from unaffiliated third parties, GE has significant control over us and reliance on exemptions from the corporate governance requirements of the NYSE available for a controlled company; (viii) our historical combined and pro forma financial results may not be a reliable indicator of what we would have achieved or will achieve as a standalone company; (ix) obligations associated with being a public company; (x) GE could engage in businesses that compete with us, and conflicts of interest may arise between us and GE; and (xi) failure caused by us of GE's distribution of our common stock to its stockholders in exchange for its common stock to qualify for tax-free treatment, which may result in significant tax liabilities to GE for which we may be required to indemnify GE; and

Risks relating to this offering, including: (i) future sales of a substantial number of shares of our common stock; (ii) no prior public market for our common stock; (iii) volatility of the price of our common stock; (iv) our dividend policy may change at any time; (v) applicable laws and regulations, and provisions of our certificate of incorporation and by-laws may discourage takeover attempts and business combinations; and (vi) our common stock is and will be subordinate to all of our existing and future indebtedness and any preferred stock.

For a discussion of these and other risks, see Risk Factors.

Additional Information

Our corporate headquarters and principal executive offices are located at 777 Long Ridge Road, Stamford, Connecticut 06902. Our telephone number at that address is (203) 585-2400. Our internet address is www.synchronyfinancial.com. Information on, or accessible through, our website is not part of this prospectus.

Table of Contents**The Offering**

Issuer	SYNCHRONY FINANCIAL
Common stock offered by us	125,000,000 shares of common stock.
Option to purchase additional shares	18,750,000 shares of common stock.
Common stock to be outstanding immediately after this offering	830,270,833 shares of common stock.
Common stock listing	Our shares of common stock have been authorized for listing on the New York Stock Exchange (NYSE) under the trading symbol SYF.
Use of proceeds	We estimate that the net proceeds to us from the sale of our common stock in this offering will be \$2.8 billion (or \$3.2 billion if the underwriters exercise in full their option to purchase additional shares of common stock from us), after deducting underwriting discounts and commissions and estimated offering expenses. We intend to use the net proceeds from this offering, together with borrowings under the New Bank Term Loan Facility and the New GECC Term Loan Facility, to repay all of our related party debt owed to GECC and its affiliates outstanding on the closing date of this offering (\$8.1 billion was outstanding at March 31, 2014), to increase our capital, to invest in liquid assets to increase the size of our liquidity portfolio and for such additional uses as we may determine in the future. See Use of Proceeds and Description of Certain Indebtedness.
Voting rights	One vote per share for all matters on which stockholders are entitled to vote, except that, until the earlier to occur of: (i) the time immediately prior to the Split-off and (ii) the GE SLHC Deregistration, no stockholder or group (other than GE or its affiliates and certain other exempted persons) shall have the right to vote more than 4.99% of our capital stock entitled to vote generally in the election of directors.
Dividend policy	In connection with our application to the Federal Reserve Board described above and the Separation, we expect to continue to increase our capital and liquidity levels by, among other things, retaining net earnings and not paying a dividend or returning capital through stock

repurchases until our application to the Federal Reserve Board is approved. Thereafter, our board of directors intends to consider a policy for paying dividends and may consider stock repurchases, in each case consistent with maintaining capital ratios well in excess of minimum regulatory requirements. The declaration and amount of any future dividends to holders of our common stock or stock

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repurchases will be at the discretion of our 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 (including any restrictions that may be imposed in connection with the Separation), corporate law and contractual restrictions (including restrictions contained in the New Bank Term Loan Facility and the New GECC Term Loan Facility) and other factors that our board of directors deems relevant. See Risk Factors Risks Relating to Our Business We are a holding company and will rely significantly on dividends, distributions and other payments from the Bank, Risks Relating to Regulation We and the Bank are subject to restrictions that limit our ability to pay dividends and repurchase our capital stock, Risks Relating to This Offering We cannot assure you whether or when we will begin paying a dividend or the amount of any such dividend.

Directed Share Program

At our request, the underwriters have reserved 2% of the shares of common stock to be issued by us and offered by this prospectus for sale, at the initial public offering price, to directors, officers, employees and other individuals associated with our Company and members of their respective families. Any shares purchased by our directors and executive officers pursuant to our directed share program will be subject to the 180-day lock-up agreements described under Underwriters. The number of shares of common stock available for sale to the general public will be reduced to the extent these individuals purchase such reserved shares. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered by this prospectus. See Underwriters Directed Share Program.

Risk factors

See the section entitled Risk Factors beginning on page 23 for a discussion of some of the factors you should consider before investing in our common stock.

Debt financings

Prior to the completion of this offering, we will enter into the New Bank Term Loan Facility with third party lenders that will provide \$8.0 billion principal amount of unsecured term loans maturing in 2019. Prior to the completion of this offering, we will also enter into the New GECC Term Loan Facility with GECC that will provide \$1.5 billion principal amount of unsecured term loans maturing in 2019.

We also currently intend to issue approximately \$3.0 billion of senior unsecured debt securities in the Planned Debt Offering shortly after the completion of this offering.

We also currently have an aggregate of approximately \$5.6 billion of undrawn committed capacity, subject to customary borrowing conditions, from private lenders under two of our existing securitization programs.

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For a discussion of these financings, see Description of Certain Indebtedness New Bank Term Loan Facility, New GECC Term Loan Facility, New Senior Notes and Securitized Financings.

Unless otherwise indicated, all information in this prospectus, including information regarding the number of shares of our common stock outstanding:

reflects 830,270,833 shares of common stock outstanding at March 31, 2014 on a pro forma basis, which reflects the consummation of a stock split effected prior to this offering pursuant to which each share held by the holder of common stock was reclassified into 5,262.3512 shares;

reflects the initial public offering price of \$23.00 per share;

assumes the underwriters' option to purchase additional shares of common stock from us has not been exercised; and

does not include 16,605,417 shares of common stock reserved for issuance under the Synchrony 2014 Long-Term Incentive Plan, as described under Management Compensation Plans Following This Offering Synchrony 2014 Long-Term Incentive Plan (of which approximately 8 million shares of common stock represents the estimated number of shares of common stock underlying unvested restricted stock units and stock options to be issued to certain employees pursuant to founders' grants).

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Summary Historical and Pro Forma Financial Information

The following table sets forth summary historical combined and unaudited pro forma financial information. You should read this information in conjunction with the information under Selected Historical and Pro Forma Financial Information, Management's Discussion and Analysis of Financial Condition and Results of Operations and our historical combined financial statements and the related notes thereto, which are included elsewhere in this prospectus.

Synchrony is a holding company for the legal entities that historically conducted GE's North American retail finance business. Synchrony was incorporated in Delaware on September 12, 2003, but prior to April 1, 2013, conducted no business. During the period from April 1, 2013 to September 30, 2013, as part of a regulatory restructuring, substantially all of the assets and operations of GE's North American retail finance business, including the Bank, were transferred to Synchrony. The remaining assets and operations of that business subsequently have been transferred to Synchrony.

We have prepared our historical combined financial statements as if Synchrony had conducted GE's North American retail finance business throughout all relevant periods. Our historical combined financial information and statements include the assets, liabilities and operations of GE's North American retail finance business.

The unaudited pro forma information set forth below reflects our historical combined financial information, as adjusted to give effect to the following transactions (the Transactions) as if each had occurred at January 1, 2013, in the case of statements of earnings information, and March 31, 2014, in the case of statements of financial position information:

issuance of 125 million shares of our common stock in this offering at the initial public offering price of \$23.00 per share and estimated offering expenses payable by us;

repayment of all Outstanding Related Party Debt (as defined under Use of Proceeds);

entering into of, and costs associated with, the New Bank Term Loan Facility and the New GECC Term Loan Facility;

completion of, and estimated offering expenses payable by us in connection with, the Planned Debt Offering;

investment in liquid assets to further increase the size of our liquidity portfolio consistent with our liquidity and funding policies; and

issuance of a founders' grant of restricted stock units and stock options to certain employees under the Synchrony 2014 Long-Term Incentive Plan.

The unaudited pro forma information below is based upon available information and assumptions that we believe are reasonable, that reflect the expected impacts of events that are directly attributable to the Transactions, that are

factually supportable and, in connection with earnings information, that are expected to have a continuing impact on us. The unaudited pro forma financial information is for illustrative and informational purposes only and is not intended to represent what our financial condition or results of operations would have been had the Transactions occurred on the dates indicated. The unaudited pro forma information also should not be considered representative of our future financial condition or results of operations.

In addition to the pro forma adjustments to our historical combined financial statements, various other factors will have an effect on our financial condition and results of operations after the completion of this offering, including those discussed under Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations. For a discussion of the pro forma adjustments, see Selected Historical and Pro Forma Financial Information.

Table of Contents**Condensed Combined Statements of Earnings Information**

	Pro Forma Three Months Ended March 31,	Historical Three Months Ended March 31,		Pro Forma Year Ended December 31,	Historical Years Ended December 31,		
	2014	2014	2013	2013	2013	2012	2011
<i>(\$ in millions, except per share data)</i>							
Interest income	\$ 2,933	\$ 2,933	\$ 2,704	\$ 11,313	\$ 11,313	\$ 10,309	\$ 9,141
Interest expense	235	190	193	951	742	745	932
Net interest income	2,698	2,743	2,511	10,362	10,571	9,564	8,209
Retailer share arrangements	(594)	(594)	(484)	(2,373)	(2,373)	(1,984)	(1,428)
Net interest income, after retailer share arrangements	2,104	2,149	2,027	7,989	8,198	7,580	6,781
Provision for loan losses	764	764	1,047	3,072	3,072	2,565	2,258
Net interest income, after retailer share arrangements and provision for loan losses	1,340	1,385	980	4,917	5,126	5,015	4,523
Other income	115	115	132	500	500	484	497
Other expense	616	610	539	2,510	2,484	2,123	2,010
Earnings before provision for income taxes	839	890	573	2,907	3,142	3,376	3,010
Provision for income taxes	(313)	(332)	(214)	(1,075)	(1,163)	(1,257)	(1,120)
Net earnings	\$ 526	\$ 558	\$ 359	\$ 1,832	\$ 1,979	\$ 2,119	\$ 1,890
Weighted average shares outstanding (in thousands)							
Basic	830,271	N/A	N/A	830,271	N/A	N/A	N/A
Diluted	831,170	N/A	N/A	830,670	N/A	N/A	N/A
Earnings per share							
Basic	\$ 0.63	N/A	N/A	\$ 2.21	N/A	N/A	N/A
Diluted	0.63	N/A	N/A	2.21	N/A	N/A	N/A

Table of Contents**Condensed Combined Statements of Financial Position Information**

<i>(\$ in millions)</i>	Pro Forma At March 31, 2014	At March 31, 2014	Historical At December 31, 2013 2012	
Assets:				
Cash and equivalents	\$ 12,483	\$ 5,331	\$ 2,319	\$ 1,334
Investment securities	265	265	236	193
Loan receivables	54,285	54,285	57,254	52,313
Allowance for loan losses	(2,998)	(2,998)	(2,892)	(2,274)
Goodwill	949	949	949	936
Intangible assets, net	464	464	300	255
Other assets	926	949	919	705
Total assets	\$ 66,374	\$ 59,245	\$ 59,085	\$ 53,462
Liabilities and Equity:				
Total deposits	\$ 27,358	\$ 27,358	\$ 25,719	\$ 18,804
Total borrowings	27,085	22,704	24,321	27,815
Accrued expenses and other liabilities	2,980	3,141	3,085	2,261
Total liabilities	57,423	53,203	53,125	48,880
Total equity	8,951	6,042	5,960	4,582
Total liabilities and equity	\$ 66,374	\$ 59,245	\$ 59,085	\$ 53,462

Table of Contents**Other Financial and Statistical Data**

	Pro Forma⁽¹⁾ At and for the Three Months Ended March 31,	Historical At and for the Three Months Ended March 31,	Historical 2013	Pro Forma⁽¹⁾ At and for the Year Ended December 31,	Historical At and for the Years Ended December 31,	2012	2011
	2014	2014	2013	2013	2013	2012	2011
<i>(\$ in millions, except per account data)</i>							
Financial Position Data (Average):							
Loan receivables	\$ 55,495	\$ 55,495	\$ 50,843	\$ 52,407	\$ 52,407	\$ 47,549	\$ 44,131
Total assets	\$ 66,550	\$ 59,421	\$ 55,990	\$ 62,422	\$ 56,184	\$ 49,905	\$ 46,218
Deposits	\$ 26,648	\$ 26,648	\$ 22,492	\$ 22,911	\$ 22,911	\$ 17,514	\$ 15,442
Borrowings	\$ 27,497	\$ 23,116	\$ 25,440	\$ 28,694	\$ 25,209	\$ 25,304	\$ 24,687
Total equity	\$ 9,384	\$ 6,475	\$ 5,555	\$ 8,027	\$ 5,121	\$ 4,764	\$ 4,009
Selected Performance Metrics:							
Purchase volume ⁽²⁾	\$ 21,086	\$ 21,086	\$ 19,803	\$ 93,858	\$ 93,858	\$ 85,901	\$ 77,883
Retail Card	\$ 16,713	\$ 16,713	\$ 15,719	\$ 75,739	\$ 75,739	\$ 69,240	\$ 62,663
Payment Solutions	\$ 2,687	\$ 2,687	\$ 2,471	\$ 11,360	\$ 11,360	\$ 10,531	\$ 9,798
CareCredit	\$ 1,686	\$ 1,686	\$ 1,613	\$ 6,759	\$ 6,759	\$ 6,130	\$ 5,422
Average active accounts (in thousands) ⁽³⁾	59,342	59,342	55,347	56,253	56,253	53,021	51,313
Average purchase volume per active account	\$ 355	\$ 355	\$ 358	\$ 1,668	\$ 1,668	\$ 1,620	\$ 1,518
Average loan receivables balance per active account	\$ 935	\$ 935	\$ 919	\$ 932	\$ 932	\$ 897	\$ 860
Net interest margin ⁽⁴⁾	16.5%	18.8%	18.2%	16.6%	18.8%	19.7%	18.4%
Net charge-offs	\$ 658	\$ 658	\$ 603	\$ 2,454	\$ 2,454	\$ 2,343	\$ 2,560
Net charge-offs as a % of average loan receivables	4.9%	4.9%	4.8%	4.7%	4.7%	4.9%	5.8%
Allowance coverage ratio ⁽⁵⁾	5.5%	5.5%	5.4%	5.1%	5.1%	4.3%	4.3%
Return on assets ⁽⁶⁾	3.2%	3.9%	2.6%	2.9%	3.5%	4.2%	4.1%
Return on equity ⁽⁷⁾	23.0%	35.3%	26.2%	22.8%	38.6%	44.5%	47.1%
Equity to assets ⁽⁸⁾	14.1%	10.9%	9.9%	12.9%	9.1%	9.5%	8.7%
Other expense as a % of average loan	4.6%	4.5%	4.3%	4.8%	4.7%	4.5%	4.6%

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receivables							
Efficiency ratio ⁽⁹⁾	27.8%	26.9%	25.0%	29.6%	28.6%	26.3%	27.6%
Effective income tax rate	37.3%	37.3%	37.4%	37.0%	37.0%	37.2%	37.2%

Selected Period End

Data:

Total loan receivables	\$ 54,285	\$ 54,285	\$ 49,931	\$ 57,254	\$ 57,254	\$ 52,313	\$ 47,741
Allowance for loan losses	\$ 2,998	\$ 2,998	\$ 2,718	\$ 2,892	\$ 2,892	\$ 2,274	\$ 2,052
30+ days past due as a % of loan receivables	4.1%	4.1%	4.2%	4.3%	4.3%	4.6%	4.9%
90+ days past due as a % of loan receivables	1.9%	1.9%	1.9%	2.0%	2.0%	2.0%	2.2%
Total active accounts (in thousands) ⁽³⁾	57,349	57,349	54,291	61,957	61,957	57,099	56,605
Full time employees	10,034	10,034	8,344	9,333	9,333	8,447	8,203

Capital Ratios⁽¹⁰⁾:

Tier 1 common ratio	14.6%
Tier 1 risk-based capital ratio	14.6%
Total risk-based capital ratio	15.9%
Tier 1 leverage ratio	12.0%

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(\$ in millions)	At and for the		Historical		
	Three Months Ended		At and for the		
	March 31,		Years Ended December 31,		
	2014	2013	2013	2012	2011
Platform Revenue⁽¹¹⁾					
Total:					
Interest and fees on loans	\$ 2,928	\$ 2,699	\$ 11,295	\$ 10,300	\$ 9,134
Other income	115	132	500	484	497
Retailer share arrangements	(594)	(484)	(2,373)	(1,984)	(1,428)
Platform revenue	\$ 2,449	\$ 2,347	\$ 9,422	\$ 8,800	\$ 8,203
Retail Card:					
Interest and fees on loans	\$ 2,178	\$ 1,990	\$ 8,317	\$ 7,531	\$ 6,536
Other income	96	106	419	400	377
Retailer share arrangements	(584)	(475)	(2,331)	(1,943)	(1,378)
Platform revenue	\$ 1,690	\$ 1,621	\$ 6,405	\$ 5,988	\$ 5,535
Payment Solutions:					
Interest and fees on loans	\$ 372	\$ 368	\$ 1,506	\$ 1,441	\$ 1,389
Other income	8	13	36	40	60
Retailer share arrangements	(9)	(7)	(36)	(35)	(43)
Platform revenue	\$ 371	\$ 374	\$ 1,506	\$ 1,446	\$ 1,406
CareCredit:					
Interest and fees on loans	\$ 378	\$ 341	\$ 1,472	\$ 1,328	\$ 1,209
Other income	11	13	45	44	60
Retailer share arrangements	(1)	(2)	(6)	(6)	(7)
Platform revenue	\$ 388	\$ 352	\$ 1,511	\$ 1,366	\$ 1,262

- (1) The unaudited pro forma financial information for Financial Position Data (Average) and Selected Performance Metrics give effect to the Transactions as if they had occurred at January 1, 2013 for amounts calculated using average financial position data.
- (2) 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.
- (3) Active accounts represent credit card or installment loan accounts on which there has been a purchase, payment or outstanding balance in the current month. Open accounts represent credit card or installment loan accounts that are not closed, blocked or more than 60 days delinquent.
- (4) Net interest margin represents net interest income divided by average interest-earning assets.
- (5) Allowance coverage ratio represents allowance for loan losses divided by total end-of-period loan receivables.
- (6) Return on assets represents net earnings as a percentage of average total assets.
- (7) Return on equity represents net earnings as a percentage of average total equity.
- (8) Equity to assets represents average equity as a percentage of average total assets.
- (9)

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

- (10) Represent Basel I capital ratios calculated for the Company on a pro forma basis. At March 31, 2014, pro forma for the Transactions, the Company would have had a fully phased-in Basel III Tier 1 common ratio of 14.1%. The Company's pro forma capital ratios are non-GAAP measures. See Management's Discussion and Analysis of Financial Condition and Results of Operations Capital.
- (11) Platform revenue is a non-GAAP measure. The table sets forth each component of our platform revenue for the periods presented. See Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations For the Three Months Ended March 31, 2014 and 2013 Platform Analysis and Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations For the Years Ended December 31, 2013, 2012 and 2011 Platform Analysis.

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RISK FACTORS

You should carefully consider the following risks before investing in our common stock. These risks could materially affect our business, results of operations or financial condition and cause the trading price of our common stock to decline. You could lose part or all of your investment.

Risks Relating to Our Businesses

Macroeconomic conditions could have a material adverse effect on our business, results of operations, financial condition and stock price.

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. 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 fee income to generate our net earnings. Our interest and fee income was \$11.3 billion and \$10.3 billion for the years ended December 31, 2013 and 2012, respectively, and \$2.9 billion and \$2.7 billion for the three months ended March 31, 2014 and 2013, respectively. 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 loan receivables was 8.2% at December 31, 2009 during the financial crisis, compared to 4.1% at March 31, 2014, and our full-year net charge-off rate was 11.3% for the year ended December 31, 2009, compared to 4.7% for the year ended December 31, 2013. We believe the delinquency rate in our portfolio is at historically low levels and charge-off rates in our portfolio are back to pre-recession levels, and they both may increase and are likely to increase materially if economic conditions deteriorate.

While certain economic conditions in the United States have shown signs of improvement, economic growth has been slow and uneven as consumers continue to be affected by high unemployment rates, slowly recovering housing values, continuing 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 global markets. A prolonged period of slow economic growth or a significant deterioration in economic conditions 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, 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 the trading price of our common stock.

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, five of our 40 largest program agreements measured by platform revenue for the year ended December 31, 2013 will not be extended beyond their contractual expiration dates in 2014 or 2015. These five program agreements represented, in the aggregate, 3.3% of our total platform revenue for the year ended December 31, 2013 and 3.7% of our total loan receivables at March 31, 2014. In addition, we recently extended

our program agreement with PayPal, one of our ten largest partners, until October 2016 and do not expect it to extend beyond that date. The extension eliminated

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certain exclusivity provisions that previously existed in the program agreement, and we expect this will result in lower platform revenue and loan receivables from our PayPal program during the extended term of the agreement. The PayPal program agreement represented 3.1% of our total platform revenue for the year ended December 31, 2013 and 2.6% of our total loan receivables at March 31, 2014.

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. 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 platform revenue 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.

Our ten largest partner relationships are with Retail Card partners and accounted for an aggregate of 59.6% of our total platform revenue for the year ended December 31, 2013. Our five largest programs (Gap, JCPenney, Lowes, Sam's Club and Walmart) accounted in aggregate for 48.4% of our total platform revenue for the year ended December 31, 2013. Sam's Club is a subsidiary of Walmart that is a separate contracting entity with its own program agreement with us. Our programs with JCPenney and Walmart each accounted for more than 10% of our total platform revenue over the same period. We expect to have significant concentration in our largest relationships for the foreseeable future. Although we have multi-year program agreements with each of our ten largest partners, their current agreements expire at various times, and the agreement with one of these partners, which represented \$1.2 billion, or 2.2%, of our total loan receivables at March 31, 2014, is scheduled to expire before the end of 2014 and is one of the five partners discussed in the preceding Risk Factor, whose program agreements will not be extended beyond their contractual expiration dates in 2014 or 2015. In addition, we recently extended our program agreement with PayPal, one of our ten largest partners, until October 2016 and do not expect it to extend beyond that date.

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.

Table of Contents***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 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 or changes they 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 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 platform revenue. See [Item 1](#). A significant percentage of our platform revenue 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.

We will need additional financing, and our borrowing costs are expected to be higher following the completion of this offering; 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

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borrowings and payments on our other obligations. Historically, our primary sources of funding and liquidity have been, and following this offering are expected to be, collections from our customers, deposits, funds from securitized financings and proceeds from unsecured borrowings. Historically, our unsecured borrowings have come from GECC and we believe our affiliation with GE has made it easier and less expensive for us to obtain some of our funding from third parties. Following completion of this offering, we do not expect to receive funding from GECC (other than transitional financing from GECC under the New GECC Term Loan Facility) and expect our borrowing costs from third parties will be higher than our historical costs from GECC. In addition, following completion of this offering, it may be more difficult for us to securitize our loans because our credit rating from the rating agencies will be lower than GECC's current credit rating, which may cause investors, and the credit rating agencies, to view us as a weaker sponsor. To compensate, our recent issuances of asset-backed securities have required, and future issuances likely will require, additional credit enhancements and may require higher interest rates and, even then, the credit ratings on our asset-backed securities may be lower than they have been historically. In addition, to maintain the current credit ratings of certain of our existing asset-backed securities in light of this offering, we have amended the documentation for those securities to require us to maintain additional collateral (in the form of additional loan receivables) for those securities. We have also announced that we intend, based on currently available information, to provide additional credit enhancement (in the form of additional loan receivables collateral) that we believe will be sufficient to obtain confirmations of the current ratings of our public asset-backed securities after giving effect to the completion of this offering. These factors and actions may increase the costs of securitizing our loans relative to our historical costs or otherwise adversely affect our financial flexibility.

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 (including the expected prepayment of part or substantially all of the outstanding debt under the New GECC Term Loan Facility in connection with our application to the Federal Reserve Board and the Separation) 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 the financial crisis and more recently arising from the sovereign debt crisis in Europe 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. It may also be more difficult or costly for us to obtain funds following the Separation. 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, we currently have an aggregate of approximately \$5.6 billion of undrawn committed capacity from private lenders under two of our existing securitization programs. 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 asset-backed securities issuance and the absence of an early amortization event. Moreover, there are regulatory reforms that have recently been proposed or adopted in the United States and internationally that are intended to address certain issues that affected banks in the recent 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 have added provisions to their credit agreements

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permitting them to delay disbursement of funding requests for 30 days or more. If our bank lenders require these delayed funding provisions 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 stabilized and, in many cases, 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.

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

We expect our senior unsecured debt to be rated BBB- (stable outlook) by Fitch Ratings, Inc. (Fitch) and BBB- (stable outlook) by Standard & Poor's (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. Following the completion of the offering, we expect our unsecured debt credit rating from the rating agencies will be lower than GECC's current unsecured debt credit rating. 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 loans and the credit enhancement structure with respect to each series of asset-backed securities, as well as the credit rating of GECC as the servicer of our publicly registered securitization trust and our credit rating as sponsor. These ratings also reflect the various methodologies and assumptions used by the rating agencies, which are subject to change (and Moody's has indicated that certain of its methodologies and assumptions are currently under review) and could adversely affect our ratings. The rating agencies regularly evaluate our credit ratings and those of GECC, as well as the credit ratings of our asset-backed securities. We expect GECC will resign and assign its servicing obligations for our publicly registered securitization trust to us, and we intend to amend the program documents for this trust to enable that assignment. We expect the GECC resignation and assignment will occur on the earlier of: (i) the date all asset-backed securities outstanding at the effective time of the amendment have been redeemed or paid in full (which is expected to occur no later than 2019) and (ii) when the holders of such securities have consented to an assignment of such servicing obligations to us (the Expected GECC Servicer Assignment Date). There can be no assurance that we will be able to maintain our unsecured debt or asset-backed securities credit ratings or that any of our credit ratings will not be lowered or withdrawn in the future, including as GE decreases its ownership in us or when GECC is no longer the servicer. We also cannot be sure that GECC's credit ratings will not be lowered or what impact any such action would have on our credit ratings as well as those 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.

Neither we nor GE have any obligation to replace or supplement the credit enhancement or to take any other action to maintain any ratings of any asset-backed securities. However, we have announced that we intend, based on currently available information, to provide additional credit enhancement (in the form of additional loan receivables collateral) that we believe will be sufficient to obtain confirmations of the current ratings of our public asset-backed securities after giving effect to the completion of this offering. If the ratings on our asset-backed securities are reduced, put on negative watch or withdrawn as a result of this offering, the Separation, the GE SLHC Deregistration or otherwise, 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.

Table of Contents***Our inability to securitize our loans would have a material adverse effect on our business, liquidity, cost of funds and financial condition.***

We use the securitization of loans, which involves the transfer of loans 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 \$16.2 billion and \$15.2 billion for the years ended December 31, 2013 and 2012, respectively. For a discussion of our securitization activities, see Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Funding Sources Securitized Financings, Description of Certain Indebtedness Securitized Financings and Note 6. *Variable Interest Entities* to our combined 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 will securitize our loans 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 overall credit quality of our loans and the conformity of the loans and our securitization program to rating agency requirements, the costs of securitizing our loans, and the legal, regulatory, accounting and tax requirements governing securitization transactions. In the event we are unable to refinance existing asset-backed securities from our publicly registered 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 loans 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. For a description of these early amortization events, see Description of Certain Indebtedness Securitized Financings. During an early amortization period, principal collections from the loans in our asset-backed securitization trusts would be applied to repay principal of the asset-backed securities rather than being available on a revolving basis to fund purchases of newly originated loans. This would negatively impact our liquidity, including our ability to originate new loans 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 loans would have a material adverse effect on our liquidity and cost of funds.

GECC currently acts as servicer with respect to our publicly registered securitization trust and its related series of asset-backed securities, and the Bank acts as servicer with respect to our other two securitization trusts. If GECC 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 GECC 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 amortization event would have the adverse consequences discussed in the immediately preceding risk factor.

We expect GECC will resign and assign its servicing obligations for our publicly registered securitization trust to us on or shortly after the Expected GECC Servicer Assignment Date and until that time, our ability to service the public securitization trust's assets pursuant to the sub-servicing arrangement with GECC will be dependent on GECC not being terminated as servicer for a servicer default or resigning in accordance with the

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requirements specified in the trust's program documents, as well as us not being terminated for a default under our sub-servicing arrangement with GECC. If GECC defaults or resigns (or if we default under our sub-servicing arrangement), a third party could be appointed servicer with respect to our publicly registered securitization trust, particularly if neither we nor the Bank have the required ratings to serve as successor servicer. Similarly, if we default in our servicing obligations with respect to either of our other two securitization trusts, a third party could be appointed as servicer of the related 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 loans could materially adversely affect our liquidity and financial condition.

Certain collections from our securitized loans come back to us through our subsidiaries, and we use these collections to fund our purchase of newly originated loans to collateralize our securitized financings. If payment rates on our securitized loans 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.

We are a holding company and will rely significantly on dividends, distributions and other payments from the Bank.

As a holding company, we will rely significantly on dividends, distributions and other payments from the Bank to fund any dividends to our stockholders and repurchases of our stock, as well as to satisfy our debt and other obligations. 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. Limitations on the amounts we receive from the Bank could impact our liquidity. See Risks Relating to Regulation. We and the Bank are subject to restrictions that limit our ability to pay dividends and repurchase our capital stock.

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 March 31, 2014, we had \$13.0 billion in direct deposits (which includes deposits from banks and financial institutions) and \$14.4 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 significantly expand our direct deposits. Although we expect to reduce the proportion of our funding provided by brokered deposits in connection with our application to the Federal Reserve Board, we also intend to continue to rely on brokered deposits as a source of funding.

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

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information or sales and marketing activities, and from actions taken by regulators or others in response to such conduct. In addition, our ability to originate and maintain deposits could be adversely affected by the loss of our association with GE's brand and reputation following the completion of this offering or the Separation.

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 Federal Deposit Insurance Act (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 March 31, 2014, 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.

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 and our interest expense to increase or decrease, as certain of our assets and liabilities carry interest rates that fluctuate with market benchmarks. At March 31, 2014, 57.4% of our loans bore a fixed interest rate to the customer and we generally fund these assets with fixed rate certificates of deposit, securitized financing and unsecured debt. At March 31, 2014, 42.6% of our loans bore a floating interest rate to the customer, and we generally fund these assets with floating rate 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. To the extent we are unable to effectively match the interest rates on our assets and liabilities (including, in the future, potentially through the use of derivatives), our net earnings could be materially adversely affected.

Competitive and regulatory factors may limit our ability to raise interest rates, fixed or floating, on our loans. In addition, some of our program agreements limit the rate of interest we can charge to customers under those agreements. 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 and 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.

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We assess our interest rate risk by estimating the effect on our net earnings of various scenarios that differ based on assumptions about the direction and the magnitude of interest rate changes. 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 those we assumed. For a discussion of interest rate risk sensitivities, see Management's Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures About Market 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, strategic risk and operational 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 is the risk of loss due to changes in external market factors such as interest rates. 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. Strategic risk is the risk from changes in the business environment, improper implementation of decisions or inadequate responsiveness to changes in the business environment. 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 our Company as well as to third parties with whom we contract or otherwise do business. See Business Credit Risk Management and Business 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 process, risk policies, procedures and controls, reporting requirements, credit risk culture and governance structure. 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.

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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 recent financial crisis. Although delinquencies and charge-offs continued to decline through 2013, they both may increase in the future and are likely to increase materially if economic conditions deteriorate. We remain subject to conditions in the consumer credit environment. There can be no assurance that our credit underwriting and risk management strategies 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. In addition, 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. At March 31, 2014, 29.6% of our portfolio's loan receivables were from consumers with a FICO score of 660 or less, which 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.

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We periodically review and update our 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 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 methodology, models or the underlying assumptions, estimates and assessments, increase our allowance for loan losses and/or recognize further losses. During 2012 and 2013, we enhanced our allowance for loan losses methodology. This enhancement resulted in a more granular portfolio segmentation analysis, by loss type, included a qualitative assessment of the adequacy of the portfolio's allowance for loan losses, which compared the allowance for losses to projected net charge-offs over the next 12 months, in a manner consistent with regulatory guidance, and was designed to provide a better estimate of the date of a probable loss event and length of time required for a probable loss event to result in a charge-off. As a result, we recognized incremental provisions of \$343 million and \$642 million in 2012 and 2013, respectively. We continue to review and evaluate our 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) is currently reviewing or proposing changes to several financial accounting and reporting standards that govern key aspects of our financial statements, including the proposed standard on accounting for credit losses and other areas where assumptions or estimates are required. As a result of 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 previously used in preparing our financial statements, which could materially impact how we record and report our results of operations and financial condition generally. 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 combined 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

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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.

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 becoming more competitive. Our primary competitors for partners include major financial institutions, such as Alliance Data, American Express, Capital One, 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 PayPal. In the future, we expect our products will face increased competition from new emerging payment technologies, such as Google Wallet, ISIS Mobile Wallet and Square, as well as consortia of merchants that are expected to combine payment systems to reduce interchange and other costs (e.g., MCX). 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), Discover, Nationwide, 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.

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

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 and 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 elective healthcare related procedures or services, in contrast to other industries. Our business concentration could have an adverse effect on our results of operations.

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 and services. 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 strategic investments that we pursue and such investments could divert resources or introduce unforeseen risks to our business.

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

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We may be unable to integrate systems, personnel or technologies from our strategic investments. These 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, partnership or investment may shift employee time and other resources which could impair our ability to focus on our core business.

Strategic investments may not perform as expected due to lack of acceptance by partners, customers or employees, higher than forecasted costs, 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 transactions but we 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 approximately \$324 million of interchange fees for the year ended December 31, 2013 and \$76 million of interchange fees for the three months ended March 31, 2014. 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, 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 losses have increased significantly from \$72 million to \$132 million to \$134 million for the years ended December 31, 2011, 2012 and 2013, respectively. For the three months ended March 31, 2014 and 2013, fraud-related losses were \$28 million and \$33 million, respectively. Our fraud-related losses are due primarily to our Dual Card product, which has grown in recent years, and like the overall market for general purpose credit cards has experienced significant counterfeit and mail/phone fraud. Our private label credit card product is also 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 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

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sophisticated. Our resources, technologies and fraud prevention tools may be insufficient to accurately detect and prevent fraud. For example, credit cards with embedded security chip technology (such as the so-called EMV chips) provide additional security against fraudulent activity and have been widely adopted in Europe and Asia but have not been widely accepted by merchants in the United States. As a result, although we are in the process of rolling out this technology with several of our partners, our credit cards continue to use the traditional magnetic stripes for card processing and therefore do not benefit from the embedded security chip feature, and our adoption of this technology would still require wider acceptance by merchants to reduce our risk. The level of our fraud charge-offs and results of operations could be materially adversely affected if fraudulent activity were to significantly increase. 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 and mandatory issuance of cards with EMV chips), 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.

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 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. The Separation and our emergence as a separately branded company could increase our profile and therefore risk of being targeted for cyber-attacks and other security breaches, including attacks targeting our key business services and websites. 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 transactions that typically involve the transmission of sensitive information regarding our customers through various third-parties, including our partners, merchant acquiring banks, payment processors, card networks (e.g., Visa and MasterCard) and our processors (e.g., First Data Corporation (First Data)). 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, such as Fidelity National Information Services, Inc. (FIS), to conduct other

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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, recently there have been a number of well-publicized attacks or breaches affecting 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.

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

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 FIS. First Data and FIS 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. It would be difficult and disruptive for us to replace some of our third-party vendors, particularly First Data and FIS, 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 and that it has incurred net losses of \$869.1 million, \$700.9 million and \$516.1 million for the years ended December 31, 2013, 2012 and 2011, respectively. Our principal agreements with First Data expire under their existing terms (assuming we exercise our unilateral extension rights but the agreements are not otherwise renewed or extended by mutual agreement of the parties) at various times between 2016 and 2020. Our principal agreement with FIS expires under its existing terms (assuming we exercise our unilateral extension rights but the agreements are not otherwise renewed or extended by mutual agreement of the parties) in 2020. 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.

In connection with the Separation, we must migrate, and in some cases, establish with third parties, key parts of our technology infrastructure, including our data centers. When we migrate our data centers, our partners will

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also need to make changes to their networks to establish connectivity with us. These infrastructure changes, both the ones that we make and the ones required of our partners, may cause disruptions, systems interruptions, transaction processing errors and system conversion delays. In addition, we have entered into transitional services arrangements with GE pursuant to which it will provide certain services to us relating to technology and business processes. Some of these transitional services arrangements may remain in effect until 2016, and during the transitional period we will rely on GE to provide these services. The complexities of these arrangements and the services provided will increase the operational risk associated with the Separation, and this increased risk could result in unanticipated expenses, disruptions to our operations or other adverse consequences, 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. 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.

We face risks from catastrophic events.

We are subject to catastrophes such as natural disasters, severe weather conditions, health pandemics and terrorist attacks, any of which could have a negative effect on our business and technology infrastructure (including our computer network systems and data centers), our partners and their business and our customers. Catastrophic events could prevent or make it more difficult for our customers to travel to our partners' locations to shop, thereby negatively impacting consumer spending in the effected regions, or in severe cases, nationally, interrupt or disable local or national communications networks, including the payment systems network, which could prevent our partners and our customers from using our products to make purchases or make payments (temporarily or over an extended period). These events could also impair the ability of third parties to provide critical services to us. All of these adverse effects of catastrophic events could result in a decrease in the use of our products or payments to us, 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

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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.

Following this offering, we expect to launch our new brand, Synchrony, and expect to spend significant amounts over the next few years promoting the new brand. We recently filed trademark applications to protect our new name in the United States and certain other countries, but the registrations of these trademarks are not complete and they may ultimately not become registered. Our use of our new name (for our existing or any new products in the United States or other countries) may be challenged by third parties, and we may become involved in legal proceedings to protect or defend our rights with respect to our new name, all of which could have a material adverse effect on our business and results of operations.

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, administrative or regulatory efforts to directly or indirectly prohibit the use of pre-dispute arbitration clauses, including by the CFPB, or we may be compelled as a result of competitive pressure or reputational concerns to voluntarily eliminate pre-dispute arbitration clauses.

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

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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, Note 16. *Legal Proceedings and Regulatory Matters* to our combined financial statements and Note 13. *Legal Proceedings and Regulatory Matters* to our condensed combined 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.

Damage to our reputation could negatively impact our business.

Recently, financial services companies have been experiencing increased reputational risk as consumers take issue with certain of their practices or judgments. 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.

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. Although we do not currently anticipate any significant changes to the management team following the completion of this offering or the Separation, 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 following the completion of this offering or the Separation (when we are no longer part of GE) or at any other time. Guidance issued by the federal banking regulators, as well as proposed rules implementing the executive compensation provisions of the Dodd-Frank Act, may limit the type and structure of compensation arrangements that we may enter into with our most senior executives. In addition, proposed rules under the Dodd-Frank Act would prohibit the payment of excessive compensation to our executives. Compensation paid to

officers of the Bank would be subject to comparable limitations. 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.

Table of Contents***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 proposals for fundamental tax reform in the United States and lowering the corporate tax rate, 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 position in connection with any such challenge.

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 on-going 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.

Risks Relating to Regulation***Our business is subject to extensive 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 extensive 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 unitary savings and loan holding company, Synchrony is subject to extensive regulation, supervision and examination by the Federal Reserve Board. As a large provider of consumer financial services, we are also subject to extensive regulation, supervision and examination by the CFPB. Until the GE SLHC Deregistration, we will be controlled by GECC, which is also subject to extensive regulation, supervision and examination by the Federal Reserve Board. The Bank is a federally chartered savings association. As such, the Bank is subject to extensive 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, GECC and 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 federal Deposit Insurance Fund (DIF) and the banking system as a whole, and not intended to protect our stockholders or creditors. If we or the Bank, or until the GE SLHC Deregistration, GECC, 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

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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 remediations, 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, legislative and regulatory regimes, which may have the effect of providing them with a competitive advantage over us.

New laws or regulations or policy or practical changes in enforcement of existing laws or regulations applicable to our businesses, 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 the businesses in which we engage. See The Consumer Financial Protection Bureau is a new agency, and there continues to be uncertainty as to how the agency'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 remediations 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 Risks 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 has had, and may continue to have, a significant impact on our business, financial condition and results of operations.

The Dodd-Frank Act was enacted on July 21, 2010. While certain provisions in the Act were effective immediately, many of the provisions require implementing regulations to be effective. 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, on us (including increased compliance costs and increased costs of funding raised through the issuance of asset-backed securities), limit the fees we can charge for services 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 or creditors. We describe certain provisions of the Dodd-Frank Act and other legislative and regulatory developments in Regulation. Federal agencies continue to promulgate regulations to implement the Dodd-Frank Act, and these regulations may continue to have a significant adverse impact on our business, financial condition and results of operations.

Many provisions of the Dodd-Frank Act require the adoption of additional rules to implement. In addition, the Dodd-Frank Act mandates multiple studies, which could result in additional legislative or regulatory action. As a

result, the ultimate impact of the Dodd-Frank Act and its implementing regulations remains unclear and could have a material adverse effect on our business, results of operations and financial condition.

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The Consumer Financial Protection Bureau is a new agency, and there continues to be uncertainty as to how the agency'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 the businesses in which we engage. 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 and the Bank, 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 businesses and our results of operations going forward. Actions by the CFPB could result in requirements to alter or cease offering affected products and services, making them less attractive and restricting our ability to offer them. For example, in July 2012, the CFPB issued an industry bulletin regarding marketing practices with respect to credit card add-on products, including debt cancellation products. See

Regulation Consumer Financial Services Regulation. The Bank has made a number of changes, including changes in response to the CFPB bulletin, with respect to its marketing and sale of debt cancellation products to credit card customers, including ceasing all telesales of such products, and the Bank has also enhanced the disclosures associated with its website sales of such products. In addition, in October 2013, the CFPB published its first biennial report reviewing the impact of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the CARD Act) on the consumer credit card market. In the report, the CFPB identified practices that may warrant further scrutiny by it, including add-on products (such as debt protection, identity theft protection, credit score monitoring and other products that are supplementary to the extension of credit), cards that charge substantial application fees, and deferred interest offers and products (which could include our promotional financing products). The report further identified concerns regarding the adequacy of online disclosures, as well as of the disclosures associated with rewards products and grace periods. Separately, the CFPB is also studying pre-dispute arbitration clauses, and our litigation exposure could increase if the CFPB exercises its authority to limit or ban pre-dispute arbitration clauses.

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. Actions by the CFPB could result in requirements to alter our products and services that may make them less attractive to consumers or less profitable to us. In this regard, on December 10, 2013, we entered into a consent order (the 2013 CFPB Consent Order) with the CFPB relating to our CareCredit platform. See Changes to our methods of offering our CareCredit products could materially impact operating results. In addition, on June 19, 2014, we entered into a consent order with the CFPB related to our 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. On June 19, 2014, we also entered into a consent order with the DOJ to resolve its coordinated investigation into issues related to such offers. For the year ended December 31, 2013, we had a \$133 million increase in our expenses related to litigation and regulatory matters (primarily an increase to our reserves related to the various matters settled with the CFPB and one settled with the

DOJ). See Regulation Consumer Financial Services Regulation.

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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 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 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.

Changes to our methods of offering our CareCredit products could materially impact operating results.

The 2013 CFPB Consent Order relating to our CareCredit platform requires us to pay up to \$34.1 million to qualifying customers, and, among other things, to provide additional training and monitoring of our CareCredit partners, to include provisions in agreements with our CareCredit partners prohibiting charges for certain services not yet rendered, to make changes to certain consumer disclosures, application procedures and procedures for resolution of customer complaints, and to terminate CareCredit partners that have chargeback rates in excess of certain thresholds. Some of the changes required by the 2013 CFPB Consent Order are similar to requirements in an assurance of discontinuation (the Assurance) that we entered with the Attorney General for the State of New York on June 3, 2013. The Bank expects to be in full compliance with the business practice changes required by the 2013 CFPB Consent Order and the Assurance by the third quarter of 2014, subject to ongoing reporting obligations, and will complete the additional provider training by the fourth quarter of 2015. In addition to the costs of remediation, which were not material for the Assurance and will be up to \$34.1 million for the 2013 CFPB Consent Order, we estimate we will incur one-time costs of approximately \$3 million to implement these changes, and ongoing annual costs of approximately \$3 million. We have only recently implemented certain of the process changes required by the 2013 CFPB Consent Order and the Assurance, and will continue to actively monitor and assess their impact on our CareCredit program. Although at this time we do not believe that the 2013 CFPB Consent Order and the Assurance will have a material adverse impact on our results of operations going forward, we cannot be sure this will be the case (particularly as providers become acclimated to the required changes) and we cannot be sure whether the settlement will have an adverse impact on our reputation or whether the new requirements imposed by the 2013 CFPB Consent Order or the Assurance will adversely affect providers' or customers' use of our programs or our business. Moreover, we may elect or be required to make changes with respect to these and other deferred interest products in the future, and those changes may adversely affect customers' use of our credit cards or our business. In addition, our resolutions with the CFPB and the New York Attorney General 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.

Failure by Synchrony, the Bank and, until the GE SLHC Deregistration, GECC to meet applicable capital adequacy rules could have a material adverse effect on us.

Synchrony and the Bank must meet rules for capital adequacy as discussed in Regulation. As a savings and loan holding company, Synchrony historically has not been required to maintain minimum capital.

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Beginning as early as 2015, however, we expect that Synchrony will be subject to capital requirements similar to those that apply to the Bank. In addition, as discussed below, until the GE SLHC Deregistration, we will be controlled by GECC, which itself is expected to be subject to capital requirements similar to those that apply to the Bank. See As long as we are controlled by GECC for bank regulatory purposes, regulation and supervision of GECC could adversely affect us. These capital requirements have recently been substantially revised, including as a result of Basel III and the requirements of the Dodd-Frank Act. Moreover, these requirements are supplemented by outstanding regulatory proposals by the federal banking agencies, based on, and in addition to, changes recently adopted by the Basel Committee to increase the amount and scope of the supplemental leverage capital requirement by increasing the assets included in the denominator of the leverage ratio calculation. Although we cannot predict the final form or the effects of these leverage ratio regulatory proposals under the Dodd-Frank Act and the newly adopted rules implementing Basel III (even independent of any potentially increased and expanded supplemental leverage capital requirement), Synchrony, the Bank and GECC expect to be subject to increasingly stringent capital adequacy standards in the future.

In connection with applicable capital adequacy standards, Synchrony, the Bank and GECC also will be required to conduct stress tests on an annual basis. Under the Federal Reserve Board's and the OCC's stress test regulations, Synchrony, the Bank and GECC will each be required to use stress-testing methodologies providing for results under at least three different sets of conditions, including baseline, adverse and severely adverse conditions. In addition, as part of meeting our minimum capital requirements, we and GECC may be required to comply with the Federal Reserve Board's Comprehensive Capital Analysis and Review (CCAR) process or some modified version of the CCAR process, which would measure our minimum capital requirement levels under various stress scenarios. In connection with this process, we and GECC may be required to develop for the Federal Reserve Board's review and approval a capital plan that will include how we and GECC will each meet our minimum capital requirements under specified stress scenarios.

If Synchrony, the Bank or, until the GE SLHC Deregistration, GECC 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, the Bank or, until the GE SLHC Deregistration, GECC 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 and 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 and the Bank are subject to restrictions that limit our ability to pay dividends and repurchase our capital stock.

In connection with our application to the Federal Reserve Board described above and the Separation, we expect to continue to increase our capital and liquidity levels by, among other things, retaining net earnings and by not paying a dividend or returning capital through stock repurchases until our application to the Federal Reserve Board is approved. Thereafter, our board of directors intends to consider our policy regarding the payment and amount of dividends and may consider stock repurchases, in each case consistent with maintaining capital ratios well in excess of minimum regulatory requirements. The declaration and amount of any future dividends to holders of our common stock or stock repurchases will be at the discretion of our 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 (including any restrictions that may be imposed in

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connection with the Separation), corporate law and contractual restrictions (including restrictions contained in the New Bank Term Loan Facility and the New GECC Term Loan Facility) and other factors that our board of directors deems relevant.

We and the Bank are subject to broad regulatory restrictions on our ability to pay dividends and make capital distributions, including the repurchase of our stock. The application of these restrictions involves broad discretion by our regulators.

We are limited in our ability to pay dividends or repurchase stock by the Federal Reserve Board, including on the basis that doing so would be an unsafe or unsound banking practice. If we intend to declare or pay a dividend to our stockholders, 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 our Company) should generally pay dividends on common stock only out of earnings, and only if prospective earnings retention is consistent with the organization's capital needs and overall current and prospective financial condition. Similarly, we will be required to inform and consult with the Federal Reserve Board in advance of redeeming or repurchasing our stock if the result will be a net reduction in our equity compared to our equity as of the beginning of the quarter in which the redemption or repurchase occurs. The Federal Reserve Board may exercise considerable discretion in reviewing any planned dividend or redemption or repurchase of our stock. Moreover, the approval process for any capital plan we are required to submit could result in restrictions on our ability to pay dividends or make other capital distributions. See Regulation Savings and Loan Holding Company Regulation Dividends and Stock Repurchases. In addition, as a condition to any Federal Reserve Board approval of our application to continue to be a savings and loan holding company following the GE SLHC Deregistration, we may be required to maintain liquidity or capital at a level that could affect our ability to pay dividends or repurchase our stock. Although we are not planning to pay dividends or repurchase our stock until our application to the Federal Reserve Board is approved, the Federal Reserve Board could also prevent or restrict us from doing so during such period or thereafter.

We rely significantly on dividends and other distributions and payments from the Bank for liquidity, 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 has safety and soundness concerns. Additional restrictions on bank dividends may apply if the Bank fails the qualified thrift lender (QTL) test. The application of these restrictions on the Bank's ability to pay dividends involves broad discretion on the part of our regulators. The Bank must also meet certain conditions to declare or pay a dividend under the Bank's Operating Agreement with the OCC entered into in connection with its acquisition of the deposit business of MetLife. 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 to our stockholders. See Regulation Savings Association Regulation Dividends and Stock Repurchases and Activities.

Until the GE SLHC Deregistration, we will be controlled by GECC, which as a savings and loan holding company is subject to all of the same regulatory requirements regarding dividends and stock repurchases and redemptions to which we are subject. Accordingly, until the GE SLHC Deregistration, our ability to pay dividends and repurchase our

stock may be affected by GECC's ability to meet the same requirements to which we are subject. In addition, the Financial Stability Oversight Council (FSOC) has designated GECC as a

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nonbank systemically important financial institution (nonbank SIFI) under the Dodd-Frank Act. As a nonbank SIFI, GECC may be required to provide a capital plan for Federal Reserve Board approval that includes proposed capital distributions (including dividends and stock redemptions or repurchases) not only by GECC but also by entities controlled by GECC, such as us. As long as we are controlled by GECC for bank regulatory purposes, any such capital plan requirement imposed on GECC by the Federal Reserve Board could affect our ability to pay dividends and repurchase our stock. See Regulation Savings and Loan Holding Company Regulation Dividends and Stock Repurchases. Also, until the GE SLHC Deregistration, GECC will have an approval right over our ability to declare or pay any dividend or repurchase our stock. See Arrangements Among GE, GECC and Our Company Relationship with GE and GECC Master Agreement Approval Rights.

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 Gramm-Leach-Bliley Act (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.

Compliance with current or future privacy, data protection and information security laws (including those regarding security breach notification) 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.

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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 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 civil money penalties or other administrative or judicial penalties or fines as well as requirements for customer remediation.

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 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, 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.

As long as we are controlled by GECC for bank regulatory purposes, regulation and supervision of GECC could adversely affect us.

GECC is a regulated savings and loan holding company and therefore is subject to all of the regulation and supervision to which we are subject. Until the GE SLHC Deregistration, regulation and supervision of GECC as a savings and loan holding company may, for reasons related or unrelated to us, materially and adversely affect us, including restricting our ability to pay dividends or repurchase our stock, initiate or continue various business activities or practices, grow our assets or complete the Separation.

As a nonbank SIFI, GECC, our indirect parent company, is subject to enhanced prudential standards and regulation by the Federal Reserve Board, which is expected to include regulatory capital requirements. Nonbank SIFIs, such as GECC, currently are subject to some, but not all, of the enhanced prudential standards under the Dodd-Frank Act. The Federal Reserve Board has issued regulations implementing certain of the enhanced prudential standards of the Dodd-Frank Act for bank holding companies and foreign banking organizations, but not for nonbank SIFIs. In connection with these regulations, the Federal Reserve Board has indicated that it will apply enhanced prudential standards to an individual nonbank SIFI, such as GECC, by rule or order. Although the enhanced prudential standards currently applicable to GECC in its capacity as a nonbank SIFI do not have the effect of imposing direct regulatory obligations or restrictions on us, we cannot be certain that standards imposed by rule or order on GECC as a nonbank

SIFI by the Federal Reserve Board in the future will not have the effect of directly or indirectly imposing obligations or restrictions on us so long as we are controlled by GECC for bank regulatory purposes and those could have a material adverse effect on our business, results of operations and financial

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condition. For example, capital plan and stress-testing requirements to which GECC may be made subject as a nonbank SIFI could affect, among other things, our ability to pay dividends or repurchase our stock or GECC's ability to complete the Separation.

Risks Relating to Our Separation from GE***GE may not complete the Separation as planned or at all.***

On November 15, 2013, GE announced that it planned a staged exit from our business, consistent with its strategy of reducing GECC's percentage of GE's total earnings and increasing GECC's focus on its commercial lending and leasing businesses. This offering is the first step in that exit. After the completion of this offering, GE will beneficially own 84.9% of our outstanding common stock (or 83.1% if the underwriters' option to purchase additional shares of common stock from us is exercised in full).

GE has indicated that after this offering it currently is targeting to complete its exit from our business in late 2015 through the Separation. The Separation would be subject to various conditions, including receipt of any necessary bank regulatory and other approvals, the existence of satisfactory market conditions, and, in the case of a tax-free transaction, a private letter ruling from the IRS as to certain issues relating to, and an opinion of counsel confirming, the tax-free treatment of the transaction to GE and its stockholders. In addition, since GE's exit from our business will not be completed until GE has obtained the GE SLHC Deregistration, GE's willingness to proceed with the Separation may be conditioned on its obtaining the necessary determination by the Federal Reserve Board that the GE SLHC Deregistration is effective (i.e., that, following the Separation, GE, along with GECC and GECFI, no longer controls us and therefore GE, GECC and GECFI are released from savings and loan holding company registration).

The conditions related to the Separation and the GE SLHC Deregistration may not be satisfied in late 2015 or thereafter, or GE may decide for any other reason not to consummate the Separation in late 2015 or thereafter. Also, satisfying the conditions related to the Separation and the GE SLHC Deregulation may require actions that GE has not anticipated. Any delay by GE in completing, or uncertainty about its ability or intent to complete, the Separation and the GE SLHC Deregistration on the planned timetable and the contemplated terms (including at the contemplated capital and liquidity levels), or at all, could have a material adverse effect on our business and the market price for our common stock.

If GE is unable to obtain the GE SLHC Deregistration, it will continue to have significant control over us.

If the GE SLHC Deregistration is not obtained (and until it is obtained), GE will continue to have significant control over us. GE's degree of control will depend on, among other things, its level of ownership of our common stock, the number of persons it is entitled to designate for nomination for election to our board of directors under the Master Agreement and the requirement under the Master Agreement that we obtain GECC's prior written approval before undertaking (or permitting or authorizing the Bank or any of our other subsidiaries to undertake) various significant corporate actions. This may mean that GE, through GECC, may not always exercise control of us in a way that benefits our public stockholders. Conflicts of interest may arise between us and GE and GECC that could be resolved in a manner unfavorable to us. We will also continue to be subject to the regulation and supervision applicable to GE, GECC and companies under their control, and such regulation and supervision may, for reasons related or unrelated to us, adversely affect us and cause the trading market for our common stock to be depressed until the GE SLHC Deregistration is obtained. All of the foregoing could have a material adverse effect on us. See "GE has significant control over us and may not always exercise its control in a way that benefits our public stockholders" and "Risks Relating to Regulation" As long as we are controlled by GECC for bank regulatory purposes, regulation and supervision of GECC could adversely affect us.

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We need Federal Reserve Board approval to continue to be a savings and loan holding company following the GE SLHC Deregistration. We may not receive this approval in a timely manner or at all, and additional approval conditions beyond what we are anticipating may be imposed that prevent or delay the Separation or the GE SLHC Deregistration or require us to incur significant additional expense.

The Savings and Loan Holding Company Act generally requires Federal Reserve Board approval before a company acquires a savings association and becomes a savings and loan holding company. We were exempt from this requirement when we initially acquired the Bank and became a savings and loan holding company, because we were a subsidiary of GE, GECC and GEFCI, existing savings and loan holding companies. We do not expect this exemption to continue to apply to us following the GE SLHC Deregistration. As a result, we will be required to file an application with, and receive approval from, the Federal Reserve Board to continue to be a savings and loan holding company and to retain ownership of the Bank following the GE SLHC Deregistration. See Regulation Savings and Loan Holding Company Regulation.

We expect that the Federal Reserve Board will not act on our application to continue to be a savings and loan holding company and to retain ownership of the Bank following the GE SLHC Deregistration until, among other things, it has completed an in-depth review of our preparedness to operate on a standalone basis, independently of GE, and is satisfied with the results. We cannot predict when this review will begin but expect it to be some period of time after the completion of this offering. In connection with the Federal Reserve Board's review and prior to our filing an application with the Federal Reserve Board to continue to be a savings and loan holding company and to retain ownership of the Bank following the GE SLHC Deregistration, we will continue to establish and expand our operations and infrastructure and take other steps to allow us to operate as a fully standalone public company, independently of GE. See Prospectus Summary GE Ownership and Our Separation from GE.

Once the Federal Reserve Board begins its review of our preparedness to operate on a standalone basis, we cannot predict how long such review will take. We expect, however, that the review will require a considerable period of time. In addition, to obtain approval of our application to continue to be a savings and loan holding company and retain ownership of the Bank following the GE SLHC Deregistration, we may have to take additional actions beyond the significant operations and infrastructure expansion and other steps we are already planning. For example, we may have to increase our capital and liquidity levels beyond what we are anticipating; restrict our payment of dividends, or not make any payment of dividends, for a longer period than what we anticipate; make further changes to, among other things, our corporate governance, risk management, capital planning, treasury, information technology, compliance, regulatory, internal audit and other control operations and infrastructure; stop receiving any transitional services from GE; repay all related party debt owed to GECC; or further diversify our funding sources, such as by reducing the amount of our brokered deposits or increasing the amount of our unsecured debt beyond what we are anticipating. Those actions may involve significant additional expenses for us and require significant time to implement beyond what we now anticipate.

Even after taking any such actions, there is no assurance that our application to continue to be a savings and loan holding company following the GE SLHC Deregistration will be approved. The Federal Reserve Board will consider a range of factors and has significant discretion in reviewing our application, and its action on our application may be affected by circumstances we do not know or cannot predict at this time, including factors identified in the Federal Reserve Board's in-depth review of us, changes in our current condition or changes in general economic and market conditions relevant to our operations. The Federal Reserve Board will also seek the views of the OCC and FDIC as regulators of the Bank, and their views may have a significant effect on the Federal Reserve Board's action on the application. If the application is not approved, GE will not be able to obtain the GE SLHC Deregistration as currently planned. GE may be unwilling to proceed with the Separation unless or until it is able to obtain the GE SLHC Deregistration.

Even if our application is approved, we cannot be certain when such approval will be granted, or what conditions or restrictions, if any, will be imposed for such approval. The Federal Reserve Board's approval could include conditions or restrictions that are more onerous than those generally applicable to savings and loan holding companies and that require additional actions or impose additional limitations beyond those we may

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already have taken or assumed in order to obtain approval and achieve the Separation as described above. Any such conditions or restrictions (including restrictions on our ability to pay dividends or repurchase our stock after the Separation) or additional required actions could be significant, involve significant additional expense for us and have a material adverse effect on our business, results of operations and financial condition. GE's ability or willingness to proceed with the Separation as currently planned could be affected by the nature and effect of any such conditions, restrictions or additional required actions.

Prior to the Separation and the GE SLHC Deregistration, we need to establish and significantly expand many aspects of our operations and infrastructure, and our failure to do so in a timely manner, within anticipated costs and without disrupting our ongoing business, could have a material adverse effect on our business and results of operations and could delay or prevent the Separation and the GE SLHC Deregistration.

Although historically we have operated as a largely standalone business within GECC with our own sales, marketing, risk management, operations, collections, customer service and compliance functions, we need to establish and significantly expand many aspects of our operations and infrastructure prior to the Separation to enable us to operate as a standalone public company after our transitional services with GE terminate (for most services, within 24 months after the completion of this offering) and to enable GE to obtain the GE SLHC Deregistration in connection with the Separation or thereafter. The operations and infrastructure to be established or expanded relate to, among other areas, corporate governance, risk management, capital planning, treasury, information technology, compliance, regulatory, internal audit and other control operations and infrastructure.

Establishing and expanding our operations and infrastructure will involve substantial costs, the hiring and integration of a large number of new employees (including a number at senior levels), and integration of the new and expanded operations and infrastructure with our existing operations and infrastructure, and in some cases, the operations and infrastructure of our partners and other third parties. It will also require significant time and attention from our senior management and others throughout the Company, in addition to their day-to-day responsibilities running the business. We expect that our operations and infrastructure will need to be more extensive and robust in many respects than those currently in place at our Company and GECC. We cannot be sure we will be able to establish and expand the operations and infrastructure to the extent required, in the time, or at the costs, anticipated, or at the costs anticipated, and without disrupting our ongoing business operations in a material way, all of which could have a material adverse effect on our business and results of operations. Moreover, we do not expect that the Federal Reserve Board will act on our application to continue to be a savings and loan holding company and to retain ownership of the Bank following the GE SLHC Deregistration until, among other things, it has completed an in-depth review of our preparedness to operate on a standalone basis, which we expect to involve a review of the new operations and infrastructure we will be adding. As a result, delays in establishing and expanding our operations and infrastructure may delay the review of our preparedness by the Federal Reserve Board, which could delay the Separation and the GE SLHC Deregistration. Moreover, the Federal Reserve Board may require substantial additions or changes to our operations and infrastructure, including the operations and infrastructure we anticipate adding, all of which could significantly increase our costs and further delay the Separation and the GE SLHC Deregistration. See [GE](#) may not complete the Separation as planned or at all.

Even if the GE SLHC Deregistration is obtained, we also will need Federal Reserve Board agreement that we meet the criteria for a savings and loan holding company to be treated as a financial holding company, and we cannot be certain the Federal Reserve Board will provide such agreement or what additional conditions or restrictions it may impose if it does so.

We currently are a grandfathered unitary savings and loan holding company, but do not expect to continue to qualify as such a grandfathered unitary savings and loan holding company following the GE SLHC Deregistration. As a

result, in connection with our application to continue to be a savings and loan holding company, we will need to submit to the Federal Reserve Board a request to become a financial holding company in order to engage in activities that are permissible only for savings and loan holding companies that are treated as financial holding companies (including to continue to obtain financing through our securitization programs).

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We believe that we will meet the criteria for a savings and loan holding company to be treated as a financial holding company. However, we cannot assure you that the Federal Reserve Board will agree, or that the Federal Reserve Board will not, in order for us to be treated as a financial holding company, impose additional conditions or restrictions, which may be similar to or different from those otherwise imposed in connection with the Separation. GE's ability or willingness to proceed with the Separation as currently planned could be affected by the nature of any such conditions or restrictions required by the Federal Reserve Board in order for us to be treated as a financial holding company.

The Separation could adversely affect our business and profitability due to GE's strong brand and reputation.

As a subsidiary of GE, we market many of our products using the GE brand name and logo, and we believe the association with GE has provided many benefits, including:

a world-class brand associated with trust, integrity and longevity;

perception of high-quality products and services;

strong capital base and financial strength;

preferred status among our partners, customers and employees; and

established relationships with bank and other regulators.

This offering and the Separation could adversely affect our ability to attract and retain partners. We may be required to provide more favorable pricing and other terms to our partners and take other action to maintain our relationship with existing, and attract new, partners, all of which could have a material adverse effect on our business, financial condition and results of operations.

Although we do not expect a material loss of customers or usage following this offering or the Separation (or more difficulty attracting new customers and increasing their usage) because our product will continue to be closely associated with our partners and their brands, we cannot be sure this will be the case. In addition, although our capital at the Bank will be increased in connection with this offering and the customer-facing aspects of our business will remain largely unchanged following this offering and the Separation, we cannot be sure that we will not lose deposits or have more difficulty attracting new deposits following this offering or the Separation because of depositor concerns that we will no longer be part of GE and benefitting from its brand and financial strength.

We cannot predict the effect that this offering and the Separation will have on our partners, customers, depositors or employees. The risks relating to this offering and the Separation could materialize at various times, including:

immediately upon the completion of this offering, when GE's beneficial ownership in our common stock will decrease to 84.9% (83.1% if the underwriters' option to purchase additional shares of common stock from us

is exercised in full);

when GE reduces its ownership in our common stock to a level below 50%; and

when we cease using the GE name and logo in our sales and marketing materials, particularly when we deliver notices to partners, customers and depositors that our name and the name of the Bank and some of our other subsidiaries will change.

We will have the right to use the GE brand name and logo for only a limited period of time and if we fail to establish a new, independently recognized brand name, we could be adversely affected.

In March 2014 we changed our corporate name to SYNCHRONY FINANCIAL and in June 2014 the Bank changed its corporate name to Synchrony Bank, although we, the Bank and our other subsidiaries may continue to use the GE brand name and logo in marketing our products and services for a limited period of time. Pursuant to a transitional trademark license agreement, GE will grant us the right to use certain GE, GE

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Capital, GE Capital Retail Bank, GE Money and GECAF marks and related GECAF logos and the GE monogram in connection with our products and services until such time as GE ceases to beneficially own more than 50% of our outstanding common stock, subject to certain exceptions (e.g., we generally will have a right to use those marks and related logos and the monogram on our credit cards for a period of three and a half years after the completion of this offering). Development of a new brand is an expensive, uncertain and long-term process. When our right to use the GE brand name and logo expires, we may not be able to maintain or enjoy comparable name recognition or status under our new brand. If we are unable to successfully manage the transition of our business to our new brand in a timely manner, our reputation among, and relationship with, our partners, customers, depositors and employees could be adversely affected.

The terms of our arrangements with GE may be more favorable than we will be able to obtain from an unaffiliated third party. We may be unable to replace the services GECC provides us in a timely manner or on comparable terms.

We and GECC will enter into a Transitional Services Agreement (as defined under Arrangements Among GE, GECC and Our Company Relationship with GE and GECC Transitional Services Agreement) and other agreements prior to the completion of this offering. Pursuant to the Transitional Services Agreement, GECC and its affiliates will agree to provide us with transitional services after this offering, including treasury, payroll, tax and other financial services, human resources and employee benefits services, information systems and network access, application and support related services, and procurement and sourcing support.

We negotiated these arrangements with GECC in the context of a parent-subsiary relationship. Although GECC is contractually obligated to provide us with services during the term of the Transitional Services Agreement, we cannot assure you that these services will be sustained at the same level after the expiration of that agreement, or that we will be able to replace these services in a timely manner or on comparable terms. When GECC ceases to provide services pursuant to those arrangements, our costs of procuring those services from third parties may increase. Other agreements with GE and GECC also will govern the relationship between us and GE after this offering and will provide for the allocation of employee benefits, tax and other liabilities and obligations attributable or related to periods or events prior to this offering. They also contain terms and provisions that may be more favorable than terms and provisions we might have obtained in arm's length negotiations with unaffiliated third parties. See Arrangements Among GE, GECC and Our Company Relationship with GE and GECC.

GE has significant control over us and may not always exercise its control in a way that benefits our public stockholders.

Upon the completion of this offering, GE will beneficially own approximately 84.9% of our outstanding common stock (83.1% if the underwriters' option to purchase additional shares of common stock from us is exercised in full). GE has indicated that, following completion of this offering, it intends to divest its remaining interest in us. However, so long as GE continues to beneficially own more than 50% of our outstanding voting stock, GE generally will be able to determine the outcome of corporate actions requiring stockholder approval, GE will have the voting power to elect the board of directors and GE will have significant influence over, and in some cases, the right to approve certain compensation paid to our executive officers.

The Master Agreement will give GECC certain significant rights until such time, if any, as the GE SLHC Deregistration occurs. Some of GECC's rights under the Master Agreement will not terminate until the GE SLHC Deregistration occurs, and therefore it is possible that GE will exercise some or all of such rights at a time when it does not own any of our common stock. Under the Master Agreement, GECC will have the right to designate five persons for nomination for election to our nine-member board of directors so long as GE beneficially owns more than

50% of our outstanding common stock and to designate a lesser number as GE's percentage ownership decreases until the GE SLHC Deregistration. In addition, subject to certain exceptions and ownership thresholds, until the GE SLHC Deregistration, we will be required to obtain GECC's prior written

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approval before undertaking (or permitting or authorizing the Bank or any of our other subsidiaries to undertake) various significant corporate actions. These include (subject to certain agreed exceptions):

consolidating or merging with or into any person or, subject to certain exceptions, permitting any subsidiary to merge with or into any person;

acquiring control of a bank or savings association or making any other acquisition of assets or equity for a price (including assumed debt) in excess of \$500 million (other than acquisitions of receivables portfolios in the ordinary course of business that do not exceed \$1 billion); provided, that once GE's beneficial ownership of our common stock decreases below 20%, the general threshold will be increased to \$1 billion and the threshold for acquisitions of receivables portfolios in the ordinary course of business will be increased to \$2 billion;

disposing of assets or securities in a single transaction or a series of related transactions for a price (including assumed debt) in excess of \$500 million (other than dispositions among us and our affiliates, issuances of asset backed securitization debt to maintain the aggregate level of borrowing capacity we have at the time of this offering and dispositions of receivables in the ordinary course of business that do not exceed \$1 billion); provided, that once GE's beneficial ownership of our common stock decreases below 20%, the general threshold will be increased to \$1 billion and the threshold for disposition of receivables portfolios in the ordinary course of business will be increased to \$2 billion;

incurring or guaranteeing debt that would reasonably be expected to result in a downgrade of our publicly issued debt below specified ratings at the time of this offering;

dissolving, liquidating, or winding up our Company;

altering, amending, terminating or repealing, or adopting any provision inconsistent with, the provisions of our certificate of incorporation or our bylaws;

adopting or implementing any stockholder rights plan or similar takeover defense measure;

declaring or paying any dividend or other distribution in respect of our common stock;

repurchasing our common stock, subject to certain exceptions;

entering into a new principal line of business or entering into business outside of the United States and Canada; or

establishing an executive committee of our board of directors.

GE's interests may differ from your interests, and therefore actions GE takes with respect to us, as a controlling or significant stockholder or under the Master Agreement, may not be favorable to you.

As long as GE owns a majority of our common stock, we will rely on certain of the exemptions from the corporate governance requirements of the NYSE available for controlled companies .

Upon the completion of this offering, we will be a controlled company within the meaning of the corporate governance listing standards of the NYSE because GE will continue to own more than 50% of our outstanding common stock. A controlled company may elect not to comply with certain corporate governance requirements of the NYSE. Consistent with this, the Master Agreement will provide that, so long as we are a controlled company, we will elect not to comply with the requirements to have a majority of independent directors or to have the Nominating and Corporate Governance and Management Development and Compensation Committees of our board of directors consist entirely of independent directors. Upon completion of this offering, we expect that six of our nine directors, including one member of the board of directors' Nominating and Corporate Governance Committee and one member of the board of directors' Management Development and Compensation Committee, will not qualify as independent directors under the applicable listing standards of the NYSE. As a result, you will not have certain of the protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the NYSE.

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Our historical combined and pro forma financial information do not reflect the results we would have achieved as a standalone company and may not be a reliable indicator of our future results.

The historical combined and pro forma financial information included in this prospectus does not reflect the financial condition, results of operations or cash flows we would have achieved as a standalone company during the periods presented and may not be a reliable indicator of our future results. The pro forma financial information depends on various assumptions that may be incorrect. For example, the actual weighted average funding cost for additional debt incurred in connection with the Transactions may be higher than that assumed for purposes of preparing the pro forma financial information, interest earned on additional assets may be lower than assumed, or the Planned Debt Offering may not occur. The pro forma financial information also does not give effect to or make any adjustment for various factors including anticipated increases in our operating expense following this offering and increases in payments under recently extended program agreements.

In addition, the historical combined and pro forma financial information does not reflect the impact of any conditions or restrictions that may be imposed by the Federal Reserve Board in connection with the GE SLHC Deregistration and the Separation, including requiring higher capital or liquidity levels or restricting our business activities or growth. Accordingly, our historical combined and pro forma financial information should not be relied upon as representative or indicative of what our financial condition or results of operations would have been had the Transactions occurred on the dates indicated. This information also should not be relied upon as representative or indicative of our future financial condition, results of operations or cash flows. For additional information relating to our historical combined and pro forma financial information, see Selected Historical and Pro Forma Financial Information.

The obligations associated with being a public company will require significant resources and management attention.

In connection with this offering, we will become subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act) and SEC rules under that act. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act and SEC rules thereunder require, among other things, that we establish and maintain effective internal controls and procedures for financial reporting. We have established all of the procedures and practices required as a subsidiary of GE but we will have additional procedures and practices to establish as a separate, standalone public company. As a result, we will incur significant legal, accounting and other expenses that we did not previously incur. Furthermore, the need to establish the corporate infrastructure necessary for a standalone public company may divert some of management s attention from operating our business and implementing our strategy. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations. However, the measures we take may not be sufficient to satisfy our obligations as a public company. In addition, we cannot predict or estimate the amount of additional costs we may incur in order to comply with these requirements.

The Sarbanes-Oxley Act and SEC rules require annual management assessments of the effectiveness of our internal control over financial reporting, starting with the second annual report that we file with the SEC, and, in the annual report for the next succeeding year, a report by our independent auditors addressing such assessments. Failure to achieve and maintain an effective internal control environment could have a material adverse effect on our business and stock price.

GE could engage in business and other activities that compete with us.

GE has agreed that, subject to certain exceptions, for two years after the GE SLHC Deregistration, it will not engage in the business of providing credit to consumers through: (i) private label credit cards or dual cards in conjunction with programs with retailers, merchants or healthcare providers primarily for the purchase of goods and services from the applicable retailer, merchant or healthcare provider or (ii) general purpose credit cards, in each

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case, in the United States and Canada. See Arrangements Among GE, GECC and Our Company Relationship with GE and GECC Master Agreement Noncompetition Agreement. Our certificate of incorporation provides that, other than that non-compete agreement and any other contractual provisions to the contrary, GE will have no obligation to refrain from:

engaging in the same or similar business activities or lines of business as us; or

doing business with any of our partners, customers or vendors.

GE has significant financial services businesses, including owning a bank that takes deposits (in addition to the Bank), providing consumer financing outside the United States and Canada (including private label credit cards) and providing commercial financing (including inventory, floorplan and other financing to small and medium-sized businesses). Following this offering, GE will continue to engage in these businesses. To the extent that GE engages in the same or similar business activities or lines of business as us, or engages in business with any of our partners, customers or vendors, our ability to successfully operate and expand our business may be hampered.

Conflicts of interest may arise between us and GE that could be resolved in a manner unfavorable to us.

Questions relating to conflicts of interest may arise between us and GE in a number of areas relating to our past and ongoing relationships. Six of our directors (one of whom is our Chief Executive Officer) and many of our senior executive officers are also officers of GE and/or GECC. These directors and officers own GE stock and options to purchase GE stock, and all of them participate in GE pension plans. Ownership interests of our directors or officers in GE stock, or service as both a director of our Company and a director, officer and/or employee of GE and/or GECC, could give rise to potential conflicts of interest when a director or officer is faced with a decision that could have different implications for the two companies. These potential conflicts could arise, for example, over matters such as the desirability of changes in our business and operations, funding and capital matters, regulatory matters, matters arising with respect to the Master Agreement and other agreements with GE, employee retention or recruiting, or our dividend policy.

The corporate opportunity policy set forth in our certificate of incorporation addresses certain potential conflicts of interest between our Company, on the one hand, and GE and its officers who are directors of our Company, on the other hand. By becoming a stockholder in our Company, you will be deemed to have notice of and have consented to these provisions of our certificate of incorporation. Although these provisions are designed to resolve certain conflicts between us and GE fairly, we cannot assure you that any conflicts will be so resolved. The principles for resolving these potential conflicts of interest are described under Description of Capital Stock Provisions of Our Certificate of Incorporation Relating to Corporate Opportunities.

If GE distributes our stock to its stockholders in exchange for its common stock in a transaction that is intended to be tax-free to GE, we could have a material indemnification obligation to GE under the TSSA if we cause the distribution or certain related preliminary internal transactions to fail to qualify for tax-free treatment or in the case of certain significant transfers of our stock following such distribution.

GE has indicated that after this offering it currently intends to complete its exit from its investment in us by making a distribution of all of its remaining shares of our stock to its stockholders in exchange for GE's common stock in a transaction that would be designed to qualify for tax-free treatment to GE and its stockholders under Section 355 of the Internal Revenue Code (the Code). Completion by GE of any such distribution is conditioned on, among other

things, a private letter ruling from the IRS regarding certain issues relating to, and an opinion from tax counsel confirming, the tax-free treatment under Section 355 of the Code of the distribution and the tax-free treatment of a series of preliminary transactions that would be required prior to implementing the distribution. The IRS ruling and the opinion of tax counsel will rely on certain facts, assumptions, representations and undertakings from GE and us regarding the past and future conduct of GE's and our businesses and other matters. If any of these facts, assumptions, representations or undertakings is incorrect or not otherwise satisfied, GE may not be able to rely on the IRS ruling or the opinion of tax counsel. Accordingly, notwithstanding the IRS

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ruling and the opinion of tax counsel, the IRS could determine that the distribution (or any of the preliminary transactions) is taxable if it determines that any of these facts, assumptions, representations or undertakings are not correct or have been violated or if it disagrees with the conclusions in the opinion that are not covered by the IRS ruling, or for other reasons, including as a result of certain significant changes in the stock ownership of GE or us after the distribution. If the distribution (or any of the preliminary transactions) is determined to be taxable, GE could incur significant tax liabilities, and under the tax sharing and separation agreement (the TSSA) we will enter into with GE prior to the completion of this offering, we may be required to indemnify GE for any such liabilities if the liability is caused by any action or inaction undertaken by us following the completion of this offering or as a result of any direct or indirect transfers of our stock following the distribution.

In order to preserve the tax-free status of the distribution and the preliminary transactions to GE, the TSSA includes a provision generally prohibiting us from taking action after the completion of this offering that would cause the distribution (or the preliminary transactions) to become taxable. As a result, and given our indemnity obligation to GE under the TSSA 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 distribution, we may be required to forgo certain significant transactions that would otherwise have been advantageous to us for a period of time following the distribution, such as certain dispositions of our assets or issuances of our stock. For a discussion of the TSSA, see Arrangements Among GE, GECC and Our Company Relationship with GE and GECC Tax Sharing and Separation Agreement.

Risks Relating to This Offering***Future sales of a substantial number of shares of our common stock may depress the price of our shares.***

If GE or any of our other stockholders sells or otherwise disposes of a large number of shares of our common stock (whether through the Separation or otherwise), or if we issue a large number of shares of our common stock in connection with future acquisitions, financings, or other circumstances, the market price of shares of our common stock could decline significantly. Moreover, GE's intention to divest of its remaining shares of our common stock or the perception in the public market that other stockholders might sell shares of our common stock could depress the market price of our common stock.

All the shares of our common stock sold in this offering will be freely tradable without restriction, except for shares of our common stock owned by any of our affiliates, including GE, and any shares sold pursuant to our directed share program that are subject to lock-up restrictions as described under Underwriters. Immediately after this offering, the public market for our common stock will include only the 125 million shares of our common stock that are being sold in this offering, or 143.8 million shares of our common stock if the underwriters exercise their option to purchase additional shares of our common stock from us in full. After this offering, we intend to register 16.6 million shares of our common stock, which are reserved for issuance under our employee benefit plans. Once we register these shares, they can be sold in the public market upon issuance, subject to restrictions under the securities laws applicable to resales by affiliates. In addition, we have granted GECC demand and piggyback registration rights with respect to the shares of our common stock it will hold upon the completion of this offering. GECC may exercise its demand and piggyback registration rights, and any shares of our common stock so registered will be freely tradable in the public market, except for shares acquired by any of our affiliates. See Arrangements Among GE, GECC and Our Company Relationship with GE and GECC Registration Rights Agreement and Shares Eligible for Future Sale.

Our directors, executive officers and GECCI have entered into lock-up agreements in which they have agreed that they will not sell, directly or indirectly, any shares of our common stock (including any shares acquired pursuant to our directed share program) for a period of 180 days from the date of this prospectus (subject to certain exceptions) without the prior written consent of the representatives of the underwriters. See Shares Eligible for Future Sale.

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Our common stock has no prior public market, and we cannot assure you that an active trading market will develop.

Prior to this offering, there has not been a market for our common stock, and an active trading market in our common stock might not develop or continue. If you purchase shares of our common stock in this offering, you will pay a price that was not established in a competitive market. Rather, you will pay a price that was determined through negotiations with the representatives of the underwriters based upon an assessment of the valuation of our common stock and a book-building process. The public market may not agree with or accept this valuation, in which case you may not be able to sell your shares of our common stock at or above the initial offering price. In addition, if an active trading market does not develop, you may have difficulty selling your shares of our common stock at an attractive price, or at all. An inactive market may also impair our ability to raise capital by selling shares of our common stock and may impair our ability to acquire other companies, products or technologies by using shares of our common stock as consideration.

The price of our common stock may be volatile and may be affected by market conditions beyond our control.

Our share price is likely to fluctuate in the future because of the volatility of the stock market in general and a variety of factors, many of which are beyond our control, including:

general market conditions;

our financial condition, financial performance and future prospects;

domestic and international economic factors unrelated to our performance;

changes in or failure to meet our publicly disclosed expectations as to our future financial performance;

downgrades in securities analysts' estimates of our financial performance, operating results that vary from the expectations of securities analysts or investors, or lack of research and reports by industry analysts;

changes in or issuances of new credit ratings for us or our asset-backed securities;

operating and securities price performance of companies that investors consider to be comparable to us;

any future sales of our common stock or other securities;

additions or departures of key personnel;

actions or announcements by our competitors;

reputational issues;

regulatory and tax actions;

changes in our capital structure or dividend policy, including as a result of the Separation, regulatory requirements, future issuances of securities, sales of large blocks of common stock by our stockholders (including GE), or our incurrence of additional debt; and

announcements or actions taken by GE as our principal stockholder; and

other matters discussed elsewhere in Risk Factors.

The stock market has recently experienced extreme price and volume fluctuations. The market prices of securities of financial services companies have experienced fluctuations that often have been unrelated or disproportionate to the operating results of these companies. For example, we are currently operating in, and have benefited from, a protracted period of historically low interest rates that will not be sustained indefinitely, and future fluctuations in interest rates could cause an increase in volatility of the market price of our common stock. Market fluctuations could result in extreme volatility in the price of shares of our common stock, which could cause a decline in the value of your investment. Price volatility may be greater if the public float and

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trading volume of shares of our common stock is low. Furthermore, in the past, stockholders have sometimes instituted securities class action litigation against companies following periods of volatility in the market price of their securities. Any similar litigation against us could result in substantial costs, divert management's attention and resources, and harm our business or results of operations.

We cannot assure you whether or when we will begin paying a dividend or the amount of any such dividend.

In connection with our application to the Federal Reserve Board described above and the Separation, we expect to continue to increase our capital and liquidity levels by, among other things, retaining net earnings and not paying a dividend or returning capital through stock repurchases until our application to the Federal Reserve Board is approved. The declaration and amount of any future dividends to holders of our common stock will be at the discretion of our 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 (including any restrictions that may be imposed in connection with the Separation), corporate law and contractual restrictions (including restrictions contained in the New Bank Term Loan Facility and the New GECC Term Loan Facility) and other factors that our board of directors deems relevant. As a result, we cannot assure you that we will pay dividends at any rate or at all.

Applicable laws and regulations, provisions of our certificate of incorporation and by-laws and certain contractual rights granted to GE may discourage takeover attempts and business combinations that stockholders might consider in their best interests.

Applicable laws, provisions of our certificate of incorporation and by-laws, and certain contractual rights granted to GE under the Master Agreement may delay, deter, prevent or render more difficult a takeover attempt that our stockholders might consider in their best interests. For example, they may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future.

Takeover attempts, business combinations and certain acquisitions of our common stock may require prior approval of or notice to the Federal Reserve Board. If a company seeks to acquire, either acting alone or in concert with others, 25% or more of any class of our voting stock, acquire control of the election or appointment of a majority of the directors on our board of directors, or exercise a controlling influence over our management or policies, it would be required to obtain the prior approval of the Federal Reserve Board. In addition, if any individual seeks to acquire, either acting alone or in concert with others, 25% or more of any class of our voting stock, the individual generally is required to provide 60 days' prior notice to the Federal Reserve Board. An individual (and also a company not otherwise required to obtain Federal Reserve Board approval to control us) is presumed to control us, and therefore generally required to provide 60 days' prior notice to the Federal Reserve Board, if the individual (or such company) acquires 10% or more of any class of our voting stock, although the individual (or such company) may seek to rebut the presumption of control based on the facts.

Section 203 of the General Corporation Law of the state of Delaware ("DGCL") may affect the ability of an interested stockholder to engage in certain business combinations, including mergers, consolidations or acquisitions of additional shares from the corporation, for a period of three years following the time that the stockholder becomes an interested stockholder. An interested stockholder is defined to include persons owning directly or indirectly 15% or more of the outstanding voting stock of a corporation. However, our certificate of incorporation provides that we will not be governed by Section 203 of the DGCL until the moment in time, if ever, immediately following the time at which both (i) Section 203 by its terms would, but for the terms of our certificate of incorporation, apply to us and (ii) there occurs a transaction by which GE reduces its ownership interest in us to less than 15% of the voting power of our

outstanding shares of voting stock.

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Our certificate of incorporation and by-laws will include provisions that may have anti-takeover effects and may delay, deter or prevent a takeover attempt that our stockholders might consider in their best interests. For example, our certificate of incorporation and by-laws will:

until the earlier of (i) the time immediately prior to the Split-off and (ii) the GE SLHC Deregistration, preclude any stockholder or group (other than GE or its affiliates and certain other exempt persons) from voting more than 4.99% of our capital stock entitled to vote generally in the election of directors;

permit our board of directors to issue one or more series of preferred stock with such powers, rights and preferences as the board of directors shall determine;

provide that, subject to the rights of holders of any series of preferred stock, only the board of directors may fill newly-created directorships or vacancies on our board of directors;

limit the ability of stockholders (other than GE or its affiliates) to call special meetings of stockholders and require that all stockholder action be taken at a meeting rather than by written consent; and

establish advance notice requirements for stockholder proposals and nominations of candidates for election as directors (except for GE's designation of persons for nomination by the board of directors).

Until the GE SLHC Deregistration occurs, the Master Agreement will give GECC the right to designate a person or persons for nomination to our board of directors. So long as GE beneficially owns more than 50% of our outstanding common stock, GECC will have the right to designate for nomination five of the board of directors' nine nominees for election as a director. This number will decrease as GE's percentage ownership decreases.

The Master Agreement will also require that, until the GE SLHC Deregistration, we must obtain GECC's prior written approval before undertaking (or permitting or authorizing the Bank or any of our other subsidiaries to undertake) various significant corporate actions. See GE has significant control over us and may not always exercise its control in a way that benefits our public stockholders.

These limitations may adversely affect the prevailing market price and market for our common stock if they are viewed as limiting the liquidity of our stock or discouraging takeover attempts in the future.

Our common stock is and will be subordinate to all of our existing and future indebtedness and any preferred stock, and effectively subordinated to all indebtedness and preferred equity claims against our subsidiaries.

Shares of our common stock are common equity interests in us and, as such, will rank junior to all of our existing and future indebtedness and other liabilities. Additionally, holders of our common stock may become subject to the prior dividend and liquidation rights of holders of any series of preferred stock that our board of directors may designate and issue without any action on the part of the holders of our common stock. Furthermore, our right to participate in a distribution of assets upon any of our subsidiaries' liquidation or reorganization is subject to the prior claims of that subsidiary's creditors and preferred stockholders.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements. Forward-looking statements may be identified by words such as expects, intends, anticipates, plans, believes, seeks, targets, estimates, will or words of similar meaning. Examples of forward-looking statements include, but are not limited to, statements regarding the outlook for our future business and financial performance, such as those contained in Management's Discussion and Analysis of Financial Condition and Results of Operations Business Trends and Conditions. 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:

impact of macroeconomic conditions and whether industry trends we have identified develop as anticipated;

retaining existing partners and attracting new partners, concentration of our platform revenue in a small number of Retail Card partners, promotion and support of our products by our partners, and financial performance of our partners;

our need for additional financing, higher borrowing costs and adverse financial market conditions impacting our funding and liquidity, and any reduction in our credit ratings;

our ability to securitize our loans, occurrence of an early amortization of our securitization facilities, loss of the right to service or subservice our securitized loans, and lower payment rates on our securitized loans;

our reliance on dividends, distributions and other payments from the Bank;

our ability to grow our deposits in the future;

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 strategic investments;

reductions in interchange fees;

fraudulent activity;

cyber-attacks or other security breaches;

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;

catastrophic events;

alleged infringement of intellectual property rights of others and our ability to protect our intellectual property;

litigation and regulatory actions;

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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 state sales tax rules and regulations;

significant and extensive regulation, supervision, examination and enforcement of our business by governmental authorities, the impact of the Dodd-Frank Act and the impact of the CFPB's regulation of our business;

changes to our methods of offering our CareCredit products;

impact of capital adequacy rules;

restrictions that limit our ability to pay dividends and repurchase our capital stock and that limit the Bank's ability to pay dividends;

regulations relating to privacy, information security and data protection as well as anti-money laundering and anti-terrorism financing laws;

use of third-party vendors and ongoing third-party business relationships;

effect of GECC being subject to regulation by the Federal Reserve Board both as a savings and loan holding company and as a systemically important financial institution;

GE not completing the Separation as planned or at all, GE's inability to obtain the GE SLHC Deregistration and GE continuing to have significant control over us;

completion by the Federal Reserve Board of a review (with satisfactory results) of our preparedness to operate on a standalone basis, independently of GE, and Federal Reserve Board approval required for us to continue to be a savings and loan holding company, including the timing of the approval and the imposition of any significant additional capital or liquidity requirements;

our need to establish and significantly expand many aspects of our operations and infrastructure;

delays in receiving or failure to receive Federal Reserve Board agreement required for us to be treated as a financial holding company after the GE SLHC Deregistration;

loss of association with GE's strong brand and reputation;

limited right to use the GE brand name and logo and need to establish a new brand;

GE has significant control over us;

terms of our arrangements with GE may be more favorable than we will be able to obtain from unaffiliated third parties;

obligations associated with being a public company;

our incremental cost of operating as a standalone public company could be substantially more than anticipated;

GE could engage in businesses that compete with us, and conflicts of interest may arise between us and GE; and

failure caused by us of GE's distribution of our common stock to its stockholders in exchange for its common stock to qualify for tax-free treatment, which may result in significant tax liabilities to GE for which we may be required to indemnify GE.

See "Risk Factors" for a further description of these and other factors. For the reasons described above, we caution you against relying on any forward-looking statements, which should also be read in conjunction with the other cautionary statements that are included elsewhere in this prospectus, including in "Risk Factors." Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as otherwise may be required by law.

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USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of our common stock in this offering will be approximately \$2.8 billion (or \$3.2 billion if the underwriters exercise in full their option to purchase additional shares of our common stock from us), after deducting underwriting discounts and commissions and estimated offering expenses.

Prior to the completion of this offering, we will enter into the \$8.0 billion New Bank Term Loan Facility and the \$1.5 billion New GECC Term Loan Facility.

We also currently intend to issue approximately \$3.0 billion of senior unsecured debt securities in the Planned Debt Offering shortly after the completion of this offering. We cannot assure you that the Planned Debt Offering will be completed or, if completed, on what terms it will be completed.

For a discussion of these financing transactions, see Description of Certain Indebtedness New Bank Term Loan Facility, New GECC Term Loan Facility and New Senior Notes.

We intend to use the net proceeds from this offering, together with the net proceeds from borrowings under the New Bank Term Loan Facility and the New GECC Term Loan Facility, to repay all of our related party debt owed to GECC and its affiliates that is outstanding on the date of the closing of this offering (the Outstanding Related Party Debt), to increase our capital, to invest in liquid assets to increase the size of our liquidity portfolio, to pay fees and expenses related to the Transactions and for such additional uses as we may determine in the future. The weighted average interest rate on the Outstanding Related Party Debt for the year ended December 31, 2013 and the three months ended March 31, 2014 was 1.7% and 2.3% per annum, respectively.

The New GECC Term Loan Facility is being entered into to formalize the lending relationship between GECC and the Company in light of the offering and expected Separation and to reflect the fact that the Company will no longer be a wholly-owned subsidiary of GECC. The New GECC Term Loan Facility will have a five-year maturity, thus providing financing for a transitional period following the offering and the expected Separation, and will bear interest at a higher rate than the Outstanding Related Party Debt being repaid.

We intend to use the net proceeds from the Planned Debt Offering to invest in liquid assets to further increase the size of our liquidity portfolio and to pay fees and expenses related to that offering and for such additional uses as we may determine in the future. For a discussion of the Outstanding Related Party Debt, see Management's Discussion and Analysis of Financial Condition and Results of Operations Funding Provided by GECC.

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The following table summarizes the estimated sources of funds and uses of funds in connection with the Transactions. The amounts in the tables below are based on estimated amounts and may differ from the actual amounts at the time of the consummation of this offering depending on several factors, including differences from our estimates of the amount of the Planned Debt Offering, the Outstanding Related Party Debt and fees and expenses. You should read the following together with the information included under the heading "Selected Historical and Pro Forma Financial Information" included elsewhere in this prospectus.

Sources of Funds (\$ in millions)		Uses of Funds (\$ in millions)	
Common stock offered hereby	\$ 2,875	Repay Outstanding Related Party Debt ⁽¹⁾	\$ 8,062
Planned Debt Offering ⁽²⁾	3,000	Increase capital and liquidity portfolio	7,152
New Bank Term Loan Facility	8,000	Fees and expenses ⁽³⁾	161
New GECC Term Loan Facility	1,500		
Total sources of funds	\$ 15,375	Total uses of funds	\$ 15,375

- (1) Amount reflects \$8,062 million of Outstanding Related Party Debt at March 31, 2014. The amount to be repaid will be the actual amount of Outstanding Related Party Debt on the closing date of this offering. At June 30, 2014, our Outstanding Related Party Debt was \$7,859 million. Any increase (or decrease) in the actual Outstanding Related Party Debt to be repaid will have a corresponding decrease (or increase) in the amount of our liquidity portfolio.
- (2) We currently intend to issue approximately \$3.0 billion of senior unsecured debt securities in the Planned Debt Offering shortly after the completion of this offering. If during the first three months following this offering we issue senior unsecured debt securities in excess of \$3.0 billion, the net proceeds of such debt (subject to certain limited exceptions) shall be applied to prepay outstanding principal amounts of the New GECC Term Loan Facility and New Bank Term Loan Facility on a pro rata basis. See "Description of Certain Indebtedness - New Bank Term Loan Facility." We cannot assure you that the Planned Debt Offering (or any other offering of unsecured debt securities) will be completed or, if completed, on what terms it will be completed.
- (3) Excludes \$7 million of expenses that were incurred and paid prior to March 31, 2014.

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DIVIDEND POLICY

In connection with our application to the Federal Reserve Board described above and the Separation, we expect to continue to increase our capital and liquidity levels by, among other things, retaining net earnings and not paying a dividend or returning capital through stock repurchases until our application to the Federal Reserve Board is approved. Thereafter, our board of directors intends to consider a policy for paying dividends and may consider stock repurchases, in each case consistent with maintaining capital ratios well in excess of minimum regulatory requirements. The declaration and amount of any future dividends to holders of our common stock or stock repurchases will be at the discretion of our 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 (including any restrictions that may be imposed in connection with the Separation), corporate law and contractual restrictions (including restrictions contained in the New Bank Term Loan Facility and the New GECC Term Loan Facility) and other factors that our 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, distribution 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 [Risk Factors](#) [Risks Relating to Our Business](#) We are a holding company and will rely significantly on dividends, distributions and other payments from the Bank, [Risks Relating to Regulation](#) We and the Bank are subject to restrictions that limit our ability to pay dividends and repurchase our capital stock and [Risks Relating to This Offering](#) We cannot assure you whether or when we will begin paying a dividend or the amount of any such dividend.

For a discussion of the financial covenants contained in the New Bank Term Loan Facility and the New GECC Term Loan Facility that may limit our and the Bank's ability to pay dividends, see [Description of Certain Indebtedness](#) [New Bank Term Loan Facility](#) and [New GECC Term Loan Facility](#).

Table of Contents**CAPITALIZATION**

Set forth below is our capitalization at March 31, 2014, on an historical and a pro forma basis, which reflects the adjustments described in more detail in the notes to the unaudited pro forma financial information under Selected Historical and Pro Forma Financial Information. You should read this information in conjunction with those notes, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations and our combined financial statements and the related notes included elsewhere in this prospectus.

<i>At March 31, 2014 (\$ in millions)</i>	Historical	Pro Forma
Cash and equivalents	\$ 5,331	\$ 12,483
Deposits:		
Interest bearing deposit accounts	\$ 27,123	\$ 27,123
Non-interest bearing deposit accounts	235	235
Total deposits	\$ 27,358	\$ 27,358
Borrowings:⁽¹⁾		
Borrowings of consolidated securitization entities	\$ 14,642	\$ 14,642
Outstanding Related Party Debt	8,062	
New Bank Term Loan Facility ⁽²⁾		7,960
New GECC Term Loan Facility		1,500
Planned Debt Offering ⁽²⁾⁽³⁾		2,983
Total borrowings	\$ 22,704	\$ 27,085
Equity:		
Parent's net investment ⁽⁴⁾	\$ 6,052	\$
Common stock ⁽⁴⁾		1
Additional paid-in capital ⁽⁴⁾		8,960
Accumulated other comprehensive income	(10)	(10)
Total stockholders' equity	\$ 6,042	\$ 8,951
Total capitalization	\$ 56,104	\$ 63,394

(1) Does not reflect an aggregate of approximately \$5.6 billion of undrawn committed capacity that we currently have under two of our existing securitization programs.

(2) Amounts stated net of estimated deferred financing costs.

(3) We currently intend to issue approximately \$3.0 billion of senior unsecured debt securities in the Planned Debt Offering shortly after the completion of this offering. If during the first three months following this offering we issue senior unsecured debt securities in excess of \$3.0 billion, the net proceeds of such debt (subject to certain limited exceptions) shall be applied to prepay outstanding principal amounts of the New GECC Term Loan

Facility and New Bank Term Loan Facility on a pro rata basis. See Description of Certain Indebtedness New Bank Term Loan Facility. We cannot assure you that the Planned Debt Offering (or any other offering of unsecured debt securities) will be completed or, if completed, on what terms it will be completed.

- (4) Includes the reclassification of GE's net investment in us, which was recorded in Parent's net investment, into Common stock and Additional paid-in capital at a par value of \$0.001 per share, and reflects this offering.

Table of Contents**DILUTION**

If you invest in our common stock in this offering, your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share and the net tangible book value per share of our common stock after this offering. Dilution results from the fact that the initial public offering price per share of our common stock is substantially in excess of the net tangible book value per share of our common stock attributable to our existing stockholder for our presently outstanding shares of common stock. At March 31, 2014, net tangible book value attributable to our existing stockholder was \$4,629 million, or \$6.56 per share of common stock based on 705,270,833 shares of common stock issued and outstanding. Net tangible book value per share equals total tangible assets minus total liabilities divided by the number of outstanding shares of our common stock.

Our pro forma net tangible book value at March 31, 2014 would have been approximately \$7,538 million, or \$9.08 per share of our common stock based on 830,270,833 shares of our common stock issued and outstanding after giving effect to the Transactions, including the sale of 125 million shares of our common stock by us at the initial public offering price of \$23.00 per share after deducting underwriting discounts and commissions and estimated offering expenses.

This represents an immediate increase in the pro forma net tangible book value of \$2.52 per share to our existing stockholder and an immediate dilution in the pro forma net tangible book value of \$13.92 per share to the investors who purchase our common stock in this offering.

The following table illustrates the per share dilution after giving pro forma effect to the Transactions:

Initial public offering price per share	\$ 23.00
Net tangible book value per share at March 31, 2014	\$ 6.56
Increase in pro forma net tangible book value per share attributable to the Transactions (excluding this offering)	\$ 0.18
Increase in pro forma net tangible book value per share attributable to this offering	\$ 2.34
Pro forma net tangible book value per share of common stock after this offering	\$ 9.08
Dilution per share to new investors	\$ 13.92

The following table summarizes, at March 31, 2014 (giving pro forma effect to the sale by us of 125 million shares of our common stock in this offering), the difference between our existing stockholder and new investors with respect to the number of shares of our common stock purchased from us, the total consideration paid to us for these shares, and the average price per share paid by our existing stockholder and to be paid by the new investors in this offering. The calculation below reflecting the effect of shares purchased by new investors is based on the initial public offering price of \$23.00 per share before deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	\$ millions	Percent	Per Share
Existing stockholder	705,270,833	84.9%	\$ 6,042	67.8%	\$ 8.57

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New investors	125,000,000	15.1%	\$ 2,875	32.2%	\$ 23.00
Total	830,270,833	100.0%	\$ 8,917	100.0%	\$ 10.74

The number of shares purchased is based on shares of our common stock outstanding at March 31, 2014. The discussion and table above exclude shares of our common stock issuable upon exercise of the underwriters' option to purchase additional shares from us. If the underwriters were to fully exercise their option to purchase additional shares of our common stock from us, the percentage of shares of our common stock held by our

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existing stockholder would be 83.1%, and the percentage of shares of our common stock held by new investors would be 16.9%. To the extent all 18,750,000 shares had been issued upon exercise of the underwriters' option at March 31, 2014, the pro forma net tangible book value per share after this offering would be \$9.37 and total dilution per share to new investors would be \$13.63.

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SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

The following table sets forth selected historical combined and unaudited pro forma financial information. The selected historical combined financial information at and for the three months ended March 31, 2014 and 2013 is unaudited and has been derived from our unaudited historical combined financial statements included elsewhere in this prospectus. The selected historical combined financial information at December 31, 2013 and 2012, and for the years ended December 31, 2013, 2012 and 2011 has been derived from our historical combined financial statements, which have been audited by KPMG LLP and are included elsewhere in this prospectus. The selected historical combined financial information at December 31, 2011, 2010 and 2009, and for the years ended December 31, 2010 and 2009 is unaudited and has been derived from our historical combined financial information not included in the prospectus. The selected unaudited pro forma financial information at and for the three months ended March 31, 2014 and for the year ended December 31, 2013 is unaudited and has been derived from our unaudited pro forma financial statements. You should read this information in conjunction with the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical combined financial statements and the related notes thereto, which are included elsewhere in this prospectus.

Synchrony is a holding company for the legal entities that historically conducted GE's North American retail finance business. Synchrony was incorporated in Delaware on September 12, 2003, but prior to April 1, 2013, conducted no business. During the period from April 1, 2013 to September 30, 2013, as part of a regulatory restructuring, substantially all of the assets and operations of GE's North American retail finance business, including the Bank, were transferred to Synchrony. The remaining assets and operations of that business subsequently have been transferred to Synchrony.

We have prepared our historical combined financial statements as if Synchrony had conducted GE's North American retail finance business throughout all relevant periods. Our historical combined financial information and statements include the assets, liabilities and operations of GE's North American retail finance business.

The unaudited pro forma information set forth below reflects our historical combined financial information, as adjusted to give effect to the following Transactions as if each had occurred at January 1, 2013, in the case of statements of earnings information, and at March 31, 2014, in the case of statements of financial position information:

issuance of 125 million shares of our common stock in this offering at the initial public offering price of \$23.00 per share and estimated offering expenses payable by us;

repayment of all Outstanding Related Party Debt (as defined under "Use of Proceeds");

entering into of, and costs associated with, the New Bank Term Loan Facility and the New GECC Term Loan Facility;

completion of, and estimated offering expenses payable by us in connection with, the Planned Debt Offering;

investment in liquid assets to further increase the size of our liquidity portfolio consistent with our liquidity and funding policies; and

issuance of a founders' grant of restricted stock units and stock options to certain employees under the Synchrony 2014 Long-Term Incentive Plan.

The unaudited pro forma financial information is for illustrative and informational purposes only and is not intended to represent what our financial condition or results of operations would have been had the Transactions occurred on the dates indicated. The unaudited pro forma information also should not be considered representative of our future financial condition or results of operations.

The unaudited pro forma information below is based upon available information and assumptions that we believe are reasonable, that reflect the expected impacts of events that are directly attributable to the Transactions, that are factually supportable and, in connection with earnings information, that are expected to have a continuing impact on us.

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Prior to the completion of this offering, we will enter into a number of arrangements with GE governing the Separation and a variety of transition matters. Except as described in the notes above, we have not reflected any adjustments for the estimated effects of these arrangements, which are described under Management's Discussion and Analysis of Financial Condition and Results of Operations Separation from GE and Related Financial Arrangements.

In addition to the pro forma adjustments to our historical combined financial statements, various other factors will have an effect on our financial condition and results of operations after the completion of this offering, including those discussed under Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations.

For information with respect to certain items that are not reflected in the pro forma financial information, see note (k) to the unaudited pro forma financial information below.

Condensed Combined Statements of Earnings Information

	Pro Forma Three Months Ended March 31,	Historical Three Months Ended March 31,	Pro Forma Year Ended December 31,	Historical⁽¹⁾ Years Ended December 31,					
	2014	2014	2013	2013	2013	2012	2011	2010⁽²⁾	2009
<i>\$ in millions, except per share data)</i>									
Interest income	\$ 2,933	\$ 2,933	\$ 2,704	\$ 11,313	\$ 11,313	\$ 10,309	\$ 9,141	\$ 8,760	\$ 4,636
Interest expense	235	190	193	951	742	745	932	1,094	830
Net interest income	2,698	2,743	2,511	10,362	10,571	9,564	8,209	7,666	3,806
Retailer share arrangements	(594)	(594)	(484)	(2,373)	(2,373)	(1,984)	(1,428)	(989)	(799)
Net interest income, after retailer share arrangements	2,104	2,149	2,027	7,989	8,198	7,580	6,781	6,677	3,007
Provision for loan losses	764	764	1,047	3,072	3,072	2,565	2,258	3,151	2,883
Net interest income, after retailer share arrangements and provision for loan losses	1,340	1,385	980	4,917	5,126	5,015	4,523	3,526	124
Other income	115	115	132	500	500	484	497	481	2,550
Other expense	616	610	539	2,510	2,484	2,123	2,010	1,978	1,979
Earnings before provision for income taxes	839	890	573	2,907	3,142	3,376	3,010	2,029	695
Provision for income taxes	(313)	(332)	(214)	(1,075)	(1,163)	(1,257)	(1,120)	(760)	(294)
Net earnings	\$ 526	\$ 558	\$ 359	\$ 1,832	\$ 1,979	\$ 2,119	\$ 1,890	\$ 1,269	\$ 401
Weighted average shares outstanding (in thousands)									

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Basic	830,271	N/A	N/A	830,271	N/A	N/A	N/A	N/A	N/A
Diluted	831,170	N/A	N/A	830,670	N/A	N/A	N/A	N/A	N/A
Earnings per share									
Basic	\$ 0.63	N/A	N/A	\$ 2.21	N/A	N/A	N/A	N/A	N/A
Diluted	0.63	N/A	N/A	2.21	N/A	N/A	N/A	N/A	N/A

Table of Contents**Condensed Combined Statements of Financial Position Information**

(\$ in millions)	Pro Forma	Historical	Historical				
	At March 31, 2014	At March 31, 2014	2013	At December 31,			
				2012	2011 ⁽¹⁾	2010 ⁽²⁾	2009
Assets:							
Cash and equivalents	\$ 12,483	\$ 5,331	\$ 2,319	\$ 1,334	\$ 1,187	\$ 219	\$ 572
Investment securities	265	265	236	193	198	116	7,261
Loan receivables	54,285	54,285	57,254	52,313	47,741	45,230	22,912
Allowance for loan losses	(2,998)	(2,998)	(2,892)	(2,274)	(2,052)	(2,362)	(1,654)
Goodwill	949	949	949	936	936	938	938
Intangible assets, net	464	464	300	255	252	227	396
Other assets	926	949	919	705	1,853	4,438	7,163
Assets of discontinued operations						1,847	3,092
Total assets	\$ 66,374	\$ 59,245	\$ 59,085	\$ 53,462	\$ 50,115	\$ 50,653	\$ 40,680
Liabilities and Equity:							
Total deposits	\$ 27,358	\$ 27,358	\$ 25,719	\$ 18,804	\$ 17,832	\$ 13,798	\$ 11,609
Total borrowings	27,085	22,704	24,321	27,815	25,890	30,936	18,069
Accrued expenses and other liabilities	2,980	3,141	3,085	2,261	2,065	1,600	6,192
Liabilities of discontinued operations						13	6
Total liabilities	57,423	53,203	53,125	48,880	45,787	46,347	35,876
Total equity	8,951	6,042	5,960	4,582	4,328	4,306	4,804
Total liabilities and equity	\$ 66,374	\$ 59,245	\$ 59,085	\$ 53,462	\$ 50,115	\$ 50,653	\$ 40,680

(1) In 2011, we completed the sale of a discontinued business operation. See Note 3. *Acquisition and Dispositions* to our combined financial statements. The selected earnings information presented above is of continuing operations.

(2) On January 1, 2010, we adopted FASB Accounting Standards Codification (ASC) Topic 810, *Consolidation*, and began consolidating our securitization entities. In 2009, we recognized gains on the sale of loan receivables to the securitization entities and earnings on retained interests which are included in other income within our Combined Statements of Earnings. The adoption of ASC 810, *Consolidation* on January 1, 2010 resulted in an increase to our total assets of \$13.8 billion and an increase to our total liabilities of \$15.2 billion. The increase in total assets primarily included an increase in loan receivables of \$24.0 billion, but was partially offset by an increase in the allowance for loan losses of \$1.6 billion and a decrease in investment securities of \$7.2 billion. The increase in total liabilities primarily included an increase in borrowings of \$18.8 billion.

Table of Contents**Other Financial and Statistical Data**

	Pro Forma⁽¹⁾ At and for the Three Months Ended March 31,	Historical At and for the Three Months Ended March 31,		Pro Forma⁽¹⁾ At and for the Year Ended December 31,		Historical At and for the Years Ended December 31,	
	2014	2014	2013	2013	2013	2012	2011
<i>(\$ in millions, except per account data)</i>							
Financial Position Data (Average):							
Loan receivables	\$ 55,495	\$ 55,495	\$ 50,843	\$ 52,407	\$ 52,407	\$ 47,549	\$ 44,131
Total assets	\$ 66,550	\$ 59,421	\$ 55,990	\$ 62,422	\$ 56,184	\$ 49,905	\$ 46,218
Deposits	\$ 26,648	\$ 26,648	\$ 22,492	\$ 22,911	\$ 22,911	\$ 17,514	\$ 15,442
Borrowings	\$ 27,497	\$ 23,116	\$ 25,440	\$ 28,694	\$ 25,209	\$ 25,304	\$ 24,687
Total equity	\$ 9,384	\$ 6,475	\$ 5,555	\$ 8,027	\$ 5,121	\$ 4,764	\$ 4,009
Selected Performance Metrics:							
Purchase volume ⁽²⁾	\$ 21,086	\$ 21,086	\$ 19,803	\$ 93,858	\$ 93,858	\$ 85,901	\$ 77,883
Retail Card	\$ 16,713	\$ 16,713	\$ 15,719	\$ 75,739	\$ 75,739	\$ 69,240	\$ 62,663
Payment Solutions	\$ 2,687	\$ 2,687	\$ 2,471	\$ 11,360	\$ 11,360	\$ 10,531	\$ 9,798
CareCredit	\$ 1,686	\$ 1,686	\$ 1,613	\$ 6,759	\$ 6,759	\$ 6,130	\$ 5,422
Average active accounts (in thousands) ⁽³⁾	59,342	59,342	55,347	56,253	56,253	53,021	51,313
Average purchase volume per active account	\$ 355	\$ 355	\$ 358	\$ 1,668	\$ 1,668	\$ 1,620	\$ 1,518
Average loan receivables balance per active account	\$ 935	\$ 935	\$ 919	\$ 932	\$ 932	\$ 897	\$ 860
Net interest margin ⁽⁴⁾	16.5%	18.8%	18.2%	16.6%	18.8%	19.7%	18.4%
Net charge-offs	\$ 658	\$ 658	\$ 603	\$ 2,454	\$ 2,454	\$ 2,343	\$ 2,560
Net charge-offs as a % of average loan receivables	4.9%	4.9%	4.8%	4.7%	4.7%	4.9%	5.8%
Allowance coverage ratio ⁽⁵⁾	5.5%	5.5%	5.4%	5.1%	5.1%	4.3%	4.3%
Return on assets ⁽⁶⁾	3.2%	3.9%	2.6%	2.9%	3.5%	4.2%	4.1%
Return on equity ⁽⁷⁾	23.0%	35.3%	26.2%	22.8%	38.6%	44.5%	47.1%
Equity to assets ⁽⁸⁾	14.1%	10.9%	9.9%	12.9%	9.1%	9.5%	8.7%
	4.6%	4.5%	4.3%	4.8%	4.7%	4.5%	4.6%

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Other expense as a %
of average loan
receivables

Efficiency ratio ⁽⁹⁾	27.8%	26.9%	25.0%	29.6%	28.6%	26.3%	27.6%
Effective income tax rate	37.3%	37.3%	37.4%	37.0%	37.0%	37.2%	37.2%

**Selected Period End
Data:**

Total loan receivables	\$ 54,285	\$ 54,285	\$ 49,931	\$ 57,254	\$ 57,254	\$ 52,313	\$ 47,741
Allowance for loan losses	\$ 2,998	\$ 2,998	\$ 2,718	\$ 2,892	\$ 2,892	\$ 2,274	\$ 2,052
30+ days past due as a % of loan receivables	4.1%	4.1%	4.2%	4.3%	4.3%	4.6%	4.9%
90+ days past due as a % of loan receivables	1.9%	1.9%	1.9%	2.0%	2.0%	2.0%	2.2%
Total active accounts (in thousands) ⁽³⁾	57,349	57,349	54,291	61,957	61,957	57,099	56,605
Full time employees	10,034	10,034	8,342	9,333	9,333	8,447	8,203

Capital Ratios⁽¹⁰⁾:

Tier 1 common ratio	14.6%
Tier 1 risk-based capital ratio	14.6%
Total risk-based capital ratio	15.9%
Tier 1 leverage ratio	12.0%

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(\$ in millions)	At and for the		Historical		
	Three Months Ended		At and for the		
	March 31,		Years Ended December 31,		
	2014	2013	2013	2012	2011
Platform Revenue⁽¹¹⁾					
Total:					
Interest and fees on loans	\$ 2,928	\$ 2,699	\$ 11,295	\$ 10,300	\$ 9,134
Other income	115	132	500	484	497
Retailer share arrangements	(594)	(484)	(2,373)	(1,984)	(1,428)
Platform revenue	\$ 2,449	\$ 2,347	\$ 9,422	\$ 8,800	\$ 8,203
Retail Card:					
Interest and fees on loans	\$ 2,178	\$ 1,990	\$ 8,317	\$ 7,531	\$ 6,536
Other income	96	106	419	400	377
Retailer share arrangements	(584)	(475)	(2,331)	(1,943)	(1,378)
Platform revenue	\$ 1,690	\$ 1,621	\$ 6,405	\$ 5,988	\$ 5,535
Payment Solutions:					
Interest and fees on loans	\$ 372	\$ 368	\$ 1,506	\$ 1,441	\$ 1,389
Other income	8	13	36	40	60
Retailer share arrangements	(9)	(7)	(36)	(35)	(43)
Platform revenue	\$ 371	\$ 374	\$ 1,506	\$ 1,446	\$ 1,406
CareCredit:					
Interest and fees on loans	\$ 378	\$ 341	\$ 1,472	\$ 1,328	\$ 1,209
Other income	11	13	45	44	60
Retailer share arrangements	(1)	(2)	(6)	(6)	(7)
Platform revenue	\$ 388	\$ 352	\$ 1,511	\$ 1,366	\$ 1,262

- (1) The unaudited pro forma financial information for Financial Position Data (Average) and Selected Performance Metrics give effect to the Transactions as if they had occurred at January 1, 2013 for amounts calculated using average financial position data.
- (2) 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.
- (3) Active accounts represent credit card or installment loan accounts on which there has been a purchase, payment or outstanding balance in the current month. Open accounts represent credit card or installment loan accounts that are not closed, blocked or more than 60 days delinquent.
- (4) Net interest margin represents net interest income divided by average interest-earning assets.
- (5) Allowance coverage ratio represents allowance for loan losses divided by total end-of-period loan receivables.
- (6) Return on assets represents net earnings as a percentage of average total assets.
- (7) Return on equity represents net earnings as a percentage of average total equity.
- (8) Equity to assets represents average equity as a percentage of average total assets.
- (9)

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

(10) Represent Basel I capital ratios calculated for the Company on a pro forma basis. At March 31, 2014, pro forma for the Transactions, the Company would have had a fully phased-in Basel III Tier 1 common ratio of 14.1%. The Company's pro forma capital ratios are non-GAAP measures. See Management's Discussion and Analysis of Financial Condition and Results of Operations Capital.

(11) Platform revenue is a non-GAAP measure. The table sets forth each component of our platform revenue for the periods presented. See Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations For the Three Months Ended March 31, 2014 and 2013 Platform Analysis and Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations For the Years Ended December 31, 2013, 2012 and 2011 Platform Analysis.

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Unaudited Pro Forma Financial Information

Condensed Combined Statements of Earnings Information

	Three months ended March 31, 2014			
		Pro		Pro
(\$ in millions, except per share data)	Historical	Forma	Notes	Forma
		Adjustments		
Interest and fees on loans	\$ 2,928	\$		\$ 2,928
Interest on investment securities ^(a)	5			5
Total interest income	2,933			2,933
Interest on deposits	96			96
Interest on borrowings of consolidated securitization entities	47			47
Interest on third-party debt		76	(c)	76
Interest on related party debt	47	(31)	(c)/(d)	16
Total interest expense	190	45		235
Net interest income	2,743	(45)		2,698
Retailer share arrangements	(594)			(594)
Net interest income, after retailer share arrangements	2,149	(45)		2,104
Provision for loan losses	764			764
Net interest income, after retailer share arrangements and provision for loan losses	1,385	(45)		1,340
Other income	115			115
Other expense	610	6	(e)	616
Earnings (loss) before provision for income taxes	890	(51)		839
Provision for income taxes	(332)	19	(f)	(313)
Net earnings	\$ 558	\$ (32)		\$ 526
Weighted average shares outstanding (in thousands)				
Basic			(j)	830,271
Diluted			(j)	831,170
Earnings per share				

Basic	(j)	\$	0.63
Diluted	(j)		0.63

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	Year ended December 31, 2013			
	Historical	Pro Forma Adjustments	Notes	Pro Forma
<i>(\$ in millions, except per share data)</i>				
Interest and fees on loans	\$ 11,295	\$		\$ 11,295
Interest on investment securities(b)	18			18
Total interest income	11,313			11,313
Interest on deposits	374			374
Interest on borrowings of consolidated securitization entities	211			211
Interest on third-party debt		302	(c)	302
Interest on related party debt	157	(93)	(c)/(d)	64
Total interest expense	742	209		951
Net interest income	10,571	(209)		10,362
Retailer share arrangements	(2,373)			(2,373)
Net interest income, after retailer share arrangements	8,198	(209)		7,989
Provision for loan losses	3,072			3,072
Net interest income, after retailer share arrangements and provision for loan losses	5,126	(209)		4,917
Other income	500			500
Other expense	2,484	26	(e)	2,510
Earnings (loss) before provision for income taxes	3,142	(235)		2,907
Provision for income taxes	(1,163)	88	(f)	(1,075)
Net earnings	\$ 1,979	\$ (147)		\$ 1,832
Weighted average shares outstanding (in thousands)				
Basic			(j)	830,271
Diluted			(j)	830,670
Earnings per share				
Basic			(j)	\$ 2.21
Diluted			(j)	2.21

Table of Contents**Condensed Combined Statements of Financial Position Information**

	At March 31, 2014			
	Historical	Pro Forma Adjustments	Notes	Pro Forma
<i>(\$ in millions, except per share data)</i>				
Assets:				
Cash and equivalents ^{(a)(b)}	\$ 5,331	\$ 7,152	(c)/(d)/(h)	\$ 12,483
Investment securities	265			265
Loan receivables				
Unsecuritized loans held for investment	29,101			29,101
Restricted loans of consolidated securitization entities	25,184			25,184
Total loan receivables	54,285			54,285
Less: Allowance for loan losses	(2,998)			(2,998)
Loan receivables, net	51,287			51,287
Goodwill	949			949
Intangible assets, net	464			464
Other assets	949	(23)	(c)/(g)	926
Total assets	\$ 59,245	\$ 7,129		\$ 66,374
Liabilities and Equity:				
Deposits:				
Interest bearing deposit accounts	27,123			27,123
Non-interest bearing deposit accounts	235			235
Total deposits	27,358			27,358
Borrowings:				
Borrowings of consolidated securitization entities	14,642			14,642
Related party debt	8,062	(6,562)	(c)/(d)	1,500
Third-party debt		10,943	(c)	10,943
Total borrowings	22,704	4,381		27,085
Accrued expenses and other liabilities	3,141	(161)	(g)	2,980
Total liabilities	\$ 53,203	\$ 4,220		\$ 57,423
Equity:				
		1	(h)/(i)	1

Common stock, par share value \$0.001 per share (830,270,833 shares outstanding)				
Additional paid-in capital		8,960	(g)/(h)/(i)	8,960
Parent's net investment	6,052	(6,052)	(i)	
Accumulated other comprehensive income	(10)			(10)
Total equity	6,042	2,909		8,951
Total liabilities and equity	\$ 59,245	\$ 7,129		\$ 66,374

Notes to unaudited pro forma financial information

- (a) Cash and equivalents reflects an increase in assets in our liquidity portfolio from \$4.8 billion to \$12.0 billion. We expect that our liquidity portfolio will consist of cash and equivalents (primarily in the form of deposits with the Federal Reserve Board), debt obligations of the U.S. Treasury, certain securities issued by U.S. government sponsored enterprises and other highly rated and highly liquid assets. We have assumed for purposes of this pro forma presentation that assets contained in the liquidity portfolio will consist entirely of cash and equivalents. Interest on investment securities includes interest on interest-earning cash and equivalents. We estimate that the additional cash and equivalents in this liquidity portfolio would have generated incremental interest income of \$16 million for the year ended December 31, 2013 and \$4 million for the

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three months ended March 31, 2014, assuming an interest rate of 0.22% per annum. This incremental interest income is not reflected in the unaudited pro forma combined financial information. An increase (decrease) in the interest rate of 0.125% would increase (decrease) this estimate by \$9 million for the year ended December 31, 2013.

- (b) Cash and equivalents of \$503 million at March 31, 2014, which primarily relates to cash in transit, is excluded for the purpose of calculating liquidity.
- (c) Reflects an adjustment to record \$12.5 billion of new borrowings in connection with this offering, additional borrowing commitments and related interest expense at an estimated weighted average interest rate of 2.8% per annum, as follows:
- (1) Prior to the completion of this offering, we will enter into the \$1.5 billion New GECC Term Loan Facility with GECC.
 - (2) Prior to the completion of this offering, we will enter into the \$8.0 billion New Bank Term Loan Facility with third-party lenders.
 - (3) Shortly after the completion of this offering, we plan to issue approximately \$3.0 billion of New Senior Notes under the Planned Debt Offering.
 - (4) We currently have an aggregate of approximately \$5.6 billion of undrawn committed capacity from private lenders under two of our existing securitization programs, the commitment fees for which are included in the adjustment to interest expense.

The unaudited pro forma combined financial information also includes an adjustment to record \$57 million of deferred financing costs related to the New Bank Term Loan Facility and the Planned Debt Offering. The proceeds of the new borrowings will be used to repay all Outstanding Related Party Debt, to increase our capital, to invest in liquid assets to increase the size of our liquidity portfolio, to pay fees and expenses related to the Transactions and for such additional uses as we may determine in the future.

An increase (decrease) in the weighted average interest rate of 0.125% per annum would increase (decrease) pro forma interest expense related to our new borrowings by \$4 million for the three months ended March 31, 2014 and \$16 million for the year ended December 31, 2013.

- (d) Represents the repayment of \$8,062 million of Outstanding Related Party Debt at March 31, 2014. The weighted average interest rate on the Outstanding Related Party Debt for the three months ended March 31, 2014 and the year ended December 31, 2013 was 2.3% and 1.7% per annum, respectively. The amount to be repaid will be the actual amount of Outstanding Related Party Debt on the closing date of this offering.
- (e) Represents an estimated annual incremental compensation expense of \$26 million related to the issuance of a founders grant of restricted stock units and stock options to a broad group of several hundred employees in connection with this offering, with an estimated total grant date fair value of \$105 million. The grant will be amortized over the four-year cliff vesting period.

- (f) Reflects an adjustment to record the tax impact of other pro forma earnings adjustments at a tax rate of 37.3%.
- (g) Reflects the elimination of assets and liabilities associated with prior period tax returns, which will be the responsibility of GE in accordance with the TSSA.
- (h) Represents the net increase in cash and equity of \$2.8 billion from the proceeds of this offering assuming the underwriters' option to purchase additional shares of common stock from us is not exercised, and less underwriting discounts and commissions and estimated offering expenses.
- (i) Represents the reclassification of GE's net investment in us, which was recorded in Parent's net investment, into Common stock and Additional paid-in capital at a par value of \$0.001 per share.
- (j) Basic and diluted earnings per share and the weighted average shares outstanding for the pro forma earnings per share calculation included in our unaudited pro forma Combined Statements of Earnings are calculated as follows:

	Three Months Ended		Year Ended	
	March 31, 2014		December 31, 2013	
	Basic	Diluted	Basic	Diluted
<i>(\$ in millions; except per share data; share data in thousands)</i>				
Pro forma net earnings	\$ 526	\$ 526	\$ 1,832	\$ 1,832
Common stock	830,271	830,271	830,271	830,271
Restricted stock units		899		399
Stock options				
Pro forma shares outstanding	830,271	831,170	830,271	830,670
Pro forma earnings per share	\$ 0.63	\$ 0.63	\$ 2.21	\$ 2.21

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- (k) We have not reflected any adjustments in our unaudited pro forma combined financial information for the following:
- (1) GE and its subsidiaries, including GECC, historically have provided a variety of services to us, including direct costs associated with services provided directly to us and indirect costs related to GE corporate overhead allocation and assessment. Prior to the completion of this offering, we will enter into a number of arrangements with GE governing the Separation and a variety of transition matters. We expect that GE will continue to provide us with some of the services related to certain functions on a transitional basis in exchange for agreed-upon fees, and we expect to incur other costs to replace the services and resources that will not be provided by GE. We currently expect to incur significant additional expenses to operate as a fully independent public company. See Management's Discussion and Analysis of Financial Condition and Results of Operations Business Trends and Conditions Increases in other expense to operate as a fully independent company and Separation from GE and Related Financial Arrangements.
 - (2) We expect increased payments to partners under our recently extended retailer share arrangements and increased other expense, primarily marketing and other expenses dedicated to promoting the extended programs. See Management's Discussion and Analysis of Financial Condition and Results of Operations Increases in retailer share arrangement payments and other expense under extended program agreements.
 - (3) We will transition to our benefit plans under the employee matters agreement we will enter into with GE prior to the completion of this offering. Effective as of the date that GE ceases to own at least 50% of our outstanding common stock, our applicable U.S. employees will cease to participate in the GE plans and will participate in employee benefit plans established and maintained by us. For at least the one-year period following the date that GE ceases to own at least 50% of our outstanding common stock, we will maintain plans that will provide our employees with benefits that are comparable in the aggregate to the value of those benefits provided by the GE plans. See Arrangements Among GE, GECC and Our Company Relationship with GE and GECC Employee Matters Agreement for further description of these matters.
 - (4) Certain of our employees have historically been granted GE stock options and GE restricted stock units under GE's 2007 Long-Term Incentive Plan, and as of the date GE ceases to own at least 50% of our outstanding common stock, all unvested GE stock options that are held by our employees at that time will vest. We have not reflected any adjustment for the expense related to the accelerated vesting of these awards as the date of vesting has not been determined and this expense would be non-recurring.

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**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 combined financial statements and related notes included elsewhere in this prospectus. The discussion below contains forward-looking statements that are based upon current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations. See Cautionary Note Regarding Forward-Looking Statements.

Introduction

Business Overview

We are one of the premier consumer financial services companies in the United States. 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 we refer to as our partners. During 2013, we financed \$93.9 billion of purchase volume, and at December 31, 2013, we had \$57.3 billion of loan receivables and 62.0 million active accounts. For the three months ended March 31, 2014, we financed \$21.1 billion of purchase volume, and at March 31, 2014, we had \$54.3 billion of loan receivables and 57.3 million active accounts. For the year ended December 31, 2013, we had net earnings of \$2.0 billion, representing a return on assets of 3.5%, and for the three months ended March 31, 2014, we had net earnings of \$558 million, representing a return on assets of 3.9%. See Summary Historical and Pro Forma Financial Information for return on assets, return on equity and equity to assets ratios.

We offer our credit products primarily through our wholly-owned subsidiary, the Bank. Through the Bank, we offer a range of direct and brokered deposit products insured by the FDIC. We are expanding our direct banking operations to increase our deposit base as a source of stable and diversified low cost funding for our credit activities. We had \$27.4 billion in deposits at March 31, 2014.

Our Sales Platforms

We conduct our operations through a single business segment and offer our 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 platform revenues, loan receivables, new accounts and other sales metrics.

Retail Card. Retail Card is a leading provider of private label credit cards, and also provides Dual Cards and small and medium-sized business credit products. We offer one or more of these products primarily through 19 national and regional retailers with which we have program agreements that have an expiration date in 2016 or beyond and which accounted for 95.3% of our Retail Card platform revenue for the year ended December 31, 2013 and 94.9% of our Retail Card loan receivables at March 31, 2014. The average length of our relationship with all of our Retail Card partners is 15 years and collectively they have 34,000 retail locations. Retail Card's platform revenue consists of interest and fees on our loan receivables, plus other income, less retailer share arrangements. Other income primarily consists of interchange fees earned on Dual Card transactions (when the card is used outside of our partners' sales channels) and fees paid to us by customers who purchase our debt cancellation products, less loyalty program payments. Substantially all of the credit extended in this platform is on standard terms. Retail Card accounted for \$6.4 billion, or 68.0%, of our total platform revenue for the year ended December 31, 2013, and \$1.7 billion, or 69.0%, of our total platform revenue for the three months ended March 31, 2014.

Payment Solutions. Payment Solutions is a leading provider of promotional financing for major consumer purchases, offering primarily private label credit cards and installment loans. At March 31, 2014, Payment Solutions offered these products through 264 programs with national and regional retailers, manufacturers, buying groups and industry associations, and a total of 62,000 participating partners. Substantially all of the credit extended in this platform is promotional financing. Payment Solutions platform revenue primarily consists

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of interest and fees on our loan receivables, including merchant discounts, which are fees paid to us by our partners in almost all cases to compensate us for all or part of foregone interest revenue associated with promotional financing. Payment Solutions accounted for \$1.5 billion, or 16.0%, of our total platform revenue for the year ended December 31, 2013, and \$371 million, or 15.1%, of our total platform revenue for the three months ended March 31, 2014.

CareCredit. CareCredit is a leading provider of promotional financing to consumers for elective healthcare procedures or services, such as dental, veterinary, cosmetic, vision and audiology. At March 31, 2014, we had a network of 152,000 CareCredit providers, the vast majority of which are individual or small groups of independent healthcare providers, through which we offer a CareCredit branded private label credit card. Substantially all of the credit extended in this platform is promotional financing. CareCredit's platform revenue primarily consists of interest and fees on our loan receivables, including merchant discounts. CareCredit accounted for \$1.5 billion, or 16.0%, of total platform revenue for the year ended December 31, 2013, and \$388 million, or 15.9%, of our total platform revenue for the three months ended March 31, 2014.

Our Credit Products

Through our platforms, we offer three principal types of credit products: credit cards, commercial credit products and consumer installment loans.

The following table sets forth each credit product by type (and within credit cards, by private label and Dual Cards) and indicates the percentage of our total loan receivables that are under standard terms only or pursuant to a promotional financing offer at March 31, 2014.

Credit Product	Standard Terms	Promotional Offer	Total
Private label credit cards	45.4%	28.0%	73.4%
Dual Cards	22.2	0.2	22.4
Total credit cards	67.6	28.2	95.8
Commercial credit products	2.4		2.4
Consumer installment loans		1.8	1.8
Total	70.0%	30.0%	100.0%

Credit Cards. We offer two principal types of credit cards: private label credit cards and Dual 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., CarCareONE or CareCredit) that are used primarily for the purchase of goods and services from the partner or within the program network. In Retail Card, credit under our private label credit cards typically is extended on standard terms only, and in Payment Solutions and CareCredit, credit under our private label credit cards typically is extended pursuant to a promotional financing offer.

Dual Cards. Our proprietary Dual Cards are credit cards that function as a private label credit card when used to purchase goods and services from our partners and as a general purpose credit card when used elsewhere. Credit extended under our Dual Cards typically is extended under standard terms only. Currently, only Retail Card offers Dual Cards. At March 31, 2014, we offered Dual Cards through 18 of our 24 Retail Card programs.

Commercial Credit Products. We offer private label cards and co-branded 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, and are rolling out an improved customer experience for this product with enhanced functionality. We offer commercial credit products primarily through our Retail Card platform to the commercial customers of our Retail Card partners.

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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 segment. Installment loans are closed-end credit accounts where the customer pays down the outstanding balance in installments. Installment loans are assessed periodic finance charges using fixed interest rates.

Business Trends and Conditions

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

Growth in loan receivables and interest income. We believe continuing improvement 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 benefitted from new partner acquisitions (including the significant portfolio acquisitions described in Description of Key Combined Statements of Earnings Line Items Interest Income), and therefore, if we do not continue to acquire new partners, replace the Retail Card programs that are not being 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. In addition, we do not expect to make any significant changes to customer pricing or merchant discount pricing in the near term, and therefore we expect yields generated from interest and fees on interest-earning assets will remain relatively stable.

Changing funding mix and increased funding costs. Our primary funding sources historically have included cash from operations, deposits (direct and brokered deposits), securitized financings and related party debt provided by GECC and its affiliates. In connection with this offering, we expect to add third-party credit facilities, unsecured debt financing and transitional funding from GECC as funding sources. Over time, we expect to raise additional unsecured debt financing and significantly increase our level of direct deposits to refinance, in advance of the Separation, all or a substantial portion of the transitional funding provided by GECC, increase liquidity levels and support growth in our business. We expect the following factors to impact our funding costs:

continued growth in our direct deposits as a source of stable and low cost funding;

a significant increase in the amount of debt outstanding to fund an increase in the size of our liquidity portfolio;

the changing mix in our funding sources, as existing related party debt is replaced by higher cost funding provided by third-party credit facilities, unsecured debt financing and transitional funding from GECC; and

a rising interest rate environment.

As a result of these factors, we expect our funding costs in the aggregate following this offering to increase. Pro forma for the Transactions, at March 31, 2014, our debt outstanding would have increased by approximately \$4.4 billion. For the year ended December 31, 2013, our interest expense would have increased by \$209 million, and our cost of funds would have increased from 1.6% to 1.9% per annum, and for the three months ended March 31, 2014, our interest expense would have increased by \$45 million, and our cost of funds would have increased from 1.6% to 1.8% per annum. See Selected Historical and Pro Forma Financial Information Unaudited Pro Forma Financial Information.

Extended duration of program agreements. Since January 1, 2012, we have extended the duration of 22 of our 40 largest program agreements with a new expiration date in 2016 or beyond. These extended program agreements represented, in the aggregate, 62.2% of our total platform revenue for the year ended December 31, 2013 and 65.3% of our total loan receivables at March 31, 2014. As a result, we expect to

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continue to benefit from these programs on a long-term basis as indicated by the following expiration schedule, which indicates for each period the number of programs scheduled to expire and the platform revenue and loan receivables that these programs accounted for at the dates and for the periods indicated.

(\$ in millions)	Scheduled Program Expiration						2021 and beyond
	2014-15	2016	2017	2018	2019	2020	
40 largest programs ⁽¹⁾	3	7	4	8	4	3	6
Platform revenue (for the year ended December 31, 2013)	\$ 176	\$ 586	\$ 387	\$ 691	\$ 1,478	\$ 1,161	\$ 2,336
Loan receivables (at March 31, 2014)	\$ 1,199	\$ 3,435	\$ 2,109	\$ 4,285	\$ 7,352	\$ 5,204	\$ 17,243

- (1) Excludes five program agreements that will not be extended beyond their current contractual expiration dates in 2014 or 2015.

A total of 32 of our 40 largest program agreements (including the 22 program agreements we have extended since January 2012) now have an expiration date in 2016 or beyond. These 32 program agreements represented in the aggregate, 70.5% of our total platform revenue for the year ended December 31, 2013 and 73.0% of our total loan receivables at March 31, 2014. Five of our 40 largest program agreements will not be extended beyond their contractual expiration dates in 2014 or, in one case, 2015. These five program agreements represented, in the aggregate, 3.3% of our total platform revenue and 5.2% of our retailer share arrangements, in each case for the year ended December 31, 2013, and 3.7% of our total loan receivables at March 31, 2014. In addition, we recently extended our program agreement with PayPal, another of our 40 largest programs, until October 2016 and do not expect it to extend beyond that date. The extension eliminated certain exclusivity provisions that previously existed in the program agreement which we expect will result in lower platform revenue and loan receivables from our PayPal program during the extended term of the agreement. The PayPal program agreement represented 3.1% of our total platform revenue and 2.5% of our retailer share arrangements, in each case for the year ended December 31, 2013, and 2.6% of our total loan receivables at March 31, 2014.

Increases in retailer share arrangement payments and other expense under extended program agreements.

We believe that as a result of both the overall growth of our programs generally as well as amendments we have made to the terms of certain program agreements that we extended during 2013 and to date in 2014, the payments we make to our partners under these extended retailer share arrangements, in the aggregate are likely to increase both in absolute terms and as a percentage of our net earnings. These increases will be offset in part by decreases in retailer share arrangement payments made to those partners whose programs are not being extended. Overall, we expect our payments to our partners under our retailer share arrangements to grow generally in line with the growth of our Retail Card loan receivables.

In addition, under the terms of certain program agreements we have recently extended, we have agreed to dedicate increased marketing expense and other investments to promote these programs. We estimate that the increases in marketing expense and other investments will result in an increase in other expense of approximately \$100 million to \$150 million per year (based on the anticipated performance of these programs).

We also expect to benefit from these increased payments and other expense, as they will create additional incentives for our partners to support their programs and, in the case of increased marketing expense and other investments, directly promote these programs, all of which we expect will have a positive impact on purchase volume and result in

higher loan receivables and increased interest and fees on loans. We also expect to benefit from the extended duration of our amended program agreements.

Stable asset quality and enhancements to allowance for loan loss methodology. Our credit performance continued to improve through 2013 and the first quarter of 2014. Our net charge-off rates decreased from 4.9% for the year ended December 31, 2012 to 4.7% for the year ended December 31,

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2013 and our over-30 day delinquency rate decreased from 4.6% at December 31, 2012 to 4.3% at December 31, 2013, which are the lowest year-end levels we have experienced since 2007. Our net charge-off rate for the three months ended March 31, 2014 was 4.9% and our over-30 day delinquency rate at March 31, 2014 was 4.1%. In the near term, we expect the U.S. employment rate to continue to stabilize, and we do not anticipate making significant changes to our underwriting standards. Accordingly, we expect our charge-off rates to remain relatively stable in the near term.

During 2012 and 2013, we enhanced our methodology for determining our allowance for loan losses, and as a result we recognized incremental provisions of \$343 million and \$642 million in 2012 and 2013, respectively. We continue to review and evaluate our methodology and models, and we will implement further enhancements or changes to them, as needed.

Increases in other expense to operate as a fully independent company. We currently estimate incremental other expense of approximately \$300 million to \$400 million per year in order to operate as a fully independent public company. We expect that the largest component of this increase will be a \$90 million to \$100 million increase in our annual advertising and marketing expense to establish a new brand identity and support the growth of our direct banking operations. Other components of this increase include significant increases in our corporate governance, risk management, capital planning, treasury, information technology, compliance, regulatory, internal audit and other control operations and infrastructure that is necessary to enable us to operate as a fully standalone company. We expect this incremental increase in our annual run rate of other expense to be fully incurred by the end of 2015 after giving effect to anticipated savings from the reductions in corporate allocations by GE and transitional service payments to GE following the Separation.

The increase in other expense described above does not include the variable component of our other expense, which we expect to increase in absolute terms in line with the growth of our business unrelated to the Separation. These increases in other expense also do not include the increased marketing expenses and other investments under our extended program agreements, as described above under **Increases in retailer share arrangement payments and other expense under extended program agreements.**

Impact of regulatory developments. For the year ended December 31, 2013, our other expense included a \$133 million increase in our expenses related to litigation and regulatory matters (primarily an increase to our reserves related to the matters settled with the CFPB and the DOJ in late 2013 and 2014). See **Regulation Consumer Financial Services Regulation.**

Increased capital and liquidity levels. We expect to maintain sufficient capital and liquidity resources to support our daily operations, our business growth, our credit ratings as well as regulatory and compliance requirements in a cost effective and prudent manner through expected and unexpected market environments. In connection with our application to the Federal Reserve Board described above and the Separation, we expect to continue to increase our capital and liquidity levels by, among other things, retaining net earnings and not paying a dividend or returning capital through stock repurchases until our application to the Federal Reserve Board is approved. Thereafter, our board of directors intends to consider a policy for paying dividends and may consider stock repurchases, in each case consistent with maintaining capital ratios well in excess of minimum regulatory requirements. At March 31, 2014, pro forma for the Transactions, the Company would have had a fully phased-in Basel III Tier 1 common ratio of 14.1%.

In addition, to manage liquidity following this offering, we will significantly increase the size of our liquidity portfolio, which will consist of cash and equivalents (primarily in the form of deposits with the Federal Reserve Board), debt obligations of the U.S. Treasury, certain securities issued by U.S. government sponsored enterprises and other highly rated and highly liquid assets. At March 31, 2014, pro forma for the Transactions, we would have had a liquidity portfolio with \$12.0 billion of assets (or 18.0% of total assets), which would have been funded by increased debt as described above and the proceeds of this offering. We expect that following the completion of the Transactions, our liquidity portfolio will continue to grow primarily as a result of anticipated increases in our deposits.

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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 quarter of the following year as customers pay their balances down. Loan receivables decreased by \$2,969 million, or 5.2%, to \$54,285 million at March 31, 2014 compared to \$57,254 million at December 31, 2013, reflecting these patterns.

The seasonal impact to transaction volumes and the loan receivables balance 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. For example, in addition to the seasonal increase in loan receivables at year end as a result of higher levels of consumer spending during the fourth quarter of 2013, we also experienced a seasonal increase in delinquency rates and delinquent loan receivables balances during the fourth quarter of 2013 due to lower customer payment rates, consistent with our historical fourth quarter experience. Our delinquency rates and delinquent loan receivables balances then decreased during the subsequent first quarter as customers began to pay down their loan balances and returned to current status. Because customers who were delinquent during the fourth quarter of 2013 had a higher probability of returning to current status during the first quarter of 2014 than customers who were delinquent at the end of the first quarter of 2014, we expected that a higher proportion of delinquent accounts outstanding at the end of the first quarter of 2014 would result in charge-offs as compared to the end of the fourth quarter of 2013. Consistent with historical experience, this resulted in a higher allowance for loan losses as a percentage of total loan receivables at the end of the first quarter of 2014 as compared to the preceding period end. Accordingly, our allowance for loan losses as a percentage of total loan receivables of 5.4% at March 31, 2013 decreased to 5.1% at December 31, 2013 and again increased to 5.5% at March 31, 2014, reflecting the effects of these seasonal trends. Past due balances declined to \$2,220 million at March 31, 2014 from \$2,488 million at December 31, 2013, primarily due to collections from customers that were previously delinquent, resulting in their accounts returning to current status. The increase in the allowance for loan losses at March 31, 2014 compared to December 31, 2013, despite a decrease in our past due balances as a percentage of loan receivables at March 31, 2014 compared to December 31, 2013, reflected these same seasonal trends.

Separation from GE and Related Financial Arrangements

GE and its subsidiaries, including GECC, historically have provided a variety of services and funding to us. Prior to the completion of this offering, we will enter into a Transitional Services Agreement and various other agreements with GE that, together with a number of existing agreements relating to our securitized financings that will remain in effect following this offering, will govern the relationship between GE and us after this offering. We will also enter into the New GECC Term Loan Facility, pursuant to which GECC will provide us with transitional funding. The principal financial implications of these arrangements are discussed below, and the arrangements are described more fully under Arrangements Among GE, GECC and Our Company and Description of Certain Indebtedness New GECC Term Loan Facility.

The historical costs and expenses related to the services and funding provided by GE include:

direct costs associated with services provided directly to us;

indirect costs related to GE corporate overhead allocation and assessments; and

interest expense for related party debt.

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The following table sets forth our direct costs, indirect costs, and interest expenses related to services and funding provided by GE for the periods indicated.

(\$ in millions)	Three months ended March 31,		Years ended December 31,		
	2014	2013	2013	2012	2011
Direct costs ⁽¹⁾	\$ 64	\$ 47	\$ 207	\$ 184	\$ 181
Indirect costs ⁽¹⁾	61	53	230	206	183
Interest expense ⁽²⁾	47	43	157	155	333
Total expenses for services and funding provided by GE	\$ 172	\$ 143	\$ 594	\$ 545	\$ 697

(1) Direct costs and indirect costs are included in the other expense line items in our Combined Statements of Earnings.

(2) Included in the interest expense line item in our Combined Statements of Earnings.

Direct Costs. Certain functions and services, such as employee benefits and insurance, are centralized at GE. In addition, certain third-party contracts for goods and services, such as technology licenses and telecommunication contracts, from which we benefit are entered into by GE. GE allocates the costs associated with these goods and services to us using established allocation methodologies (e.g., pension costs are allocated using an actuarially determined percentage applied to the total compensation of employees who participate in such pension plans). Below is a description of the services resulting in the most significant direct costs, and how those services will be impacted by the Separation.

Employee benefits and benefit administration. Historically, we have reimbursed GE for benefits provided to our employees under various U.S. GE employee benefit plans, including costs associated with our employees' participation in GE's retirement plans (pension, retiree health and life insurance, and savings benefit plans) and active health and life insurance benefit plans. We incurred expenses (including administrative costs) associated with these plans of \$41 million and \$28 million for the three months ended March 31, 2014 and 2013, respectively, and \$129 million, \$110 million and \$110 million for the years ended December 31, 2013, 2012 and 2011, respectively. GE will continue to provide these benefits to our employees at our cost as long as GE owns at least 50% of our outstanding common stock. See Arrangements Among GE, GECC and Our Company and Note 11. *Employee Benefit Plans* to our combined financial statements.

Information technology. GE provides us with certain information technology infrastructure (e.g., data centers), applications and support services. We have incurred expenses for these services of \$9 million and \$8 million for the three months ended March 31, 2014 and 2013, respectively, and \$32 million, \$30 million and \$31 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Telecommunication costs. GE provides us with telecommunication services. These third-party costs are allocated to our business based on the number of phone lines used by our business. We have incurred expenses for these services of \$10 million and \$8 million for the three months ended March 31, 2014 and 2013, respectively, and \$33 million, \$34 million and \$33 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Other including leases for vehicles, equipment and facilities. GE and GE affiliates provide us with certain vehicle and equipment leases. In addition, we have certain facilities shared with GE and GE affiliates for which we are allocated our share of the cost based on space occupied by our business and employees. We have incurred \$4 million and \$3 million for the three months ended March 31, 2014 and 2013, respectively, and \$13 million, \$10 million and \$7 million for the years ended December 31, 2013, 2012 and 2011, respectively.

In addition to the allocations for the direct costs of the described services, there are expenses for certain items, such as payroll for our employees, corporate credit card bills and freight expenses, which we incur directly but for which GE advances the payment through a centralized payment system on our behalf and we reimburse

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GE in full for amounts paid. These expenses are reflected in the relevant line items of our financial statements, but are not included in the direct costs identified above.

We expect that under the Transitional Services Agreement, direct costs billed to us after the completion of this offering will be at GE's cost in accordance with historic allocation methodologies. We expect the majority of the services provided by GE will be replaced within two years from the completion of this offering.

Indirect Costs. GE and GECC allocate costs to us related to corporate overhead that directly or indirectly benefits our business. These assessments relate to information technology, insurance coverage, tax services provided, executive incentive payments, advertising and branding and other functional support. These allocations are determined primarily using our percentage of GECC's relevant expenses. Following this offering, any assessment made by GE will be made under the Transitional Services Agreement in respect of specified services.

We expect to incur incremental advertising and marketing costs, currently estimated to be approximately \$90 million to \$100 million per year, to establish a new brand identity and support the growth of our direct banking operations.

For a discussion of the aggregate impact of the expected changes relating to these costs, see [Business Trends and Conditions](#) [Increases in other expense to operate as a fully independent company](#) above.

Interest Expense. Historically, we have had access to funding provided by GECC. We used related party debt provided by GECC to meet our funding requirements after taking into account deposits held at the Bank, funding from securitized financings and cash generated from our operations. We incurred borrowing costs for related party debt of \$47 million and \$43 million for the three months ended March 31, 2014 and 2013, respectively, and \$157 million, \$155 million and \$333 million, for the years ended December 31, 2013, 2012 and 2011, respectively. Our average cost of funds for related party debt was 2.3% and 2.1% for the three months ended March 31, 2014 and 2013, respectively, and 1.7%, 1.5% and 2.8% for the years ended December 31, 2013, 2012 and 2011, respectively. In connection with this offering, all of the related party debt outstanding on the closing date of this offering will be repaid, and GECC will provide transitional funding pursuant to the \$1.5 billion New GECC Term Loan Facility.

Single Operating Segment

We conduct our business through a single operating segment. See Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* *Segment Reporting* to our combined financial statements. Profitability and expenses, including funding costs, loan losses and operating expenses, are managed for the business as a whole. We offer our products through three sales platforms (Retail Card, Payment Solutions and CareCredit), which management measures based on their platform revenues and other revenue-related sales metrics, including purchase volume, loan receivables and new accounts. See [Results of Operations](#) [For the Three Months Ended March 31, 2014 and 2013](#) [Platform Analysis](#) and [Results of Operations](#) [For the Years Ended December 31, 2013, 2012 and 2011](#) [Platform Analysis](#).

Description of Key Combined Statements of Earnings Line Items

Below is a summary description of the key line items included in our Combined Statements of Earnings.

Interest Income

Interest income is comprised of interest and fees on loans, which includes merchant discounts provided by partners in almost all cases to compensate us 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

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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.

Since January 1, 2011, our significant portfolio acquisitions, which in the aggregate accounted for \$1.8 billion of loan receivables at the time of acquisition and \$2.9 billion of loan receivables at March 31, 2014, were as follows:

Phillips 66 acquired on June 28, 2013;

Toys 'R Us acquired on June 21, 2012;

TJX (including T.J.Maxx, Marshalls and HomeGoods) acquired on June 15, 2011; and

Ashley HomeStores acquired on January 11, 2011.

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

pricing (contractual rates of interest, 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 Expense

Interest expense is incurred on our interest-bearing liabilities, which consisted of interest-bearing deposit accounts, borrowings of consolidated securitization entities and related party debt provided by GECC.

Key drivers of interest expense include:

the amounts outstanding of our borrowings, deposits and other funding sources;

the interest rate environment and its effect on interest rates paid on our funding sources; and

the changing mix in our funding sources among deposits, GECC financing and third-party securitization and unsecured borrowings.

Table of Contents***Net Interest Income***

Net interest income represents the difference between interest income and interest expense. We expect net interest income as a percentage of interest-earning assets to be influenced by changes in the interest rate environment, changes in our mix of products, the level of loans bearing promotional rates as compared to our standard rates, credit performance of our loans and changes in the amount and composition of our interest-bearing liabilities.

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 partner if the economic performance of the program exceeds a contractually defined threshold. These arrangements are designed to align our interests and provide an additional incentive to our partners to promote our credit products. 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. 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 increased in recent years (both in absolute terms and as a proportion of interest income), partially as a result of the growth of our receivables related to programs with retailer share arrangements and improvements in the credit performance of these receivables. In addition, we have made changes to the terms of certain program agreements that have been re-negotiated in the past few years that have contributed to the increase in payments to partners pursuant to retailer share arrangements.

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 changes to the terms of certain program agreements that have contributed to the increase in our retailer share arrangement payments 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.

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. During 2012 we began a process to enhance our allowance for loan losses methodology by revising our estimates to determine the incurred loss period for each type of loss (i.e., aged, fraud, deceased, settlement, other non-aged and bankruptcy) by partner. This enhancement resulted in a more granular portfolio segmentation analysis, by loss type, included a qualitative assessment of the adequacy of the portfolio's allowance for loan losses, which compared the allowance for losses to projected net charge-offs over the next 12 months, in a manner consistent with regulatory guidance, and was designed to provide a better estimate of the date of a probable loss event and length of time required for a probable loss event to result in a charge-off. We continue to review and

evaluate our methodology, models and the underlying assumptions, estimates and assessments we use, and we will implement further enhancements or changes to them, as needed.

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Other Income

Other income consists of the following components:

Interchange revenue. We earn interchange fees on Dual Card transactions outside of our partners' locations, based on a flat fee plus a percent of the purchase amount. We also process general purpose card transactions for some Payment Solutions and CareCredit partners as their acquiring bank, for which we obtain an interchange fee. Growth in interchange revenue has been, and is expected to continue to be, driven primarily by growth in our Dual Card product.

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. In October 2012, we ceased debt cancellation product sales via phone calls to our customer service department and began to only offer the product online and, on a limited basis, by direct mail, which has led to a decrease in new enrollments for this product and is expected to result in a lower level of income generated by this product in the future as the balances of existing accounts enrolled in this program decrease over time.

Loyalty programs. We operate a number of loyalty programs 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 rewards in the form of merchandise discounts that are earned by achieving a pre-set spending level on their private label or Dual Card. Other programs provide cash back or reward points, which are redeemable for a variety of products or awards. 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.

Other. Other includes a variety of items including ancillary fees and investment gains/losses.

Other Expense

Other expense consists of the following components:

Employee costs. Employee costs primarily consist of employee compensation and benefit costs.

Professional fees. Professional fees consist primarily of outsourced provider fees (e.g., collection agencies and call centers), legal, accounting and consulting fees, and recruiting expenses.

Marketing and business development. Marketing and business development costs consist of both our contractual and discretionary marketing spend, as well as amortization expense associated with retail partner contract acquisitions and extensions.

Information processing. Information processing costs primarily consist of fees related to outsourced information processing providers, credit card associations and software licensing agreements.

Corporate overhead allocations. As discussed above under Separation from GE and Related Financial Arrangements, GE provides certain services, which we allocate to corporate overhead unless the costs associated with such services are directly billed and included in the appropriate cost categories (e.g., employee benefit costs are included in employee costs above). In our Combined Statements of Earnings presented elsewhere herein, this component is included within the Other component of Other expense described immediately below.

Other. Other primarily consists of postage, fraud expense, litigation and regulatory matters expense and various other smaller cost items such as facilities leases and maintenance, leased equipment 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 is driven primarily by the number of our Dual Card active accounts.

Table of Contents***Provision for Income Taxes***

We are included in the consolidated federal and state income tax returns of GE, where applicable, but also file certain separate state and foreign income tax returns. The tax provision is presented on a separate company basis as if we were a separate filer. The effects of tax adjustments and settlements from taxing authorities are presented in our combined financial statements in the period to which they relate as if we were a separate filer. Our current obligations for taxes are settled with our parent on an estimated basis and adjusted in later periods as appropriate and are reflected in our combined financial statements in the periods in which those settlements occur. We are subject to income tax in the United States (federal, state and local) as well as other jurisdictions in which we operate. Our provision for income tax expense is based on our income, the statutory tax rates and other provisions of the tax laws applicable to us in each of these various jurisdictions. These laws are complex, and their application to our facts is at times open to interpretation. The process of determining our consolidated income tax expense includes significant judgments and estimates, including judgments regarding the interpretation of those laws. Our provision for income taxes and our deferred tax assets and liabilities incorporate those judgments and estimates, and reflect management's best estimate of current and future income taxes to be paid. Deferred tax assets and liabilities relate to temporary differences between the financial reporting and income tax bases of our assets and liabilities, as well as the impact of tax loss carryforwards or carrybacks. Deferred income tax expense or benefit represents the expected increase or decrease to future tax payments as these temporary differences reverse over time. Deferred tax assets are specific to the jurisdiction in which they arise, and are recognized subject to management's judgment that realization of those assets is more likely than not. 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 audit by the taxing authority. 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. We recognize accrued interest and penalties related to uncertain income tax positions as interest expense and provision for income taxes, respectively.

Preliminary Financial Information for the Three Months Ended June 30, 2014

In this section we provide certain preliminary unaudited results of operations and financial position information and other unaudited selected data, in each case at and for the three months ended June 30, 2014, based on currently available information. Our actual results may differ from this preliminary information due to the completion of our financial closing procedures, final adjustments and other developments that may arise between now and the time the financial results for the three months ended June 30, 2014 are finalized and publicly reported, and the completion of the review by our independent registered public accounting firm, all of which will occur after this offering has been completed.

You should read the information in this section in conjunction with the information under Selected Historical and Pro Forma Financial Information, Management's Discussion and Analysis of Financial Condition and Results of Operations and our combined financial statements and the related notes included elsewhere in this prospectus.

Table of Contents**Summary Earnings**

The following tables set forth results of operations and financial position information and other selected data at and for the periods indicated.

<i>Three months ended June 30 (\$ in millions)</i>	2014	2013
Interest income	\$ 2,926	\$ 2,686
Interest expense	206	178
Net interest income	2,720	2,508
Retailer share arrangements	(590)	(547)
Net interest income, after retailer share arrangements	2,130	1,961
Provision for loan losses	681	666
Net interest income, after retailer share arrangements and provision for loan losses	1,449	1,295
Other income	112	124
Other expense	797	563
Earnings before provision for income taxes	764	856
Provision for income taxes	(292)	(320)
Net earnings	\$ 472	\$ 536

Summary Financial Position Information

<i>(\$ in millions)</i>	At June 30, 2014	At December 31, 2013
Assets:		
Cash and equivalents	\$ 6,782	\$ 2,319
Investment securities	298	236
Loan receivables	54,873	57,254
Allowance for loan losses	(3,006)	(2,892)
Loan receivables held for sale ⁽¹⁾	1,458	
Goodwill	949	949
Intangible assets, net	463	300
Other assets	1,358	919
Total assets	\$ 63,175	\$ 59,085
Liabilities and Equity:		
Total deposits	30,462	25,719
Total borrowings	22,973	24,321

Accrued expenses and other liabilities	3,347	3,085
Total liabilities	\$ 56,782	\$ 53,125
Total equity	6,393	5,960
Total liabilities and equity	\$ 63,175	\$ 59,085

(1) During the three months ended June 30, 2014, we reclassified a total of \$1,458 million of Loan receivables to Loan receivables held for sale for two portfolios relating to programs that are not being extended and that we plan to sell in the fourth quarter of 2014.

Table of Contents**Other Financial and Statistical Data**

<i>At and for the three months ended June 30 (\$ in millions, except per account data)</i>	2014	2013
Financial Position Data (Average):		
Loan receivables, including held for sale	\$ 55,363	\$ 50,707
Total assets	\$ 61,215	\$ 54,502
Deposits	\$ 28,789	\$ 21,439
Borrowings	\$ 22,686	\$ 25,382
Total equity	\$ 6,328	\$ 4,948
Selected Performance Metrics:		
Purchase volume	\$ 25,978	\$ 23,554
Retail Card	\$ 21,032	\$ 18,981
Payment Solutions	\$ 3,115	\$ 2,815
CareCredit	\$ 1,831	\$ 1,758
Average active accounts (in thousands)	58,386	54,698
Average purchase volume per active account	\$ 445	\$ 431
Average loan receivables balance per active account	\$ 948	\$ 927
Net interest margin	17.8%	18.4%
Net charge-offs	\$ 673	\$ 600
Net charge-offs as a % of average loan receivables	4.9%	4.7%
Allowance coverage ratio	5.5%	5.4%
Return on assets	3.1%	3.9%
Return on equity	29.9%	43.4%
Equity to assets	10.3%	9.1%
Other expense as a % of average loan receivables	5.8%	4.5%
Efficiency ratio	35.5%	27.0%
Effective income tax rate	38.2%	37.4%
Selected Period End Data:		
Total loan receivables	\$ 54,873	\$ 51,706
Allowance for loan losses	\$ (3,006)	\$ (2,784)
30+ days past due as a % of loan receivables	3.8%	3.8%
90+ days past due as a % of loan receivables	1.7%	1.6%
Total active accounts (in thousands)	59,248	55,337
Full time employees	10,240	8,586

Table of Contents**Average Balance Sheet**

The following table sets forth information regarding average balance sheet data for the periods indicated, which are used in the discussion of interest income, interest expense and net interest income that follows.

<i>Three months ended June 30 (\$ in millions)</i>	Average Balance⁽¹⁾	2014 Interest Income / Expense	Average Yield / Rate⁽²⁾	Average Balance⁽¹⁾	2013 Interest Income/ Expense	Average Yield / Rate⁽²⁾
Assets						
Interest-earning assets:						
Interest-earning cash and equivalents ⁽³⁾	\$ 5,489	\$ 3	0.2%	\$ 3,702	\$ 3	0.3%
Securities available for sale	285	3	4.2%	209	2	3.8%
Loan receivables⁽⁴⁾:						
Credit cards ⁽⁵⁾	52,957	2,860	21.7%	47,968	2,612	21.8%
Consumer installment loans	1,004	24	9.6%	1,375	33	9.6%
Commercial credit products	1,387	36	10.4%	1,353	36	10.7%
Other	15		0.0%	11		0.0%
Total loan receivables, including held for sale	55,363	2,920	21.2%	50,707	2,681	21.2%
Total interest-earning assets	61,137	2,926	19.2%	54,618	2,686	19.7%
Non-interest-earning assets:						
Cash and due from banks	637			547		
Allowance for loans losses	(3,005)			(2,702)		
Other assets	2,446			2,039		
Total non-interest-earning assets	78			(116)		
Total assets	\$ 61,215			\$ 54,502		
Liabilities						
Interest-bearing liabilities:						
Interest-bearing deposit accounts	\$ 28,568	\$ 109	1.5%	\$ 20,972	\$ 93	1.8%
Borrowings of consolidated securitization entities	14,727	54	1.5%	16,609	55	1.3%
Related party debt	7,959	43	2.2%	8,773	30	1.4%
Total interest-bearing liabilities	51,254	206	1.6%	46,354	178	1.5%
Non-interest-bearing liabilities						
Non-interest-bearing deposit accounts	221			467		
Other liabilities	3,412			2,733		

Total non-interest-bearing liabilities	3,633	3,200	
Total liabilities	54,887	49,554	
Equity			
Total equity	6,328	4,948	
Total liabilities and equity	\$ 61,215	\$ 54,502	
Interest rate spread⁽⁶⁾		17.6%	18.2%
Net interest income	\$ 2,720	\$ 2,508	
Net yield on total interest-earning assets⁽⁷⁾		17.8%	18.4%

- (1) Average balances are based on monthly balances, including beginning of period balances, except where monthly balances are unavailable and quarterly balances are used. Collection of daily averages involves undue burden and expense. We believe our average balance sheet data appropriately incorporates the seasonality in the level of our loan receivables and is representative of our operations.
- (2) Average yields/rates are based on total interest income/expense over average monthly balances.

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- (3) Includes average restricted cash balances of \$156 million and \$48 million for the three months ended June 30, 2014 and 2013, respectively.
- (4) Non-accrual loans are included in the average loan receivables balances.
- (5) Interest income on credit cards includes fees on loans of \$498 million and \$467 million for the three months ended June 30, 2014 and 2013, respectively.
- (6) Interest rate spread represents the difference between the yield on total interest-earning assets and the rate on total interest-bearing liabilities.
- (7) Net yield on interest-earning assets represents net interest income, divided by average total interest-earning assets.

Interest Income

Interest income increased from \$2,686 million for the three months ended June 30, 2013 to \$2,926 million for the three months ended June 30, 2014, or by 8.9%. This increase was driven primarily by the increase in average interest-earning assets for the three months ended June 30, 2014.

Average interest-earning assets. Interest-earning assets are comprised primarily of loan receivables. Average loan receivables increased from \$50,707 million for the three months ended June 30, 2013 to \$55,363 million for the three months ended June 30, 2014, or by 9.2%. This increase in average loan receivables was driven primarily by higher purchase volumes resulting from an increase in average active credit card accounts from 54.7 million for the three months ended June 30, 2013 to 58.4 million for the three months ended June 30, 2014.

Yield on average interest-earning assets. The yield on interest-earning assets decreased from 19.7% for the three months ended June 30, 2013 to 19.2% for the three months ended June 30, 2014 driven primarily by an increase in our average interest-earning cash and equivalents which earn a lower yield than our loan receivables. The yield on our average loan receivables was flat at 21.2% for the three months ended June 30, 2013 and 2014, respectively.

Interest Expense

Interest expense increased from \$178 million for the three months ended June 30, 2013 to \$206 million for the three months ended June 30, 2014 driven by an increase in average interest-bearing liabilities from \$46,354 million to \$51,254 million, as well as an increase in our cost of funds from 1.5% to 1.6%. The increase in our average interest-bearing liabilities was driven by a \$7.6 billion increase in our average interest-bearing deposit accounts partially offset by a reduction in average borrowings under our securitization programs and our related party debt.

Net Interest Income

Net interest income increased from \$2,508 million for the three months ended June 30, 2013 to \$2,720 million for the three months ended June 30, 2014, or by 8.5%. This increase was primarily driven by an increase in average interest-earning receivables partially offset by higher interest expense and a decrease in our yield on interest-earning assets due to a higher average interest-earning cash and equivalents balance.

Retailer Share Arrangements

Retailer share arrangements increased from \$547 million for the three months ended June 30, 2013 to \$590 million for the three months ended June 30, 2014. This increase was driven by the growth and improved performance of the programs in which we have retailer share arrangements, as well as by changes to the terms of the retailer share arrangements for those partners with whom we extended program agreements in the second half of 2013 and in 2014.

Provision for Loan Losses

Provision for loan losses increased from \$666 million for the three months ended June 30, 2013 to \$681 million for the three months ended June 30, 2014. This increase was primarily driven by portfolio growth

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partially offset by a \$57 million reduction in provision for loan losses associated with the classification of certain loan receivables as held for sale. During the three months ended June 30, 2014, we reclassified a total of \$1,458 million of Loan receivables to Loan receivables held for sale for two portfolios relating to programs that are not being extended and that we plan to sell in the fourth quarter of 2014.

Other Income

The following table sets forth our other income for the periods indicated.

<i>Three months ended June 30 (\$ in millions)</i>	2014	2013
Interchange revenue	\$ 92	\$ 81
Debt cancellation fees	70	77
Loyalty programs	(63)	(58)
Other	13	24
Total other income	\$ 112	\$ 124

Other income decreased primarily due to a decrease in the other component resulting from a gain recorded in the prior year period that did not re-occur. Lower debt cancellation fees driven by fewer customers being enrolled in the product and higher loyalty costs were largely offset with increased interchange revenue driven by increased purchase volume outside of our retail partners.

Other Expense

The following table sets forth our other expense for the periods indicated.

<i>Three months ended June 30 (\$ in millions)</i>	2014	2013
Employee costs	\$ 207	\$ 173
Professional fees	155	107
Marketing and business development	97	53
Information processing	53	48
Corporate overhead allocations and assessments	73	56
Other	212	126
Total other expense	\$ 797	\$ 563

Other expense increased due to increases in all of our expense categories.

Employee costs increased primarily due to additional compensation expenses for new employees and salary increases for existing employees driven by the growth of our business and the building of our standalone infrastructure.

Professional fees increased due to higher professional and other consulting fees related to the Separation and growth of the retail deposit platform.

Marketing and business development costs increased due to increased marketing expenses, investments in our brand and increased amortization expense associated with program acquisitions and extensions.

Information processing costs increased driven primarily by the growth of our business.

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Corporate overhead allocations and assessments are determined primarily using our percentage of GECC's relevant expenses and increased in the current period as we comprised a greater percentage of GECC's total costs. These amounts do not include services provided by GE where the costs associated with such services are directly billed and included in the appropriate cost categories (e.g., employee benefit costs are included in employee costs above).

The other component increased primarily due to a \$42 million increase in our reserves for a self-identified consumer remediation as a result of developments during the three months ended June 30, 2014. We also resolved certain regulatory matters with the CFPB and the DOJ in the three months ended June 30, 2014 that were previously reserved for and therefore did not have a material impact on our results for the three months ended June 30, 2014. See Regulation Consumer Financial Services Regulation.

Provision for Income Taxes

Our effective tax rate increased from 37.4% to 38.2% for the three months ended June 30, 2013 and 2014, respectively, primarily due to certain non-deductible expenses, and a discrete item related to an internal corporate reorganization. In each period the effective tax rate differs from the U.S. federal statutory tax rate of 35.0% primarily due to state income taxes.

Platform Analysis

As discussed above under Introduction 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 the platform revenue for each of our platforms.

Non-GAAP Measure

In order to assess and internally report the revenue performance of our three sales platforms, we use a measure we refer to as platform revenue. Platform revenue is the sum of three line items in our Combined Statements of Earnings prepared in accordance with GAAP: interest and fees on loans, plus other income, less retailer share arrangements. Platform revenue itself is not a measure presented in accordance with GAAP. We deduct retailer share arrangements but do not deduct other line item expenses, such as interest expense, provision for loan losses and other expense, because those items are managed for the business as a whole. We believe that platform revenue is a useful measure to investors because it represents management's view of the net revenue contribution of each of our platforms. This measure should not be considered a substitute for interest and fees on loans or other measures of performance we have reported in accordance with GAAP. The reconciliation of platform revenue to interest and fees on loans for each platform is set forth in the table included in the discussion of each of our three platforms below. The following table sets forth the reconciliation of total platform revenue to total interest and fees on loans for the periods indicated.

<i>Three months ended June 30 (\$ in millions)</i>	2014	2013
Interest and fees on loans	\$ 2,920	\$ 2,681
Other income	112	124
Retailer share arrangements	(590)	(547)
Platform revenue	\$ 2,442	\$ 2,258

Table of Contents*Retail Card*

The following table sets forth supplemental information related to our Retail Card platform for the periods indicated.

<i>Three months ended June 30 (\$ in millions, except per account data)</i>	2014	2013
Purchase volume	\$ 21,032	\$ 18,981
Period-end loan receivables (including loan receivables held for sale)	\$ 38,696	\$ 35,208
Average loan receivables	\$ 38,047	\$ 34,488
Average active accounts (in thousands)	47,248	44,424
Average purchase volume per account	\$ 445	\$ 427
Average loan receivable balance per account	\$ 805	\$ 776
Interest and fees on loans	\$ 2,158	\$ 1,974
Other income	92	105
Retailer share arrangements	(577)	(535)
Platform revenue	\$ 1,673	\$ 1,544

Retail Card platform revenue increased from \$1,544 million for the three months ended June 30, 2013 to \$1,673 million for the three months ended June 30, 2014, or by 8.4%. This increase was primarily the result of an increase in interest and fees on loans driven by an increase in average loan receivables, offset in part by a reduction of other income due to a gain recorded in the prior year period that did not re-occur and an increase in retailer share arrangement payments. The increase in these payments was as a result of program growth and improved performance of the programs in which we have retailer share arrangements, as well as changes to the terms of the retailer share arrangements for those partners with whom we extended programs agreements in 2013 and 2014.

Payment Solutions

The following table sets forth supplemental information relating to our Payment Solutions platform for the periods indicated.

<i>Three months ended June 30 (\$ in millions, except per account data)</i>	2014	2013
Purchase volume	\$ 3,115	\$ 2,815
Period-end loan receivables	\$ 11,014	\$ 10,311
Average loan receivables	\$ 10,785	\$ 10,152
Average active accounts (in thousands)	6,692	6,147
Average purchase volume per account	\$ 465	\$ 458
Average loan receivable balance per account	\$ 1,612	\$ 1,652
Interest and fees on loans	\$ 379	\$ 356
Other income	8	10
Retailer share arrangements	(12)	(10)
Platform revenue	\$ 375	\$ 356

Payment Solutions platform revenue increased from \$356 million for the three months ended June 30, 2013 to \$375 million for the three months ended June 30, 2014, or by 5.3%. The increase was primarily the result of higher interest and fees on loans due to an increase in average loan receivables.

Table of Contents*CareCredit*

The following table sets forth supplemental information relating to our CareCredit platform for the periods indicated.

<i>Three months ended June 30 (\$ in millions, except per account data)</i>	2014	2013
Purchase volume	\$ 1,831	\$ 1,758
Period-end loan receivables	\$ 6,621	\$ 6,187
Average loan receivables	\$ 6,531	\$ 6,067
Average active accounts (in thousands)	4,446	4,127
Average purchase volume per account	\$ 412	\$ 426
Average loan receivable balance per account	\$ 1,469	\$ 1,470
Interest and fees on loans	\$ 383	\$ 351
Other income	12	9
Retailer share arrangements	(1)	(2)
Platform revenue	\$ 394	\$ 358

CareCredit platform revenue increased from \$358 million for the three months ended June 30, 2013 to \$394 million for the three months ended June 30, 2014, or by 10.1%. This increase was primarily the result of an increase in interest and fees on loans driven by an increase in average loan receivables.

Results of Operations For the Three Months Ended March 31, 2014 and 2013

The discussion below provides an analysis of our combined results of operations for the three months ended March 31, 2014 and 2013.

2014 First Quarter Highlights

Below are highlights of our performance for the three months ended March 31, 2014 compared to the three months ended March 31, 2013, except as otherwise noted.

We had net earnings of \$558 million on total net interest income of \$2,743 million for the three months ended March 31, 2014 compared to net earnings of \$359 million on total net interest income of \$2,511 million for three months ended March 31, 2013. The increase in net earnings was driven by a reduction in our provision for loan losses and an increase in net interest income driven by higher average loan receivables partially offset by an increase in retailer share arrangements and other expenses.

Average loan receivables increased from \$50,843 million for the three months ended March 31, 2013 to \$55,495 million for the three months ended March 31, 2014. The increase was driven primarily by purchase volume growth of 6.5%.

Net interest income increased from \$2,511 million for the three months ended March 31, 2013 to \$2,743 million for the three months ended March 31, 2014 due to higher average loan receivables. Net interest income, after retailer share arrangements, increased from \$2,027 million for the three months ended March 31, 2013 to \$2,149 million for the three months ended March 31, 2014 as the increase in net interest income was offset in part by increased payments to partners under our retailer share arrangements.

Payments to our partners under our retailer share arrangements increased from \$484 million for the three months ended March 31, 2013 to \$594 million for the three months ended March 31, 2014, primarily as a result of improved performance, including lower provision for loan losses, and the growth of the programs in which we have retailer share arrangements, as well as by changes to the terms of the retailer share arrangements for those partners with whom we extended program agreements in 2013 and 2014.

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Loan delinquencies as a percentage of receivables decreased with the over-30 day delinquency rate decreasing from 4.3% at December 31, 2013 to 4.1% at March 31, 2014. The lower delinquency rates were driven by improvements in the quality of our loan receivables and continued improvement in the U.S. economy and employment rates. Net charge-off rates increased from 4.8% for the three months ended March 31, 2013 to 4.9% for the three months ended March 31, 2014.

Provision for loan losses decreased from \$1,047 million for the three months ended March 31, 2013 to \$764 million for the three months ended March 31, 2014 primarily as a result of an incremental provision of \$538 million during the first quarter of 2013 relating to the enhancements to our allowance for loan loss methodology, which was not repeated during the three months ended March 31, 2014, partially offset by increased charge-offs and an incremental provision for expected losses due to an increase in loan receivables. The allowance coverage ratio (allowance for loan losses as a percent of end of period loan receivables) increased from 5.4% at March 31, 2013 to 5.5% at March 31, 2014.

Other expense increased from \$539 million for the three months ended March 31, 2013 to \$610 million for the three months ended March 31, 2014. The increase was driven by business growth, incremental costs associated with building a standalone infrastructure, and increased marketing investments, partially offset by a reduction in our expenses for litigation and regulatory matters.

We have invested in our direct banking activities to grow our deposit base. Direct deposits have increased from \$11.0 billion at December 31, 2013 to \$13.0 billion at March 31, 2014. As our direct deposits have increased, we have reduced our brokered deposits from \$14.8 billion at December 31, 2013 to \$14.4 billion at March 31, 2014 and decreased our funding from our securitization financings from \$15.4 billion at December 31, 2013 to \$14.6 billion at March 31, 2014.

During the three months ended March 31, 2014, we entered into new programs with five Payment Solutions partners and added 3,935 new providers to our CareCredit network. We extended three program agreements in Retail Card (American Eagle, Gap, Inc. and Sam's Club) and two in Payment Solutions, representing \$9.7 billion in loan receivables at March 31, 2014. Based on notices received to date, existing program agreements with an aggregate of five Retail Card partners and eight Payment Solutions partners, representing \$2.1 billion in loan receivables at March 31, 2014, will not be extended beyond their current contractual expiration dates, which are primarily in 2014. These programs that were not extended will continue to be reported in our results of operations through their contractual expirations.

Summary Earnings

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

<i>Three months ended March 31 (\$ in millions)</i>	2014	2013
Interest income	\$ 2,933	\$ 2,704
Interest expense	190	193
Net interest income	2,743	2,511

Retailer share arrangements	(594)	(484)
Net interest income, after retailer share arrangements	2,149	2,027
Provision for loan losses	764	1,047
Net interest income, after retailer share arrangements and provision for loan losses	1,385	980
Other income	115	132
Other expense	610	539
Earnings before provision for income taxes	890	573
Provision for income taxes	(332)	(214)
Net earnings	\$ 558	\$ 359

Table of Contents**Average Balance Sheet**

The following tables set forth information for the periods indicated regarding average balance sheet data, which are used in the discussion of interest income, interest expense and net interest income that follows.

<i>Three months ended</i> <i>March 31 (\$ in millions)</i>	Average Balance⁽¹⁾	2014 Interest Income / Expense	Average Yield / Rate⁽²⁾	Average Balance⁽¹⁾	2013 Interest Income/ Expense	Average Yield / Rate⁽²⁾
Assets						
Interest-earning assets:						
Interest-earning cash and equivalents ⁽³⁾	\$ 4,001	\$ 2	0.2%	\$ 4,892	\$ 3	0.2%
Securities available for sale	250	3	4.9%	193	2	4.2%
Other short-term investment securities			0.0%			0.0%
Loan receivables⁽⁴⁾:						
Credit cards ⁽⁵⁾	53,211	2,867	22.1%	48,153	2,629	22.1%
Consumer installment loans	959	23	9.8%	1,393	33	9.6%
Commercial credit products	1,311	38	11.9%	1,287	37	11.7%
Other	14		0.0%	10		0.0%
Total loan receivables	55,495	2,928	21.6%	50,843	2,699	21.5%
Total interest-earning assets	59,746	2,933	20.1%	55,928	2,704	19.6%
Non-interest-earning assets:						
Cash and due from banks	561			523		
Allowance for loan losses	(2,931)			(2,395)		
Other assets	2,045			1,934		
Total non-interest-earning assets	(325)			62		
Total assets	\$ 59,421			\$ 55,990		
Liabilities						
Interest-bearing liabilities:						
Interest-bearing deposit accounts	\$ 26,317	\$ 96	1.5%	\$ 21,959	\$ 94	1.7%
Borrowings of consolidated securitization entities	14,830	47	1.3%	16,986	56	1.3%
Related party debt	8,286	47	2.3%	8,454	43	2.1%
Total interest-bearing liabilities	49,433	190	1.6%	47,399	193	1.7%
Non-interest-bearing liabilities						
Non-interest-bearing deposit accounts	331			533		
Other liabilities	3,182			2,503		

Total non-interest-bearing liabilities	3,513		3,036
Total liabilities	52,946		50,435
Equity			
Total equity	6,475		5,555
Total liabilities and equity	\$ 59,421		\$ 55,990
Interest rate spread⁽⁶⁾		18.5%	17.9%
Net interest income	\$ 2,743		\$ 2,511
Net yield on total interest-earning assets⁽⁷⁾		18.8%	18.2%

(1) Average balances are based on monthly balances, including beginning of period balances, except where monthly balances are unavailable, quarterly balances are used. Collection of daily averages involves undue burden and expense. We believe our average balance sheet data appropriately incorporates the seasonality in the level of our loan receivables and is representative of our operations.

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

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- (3) Includes average restricted cash balances of \$92 million and \$52 million for the periods ended March 31, 2014 and 2013, respectively.
- (4) Non-accrual loans are included in the average loan receivables balances.
- (5) Interest income on credit cards includes fees on loans of \$528 million and \$482 million for the periods ended March 31, 2014 and 2013, respectively.
- (6) Interest rate spread represents the difference between the yield on total interest-earning assets and the rate on total interest-bearing liabilities.
- (7) Net yield on interest-earning assets represents net interest income divided by average total interest-earning assets.

Interest Income

Interest income increased from \$2,704 million for the three months ended March 31, 2013 to \$2,933 million for the three months ended March 31, 2014, or by 8.5%. This increase was driven primarily by the increase in average interest-earning assets for the three months ended March 31, 2014.

Average interest-earning assets. Interest-earning assets are comprised primarily of loan receivables. Average loan receivables increased from \$50,843 million for the three months ended March 31, 2013 to \$55,495 million for the three months ended March 31, 2014. This increase in average loan receivables was driven primarily by increased purchase volumes, as average active credit card accounts increased from 55.3 million for the three months ended March 31, 2013 to 59.3 million for the three months ended March 31, 2014. The increase in average loan receivables also reflects the addition of assets related to the acquisition of the Phillips 66 portfolio, which was completed in the second quarter of 2013.

Yield on average interest-earning assets. The yield on interest-earning assets increased from 19.6% for the three months ended March 31, 2013 to 20.1% for the three months ended March 31, 2014 largely driven by a reduction in our average interest-earning cash and equivalents which earn a lower yield than our loan receivables.

Interest Expense

Interest expense remained relatively flat decreasing from \$193 million for the three months ended March 31, 2013 to \$190 million for the three months ended March 31, 2014. The effect of a lower average cost of funds from 1.7% for the three months ended March 31, 2013 to 1.6% for the three months ended March 31, 2014 was substantially offset by an increase in average interest-bearing liabilities, from \$47,399 million for the three months ended March 31, 2013 to \$49,433 million for the three months ended March 31, 2014.

Net Interest Income

Net interest income increased from \$2,511 million for the three months ended March 31, 2013 to \$2,743 million for the three months ended March 31, 2014, or by 9.2%. This increase was driven by an increase in average interest-earning receivables and an increase in our yield on interest-earning assets.

Retailer Share Arrangements

Payments under retailer share arrangements increased from \$484 million for the three months ended March 31, 2013 to \$594 million for the three months ended March 31, 2014. This increase was driven by the growth and improved performance of the programs in which we have retailer share arrangements, including lower provision for loan losses,

as well as by changes to the terms of the retailer share arrangements for those partners with whom we extended program agreements in 2013 and 2014.

Provision for Loan Losses

Provision for loan losses decreased from \$1,047 million for the three months ended March 31, 2013 to \$764 million for the three months ended March 31, 2014. This decrease was driven primarily as a result of an incremental provision of \$538 million during the first quarter of 2013 relating to the enhancements to our allowance for loan loss methodology, which was not repeated in the three months ended March 31, 2014. This decrease was offset in part by increased provisions relating to loan receivables growth.

Table of Contents***Other Income***

The following table sets forth our other income for the periods indicated.

<i>Three months ended March 31 (\$ in millions)</i>	2014	2013
Interchange revenue	\$ 76	\$ 72
Debt cancellation fees	70	85
Loyalty programs	(43)	(40)
Other	12	15
Total other income	\$ 115	\$ 132

Other income decreased from \$132 million for the three months ended March 31, 2013 to \$115 million for the three months ended March 31, 2014 primarily due to lower debt cancellation fees driven by fewer customers being enrolled in the product, which reduced the aggregate average balance enrolled.

Other Expense

The following table sets forth our other expense for the periods indicated.

<i>Three months ended March 31 (\$ in millions)</i>	2014	2013
Employee costs	\$ 193	\$ 162
Professional fees	141	102
Marketing and business development	83	45
Information processing	52	46
Corporate overhead allocations and assessments ⁽¹⁾	61	53
Other ⁽¹⁾	80	131
Total other expense	\$ 610	\$ 539

(1) In our Combined Statements of Earnings, these two items are combined and included under a single line item in other expense under the heading other.

Other expense increased from \$539 million for the three months ended March 31, 2013 to \$610 million for the three months ended March 31, 2014 primarily due to increases in employee costs, professional fees, marketing and business development and corporate overhead allocations, partially offset by lower other expenses.

Employee costs increased primarily due to additional compensation expenses for new employees and salary increases for existing employees driven by the growth of our business and the building of our standalone infrastructure.

Professional fees increased due to higher professional and other consulting fees related to the Separation, support of the retail deposit platform and interim servicing for a new program we acquired in 2013.

Marketing and business development costs increased due to increased contractual marketing expenses under our program agreements resulting from growth in the business and increased amortization expense associated with program acquisitions and extensions.

Information processing costs increased driven primarily by the growth of our business.

Corporate overhead allocations and assessments are determined primarily using our percentage of GECC's relevant expenses and increased in the current period as we comprised a greater percentage of GECC's total costs. These amounts do not include services provided by GE where the costs associated with such services are directly billed and included in the appropriate cost categories (e.g., employee benefit costs are included in employee costs above).

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Other expenses decreased primarily due to a \$44 million reduction in our estimated reserves for litigation and regulatory matters as a result of developments during the first quarter of 2014.

Provision for Income Taxes

Our effective tax rate remained relatively flat at 37.4% and 37.3% for the three months ended March 31, 2013 and 2014, respectively. In each period the effective tax rate differs from the U.S. federal statutory tax rate of 35.0% primarily due to state income taxes.

Platform Analysis

As discussed above under Introduction 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 the platform revenue for each of our platforms.

Non-GAAP Measure

Platform revenue is the sum of three line items in our Combined Statements of Earnings prepared in accordance with GAAP: interest and fees on loans, plus other income, less retailer share arrangements. Platform revenue itself is not a measure presented in accordance with GAAP. The following table sets forth the reconciliation of total platform revenue to total interest and fees on loans for the periods indicated.

<i>Three months ended March 31 (\$ in millions)</i>	2014	2013
Interest and fees on loans	\$ 2,928	\$ 2,699
Other income	115	132
Retailer share arrangements	(594)	(484)
Platform revenue	\$ 2,449	\$ 2,347

Retail Card

The following table sets forth supplemental information related to our Retail Card platform for the periods indicated.

<i>Three months ended March 31 (\$ in millions, except per account data)</i>	2014	2013
Purchase volume	\$ 16,713	\$ 15,719
Period-end loan receivables	\$ 37,175	\$ 33,878
Average loan receivables	\$ 38,223	\$ 34,622
Average active accounts (in thousands)	48,168	45,014
Average purchase volume per account	\$ 347	\$ 349
Average loan receivable balance per account	\$ 794	\$ 769
Interest and fees on loans	\$ 2,178	\$ 1,990
Other income	96	106
Retailer share arrangements	(584)	(475)

Platform revenue	\$ 1,690	\$ 1,621
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Retail Card platform revenue increased from \$1,621 million for the three months ended March 31, 2013 to \$1,690 million for the three months ended March 31, 2014. This increase was primarily the result of an increase in interest and fees on loans driven by an increase in average loan receivables, offset in part by an increase in retailer share arrangement payments as a result of program growth and improved performance of the programs in which we have retailer share arrangements, as well as changes to the terms of the retailer share arrangements for those partners with whom we extended programs agreements in 2013 and 2014.

Table of Contents*Payment Solutions*

The following table sets forth supplemental information relating to our Payment Solutions platform for the periods indicated.

<i>Three months ended March 31 (\$ in millions, except per account data)</i>	2014	2013
Purchase volume	\$ 2,687	\$ 2,471
Period-end loan receivables	\$ 10,647	\$ 10,088
Average loan receivables	\$ 10,775	\$ 10,276
Average active accounts (in thousands)	6,737	6,225
Average purchase volume per account	\$ 399	\$ 397
Average loan receivable balance per account	\$ 1,599	\$ 1,651
Interest and fees on loans	\$ 372	\$ 368
Other income	8	13
Retailer share arrangements	(9)	(7)
Platform revenue	\$ 371	\$ 374

Payment Solutions platform revenue decreased from \$374 million for the three months ended March 31, 2013 to \$371 million for the three months ended March 31, 2014. This decrease was driven by lower debt cancellation fees and increased retailer share arrangements partially offset by an increase in interest and fees on loans driven by an increase in average receivable balances.

CareCredit

The following table sets forth supplemental information relating to our CareCredit platform for the periods indicated.

<i>Three months ended March 31 (\$ in millions, except per account data)</i>	2014	2013
Purchase volume	\$ 1,686	\$ 1,613
Period-end loan receivables	\$ 6,463	\$ 5,965
Average loan receivables	\$ 6,497	\$ 5,945
Average active accounts (in thousands)	4,437	4,108
Average purchase volume per account	\$ 380	\$ 393
Average loan receivable balance per account	\$ 1,464	\$ 1,447
Interest and fees on loans	\$ 378	\$ 341
Other income	11	13
Retailer share arrangements	(1)	(2)
Platform revenue	\$ 388	\$ 352

CareCredit platform revenue increased from \$352 million for the three months ended March 31, 2013 to \$388 million for the three months ended March 31, 2014. This increase was primarily the result of an increase in interest and fees on loans driven by an increase in average loan receivables and higher yield on average receivables.

Results of Operations For the Years Ended December 31, 2013, 2012 and 2011

The discussion below provides an analysis of our combined results of operations for the years ended December 31, 2013, 2012 and 2011.

2013 Highlights

Below are highlights of our performance in 2013. These highlights generally are based on a comparison between our 2013 and 2012 results, except as otherwise noted.

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We had net earnings of \$1,979 million on total net interest income of \$10,571 million in 2013 compared to net earnings of \$2,119 million on total net interest income of \$9,564 million in 2012. The decrease in net earnings was driven primarily by an increase in our provision for loan losses as a result of enhancements to our allowance for loan loss methodology.

Loan receivables increased from \$52,313 million at December 31, 2012 to \$57,254 million at December 31, 2013. The increase was driven primarily by purchase volume growth of 9.3% in 2013, which was driven by an increase in active accounts and higher purchase volume per account.

Net interest income increased from \$9,564 million in 2012 to \$10,571 million in 2013 due to higher average loan receivables. Net interest income, after retailer share arrangements increased from \$7,580 million in 2012 to \$8,198 million in 2013 as net interest income was offset in part by increased payments to partners under our retailer share arrangements.

Payments to our partners under our retailer share arrangements increased from \$1,984 million in 2012 to \$2,373 million in 2013, primarily as a result of the growth and improved performance of the programs in which we have retailer share arrangements, as well as by changes to the terms of the retailer share arrangements for those partners with whom we extended programs agreements in 2013.

Loan delinquencies as a percentage of receivables decreased over the prior year with the over 30-day delinquency rate decreasing from 4.6% at December 31, 2012 to 4.3% at December 31, 2013. Reduced delinquency rates were driven by improvements in the quality of our loan receivables and continued improvement in the U.S. economy and employment rates. Net charge-off rates decreased from 4.9% in 2012 to 4.7% in 2013.

Our provision for loan losses decreased from \$2,565 million in 2012 to \$3,072 million in 2013 as a result of enhancements to our allowance for loan loss methodology, offset in part by improved portfolio performance. Our allowance coverage ratio (allowance for loan losses as a percent of end of period loan receivables) increased from 4.3% in 2012 to 5.1% in 2013.

Other expense increased from \$2,123 million in 2012 to \$2,484 million in 2013. The increase to other expense was driven primarily by a \$133 million increase in our consumer regulatory expenses (primarily related to an increase in our reserves for the matters settled with the CFPB and the DOJ in late 2013 and 2014), \$78 million increase in employee costs, \$61 million increase in marketing expense, \$35 million related to professional fees and \$24 million increase in GE allocations and assessments. These increases (excluding the consumer regulatory expenses) were predominantly driven by the growth in purchase volume, transactions and receivables of our business.

We acquired MetLife's direct-to-consumer retail banking platform. Primarily as a result of the MetLife acquisition, we increased our deposit funding from 40% at December 31, 2012 to 51% of our total funding at December 31, 2013 (an increase of \$6,915 million) while decreasing funding from securitized financings

from 37% to 31% and related party debt from 23% to 18%.

In 2013, we launched new programs with 16 partners (two in Retail Card (EBates and Phillips 66) and 14 in Payment Solutions) and added 17,000 new providers to our CareCredit network. We extended four program agreements in Retail Card (Belk, Brooks Brothers, JCPenney and Walmart) and 55 program agreements in Payment Solutions, representing \$16.7 billion in loan receivables at December 31, 2013, and did not extend agreements with 34 retailers in Payment Solutions, representing \$0.1 billion in loan receivables at December 31, 2013.

2012 Highlights

Below are highlights of our performance in 2012. These highlights generally are based on a comparison between our 2012 and 2011 results, except as otherwise noted.

We had net earnings of \$2,119 million on total net interest income of \$9,564 million in 2012 compared to net earnings of \$1,890 million on total net interest income of \$8,209 million in 2011.

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Loan receivables increased from \$47,741 million at December 31, 2011 to \$52,313 million at December 31, 2012. The net increase was driven primarily by purchase volume growth of 10.3% in 2012, which was driven by more active accounts and higher purchase volume per account.

Net interest income increased from \$8,209 million in 2011 to \$9,564 million in 2012 due to higher average loan receivables and increased yield. Net interest income, after retailer share arrangements, increased from \$6,781 million in 2011 to \$7,580 million in 2012 as net interest income was offset in part by increased payments to partners under our retailer share arrangements.

Payments to our partners under our retailer share arrangements increased from \$1,428 million in 2011 to \$1,984 million in 2012, primarily as a result of growth and improved performance of the programs in which we have retailer share arrangements, as well as by changes to the terms of the retailer share arrangements for those partners with whom we extended programs agreements in 2012.

Loan delinquencies as a percentage of receivables decreased over the prior year with the over-30 day delinquency rate decreasing from 4.9% at December 31, 2011 to 4.6% at December 31, 2012. Reduced delinquency rates were driven by improvements in the quality of our loan receivables and continued improvement in the U.S. economy and employment rates. Net charge-off rates decreased from 5.8% in 2011 to 4.9% in 2012.

Despite improvement in our loan delinquencies and charge-off rates, we increased our provision for loan losses by \$307 million from \$2,258 million in 2011 to \$2,565 million in 2012 primarily as a result of enhancements to our allowance for loan loss methodology. Our allowance coverage ratio was stable at 4.3% in 2012.

Other expense increased from \$2,010 million in 2011 to \$2,123 million in 2012. The increase to other expense was driven primarily by a \$60 million increase in fraud expense, a \$24 million increase in employee costs and a \$19 million increase in professional fees.

Our funding mix continued to shift in 2012 from earlier periods. Our total securitized financings increased from \$14.2 billion in 2011 to \$17.2 billion in 2012; our deposits increased from \$17.8 billion in 2011 to \$18.8 billion in 2012, and related party debt was reduced from \$11.7 billion in 2011 to \$10.6 billion in 2012.

In 2012, we launched new programs with 21 partners (one in Retail Card (Toys 'R Us) and 20 in Payment Solutions) and added 19,000 new providers to our CareCredit network. We extended three program agreements in Retail Card (Amazon, Gap and Sam's Club) and 60 program agreements in Payment Solutions, representing \$12.0 billion in loan receivables at December 31, 2012, and did not extend agreements with five retailers in Payment Solutions, representing \$0.3 billion in loan receivables at December 31, 2012.

Table of Contents***Summary Earnings***

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

<i>Years ended December 31 (\$ in millions)</i>	2013	2012	2011
Interest income	\$ 11,313	\$ 10,309	\$ 9,141
Interest expense	742	745	932
Net interest income	10,571	9,564	8,209
Retailer share arrangements	(2,373)	(1,984)	(1,428)
Net interest income, after retailer share arrangements	8,198	7,580	6,781
Provision for loan losses	3,072	2,565	2,258
Net interest income, after retailer share arrangements and provision for loan losses	5,126	5,015	4,523
Other income	500	484	497
Other expense	2,484	2,123	2,010
Earnings before provision for income taxes	3,142	3,376	3,010
Provision for income taxes	(1,163)	(1,257)	(1,120)
Net earnings	\$ 1,979	\$ 2,119	\$ 1,890

Table of Contents**Average Balance Sheet and Volume/Rate Analyses**

The following table sets forth information for the periods indicated regarding average balance sheet data and volume/rate variance data, which are used in the discussion of interest income, interest expense and net interest income that follows.

<i>Years ended December 31</i> <i>(\$ in millions)</i>	2013			2012			2011		
	Average Balance ⁽¹⁾	Interest Income / Expense	Average Yield / Rate ⁽²⁾	Average Balance ⁽¹⁾	Interest Income/ Expense	Average Yield / Rate ⁽²⁾	Average Balance ⁽¹⁾	Interest Income / Expense	Average Yield / Rate ⁽²⁾
Assets									
Interest-earning assets:									
Interest-earning cash and equivalents ⁽³⁾	\$ 3,651	\$ 10	0.3%	\$ 787	\$ 2	0.3%	\$ 130	\$	0.0%
Securities available for sale	217	8	3.7%	189	7	3.7%	155	7	4.5%
Other short-term investment securities			0.0%	50		0.0%	188		0.0%
Loan receivables⁽⁴⁾:									
Credit cards ⁽⁵⁾	49,704	11,015	22.2%	44,460	9,967	22.4%	40,219	8,720	21.7%
Consumer installment loans	1,336	129	9.7%	1,705	176	10.3%	2,468	245	9.9%
Commercial credit products	1,355	150	11.1%	1,366	156	11.4%	1,420	168	11.8%
Other	12	1	8.3%	18	1	5.6%	24	1	4.2%
Total loan receivables	52,407	11,295	21.6%	47,549	10,300	21.7%	44,131	9,134	20.7%
Total interest-earning assets	56,275	11,313	20.1%	48,575	10,309	21.2%	44,604	9,141	20.5%
Non-interest-earning assets:									
Cash and due from banks	552			475			457		
Allowance for loan losses	(2,693)			(1,908)			(2,034)		
Other assets	2,050			2,763			3,191		
Total non-interest-earning assets	(91)			1,330			1,614		
Total assets	\$ 56,184			\$ 49,905			\$ 46,218		
Liabilities									

Interest-bearing liabilities:

Interest-bearing deposit accounts	\$ 22,405	\$ 374	1.7%	\$ 17,039	\$ 362	2.1%	\$ 15,025	\$ 351	2.3%
Borrowings of consolidated securitization entities	16,209	211	1.3%	15,172	228	1.5%	12,958	248	1.9%
Related party debt	9,000	157	1.7%	10,132	155	1.5%	11,729	333	2.8%
Total interest-bearing liabilities	47,614	742	1.6%	42,343	745	1.8%	39,712	932	2.3%

Non-interest-bearing liabilities

Non-interest-bearing deposit accounts	506			475			417		
Other liabilities	2,943			2,323			2,080		
Total non-interest-bearing liabilities	3,449			2,798			2,497		
Total liabilities	51,063			45,141			42,209		

Equity

Total equity	5,121			4,764			4,009		
Total liabilities and equity	\$ 56,184			\$ 49,905			\$ 46,218		

Interest rate spread⁽⁶⁾			18.5%			19.4%			18.2%
Net interest income		\$ 10,571			\$ 9,564			\$ 8,209	
Net yield on total interest-earning assets⁽⁷⁾			18.8%			19.7%			18.4%

(1) Average balances are based on monthly balances, except that where monthly balances are unavailable, quarter end balances are used. Collection of daily averages involves undue burden and expense. We believe our average balance sheet data is representative of our operations.

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

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- (3) Includes average restricted cash balances of \$58 million, \$55 million and \$33 million for the years ended December 31, 2013, 2012 and 2011, respectively.
- (4) Non-accrual loans are included in the average loan receivables balances.
- (5) Interest income on credit cards includes fees on loans of \$2,029 million, \$1,928 million and \$1,649 million for the years ended December 31 2013, 2012 and 2011 respectively.
- (6) Interest rate spread represents the difference between the yield on total interest-earning assets and the rate on total interest-bearing liabilities.
- (7) Net yield on interest-earning assets 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.

(\$ in millions)	2013 vs. 2012			2012 vs. 2011		
	Increase (decrease) due to change in: Average Volume	Average Yield / Rate	Net Change	Increase (decrease) due to change in: Average Volume	Average Yield / Rate	Net Change
Interest-earning assets:						
Interest-earning cash and equivalents	\$ 8	\$	\$ 8	\$	\$ 2	\$ 2
Securities available for sale	1		1	1	(1)	
Loan receivables:						
Credit cards	1,163	(115)	1,048	944	303	1,247
Consumer installment loans	(36)	(11)	(47)	(78)	9	(69)
Commercial credit products	(1)	(5)	(6)	(6)	(6)	(12)
Other						
Total loan receivables	1,126	(131)	995	860	306	1,166
Change in interest income from total interest-earning assets	\$ 1,135	\$ (131)	\$ 1,004	\$ 861	\$ 307	\$ 1,168
Interest-bearing liabilities:						
Interest-bearing deposit accounts	\$ 99	\$ (87)	\$ 12	\$ 45	\$ (34)	\$ 11
Borrowings of consolidated securitization entities	15	(32)	(17)	38	(58)	(20)
Related party debt	(18)	20	2	(41)	(137)	(178)
Change in interest expense from total interest-bearing liabilities	96	(99)	(3)	42	(229)	(187)
Change in net interest income from total interest-earning assets	\$ 1,039	\$ (32)	\$ 1,007	\$ 819	\$ 536	\$ 1,355

Interest Income

Interest income increased from \$10,309 million for the year ended December 31, 2012 to \$11,313 million for the year ended December 31, 2013, or by 9.7%. This increase was driven primarily by the increase in average interest-earning assets, which contributed \$1,135 million to interest income for the year ended December 31, 2013, partially offset by the decrease in the yield on interest-earning assets from 21.2% to 20.1%, which reduced interest income by \$131 million. While yield on interest-earning loan receivables was relatively flat, the significant increase in the amount of cash and equivalents in our liquidity portfolio negatively impacted overall yield on interest-earning assets.

Average interest-earning assets. Interest-earning assets are comprised primarily of loan receivables. Average loan receivables increased from \$47,549 million for the year ended December 31, 2012 to \$52,407 million for the year ended December 31, 2013. This increase in average loan receivables was

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driven primarily by increased purchase volumes, as average annual purchase volume per account increased from \$1,620 for the year ended December 31, 2012 to \$1,668 for the year ended December 31, 2013, and the average active credit card accounts increased from 53.0 million for the year ended December 31, 2012 to 56.3 million for the year ended December 31, 2013. Our average account balance increased from \$897 for the year ended December 31, 2012 to \$932 for the year ended December 31, 2013, reflecting the increase in purchase volumes and lower payment rates. The increase in average loan receivables also reflects the addition of the assets related to the acquisition of the Phillips 66 portfolio, which was completed in the second quarter of 2013.

Yield on average interest-earning assets. The yield on interest-earning assets is driven primarily by yield on average interest-earning loan receivables (which decreased from 21.7% for the year ended December 31, 2012 to 21.6% for the year ended December 31, 2013) and the size of our liquidity portfolio (which increased from \$1,037 million for the year ended December 31, 2012 to \$2,103 million for the year ended December 31, 2013). The lower interest yield on interest-earning loan receivables for the year ended December 31, 2013 was largely attributable to a decrease in late fees as a percentage of average interest-earning loan receivables.

Interest income increased from \$9,141 million for the year ended December 31, 2011 to \$10,309 million for the year ended December 31, 2012, or by 12.8%. This increase was driven by the increase in average balances of interest-earning assets, which contributed \$861 million, and the increase in the yield on interest-earning assets from 20.5% for the year ended December 31, 2011 to 21.2% for the year ended December 31, 2012, which contributed \$307 million to the increase in interest income for the year ended December 31, 2012.

Average interest-earning assets. Average loan receivables increased from \$44,131 million for the year ended December 31, 2011 to \$47,549 million for the year ended December 31, 2012. This increase in average loan receivables reflects a \$8,018 million increase in purchase volume and the addition of assets related to the acquisition of the Toys R Us portfolio, which was completed in the second quarter of 2012. The growth in purchase volume reflected an increase in average annual purchase volume per account from \$1,518 for the year ended December 31, 2011 to \$1,620 for the year ended December 31, 2012 and an increase in average active credit card accounts from 51.3 million for the year ended December 31, 2011 to 53.0 million for the year ended December 31, 2012.

Yield on average interest-earning assets. Yield on interest-earning assets is driven primarily by yield on average interest-earning loan receivables, which increased from approximately 20.7% for the year ended December 31, 2011 to approximately 21.7% for the year ended December 31, 2012. The higher interest yield in 2012 was largely attributable to higher average annual percentage rate mix and higher late fees as a percentage of average interest-earning loan receivables.

Interest Expense

Interest expense decreased from \$745 million for the year ended December 31, 2012 to \$742 million for the year ended December 31, 2013. The effect of an increase in average interest-bearing liabilities, from \$42,343 million for the year ended December 31, 2012 to \$47,614 million for the year ended December 31, 2013, was more than offset by a lower average cost of funds (1.8% for the year ended December 31, 2012 versus 1.6% for the year ended December 31, 2013).

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Interest expense decreased from \$932 million for the year ended December 31, 2011 to \$745 million for the year ended December 31, 2012. The effect of an increase in average interest-bearing liabilities, from \$39,712 million for the year ended December 31, 2011 to \$42,343 million for the year ended December 31, 2012, was more than offset by a lower average cost of funds (2.3% for the year ended December 31, 2011 versus 1.8% for the year ended December 31, 2012) due to a lower interest rate environment and a reduction of the interest rate assessed by GECC on related party debt.

Table of Contents***Net Interest Income***

Net interest income increased from \$9,564 million for the year ended December 31, 2012 to \$10,571 million for the year ended December 31, 2013, or by 10.5%. This increase was driven primarily by an increase in average interest-earning receivables, which contributed \$1,126 million.

Net interest income increased from \$8,209 million for the year ended December 31, 2011 to \$9,564 million for the year ended December 31, 2012, or by 16.5%. This increase was driven primarily by three components: an increase in average interest-earning assets which contributed \$861 million, an increase in the yield on interest-earning assets from 20.5% for the year ended December 31, 2011 to 21.2% for the year ended December 31, 2012, which contributed \$307 million, and a decrease in the yield on interest-bearing liabilities from 2.3% for the year ended December 31, 2011 to 1.8% for the year ended December 31, 2012, which contributed \$229 million.

Retailer Share Arrangements

Payments under retailer share arrangements increased from \$1,984 million for the year ended December 31, 2012 to \$2,373 million for the year ended December 31, 2013. This increase was driven by the growth and improved performance of the programs in which we have retailer share arrangements, as well as by changes to the terms of the retailer share arrangements for those partners with whom we extended program agreements in 2013.

Retailer share arrangements increased from \$1,428 million for the year ended December 31, 2011 to \$1,984 million for the year ended December 31, 2012. This increase was driven by the growth and improved performance of the programs in which we have retailer share arrangements, as well as by changes to the terms of the retailer share arrangements for those partners with whom we extended program agreements in 2012.

Provision for Loan Losses

Provision for loan losses increased from \$2,565 million for the year ended December 31, 2012 to \$3,072 million for the year ended December 31, 2013. This increase was driven primarily by the enhancements to our allowance for loan loss methodology referred to above and loan receivables growth, which was offset in part by lower provisions as a result of improvements to our delinquency and charge-off rates.

Provision for loan losses increased from \$2,258 million for the year ended December 31, 2011 to \$2,565 million for the year ended December 31, 2012. This increase was driven primarily by the enhancements to our allowance for loan loss methodology and loan receivables growth, which was offset in part by lower provisions as a result of improvements to our delinquency and charge-off rates.

Other Income

The following table sets forth our other income for the periods indicated.

<i>Years ended December 31 (\$ in millions)</i>	2013	2012	2011
Interchange revenue	\$ 324	\$ 287	\$ 235
Debt cancellation fees	324	309	319
Loyalty programs	(213)	(199)	(198)
Other	65	87	141

Total other income	\$ 500	\$ 484	\$ 497
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Interchange revenue increased from \$287 million for the year ended December 31, 2012 to \$324 million for the year ended December 31, 2013, or by 12.9%. Interchange revenue increased from \$235 million for the year

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ended December 31, 2011 to \$287 million for the year ended December 31, 2012, or by 22.1%. These increases were due to increases in Dual Card purchase volume outside of our partners' locations. Debt cancellation fees increased from \$309 million for the year ended December 31, 2012 to \$324 million for the year ended December 31, 2013, driven primarily by higher average account balances of customers that have purchased our debt cancellation product. Debt cancellation fees decreased from \$319 million for the year ended December 31, 2011 to \$309 million for the year ended December 31, 2012, primarily due to reduced pricing. Loyalty programs cost increased from \$199 million for the year ended December 31, 2012 to \$213 million for the year ended December 31, 2013, or by 7.0%, primarily due to increased purchase volume. Loyalty program cost did not change materially from 2011 to 2012. Other decreased from \$87 million for the year ended December 31, 2012 to \$65 million for the year ended December 31, 2013, primarily due to lower ancillary fees. Other decreased from \$141 million for the year ended December 31, 2011 to \$87 million for the year ended December 31, 2012, primarily due to a 2011 gain related to the sale of a portfolio and lower ancillary fees.

Other Expense

The following table sets forth our other expense for the periods indicated.

<i>Years ended December 31 (\$ in millions)</i>	2013	2012	2011
Employee costs	\$ 698	\$ 620	\$ 596
Professional fees	486	451	432
Marketing and business development	269	208	221
Information processing	193	165	157
Corporate overhead allocations and assessments ⁽¹⁾	230	206	183
Other ⁽¹⁾	608	473	421
Total other expense	\$ 2,484	\$ 2,123	\$ 2,010

(1) In our Combined Statements of Earnings, these two items are both combined and included under a single line item in other expense under the heading "other."

Employee costs. Employee costs increased from \$620 million for the year ended December 31, 2012 to \$698 million for the year ended December 31, 2013, primarily related to additional compensation expenses for new employees and salary increases for existing employees. Employee costs increased from \$596 million for the year ended December 31, 2011 to \$620 million for the year ended December 31, 2012, primarily related to additional compensation expenses for new employees and salary increases for existing employees.

Professional fees. Professional fees increased from \$451 million for the year ended December 31, 2012 to \$486 million in 2013. Professional fees increased from \$432 million for the year ended December 31, 2011 to \$451 million for the year ended December 31, 2012. These expense increases were driven primarily by our business growth (e.g., increased active accounts and increased purchase volumes).

Marketing and business development. Marketing and business development costs increased from \$208 million for the year ended December 31, 2012 to \$269 million for the year ended December 31, 2013, due to increased contractual marketing expenses under our program agreements resulting from growth in the business. Marketing and business development costs remained relatively flat between 2011 and 2012.

Information processing. Information processing costs increased from \$165 million for the year ended December 31, 2012 to \$193 million for the year ended December 31, 2013, due to higher transaction volume and associated outsourcing fees. Information processing costs increased from \$157 million for the year ended December 31, 2011 to \$165 million for the year ended December 31, 2012.

Corporate overhead allocations. As discussed above under Separation from GE and Related Financial Arrangements, corporate overhead allocations were \$230 million, \$206 million and \$183 million for the years

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ended December 31, 2013, 2012 and 2011, respectively. These amounts do not include services provided by GE where the costs associated with such services are directly billed and included in the appropriate cost categories (e.g., employee benefit costs are included in employee costs above).

Other. Other primarily consists of postage (\$223 million, \$214 million and \$213 million for the years ended December 31, 2013, 2012 and 2011, respectively), fraud expense (\$134 million, \$132 million and \$72 million for the years ended December 31, 2013, 2012, and 2011, respectively), litigation and regulatory matters expense described above (\$133 million, \$0 million and \$0 million for the years ended December 31, 2013, 2012 and 2011, respectively) and various other smaller cost items such as facilities leases and maintenance, leased equipment and telephone charges. Our litigation and regulatory matters expense increased in 2013 as we settled a CareCredit investigation pursuant to which we will pay up to \$34.1 million, as well as increased reserves for other regulatory matters.

Provision for Income Taxes

Our effective tax rate remained relatively flat at 37.0%, 37.2% and 37.2% for the years ended December 31, 2013, 2012 and 2011, respectively. In 2013, 2012 and 2011, the effective tax rate differs from the U.S. federal statutory tax rate of 35.0% primarily due to state income taxes.

Platform Analysis

As discussed above under Introduction 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 the platform revenue for each of our platforms.

Non-GAAP Measure

Platform revenue is the sum of three line items in our Combined Statements of Earnings prepared in accordance with GAAP: interest and fees on loans, plus other income, less retailer share arrangements. Platform revenue itself is not a measure presented in accordance with GAAP. The following table sets forth the reconciliation of total platform revenue to total interest and fees on loans for the periods indicated.

<i>Years Ended December 31 (\$ in millions)</i>	2013	2012	2011
Interest and fees on loans	\$ 11,295	\$ 10,300	\$ 9,134
Other income	500	484	497
Retailer share arrangements	(2,373)	(1,984)	(1,428)
Platform revenue	\$ 9,422	\$ 8,800	\$ 8,203

Table of Contents*Retail Card*

The following table sets forth supplemental information related to our Retail Card platform for the periods indicated.

<i>Years ended December 31 (\$ in millions, except per account data)</i>	2013	2012	2011
Purchase volume	\$ 75,739	\$ 69,240	\$ 62,663
Period-end loan receivables	\$ 39,834	\$ 35,952	\$ 32,087
Average loan receivables	\$ 35,716	\$ 31,907	\$ 28,743
Average active accounts (in thousands)	45,690	43,223	42,079
Average purchase volume per account	\$ 1,658	\$ 1,602	\$ 1,489
Average loan receivable balance per account	\$ 782	\$ 738	\$ 683
Interest and fees on loans	\$ 8,317	\$ 7,531	\$ 6,536
Other income	419	400	377
Retailer share arrangements	(2,331)	(1,943)	(1,378)
Platform revenue	\$ 6,405	\$ 5,988	\$ 5,535

Retail Card platform revenue increased from \$5,988 million for the year ended December 31, 2012 to \$6,405 million for the year ended December 31, 2013. This increase was primarily the result of an increase in interest and fees on loans driven by an increase in average loan receivables, offset in part by an increase in retailer share arrangement payments as a result of program growth and improved performance of the programs in which we have retailer share arrangements, as well as changes to the terms of the retailer share arrangements for those partners with whom we extended programs agreements in 2013.

Retail Card platform revenue increased from \$5,535 million for the year ended December 31, 2011 to \$5,988 million for the year ended December 31, 2012. This increase was primarily the result of an increase in interest and fees on loans driven by an increase in average loan receivables, offset in part by an increase in retailer share arrangement payments as a result of program growth and improved performance of the programs in which we have retailer share arrangements, as well as changes to the terms of the retailer share arrangements for those partners with whom we extended programs agreements in 2012.

Payment Solutions

The following table sets forth supplemental information relating to our Payment Solutions platform for the periods indicated.

<i>Years ended December 31 (\$ in millions, except per account data)</i>	2013	2012	2011
Purchase volume	\$ 11,360	\$ 10,531	\$ 9,798
Period-end loan receivables	\$ 10,893	\$ 10,430	\$ 10,245
Average loan receivables	\$ 10,469	\$ 10,000	\$ 10,208
Average active accounts (in thousands)	6,330	5,969	5,809
Average purchase volume per account	\$ 1,795	\$ 1,764	\$ 1,686
Average loan receivable balance per account	\$ 1,654	\$ 1,675	\$ 1,757

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Interest and fees on loans	\$ 1,506	\$ 1,441	\$ 1,389
Other income	36	40	60
Retailer share arrangements	(36)	(35)	(43)
Platform revenue	\$ 1,506	\$ 1,446	\$ 1,406

Payment Solutions platform revenue increased from \$1,446 million for the year ended December 31, 2012 to \$1,506 million for the year ended December 31, 2013. This increase was primarily the result of an increase in interest and fees on loans driven by an increase in average loan receivables.

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Payment Solutions platform revenue increased from \$1,406 million for the year ended December 31, 2011 to \$1,446 million for the year ended December 31, 2012. This increase was driven primarily by an increased yield on interest-earning loan receivables offset in part by lower average loan receivables.

CareCredit

The following table sets forth supplemental information relating to our CareCredit platform for the periods indicated.

<i>Years ended December 31 (\$ in millions, except per account data)</i>	2013	2012	2011
Purchase volume	\$ 6,759	\$ 6,130	\$ 5,422
Period-end loan receivables	\$ 6,527	\$ 5,931	\$ 5,409
Average loan receivables	\$ 6,222	\$ 5,642	\$ 5,180
Average active accounts (in thousands)	4,233	3,829	3,425
Average purchase volume per account	\$ 1,597	\$ 1,601	\$ 1,583
Average loan receivable balance per account	\$ 1,470	\$ 1,474	\$ 1,512
Interest and fees on loans	\$ 1,472	\$ 1,328	\$ 1,209
Other income	45	44	60
Retailer share arrangements	(6)	(6)	(7)
Platform revenue	\$ 1,511	\$ 1,366	\$ 1,262

CareCredit platform revenue increased from \$1,366 million for the year ended December 31, 2012 to \$1,511 million for the year ended December 31, 2013. This increase was primarily the result of an increase in interest and fees on loans driven by an increase in average loan receivables.

CareCredit platform revenue increased from \$1,262 million for the year ended December 31, 2011 to \$1,366 million for the year ended December 31, 2012. This increase was primarily the result of an increase in interest and fees on loans driven by an increase in average loan receivables.

Financial Information by Geography

Substantially all of our operations are within the United States. For the years ended December 31, 2013, 2012 and 2011, our U.S. operations accounted for \$11,276 million, \$10,278 million and \$9,101 million of our total interest and fees on loans, respectively, and our non-U.S. operations accounted for \$19 million, \$22 million and \$33 million of our total interest and fees on loans, respectively. At December 31, 2013, 2012 and 2011, our long-lived assets in the United States were \$42 million, \$47 million and \$39 million, respectively, and our long-lived assets outside the United States were \$4 million, \$5 million and \$1 million, respectively.

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The following table sets forth selected unaudited quarterly financial information for the periods indicated.

(\$ in millions)	Quarterly Periods Ended								
	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Interest income	\$ 2,933	\$ 3,037	\$ 2,886	\$ 2,686	\$ 2,704	\$ 2,734	\$ 2,618	\$ 2,465	\$ 2,492
Interest expense	190	188	183	178	193	169	176	191	209
Net interest income	2,743	2,849	2,703	2,508	2,511	2,565	2,442	2,274	2,283
Retailer share arrangements	(594)	(662)	(680)	(547)	(484)	(550)	(498)	(470)	(466)
Net interest income, after retailer share arrangements	2,149	2,187	2,023	1,961	2,027	2,015	1,944	1,804	1,817
Provision for loan losses	764	818	541	666	1,047	818	848	439	460
Net interest income, after retailer share arrangements and provision for loan losses	1,385	1,369	1,482	1,295	980	1,197	1,096	1,365	1,357
Other income	115	130	114	124	132	121	111	125	127
Other expense	610	807	575	563	539	582	540	499	502
Earnings before provision for income taxes	890	692	1,021	856	573	736	667	991	982
Provision for income taxes	(332)	(249)	(380)	(320)	(214)	(270)	(249)	(371)	(367)
Net earnings	\$ 558	\$ 443	\$ 641	\$ 536	\$ 359	\$ 466	\$ 418	\$ 620	\$ 615

Investment Securities

The following discussion provides supplemental information regarding our investment securities portfolio. All of our investment securities are classified as available-for-sale at March 31, 2014, December 31, 2013, 2012 and 2011, and are held primarily to comply with the Community Reinvestment Act (CRA). Investment securities classified as available-for-sale are reported in our Combined Statements of Financial Position at fair value. Our portfolio of investment securities consisted primarily of state and municipal bonds and residential mortgage backed securities.

The following table sets forth the amortized cost and fair value of our investment securities at the dates indicated.

(\$ in millions)	At March 31,				At December 31,			
	2014		2013		2012		2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt:								
State and municipal	\$ 59	\$ 53	\$ 53	\$ 46	\$ 42	\$ 39	\$ 39	\$ 32
Residential mortgage-backed	203	197	183	175	144	149	157	162
Equity	15	15	15	15	5	5	4	4
Total	\$ 277	\$ 265	\$ 251	\$ 236	\$ 191	\$ 193	\$ 200	\$ 198

Unrealized gains and losses, net of the related tax effect, on available-for-sale 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 March 31, 2014, our investment securities had gross unrealized gains of \$1 million, and gross unrealized losses of \$13 million. At December 31, 2013, 2012 and 2011, our investment securities had gross unrealized gains of \$1 million, \$6 million and \$6 million, respectively, and gross unrealized losses of \$16 million, \$4 million and \$8 million, respectively.

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Our investment securities portfolio had the following maturity distribution at March 31, 2014. Equity securities have been excluded from the table because they do not have a maturity.

<i>(\$ in millions)</i>	Due in 1 Year or Less	Due After 1 through 5 Years	Due After 5 through 10 Years	Due after 10 years	Total
Debt:					
State and municipal	\$	\$ 1	\$ 1	\$ 51	\$ 53
Residential mortgage-backed				197	197
Total	\$	\$ 1	\$ 1	\$ 248	\$ 250
Weighted average yield⁽¹⁾	%	3.7%	3.9%	3.6%	3.6%

(1) 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 March 31, 2014, we did not hold investments in any single issuer with an aggregate book value that exceeded 10% of equity.

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 tables set forth the composition of our loan receivables portfolio by product type at the dates indicated.

<i>(\$ in millions)</i>	At March 31, 2014	(%)	At December 31, 2013	(%)
Loans				
Credit cards	\$ 52,008	95.8%	\$ 54,958	96.0%
Consumer installment loans	963	1.8	965	1.7
Commercial credit products	1,299	2.4	1,317	2.3
Other	15		14	
Total loans	\$ 54,285	100.0%	\$ 57,254	100.0%

Loan receivables decreased by \$2,969 million, or 5.2%, to \$54,285 million at March 31, 2014 compared to \$57,254 million at December 31, 2013. The decrease was driven primarily by the seasonality of our business as customers paid their balances down in the first quarter.

At
December 31
(\$ in millions)

	2013	(%)	2012	(%)	2011	(%)	2010 ⁽¹⁾	(%)	2009	(%)
Loans										
Credit cards	\$ 54,958	96.0%	\$ 49,572	94.8%	\$ 44,287	92.7%	\$ 40,960	90.6%	\$ 17,574	76.7%
Consumer installment loans	965	1.7	1,424	2.7	2,078	4.4	2,737	6.1	3,544	15.5
Commercial credit products	1,317	2.3	1,307	2.5	1,350	2.8	1,414	3.1	1,533	6.7
Other	14		10		26	0.1	119	0.2	261	1.1
Total loans	\$ 57,254	100.0%	\$ 52,313	100.0%	\$ 47,741	100.0%	\$ 45,230	100.0%	\$ 22,912	100.0%

(1) On January 1, 2010, we adopted ASC 810, *Consolidation*, pursuant to which we consolidated the assets and liabilities of certain previously unconsolidated securitization entities.

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Our loan receivables portfolio had the following maturity distribution at March 31, 2014.

<i>(\$ in millions)</i>	Within 1 Year⁽¹⁾	1-5 Years	After 5 Years	Total
Loans				
Credit cards	\$ 52,008	\$	\$	\$ 52,008
Consumer installment loans	28	542	393	963
Commercial credit products	1,299			1,299
Other	3	5	7	15
Total loans	\$ 53,338	\$ 547	\$ 400	\$ 54,285
Loans due after one year at fixed interest rates	N/A	\$ 547	\$ 400	\$ 947
Loans due after one year at variable interest rates	N/A			
Total loans due after one year	N/A	\$ 547	\$ 400	\$ 947

(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 March 31, 2014.

Our loan receivables portfolio had the following geographic concentration at March 31, 2014 (based on customer March 2014 statement-end balances (our statement cut-off dates vary within the month) extrapolated to our March 31, 2014 total customer balances because actual March 31, 2014 individual customer balances are not available without undue burden and expense).

<i>(\$ in millions)</i>	Loan Receivables Outstanding	% of Total Loan Receivables Outstanding
State		
Texas	\$ 5,556	10.2%
California	5,248	9.7%
Florida	4,127	7.6%
New York	3,086	5.7%
Pennsylvania	2,351	4.3%

Impaired Loans and Troubled Debt Restructurings

Our loss mitigation strategy is intended to minimize economic loss and at times can result in rate reductions, principal forgiveness, extensions or other actions, which may cause the related loan to be classified as a Troubled Debt Restructuring (TDR) and also be impaired. We use short term (3 to 12 months) or long term (12 to 60 months) 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. For our credit card customers, the short term program primarily consists of a reduced minimum payment and an interest rate reduction, both lasting for a period no longer than 12 months. 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. Consistent with our measurement of impairment of modified loans on a collective basis, the discount rate used for credit card loans is the original effective interest rate.

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Interest income from loans accounted for as TDRs is accounted for in the same manner as other accruing loans. 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.

(\$ in millions)	At March 31,		At December 31,			
	2014	2013	2012	2011	2010	2009
Non-accrual loan receivables ⁽¹⁾	\$ 2	\$ 2	\$ 1,042	\$ 1,003	\$ 1,216	\$ 900
Loans contractually 90 days past-due and still accruing interest	1,044	1,119	15	36	53	
Earning TDRs ⁽²⁾	719	741	866	1,082		
Non-accrual past due and restructured loan receivables	\$ 1,765	\$ 1,862	\$ 1,923	\$ 2,121	\$ 1,269	\$ 900

(1) Beginning in the fourth quarter of 2013, we revised our methods of classifying loan receivables as non-accrual to more closely align with regulatory guidance. As a result we continue to accrue interest on credit card balances until they reach 180 days past due.

(2) At March 31, 2014 and December 31, 2013 balances exclude \$67 million and \$70 million, respectively, of TDRs which are included in loans contractually 90 days past-due and still accruing interest balance.

(\$ in millions)	Three months ended	Year ended
	March 31, 2014	December 31, 2013
Gross amount of interest income that would have been recorded in accordance with the original contractual terms	\$ 36	\$ 180
Interest income actually recognized	15	81
Total interest income foregone	\$ 21	\$ 99

Non-accrual loan receivables totaled \$2 million (less than 0.1% of outstanding loan receivables) at March 31, 2014 and at December 31, 2013, compared with \$1,042 million (2% of outstanding loan receivables) at December 31, 2012. Non-accrual loan receivables decreased from December 31, 2012, primarily due to the revision of our method of classifying loan receivables as non-accrual which was made in the fourth quarter of 2013. We now continue to accrue interest on credit cards until the accounts are charged-off in the period the accounts become 180 days past due. Previously, we stopped accruing interest on credit cards when the accounts became 90 days past due. See Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* to our combined financial statements for further information, including a description of our accrual policies.

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 accrued and unpaid 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 Combined Statements of Earnings.

The allowance for loan losses totaled \$2,998 million at March 31, 2014 compared with \$2,892 million at December 31, 2013. Our assessment of our allowance for loan losses at each date represents our best estimate of probable losses inherent in the portfolio as of each such date and is not directly correlated with the seasonal movements in our loan receivables balance. The increase in the allowance for loan losses at March 31, 2014 compared to December 31, 2013, despite a decrease in our balance of loan receivables outstanding at March 31, 2014 compared to December 31, 2013, reflected among other things our expectation that a higher proportion of the seasonally high level of delinquent accounts outstanding at December 31, 2013 would return to current status during the first quarter without resulting in loan losses and that a higher proportion of delinquent accounts

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outstanding at March 31, 2014 would result in charge-offs as compared to December 31, 2013, in each case taking into account the seasonal trends in delinquent customer payment patterns described above under the heading

Seasonality. The allowance for losses totaled \$2,892 million at December 31, 2013 compared with \$2,274 million at December 31, 2012. The increase of \$618 million was primarily attributable to the methodology enhancement discussed in the sections Results of Operations Results of Operations For the Three Months Ended March 31, 2014 and 2013 Provision for Loan Losses and Results of Operations Results of Operations For the Years Ended December 31, 2013, 2012 and 2011 Provision for Loan Losses above.

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

	Balance at January 1, 2014	Provision Charged to Operations	Other ⁽¹⁾	Gross Charge- Offs ⁽²⁾	Recoveries ⁽²⁾	Balance at March 31, 2014
<i>(\$ in millions)</i>						
Credit cards	\$ 2,827	\$ 752	\$	\$ (781)	\$ 137	\$ 2,935
Consumer installment loans	19	2		(7)	3	17
Commercial credit products	46	10		(12)	2	46
Other						
Total	\$ 2,892	\$ 764	\$	\$ (800)	\$ 142	\$ 2,998

	Balance at January 1, 2013	Provision Charged to Operations	Other ⁽¹⁾	Gross Charge- Offs ⁽²⁾	Recoveries ⁽²⁾	Balance at March 31, 2013
<i>(\$ in millions)</i>						
Credit cards	\$ 2,174	\$ 1,016	\$	\$ (732)	\$ 148	\$ 2,606
Consumer installment loans	62	8		(13)	6	63
Commercial credit products	38	23		(15)	3	49
Other						
Total	\$ 2,274	\$ 1,047	\$	\$ (760)	\$ 157	\$ 2,718

	Balance at January 1, 2013	Provision Charged to Operations	Other ⁽¹⁾	Gross Charge- Offs ⁽²⁾	Recoveries ⁽²⁾	Balance at December 31, 2013
<i>(\$ in millions)</i>						
Credit cards	\$ 2,174	\$ 2,970	\$	\$ (2,847)	\$ 530	\$ 2,827
Consumer installment loans	62	49		(111)	19	19

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Commercial credit products	38	53	(53)	8	46
Other					
Total	\$ 2,274	\$ 3,072	\$ (3,011)	\$ 557	\$ 2,892

	Balance at January 1, 2012	Provision Charged to Operations	Other⁽¹⁾	Gross Charge- Offs⁽²⁾	Recoveries⁽²⁾	Balance at December 31, 2012
<i>(\$ in millions)</i>						
Credit cards	\$ 1,902	\$ 2,438	\$	\$ (2,680)	\$ 514	\$ 2,174
Consumer installment loans	113	54		(130)	25	62
Commercial credit products	37	69		(76)	8	38
Other		4		(4)		
Total	\$ 2,052	\$ 2,565	\$	\$ (2,890)	\$ 547	\$ 2,274

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	Balance at January 1, 2011	Provision Charged to Operations	Other ⁽¹⁾	Gross Charge- Offs ⁽²⁾	Recoveries ⁽²⁾	Balance at December 31, 2011
<i>(\$ in millions)</i>						
Credit cards	\$ 2,137	\$ 2,130	\$ (8)	\$ (2,850)	\$ 493	\$ 1,902
Consumer installment loans	176	54		(151)	34	113
Commercial credit products	49	74		(99)	13	37
Other						
Total	\$ 2,362	\$ 2,258	\$ (8)	\$ (3,100)	\$ 540	\$ 2,052

	Balance at January 1, 2010 ⁽³⁾	Provision Charged to Operations	Other ⁽¹⁾	Gross Charge- Offs ⁽²⁾	Recoveries ⁽²⁾	Balance at December 31, 2010
<i>(\$ in millions)</i>						
Credit cards	\$ 3,058	\$ 2,899	\$ 3	\$ (4,263)	\$ 440	\$ 2,137
Consumer installment loans	135	135		(131)	37	176
Commercial credit products	64	116		(142)	11	49
Other		1		(1)		
Total	\$ 3,257	\$ 3,151	\$ 3	\$ (4,537)	\$ 488	\$ 2,362

	Balance at January 1, 2009	Provision Charged to Operations	Other ⁽⁴⁾	Gross Charge- Offs ⁽²⁾	Recoveries ⁽²⁾	Balance at December 31, 2009 ⁽³⁾
<i>(\$ in millions)</i>						
Credit cards	\$ 1,249	\$ 2,321	\$ (211)	\$ (2,166)	\$ 143	\$ 1,336
Consumer installment loans	314	387		(479)	34	256
Commercial credit products	61	168		(180)	10	59
Other	2	7		(6)		3
Total	\$ 1,626	\$ 2,883	\$ (211)	\$ (2,831)	\$ 187	\$ 1,654

(1) Other primarily included the effects of foreign currency exchange.

(2)

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 year due to information becoming available during the year, which may identify further deterioration of existing loan receivables.

- (3) Differences between December 31, 2009 and January 1, 2010 reflect the effects of our adoption of ASC 810, *Consolidation*, on January 1, 2010 and the consolidation of assets and liabilities of certain previously unconsolidated securitization entities.
- (4) Other primarily included \$217 million of transfers of allowance for loan losses relating to the sales of loan receivables to unconsolidated securitization entities and \$6 million of effects of foreign currency exchange. The table below sets forth the ratio of net charge-offs to average loan receivables outstanding for the periods indicated.

	At March 31,			At December 31,			
	2014	2013	2013	2012	2011	2010	2009
Ratio of net charge-offs to average loan receivables outstanding ⁽¹⁾	4.9%	4.8%	4.7%	4.9%	5.8%	9.3%	11.3%

- (1) Calculated based on monthly average loan receivables outstanding, except that where monthly balances are unavailable, quarter-end balances are used.

Table of Contents**Liquidity and Capital Resources**

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

Funding Sources

Our primary funding sources historically have included cash from operations, deposits (direct and brokered deposits), securitized financings and related party debt provided by GECC and its affiliates. In connection with this offering, we expect to add third-party credit facilities, unsecured debt financing and transitional funding from GECC as funding sources. In addition to these components of our funding plan, we currently have an aggregate of approximately \$5.6 billion of undrawn committed capacity, subject to customary borrowing conditions, under two of our existing securitization programs.

The following tables summarize information concerning our funding sources during the periods indicated:

<i>Three months ended March 31 (\$ in millions)</i>	2014			2013		
	Average Balance	%	Average Rate	Average Balance	%	Average Rate
Deposits ⁽¹⁾	\$ 26,317	53%	1.5%	\$ 21,959	46%	1.7%
Securitized financings	14,830	30	1.3	16,986	36	1.3
Related party debt	8,286	17	2.3	8,454	18	2.1
Total	\$ 49,433	100%	1.6%	\$ 47,399	100%	1.7%

(1) Excludes \$331 million and \$533 million average balance of non-interest bearing deposits for the three months ended March 31, 2014 and March 31, 2013, respectively. Non-interest bearing deposits comprise less than 10% of total deposits for the three months ended March 31, 2014, and 2013.

<i>Years ended December 31 (\$ in millions)</i>	2013			2012			2011		
	Average Balance	%	Average Rate	Average Balance	%	Average Rate	Average Balance	%	Average Rate
Deposits ⁽¹⁾	\$ 22,405	47%	1.7%	\$ 17,039	40%	2.1%	\$ 15,025	38%	2.3%
Securitized financings	16,209	34	1.3	15,172	36	1.5	12,958	33	1.9
Related party debt	9,000	19	1.7	10,132	24	1.5	11,729	29	2.8
Total	\$ 47,614	100%	1.6%	\$ 42,343	100%	1.8%	\$ 39,712	100%	2.3%

(1) Excludes \$506 million, \$475 million, and \$417 million average balance of non-interest bearing deposits for the years ended December 31, 2013, 2012 and 2011, respectively. Non-interest bearing deposits comprise less than 10% of total deposits for the years ended December 31, 2013, 2012 and 2011.

Each of our historical funding sources and our funding sources following this offering are discussed below.

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 March 31, 2014, we had \$13.0 billion in direct deposits (which includes deposits from banks and financial institutions) and \$14.4 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 significantly expand our direct deposits base as a source of stable and diversified low cost funding.

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Our direct deposits include a range of FDIC-insured deposit products, including certificates of deposit, IRAs, money market accounts and savings accounts, which we offer under our Optimizer^{Plus} brand. In January 2013, we acquired the deposit business of MetLife, which is a direct banking platform that had \$6.4 billion in deposits at the time of the acquisition.

Brokered deposits are primarily from retail customers of large brokerage firms. We have relationships with eight 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 March 31, 2014 had a weighted average remaining life of 3.0 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 and interest rate risk if we fail, or are required to pay higher rates, to attract new deposits or retain existing deposits. To mitigate these risks, we pursue a funding strategy that seeks to match our assets and liabilities by interest rate and expected maturity characteristics, and we seek to maintain access to multiple other funding sources, including securitized financings (including our undrawn committed capacity) and unsecured debt.

Following this offering, over the next several years we are seeking to increase our direct deposits. The growth of direct deposits will be supported by a significant investment in marketing and brand awareness. See Separation from GE and Related Financial Arrangements Indirect Costs above.

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

<i>Three months ended March 31 (\$ in millions)</i>	Average Balance⁽¹⁾	2014 % of Total	Average Rate	Average Balance⁽¹⁾	2013 % of Total	Average Rate
Direct deposits:						
Certificates of deposit (including IRA certificates of deposit)	\$ 8,796	33%	1.1%	\$ 3,611	16%	0.8%
Savings accounts (including money market accounts)	2,827	11	0.9	1,500	7	1.0
Brokered deposits	14,694	56	1.8	16,848	77	2.0
Total interest-bearing deposits	\$ 26,317	100%	1.5%	\$ 21,959	100%	1.7%

<i>Years ended December 31 (\$ in millions)</i>	2013 %		2012 %		2011 %	
	Average Balance⁽¹⁾	of Total	Average Yield	Average Balance⁽¹⁾	of Total	Average Yield
Direct deposits:						
Certificates of deposit (including IRA certificates of deposit)	\$ 5,889	26%	0.9%	\$ 284	2%	0.7%
Savings accounts (including money market accounts)	2,193	10	0.7			

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Brokered deposits	14,323	64	2.1	16,755	98	2.1	15,025	100	2.3
Total interest-bearing deposits	\$ 22,405	100%	1.7%	\$ 17,039	100%	2.1%	\$ 15,025	100%	2.3%

(1) Average balances are based on monthly balances. Calculation of daily averages at this time involves undue burden and expense. We believe our average balance data is representative of our operations.

Our deposit liabilities provide funding with maturities ranging from one day to ten years. At March 31, 2014, the weighted average maturity of our certificates of deposit was 26.1 months. See Note 8. *Deposits and Borrowings* to our condensed combined financial statements.

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The following table summarizes deposits by contractual maturity at March 31, 2014.

<i>(\$ in millions)</i>	3 Months or Less	Over 3 Months but within 6 Months	Over 6 Months but within 12 Months	Over 12 Months	Total
U.S. deposits (\$100,000 or more)					
Direct deposits:					
Certificates of deposit (including IRA certificates of deposit)	\$ 1,065	\$ 1,196	\$ 2,471	\$ 2,023	\$ 6,755
Savings accounts (including money market accounts)	2,195				2,195
Brokered deposits:					
Certificates of deposit	1,232	1,063	1,085	9,860	13,240
Sweep accounts	484				484
Total	\$ 4,976	\$ 2,259	\$ 3,556	\$ 11,883	\$ 22,674

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 GE Capital Credit Card Master Note Trust (MNT), 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 GE Sales Finance Master Trust (SFT) and the GE Money Master Trust (GMT).

At March 31, 2014, we had \$7.5 billion of outstanding public asset-backed securities and \$7.1 billion of outstanding private 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 at March 31, 2014.

<i>(\$ in millions)</i>	Less Than One Year	One Year Through Three Years	Four Years Through Five Years	After Five Years	Total
Scheduled maturities of long-term borrowings owed to securitization investors:					
MNT ⁽¹⁾	\$ 4,958	\$ 3,428	\$ 3,376	\$ 563	\$ 12,325
SFT	117	1,483	400		2,000
GMT	91	226			317

Total long-term borrowings owed to securitization investors	\$ 5,166	\$ 5,137	\$ 3,776	\$ 563	\$ 14,642
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(1) Excludes subordinated classes of MNT notes that we own.

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

All of our securitized financings include early repayment triggers, referred to as early amortization events, including one that occurs if the excess spread as it relates to a particular series falls below zero. No early amortization event has occurred with respect to any of the securitized financings in MNT, SFT or GMT. See Description of Certain Indebtedness Securitized Financings.

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The following table summarizes for each of our trusts the three-month rolling average excess spread at March 31, 2014.

	Note Principal Balance (\$ in millions)	# of Series Outstanding	3-Month Rolling Average Excess Spread ⁽¹⁾
MNT	\$ 13,595	19	14.6% to 18.6%
SFT	2,000	4	12.8%
GMT	317	1	31.4%

(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 MNT, represents a range of the excess spreads relating to particular series issued within the trust), in each case calculated in accordance with the applicable trust or series documentation, for the three securitization monthly periods ending prior to March 31, 2014.

Funding Provided by GECC

Prior to this offering, GECC provided funding to us. The balance outstanding at March 31, 2014 and at December 31, 2013, 2012 and 2011 was \$8.1 billion, \$9.0 billion, \$10.6 billion and \$11.7 billion, respectively. The average amount of funding provided by GECC as a percentage of our total average funding sources has continued to decline in each of the last three years (19%, 24% and 29% in 2013, 2012 and 2011, respectively) and declined further to 17% in the three months ended March 31, 2014. The aggregate interest and fees paid to GECC with respect of funding provided was \$47 million for the three months ended March 31, 2014, and \$157 million, \$155 million and \$333 million for the years ended December 31, 2013, 2012 and 2011, respectively.

In connection with this offering, all of our related party debt owed to GECC outstanding at the time of the closing of this offering will be repaid, and we will enter into the New GECC Term Loan Facility pursuant to which GECC will provide \$1.5 billion principal amount of unsecured term loans maturing in 2019. See Description of Certain Indebtedness New GECC Term Loan Facility. In connection with our application to the Federal Reserve Board and Separation, we intend to prepay part or substantially all of the New GECC Term Loan Facility.

For a description of certain revolving credit facilities the Bank has entered into with GECC, and our intention to terminate and replace those with a new intercompany revolving credit facility with the Company pursuant to which the Bank can borrow funds from the Company, see Arrangements Among GE, GECC and Our Company Other Related Party Transactions Funding Provided by GECC.

New Bank Term Loan Facility

Prior to the completion of this offering, we will enter into the New Bank Term Loan Facility with third-party lenders that will provide \$8.0 billion principal amount of unsecured term loans maturing in 2019. See Description of Certain Indebtedness New Bank Term Loan Facility.

Planned Debt Offering

We currently intend to issue approximately \$3.0 billion of senior unsecured debt securities in the Planned Debt Offering shortly after the completion of this offering. We cannot assure you that the Planned Debt Offering will be completed or, if completed, on what terms it will be completed. See Description of Certain Indebtedness New Senior Notes.

Short-Term Borrowings

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

Table of Contents*Additional Available Funding Capacity*

Existing unsecured revolving credit lines. The Bank is a party to two separate revolving credit agreements, each with a different lender, and each providing us with an unsecured revolving line of credit of up to \$500 million. GECC has guaranteed our payment obligations under these agreements. There were no borrowings for the periods presented. We currently anticipate that these agreements will be terminated following completion of the Transactions. See Description of Certain Indebtedness Existing Unsecured Credit Lines.

Undrawn securitized financings. At March 31, 2014, we had \$450 million of undrawn committed capacity on our securitized financings. We currently have an aggregate of approximately \$5.6 billion of undrawn committed capacity, subject to customary borrowing conditions, from private lenders under two of our existing securitization programs.

Other. At March 31, 2014, 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.

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, 2013 are summarized below.

(\$ in millions)	Payments Due by Period						
	Total	2014	2015	2016	2017	2018	2019 and Thereafter
Deposits ⁽¹⁾⁽²⁾	\$ 25,719	\$ 14,279	\$ 6,665	\$ 3,110	\$ 1,665		
Securitized financings ⁽³⁾	15,362	5,143	6,423	2,634	1,162		
Capital lease obligations	3	3					
Operating leases	79	24	35	14	6		
Total contractual obligations⁽⁴⁾	\$ 41,163	\$ 19,449	\$ 13,123	\$ 5,758	\$ 2,833		

(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 2014 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, 2013 was 1.7%. See Note 8. *Deposits and Borrowings* to our combined financial statements.

(3) The amounts shown exclude interest as the majority of our securitized financing require payments of interest based on floating rates. The average interest rate for the year ended December 31, 2013 was 1.3%. See Note 8. *Deposits and Borrowings* to our combined financial statements.

(4) Related party debt is excluded from the table above because it is being repaid in connection with the closing of this offering. See Funding Provided by GECC. This table does not include debt to be incurred in connection with this offering. See Description of Certain Indebtedness.

Off-Balance Sheet Items Guarantees

We do not have any significant off-balance sheet items, including guarantees. 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, 2013, we had not recorded any contingent liabilities in our Combined Statements of Financial Position related to any guarantees.

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Covenants

Our credit facilities include various covenants, including financial covenants that require performance measures and ratios to be met. If we do not satisfy the covenants in our credit facilities, the credit facilities may be terminated and the maturity of amounts outstanding thereunder may be accelerated and become payable. Our real estate leases also include various covenants, but typically do not include financial covenants. If we do not satisfy the covenants in the real estate leases, the leases may be terminated and we may be liable for damage claims. At March 31, 2014, we were not in default under any of our credit facilities and had not received any notices of default under any of our real estate leases.

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.

We expect our senior unsecured debt to be rated BBB- (stable outlook) by Fitch and BBB- (stable outlook) by S&P. In addition, certain of the asset-backed securities issued by our publicly registered securitization trust 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.

See **Risk Factors** **Risks Relating to 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.

Liquidity

We seek to ensure that we have adequate liquidity to sustain business operations, fund asset growth and satisfy debt obligations 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 (the **ALCO**), a subcommittee of our Enterprise Risk Management 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.

Historically, we have relied on GECC as our primary source of liquidity under related party funding arrangements. In addition, we maintain a liquidity portfolio, which at March 31, 2014 had \$4.8 billion of liquid assets, primarily consisting of cash and equivalents, less cash in transit which is not considered to be liquid, compared to a \$2.1 billion liquidity portfolio at December 31, 2013. The increase in liquid assets was primarily due to higher cash collections from the seasonal pay down of fourth quarter loan receivables. We retained this excess cash and equivalents within our Company, as we prepare for the completion of this offering.

In connection with this offering, we expect to increase the size of our liquidity portfolio significantly. At March 31, 2014, pro forma for the Transactions, we would have had a liquidity portfolio with \$12.0 billion of liquid assets (or 18.0% of total assets). We expect our liquidity portfolio will consist of cash and equivalents (primarily in the form of deposits with the Federal Reserve Board), debt obligations of the U.S. Treasury, certain securities issued by U.S.

government sponsored enterprises and other highly rated and highly liquid assets. As a general matter, investments included in our liquidity portfolio are expected to be highly liquid, giving us the ability to raise cash by pledging certain of these investments to access the secured funding markets or selling them. 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.

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As additional sources of liquidity, we currently have an aggregate of approximately \$5.6 billion of undrawn committed capacity, subject to customary borrowing conditions, from private lenders under two of our existing securitization programs, and at March 31, 2014, 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. We intend to raise additional unsecured debt financing and significantly increase our level of direct deposits to refinance, in advance of the Separation, all or a substantial portion of the transitional funding provided by GECC, increase liquidity levels and support growth in our business.

If during the first three months following this offering we issue senior unsecured debt securities in excess of \$3.0 billion, the net proceeds of such debt (subject to certain limited exceptions) shall be applied to prepay outstanding principal amounts of the New GECC Term Loan Facility and New Bank Term Loan Facility on a pro rata basis. For any debt securities we issue thereafter, the net proceeds of such debt (depending on the amount and timing of receipt and subject to certain limited exceptions) shall be applied to prepay outstanding principal amounts of the New GECC Term Loan Facility and the New Bank Term Loan Facility (or may otherwise be retained by us for other purposes) as set forth in the prepayment provisions described in Description of Certain Indebtedness New Bank Term Loan Facility.

The following table sets forth our liquidity portfolio and undrawn capacity information at March 31, 2014, pro forma for the Transactions.

<i>(\$ in billions)</i>	Pro Forma At March 31, 2014	
Liquidity portfolio		
Cash and equivalents ⁽¹⁾	\$	12.5
Total liquidity portfolio	\$	12.0
Undrawn credit facilities		
Undrawn committed securitization financings		5.6
Total liquidity portfolio and undrawn credit facilities	\$	17.6

(1) Cash and equivalents of \$503 million at March 31, 2014, which primarily relates to cash in transit, is excluded for the purpose of calculating liquidity.

We will 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 Risk Factors Risks Relating to Regulation We and the Bank are subject to restrictions that limit our ability to pay dividends and repurchase our capital stock and Regulation Savings Association Regulation Dividends and Stock Repurchases. For a discussion of the financial covenants contained in the New Bank Term Loan Facility and the New GECC Term Loan Facility that limit our and the Bank's ability to pay dividends, see Description of Certain Indebtedness New Bank Term Loan Facility and New GECC Term Loan Facility.

Capital

Our primary sources of capital have been earnings generated by our businesses and existing equity capital. The proceeds of this offering will increase our equity capital significantly. We seek to manage capital to a level and composition sufficient to support the risks of our businesses, 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. At March 31, 2014, pro forma for the Transactions, we had \$9.0 billion of equity capital.

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In connection with our application to the Federal Reserve Board described above and the Separation, we expect to continue to increase our capital and liquidity levels by, among other things, retaining net earnings and by not paying a dividend or returning capital through stock repurchases until our application to the Federal Reserve Board is approved. As part of our capital plan, thereafter, our board of directors intends to consider our policy for paying dividends and may consider stock repurchases. We are targeting Tier 1 common ratios well in excess of regulatory well capitalized levels. We measure capital ratios under the Basel I framework and believe we are well positioned to manage our capital ratios as we transition to Basel III requirements in 2015.

The declaration and payment of future dividends to holders of our common stock will be at the discretion of our board of directors and will depend on many factors, including the financial condition, earnings, capital and liquidity requirements of us and the Bank, regulatory restrictions (including any restrictions that may be imposed in connection with the Separation), corporate law and contractual restrictions and other factors that our board of directors deems relevant. In addition, banking laws and regulations and our banking regulators may limit our ability to pay dividends and make repurchases of our stock. For a discussion of regulatory restrictions on our and the Bank's ability to pay dividends and repurchase stock, see Risk Factors Risks Relating to Regulation. We and the Bank are subject to restrictions that limit our ability to pay dividends and repurchase our capital stock. There can be no assurance that we will declare and pay any dividends or repurchase any stock in the future.

Under the Bank's Operating Agreement with the OCC, which it entered into on January 11, 2013 in connection with its acquisition of the deposit business of MetLife, and regulatory capital requirements adopted by the OCC, the Bank must maintain minimum levels of capital.

The following table sets forth the composition of the Bank's capital ratios at the dates indicated.

<i>At March 31, 2014 (\$ in millions)</i>	Bank		Operating Agreement Requirement	
	Amount	Ratio	Amount	Ratio
Total risk-based capital	\$ 5,927	17.6%	\$ 3,698	11.0%
Tier 1 risk-based capital	\$ 5,488	16.3%	\$ 2,353	7.0%
Tier 1 leverage	\$ 5,488	14.0%	\$ 2,352	6.0%

<i>At December 31, 2013 (\$ in millions)</i>	Bank		Operating Agreement Requirement	
	Amount	Ratio	Amount	Ratio
Total risk-based capital	\$ 6,010	17.3%	\$ 3,828	11.0%
Tier 1 risk-based capital	\$ 5,559	16.0%	\$ 2,436	7.0%
Tier 1 leverage	\$ 5,559	14.9%	\$ 2,243	6.0%

<i>At December 31, 2012 (\$ in millions)</i>	Bank		Operating Agreement Requirement	
	Amount	Ratio	Amount	Ratio
Total risk-based capital	\$ 5,608	15.1%	N/A	N/A
Tier 1 risk-based capital	\$ 5,134	13.8%	N/A	N/A
Tier 1 leverage	\$ 5,134	17.2%	N/A	N/A

As a savings and loan holding company, we historically have not been required to maintain any specific amount of minimum capital. Beginning as early as 2015, however, we expect that we will be subject to capital requirements similar to those applicable to the Bank. For more information, see Regulation Savings and Loan Holding Company Regulation.

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The following table sets forth at March 31, 2014, on a pro forma basis for the Transactions, the composition of our capital ratios under Basel I.

<i>At March 31, 2014 (\$ in millions)</i>	Pro Forma		Minimum to be Well-Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio
Total risk-based capital	\$ 8,525	15.9%	\$ 5,369	10.0%
Tier 1 risk-based capital	\$ 7,825	14.6%	\$ 3,222	6.0%
Tier 1 leverage	\$ 7,825	12.0%	\$ 3,262	5.0%
Tier 1 common equity	\$ 7,825	14.6%	N/A	N/A

At March 31, 2014, pro forma for the Transactions, we would have had a fully phased-in Basel III Tier 1 common ratio of 14.1%.

As a new savings and loan holding company, the Company historically has not been required by regulators to disclose capital ratios, and therefore these capital ratios are non-GAAP measures. We believe these capital ratios are useful measures to investors because they are widely used by analysts and regulators to assess the capital position of financial services companies, although our pro forma Basel I Tier 1 common ratio is not a Basel I defined regulatory capital ratio, and our pro forma Basel I and Basel III Tier 1 common ratios may not be comparable to similarly titled measures reported by other companies. Our pro forma Basel I Tier 1 common ratio is the ratio of Tier 1 common equity (as calculated below) to total risk-weighted assets as calculated in accordance with the U.S. Basel I capital rules. Our pro forma Basel III Tier 1 common ratio is the ratio of common equity Tier 1 capital to total risk-weighted assets, each as calculated in accordance with the U.S. Basel III capital rules (on a fully phased-in basis). Our pro forma Basel III Tier 1 common ratio is a preliminary estimate reflecting management's interpretation of the final Basel III capital rules adopted in July 2013 by the Federal Reserve Board, which have not been fully implemented, and our estimate and interpretations are subject to, among other things, ongoing regulatory review and implementation guidance. The following table sets forth a reconciliation of each component of our pro forma capital ratios set forth above to the comparable pro forma GAAP component at March 31, 2014.

	Basel I Pro Forma at March 31, 2014	Basel III Pro Forma at March 31, 2014
Equity to Tier 1 capital, Tier 1 common equity and Risk-based capital		
Total equity	\$ 8,951	\$ 8,951
Unrealized gains / losses on investment securities ⁽¹⁾	7	7
Disallowed goodwill and other disallowed intangible assets ⁽²⁾	(1,131)	(1,163)
Disallowed servicing assets and purchased credit card relationships	(2)	
Tier 1 capital	\$ 7,825	\$ 7,795
Non qualifying preferred stock		

Noncontrolling interests

Tier 1 common equity (Basel I)/common equity Tier 1 capital (Basel III)	\$	7,825	\$	7,795
Allowance for loan losses includible in risk-based capital		700		718
Risk-based capital	\$	8,525	\$	8,513
Total assets to leveraged assets				
Total assets	\$	66,374	\$	66,374
Disallowed goodwill and other disallowed intangible assets ⁽²⁾		(1,131)		(1,163)
Disallowed servicing assets and purchased credit card relationships		(2)		
Unrealized gains / losses on investment securities ⁽¹⁾		7		7
Total assets for leverage capital purposes	\$	65,248	\$	65,218
Risk-weighted assets ⁽³⁾	\$	53,692	\$	55,150

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- (1) Amounts are presented net of tax.
- (2) Amounts are net of related deferred tax liabilities. Adjustments to the Basel I Tier 1 common equity calculation to estimate the Basel III common equity Tier 1 capital calculation include corresponding adjustments to purchased credit card receivable intangibles.
- (3) Adjustments to Basel I risk-weighted assets to estimate Basel III risk-weighted assets include corresponding adjustments to purchased credit card receivable intangibles, deferred tax assets and certain other assets.

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 Risk Factors Risks Relating to Regulation Failure by Synchrony, the Bank and, until the GE SLHC Deregistration, GECC to meet applicable capital adequacy rules could have a material adverse effect on us.

Critical Accounting Estimates

Accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to an understanding of our financial statements because they involve significant judgments and uncertainties. Many of these estimates include determining fair value. All of 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 the judgments and estimates described below could change, which may result in incremental losses on loan receivables, future impairments of investment securities, goodwill, intangible assets establishment of valuation allowances on deferred tax assets and increased tax liabilities, among other effects. See Note 2. *Basis of Presentation and Summary Significant Accounting Policies* to our combined financial statements, which discusses the significant accounting policies that we have selected from acceptable alternatives.

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 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. 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.

Table of Contents***Asset Impairment***

Investments. 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, and 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 a credit loss exists, 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. Quantitative criteria include determining whether there has been an adverse change in expected future cash flows. For equity securities, our criteria include the length of time and magnitude of the amount that each security is in an unrealized loss position.

Goodwill and Intangible Assets. We do not amortize goodwill, but test it at least annually for impairment at the reporting unit level. 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 operating segment consists of a single reporting unit, based on the level at which management regularly reviews and measures the business operating results.

Goodwill impairment risk is first assessed under FASB Accounting Standards Update (ASU) 2011-08, *Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment* 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 combined 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 acquisitions and purchased credit card relationships. These assets are amortized over their estimated useful lives and evaluated for impairment annually or 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 impairments of definite-lived intangible assets have been recognized in the periods presented in the combined financial statements.

Income Taxes

We are subject to income tax in the United States (federal, state and local) as well as other jurisdictions in which we operate. Our provision for income tax expense is based on our income, the statutory tax rates and other provisions of the tax laws applicable to us in each of these various jurisdictions. These laws are complex, and their application to our facts is at times open to interpretation. The process of determining our combined income tax expense includes significant judgments and estimates, including judgments regarding the interpretation of those laws. Our provision for income taxes and our deferred tax assets and liabilities incorporate those judgments and estimates, and reflect management's best estimate of current and future income taxes to be paid. We review our tax positions quarterly and adjust the balances as new information becomes available.

Deferred tax assets and liabilities relate to temporary differences between the financial reporting and income tax bases of our assets and liabilities, as well as the impact of tax loss carryforwards or carrybacks. Deferred income tax expense or benefit represents the expected increase or decrease to future tax payments as these

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temporary differences reverse over time, based upon currently enacted income tax laws and rates that will be in effect when such differences are expected to reverse. Deferred tax assets are specific to the jurisdiction in which they arise, and are recognized subject to management's judgment that realization of those assets is more likely than not. 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. These decisions rely heavily on estimates. We use our historical experience and our short- and long-range business forecasts to provide insight.

FASB interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) (now part of ASC 740, *Income Taxes*), establishes the framework by which we determine the appropriate level of tax reserves to be maintained for uncertain income tax positions. Applying this framework, 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 audit by the taxing authority. 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. We recognize accrued interest and penalties related to uncertain income tax positions as interest expense and provision for income taxes, respectively.

Fair Value Measurements

Assets and liabilities measured at fair value every reporting period include investments in debt and equity securities. Assets that are not measured at fair value every reporting period, but that are subject to fair value measurements in certain circumstances primarily include 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, and cost 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 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.

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 **Risk Factors** **Risks 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 and our interest expense to increase or decrease, as certain of our assets and liabilities carry interest rates that fluctuate with market benchmarks. 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 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.

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Competitive factors may limit, and future regulatory reform may limit or restrict, our ability to raise interest rates, fixed or floating, on our loans. In addition, some of our program agreements limit the rate of interest we can charge to customers under those agreements. 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 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.

To manage interest rate risk we generally pursue a match funding strategy pursuant to which we seek to match the interest rate repricing characteristics of our assets and liabilities. At March 31, 2014, 57.4% of our loans bore a fixed interest rate to the customer, and we have historically funded these assets with fixed rate certificates of deposit, securitized financing and unsecured debt. At March 31, 2014, 42.6% of our loans bore a floating interest rate to the customer, and we generally fund these assets with floating rate deposits, securitized financing and unsecured debt. Historically, we have not used interest rate derivative contracts to manage interest rate risk. To the extent we are unable to effectively match the interest rates on our assets and liabilities (including, in the future, potentially through the use of derivatives), our net earnings could be materially adversely affected.

We assess our interest rate risk by estimating the effect on our net earnings of various scenarios that differ based on assumptions about the direction and the magnitude of interest rate changes.

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 March 31, 2014, 42.6% of our receivables bore 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. 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, earnings 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

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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, earnings 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 March 31, 2014, we estimate that net interest income over the following 12-month period would decrease by approximately \$27 million.

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 at a particular point in time based on the existing balance sheet. 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 margin. In addition, the strategic actions that management may take to manage our balance sheet may differ from our projections, which could cause our actual earnings to differ from the above sensitivity analysis. Furthermore, the sensitivity analysis provided above is based on our historical financial position and does not give pro forma effect to the additional financings contemplated as part of the Transactions.

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CORPORATE REORGANIZATION

History, Formation and Regulation of Synchrony

Our roots in consumer finance trace back to 1932, when GE began providing financing for consumers to help meet demand for GE appliances. The predecessor of the Bank, GE Capital Consumer Card Co., was established in 1988 under a previous name, Monogram Bank, USA, a limited purpose credit card bank, and was converted to a federally chartered savings association in 2003. On February 7, 2005, Monogram Credit Card Bank of Georgia (a subsidiary of GE Capital Consumer Card Co.) merged into GE Capital Consumer Card Co. and the surviving entity changed its name to GE Money Bank. GE Money Bank changed its name to GE Capital Retail Bank on October 1, 2011. On June 2, 2014, GE Capital Retail Bank changed its name to Synchrony Bank.

Synchrony is a holding company for the legal entities that historically conducted GE's North American retail finance business. Synchrony was incorporated in Delaware on September 12, 2003, but prior to April 1, 2013 conducted no business. During the period from April 1, 2013 to September 30, 2013, as part of a regulatory restructuring, substantially all of the assets and operations of GE's North American retail finance business, including the Bank, were transferred to Synchrony. The remaining assets and operations of that business subsequently have been transferred to Synchrony.

As a savings and loan holding company, Synchrony is subject to extensive regulation, supervision and examination by the Federal Reserve Board. Prior to the GE SLHC Deregistration, we will be required to file an application with, and receive approval from, the Federal Reserve Board to continue to be a savings and loan holding company and to retain ownership of the Bank following the GE SLHC Deregistration. We will also need to submit to the Federal Reserve Board a request to become a financial holding company in order to engage in activities that are permissible only for savings and loan holding companies that are treated as financial holding companies (including to continue to obtain financing through our securitization programs). In addition, as a large provider of consumer financial services, we are subject to extensive regulation, supervision and examination by the CFPB.

The Bank is a federally chartered savings association. As such, the Bank is subject to extensive 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.

For a discussion of regulation of our Company and the Bank, see Regulation.

Table of Contents**BUSINESS****Our Company**

We are one of the premier consumer financial services companies in the United States. Our roots in consumer finance trace back to 1932, and today we are the largest provider of private label credit cards in the United States based on purchase volume and receivables. 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 we refer to as our partners. Through our partners' 329,000 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 2013 and the first quarter of 2014, we financed \$93.9 billion and \$21.1 billion of purchase volume, respectively, and at March 31, 2014, we had \$54.3 billion of loan receivables and 57.3 million active accounts. Our active accounts represent a geographically diverse group of both consumers and businesses, with an average FICO score of 710 for consumer active accounts at March 31, 2014. Our business has been profitable and resilient, including through the recent U.S. financial crisis and ensuing years. For the year ended December 31, 2013, we had net earnings of \$2.0 billion, representing a return on assets of 3.5%, and for the three months ended March 31, 2014, we had net earnings of \$558 million, representing a return on assets of 3.9%.

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, Walmart, Amazon and Ethan Allen. 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. For example, the purchase volume in our Retail Card platform from our online and mobile channels increased by \$3.0 billion, or 39.5%, from \$7.6 billion in 2011 to \$10.6 billion in 2013.

We offer our credit products primarily through our wholly-owned subsidiary, the Bank. Through the Bank, we offer, directly to retail and commercial customers, a range of deposit products insured by the FDIC, including certificates of deposit, IRAs, money market accounts and savings accounts, under our Optimizer^{Plus} brand. We also take deposits at the Bank through third-party securities brokerage firms that offer our FDIC-insured deposit products to their customers. We are expanding our online direct banking operations to increase our deposit base as a source of stable and diversified low cost funding for our credit activities. We had \$27.4 billion in deposits at March 31, 2014.

Retail Card is a leading provider of private label credit cards, and also provides Dual 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 elective healthcare procedures or services, such as dental, veterinary, cosmetic, vision and audiology.

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Our Value Proposition

We offer strong value propositions to both our partners and our customers.

Our Value Proposition

Value to Our Partners

Our consumer finance programs deliver the following benefits to our partners:

Increased sales. Our programs drive increased sales for our partners by providing instant credit with an attractive value proposition (which may include discounts, promotional financing and customized loyalty rewards). Based on our research and experience in our Retail Card and Payment Solutions platforms, we believe average sales per customer in these platforms are generally higher for customers who use our cards compared to consumers who do not. In Payment Solutions, the availability of promotional financing is important to the consumer's decision to make purchases of big-ticket items and a driver of retailer selection. In CareCredit, the availability of credit can also have a substantial influence over consumer spending with a significant number of consumers indicating in our research that they would postpone or forego all or a portion of their desired healthcare procedures or services if credit was not available through their healthcare providers.

Strengthened customer loyalty. Our programs benefit our partners through strengthened customer loyalty. Our Retail Card customers have had their cards an average of 7.9 years at March 31, 2014. We believe customer loyalty drives repeat business and additional sales. In the year ended December 31, 2013, our 50.8 million active Retail Card accounts made an average of more than 12 purchases per account. Our CareCredit customers can use their card at any provider within our provider network, which we believe is an important source of new business to our providers, and 69% of CareCredit transactions in 2013 were from existing customers reusing their card at one or more providers.

Enhanced marketing. We have developed significant marketing expertise that we share with our partners, including through dedicated on-site teams, a national field sales force and experts who reside in our marketing centers of excellence. We believe this expertise is of substantial value to our partners in increasing sales and profitability. Our omni-channel capabilities allow us to market our credit products wherever our partners offer their products. Our CRM and data analytics capabilities allow us to track customer responsiveness to different marketing strategies, which helps us target marketing messages and promotional offers to our partners' customers. In Payment Solutions, our dedicated

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industry-focused sales and marketing teams bring substantial retailer marketing expertise to our smaller retailer and merchant partners. These partners benefit from our research on how to increase store traffic with various promotional offerings. We also provide them with website and e-commerce capabilities that many could not afford to develop on their own.

Additional economic benefits. Our programs provide economic benefits to our partners in addition to increasing sales. Our Retail Card partners typically benefit from retailer share arrangements that provide for payments to them once the economic performance of the program exceeds a contractually-defined threshold. These shared economics enhance our partners' engagement with us and provide an incentive for partners to support our programs. In addition, for most of our partners, our credit programs reduce costs by eliminating the interchange fees for in-store purchases that would otherwise be paid when general purpose credit cards or debit cards are used. Our programs also allow our partners to avoid the risks and administrative costs associated with carrying an accounts receivable balance for their customers, and this is particularly attractive to many of our CareCredit partners.

Value to Our Customers

Our consumer finance programs deliver the following benefits to our customers:

Instant access to credit. We offer qualified customers instant access to credit at the point of sale and across multiple channels. Annual applications for our credit products increased by 24.7%, from 37.7 million applications in 2011 to 47.0 million in 2013. In addition, our applications from online and mobile channels increased by 42.6%, from 9.4 million in 2011 to 13.4 million in 2013. Our Retail Card programs provide financing for frequent purchases with attractive program benefits, including, in the case of our Dual Card, the convenience of a general purpose credit card. Payment Solutions and CareCredit offer promotional financing that enables qualified customers to make major purchases, including, in the case of CareCredit, elective healthcare procedures or services that typically are not covered by insurance.

Attractive discounts, promotional terms and loyalty rewards. We believe our programs provide substantial value to our customers through attractive discounts, promotional terms and loyalty rewards. Retail Card customers typically benefit from first purchase discounts (e.g., 10% or more off the purchase price when a new account is opened) and discounts or loyalty rewards when their card is used to make subsequent purchases from our partners. Our Retail Card customers typically earn rewards based on the amount of their purchases from our partners at a rate which is generally higher than the reward rate on general purpose cash back credit cards. Our Payment Solutions and CareCredit customers typically benefit from promotional financing such as interest-free periods on purchases. These types of promotions typically are not available to consumers when they use a general purpose credit card outside of introductory offer periods.

Ability to obtain separate financing for major purchases. We believe many consumers prefer to obtain separate financing for major purchases or category expenditures rather than accessing available borrowing capacity under their general purpose credit cards or using cash. We believe our customers also value the ability to compartmentalize, budget and track their spending and borrowing through separate financing for a major purchase.

Our Industry

We believe our business is well positioned to benefit from the following favorable industry trends:

Improvements in consumer spending and credit utilization. Consumer spending has increased as U.S. economic conditions and consumer confidence continue to recover from the recent financial crisis. The U.S. consumer payments industry, which consists of credit, debit, cash, check and electronic payments, is projected to grow by 25% from 2012 to 2017 (from \$8.7 trillion in 2012 to \$10.9 trillion in 2017) according to The Nilson Report (December 2013). According to that report, credit card payments are

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expected to account for the majority of the growth of the U.S. consumer payments industry. Credit card payments accounted for \$2.3 trillion or 26.7% of U.S. consumer payments volume in 2012 and are expected to grow to \$3.8 trillion or 34.9% of U.S. consumer payments volume in 2017. Credit card spending is growing as a percentage of total consumer spending, driven in part by the growth of online and mobile purchases.

Improvements in U.S. household finances. U.S. household finances have recovered substantially since the financial crisis. According to the Federal Reserve Board, the average U.S. household's debt service ratio is better than pre-crisis levels, having improved to 9.9% for the three months ended March 31, 2014 from 13.1% for the three months ended September 30, 2007. According to the Federal Reserve Board, aggregate U.S. household net worth also has increased, from \$68.0 trillion at December 31, 2007 to \$81.8 trillion at March 31, 2014.

Growth of direct banking and deposit balances. According to 2012 and 2013 American Bankers Association surveys, the percentage of customers who prefer to do their banking via direct channels (internet, mail, phone and mobile) increased from 53% to 61% between 2010 and 2013, while those who prefer branch banking declined from 25% to 18% over the same period. This preference for direct banking has been evidenced by robust growth in direct deposits. U.S. direct deposits increased by 41%, from \$346.1 billion at December 31, 2010 to \$488.4 billion at December 31, 2013, according to data for 17 surveyed banks from SNL Financial, a financial institutions data and analysis provider.

Competitive Strengths

Our business has a number of competitive strengths, including the following:

Large, diversified and well established consumer finance franchise. Our business is large and diversified with 57.3 million active accounts at March 31, 2014 and a partner network with 329,000 locations across the United States and in Canada. At March 31, 2014, we had \$54.3 billion in total loan receivables, and we are the largest provider of private label credit cards in the United States based on purchase volume and receivables according to The Nilson Report (April 2014). We have built large scale operations that support each of our sales platforms, and we believe our extensive partner network, with its broad geographic reach and diversity by industry, provides us with a distribution capability that is difficult to replicate. We believe the scale of our business and resulting operating efficiencies also contribute significantly to our success and profitability. In addition, we believe our partner-centric model, including our distribution capability, could lend itself to geographic expansion.

Partner-centric model with long-standing and stable relationships. Our business is based on a partner-centric, business-to-business model. Our ability to establish and maintain deep, collaborative relationships with our partners is a core skill that we have developed through decades of experience, and we have more than 1,000 dedicated employees, most of whom are co-located with our partners, to help drive the growth of our partners' sales and our share of their sales. At December 31, 2013, the average length of our relationship for our 40 largest programs across all platforms, which accounted in aggregate for 75.6% of our platform revenue for the year ended December 31, 2013, is 15 years. From these same 40 programs, 64.2% of our platform revenue for the year ended December 31, 2013 was generated under programs with current

contractual terms that continue through at least January 1, 2017. A diverse and growing group of more than 200,000 partners accounted for the remaining 24.4% of our platform revenue for the year ended December 31, 2013.

Deeply integrated technology across multiple channels. Our proprietary technology is deeply integrated with our partners' systems and processes, which enables us to provide customized credit products to their customers at the point of sale across multiple channels. Our technologies enable customers to apply for credit at the point of sale in store, online or on a mobile device and, if approved, purchase instantly. Our online and mobile technologies are capable of being seamlessly integrated into our partners' systems to enable our customers to check their available credit line, manage their account, access our eChat online customer service and participate in the relevant partners' loyalty rewards programs online and using mobile devices. In addition, in CareCredit, we have developed what we

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believe is one of the largest healthcare provider locators of its kind, helping to connect customers to our 177,000 healthcare provider locations. This online locator received an average of 560,000 hits per month in 2013, helping to drive incremental business for our provider partners. We believe that our continued investment in technology and mobile offerings will help us deepen our relationships with our existing partners, as well as provide a competitive advantage when seeking to win new business.

Strong operating performance. Over the three years ended December 31, 2013, we have grown our purchase volume and loan receivables at 9.8% and 8.2% compound annual growth rates, respectively. For the years ended December 31, 2013, 2012 and 2011, our net earnings were \$2.0 billion, \$2.1 billion and \$1.9 billion, respectively, and our return on assets was 3.5%, 4.2% and 4.1%, respectively. For the three months ended March 31, 2014, our net earnings were \$558 million, and our return on assets was 3.9%. We were profitable throughout the recent U.S. financial crisis. We believe our ability to maintain profitability through various economic cycles is attributable to our rigorous underwriting process, strong pricing discipline, low cost to acquire new accounts, operational expertise and retailer share arrangements with our largest partners.

Strong balance sheet and capital base. We have a strong capital base and a diversified and stable funding profile with access to multiple sources of funding, including a growing deposit platform at the Bank, securitized financings under well-established programs, the New GECC Term Loan Facility and the New Bank Term Loan Facility. In addition, following this offering, we intend to access the public unsecured debt markets as a source of funding. At March 31, 2014, pro forma for the Transactions (as defined under Summary Historical and Pro Forma Financial Information), we would have had a fully phased-in Basel III Tier 1 common ratio of 14.1%, and our business would have been funded with \$27.4 billion of deposits at the Bank, \$14.6 billion of securitized financings, \$1.5 billion of transitional funding from the New GECC Term Loan Facility, \$8.0 billion from the New Bank Term Loan Facility, and \$3.0 billion of additional unsecured debt from a planned debt offering. At March 31, 2014, on a pro forma basis, we would have had \$12.0 billion of cash and short-term liquid investments (or 18.0% of total assets). We also had, at the same date and on the same basis, 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. In addition, we currently have an aggregate of approximately \$5.6 billion of undrawn committed capacity under our securitization programs.

Experienced and effective risk management. We have an experienced risk management team and an enterprise risk management infrastructure that we believe enable us to effectively manage our risk. Our enterprise risk management function is designed to identify, measure, monitor and control risk, including credit, market, liquidity, strategic and operational risks. Our focus on the credit process is evidenced by the success of our business through multiple economic cycles. We control the credit criteria for all of our programs and issue credit only to consumers who qualify under those credit criteria. Our systems are integrated with our partners' systems, and therefore we can use our proprietary credit approval processes to make credit decisions instantly at the point of sale and across all application channels in accordance with our underwriting guidelines and risk appetite. Our risk management strategies are customized by industry and partner, and we believe our proprietary decisioning systems and customized credit scores provide significant incremental predictive capabilities over standard credit bureau-based scores alone. In addition, we have an extensive compliance program, and we have invested, and will continue to invest, in enhancing our regulatory compliance capabilities.

High quality and diverse asset base. The quality of our loan receivables portfolio is high. Our consumer active accounts had an average FICO score of 710, and our total loan receivables had a weighted average consumer FICO score of 694, in each case at March 31, 2014. In addition, 70.4% of our portfolio's loan receivables are from consumers with a FICO score of greater than 660 at March 31, 2014. Our over-30 day delinquency rate at March 31, 2014 is below 2007 pre-financial crisis levels. We have a seasoned customer base with 37.9% of our loan receivables at March 31, 2014 associated with accounts that have been open for more than five years. Our portfolio is also diversified by geography, with receivables balances broadly reflecting the U.S. population distribution.

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Experienced management team and business built on GE culture. Our senior management team, including key members who helped us successfully navigate the financial crisis, will continue to lead our Company following this offering. We have operated as a largely standalone business within GECC, with our own sales, marketing, risk management, operations, collections, customer service and compliance functions. Our business has been built on GE's culture and heritage, with a strong emphasis on our partners and customers, a rigorous use of metrics and analytics, a disciplined approach to risk management and compliance and a focus on continuous improvement and strong execution.

Our Business and Growth Strategy

We intend to grow our business and increase our profitability by building on our financial and operating strengths and capitalizing on projected favorable industry trends, as well as by pursuing a number of important growth strategies for our business, including the following:

Increase customer penetration at our existing partners. We believe there is a significant opportunity to grow our business by increasing the usage of our cards in each of our sales platforms. In Retail Card, based on sales data provided by our partners, we have increased penetration of our partners' aggregate sales in each of the last three years. For the year ended December 31, 2013, penetration of our Retail Card partners' sales ranged from 1% to 49%, and the aggregate sales of all Retail Card partners were \$555.6 billion, which we believe represents a significant opportunity for potential growth. We believe there is also a significant market opportunity for us to increase our penetration in Payment Solutions and CareCredit.

Attract new partners. We seek to attract new partners by both launching new programs and acquiring existing programs from our competitors. In Retail Card, which is typically characterized by longer-term, exclusive relationships, we added four new Retail Card partners from January 1, 2011 through March 31, 2014, which accounted for \$2.1 billion of receivables at March 31, 2014. In Payment Solutions, where a significant portion of our programs include independent dealers and merchants that enter into separate arrangements with us, we established 52 new Payment Solutions programs from January 1, 2011 through March 31, 2014, which accounted for \$1.3 billion of loan receivables at March 31, 2014, and we increased our total partners from 57,000 at December 31, 2010 to 62,000 at March 31, 2014. In CareCredit, where we attract new healthcare provider partners largely by leveraging our endorsements from professional associations and healthcare consultants, we increased the number of partners with which we had agreements from 122,000 at December 31, 2010 to 152,000 at March 31, 2014. We believe there is a significant opportunity to attract new partners in each of our platforms, including by adding additional merchants, dealers and healthcare providers under existing programs.

Our strategies to both increase penetration among our current partners and attract new partners include the following elements:

Leverage technology to support our partners. Our business model is focused on supporting our partners by offering credit wherever they offer their products and services (i.e., in-store, online and on mobile devices). We intend to continue to make significant investments in online and mobile technologies, which we believe will lead to new accounts, increased sales and deeper relationships with our existing partners and will give us an advantage when competing for new partners. We intend to continue to roll out the capability for consumers to apply for our products via their mobile devices, receive an instant credit decision and obtain immediate access to credit, and to deliver targeted rewards and promotions to our customers via their mobile devices for immediate use.

Capitalize on our advanced data, analytics and customer relationship management capabilities. We believe that our ongoing efforts to expand our data and analytics capabilities help differentiate us from our competitors. We have access to a vast amount of data (such as our customers' purchase patterns and payment histories) from our 110.7 million open accounts at March 31, 2014 and the hundreds of millions of transactions our customers make each year. Consistent with applicable privacy rules and regulations, we are developing new tools to assess this data to develop and deliver valuable insights

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and actionable analysis that can be used to improve the effectiveness of marketing strategies leading to incremental growth for both our partners and our business. Our recently enhanced CRM platform will utilize these insights and analysis to drive more relevant and timely offers to our customers via their preferred channels of communication. We believe the combination of our analytics expertise and extensive data access will drive greater partner engagement and increased sales, strengthen customer loyalty, and provide us a competitive advantage.

Launch our integrated multi-tender loyalty programs. We are leveraging our extensive data analytics, loyalty experience and broad retail presence to launch multi-tender loyalty programs that enable customers to earn rewards from a partner, regardless of how they pay for their purchases (e.g., cash, private label or general purpose credit cards). By expanding our loyalty program capabilities beyond private label credit cards we can provide deeper insights to our partners about their customers, including spending patterns and shopping behaviors. Multi-tender loyalty programs will also provide us with access to non-cardholders, giving us the opportunity to grow our customer base by marketing our credit products to them and delivering a more compelling value proposition.

Increase focus on small and mid-sized businesses. We currently offer private label credit cards and Dual Cards for small to mid-sized commercial customers that are similar to our consumer offerings. We are increasing our focus on marketing our commercial pay-in-full accounts receivable product to a wide range of business customers and are rolling out an improved customer experience for this product with enhanced functionality. Our loan receivables from business customers were \$1.3 billion at March 31, 2014, and we believe our strategic focus on business customers will enable us to continue to attract new business customers and increase the diversity of our loan receivables.

Expand our direct banking activities. In January 2013, we acquired the deposit business of MetLife, which is a direct banking platform that at the time of the acquisition had \$6.0 billion in U.S. direct deposits and \$0.4 billion in brokered deposits. Our U.S. direct deposits grew from \$0.9 billion at December 31, 2012 to \$13.0 billion at March 31, 2014 (including the MetLife acquisition). The acquisition of this banking platform is a key part of our strategy to increase our deposit base as a source of stable and diversified low cost funding. The platform is highly scalable, allowing us to expand without the overhead expenses of a traditional brick and mortar branch network. We believe we are well-positioned to benefit from the consumer-driven shift from branch banking to direct banking. According to 2012 and 2013 American Bankers Association surveys, the percentage of customers who prefer to do their banking via direct channels (i.e., internet, mail, phone and mobile) increased from 53% to 61% between 2010 and 2013, while those who prefer branch banking declined from 25% to 18% over the same period. To attract new deposits and retain existing ones, we are increasing our advertising and marketing, enhancing our loyalty program and expanding mobile banking offerings. We also intend to introduce new deposit and credit products and enhancements to our existing products. These new and enhanced products may include the introduction of checking accounts, overdraft protection lines of credit, a bill payment account feature and Synchrony-branded debit and general purpose credit cards, as well as enhanced small business deposit accounts and expanded affinity offers.

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 at

or for the three months ended March 31, 2014:

<i>(\$ in millions, except for average loan receivable balance)</i>	Retail Card Payment Solutions CareCredit		
Partner locations (at December 31, 2013)	34,000	118,000	177,000
Period end active accounts (in millions)	46.2	6.7	4.4
Average loan receivable balance	\$ 794	\$ 1,599	\$ 1,464
Average FICO for consumer active accounts	713	708	683
Period end loan receivables	\$ 37,175	\$ 10,647	\$ 6,463

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Retail Card is a leading provider of private label credit cards, and also provides Dual Cards and small and medium-sized business credit products. Retail Card accounted for \$6.4 billion, or 68.0%, of our total platform revenue for the year ended December 31, 2013, and \$1.7 billion, or 69.0%, of our total platform revenue for the three months ended March 31, 2014. Substantially all of the credit extended in this platform is on standard (i.e., non-promotional) terms.

Retail Card's platform revenue consists of interest and fees on our loan receivables, plus other income, less retailer share arrangements. Other income primarily consists of interchange fees earned on Dual Card transactions (when the card is 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 19 national and regional retailers with which we have program agreements that have an expiration date in 2016 or beyond. We also have Retail Card programs with five national and regional retailers with which we have program agreements that will not extend beyond their current contractual expiration dates in 2014 or 2015. These 24 partners include department stores, specialty retailers, mass merchandisers, multi-channel electronic retailers, online retailers and oil and gas retailers and have 34,000 retail locations. Set forth below is certain information regarding our Retail Card partners:

	Category	Length of relationship⁽¹⁾
Amazon	Online retailer	6
American Eagle	Specialty retailer apparel	17
Belk	Department store	8
Brooks Brothers ⁽²⁾	Specialty retailer apparel	17
Chevron (Chevron USA and Chevron Canada)	Oil and gas retailer	6
Dick's Sporting Goods	Specialty retailer sporting goods	10
Dillard's ⁽³⁾	Department store	9
Ebates	Online retailer	1
Gap (including Old Navy and Banana Republic)	Specialty retailer apparel	16
JCPenney	Department store	14
Lord & Taylor ⁽²⁾	Department store	6
Lowe's	Mass merchandiser home improvement	35
Meijer ⁽²⁾	Mass merchandiser	11
Men's Wearhouse	Specialty retailer apparel	16
Modell's ⁽³⁾	Specialty retailer sporting goods	6
PayPal (including eBay)	Online retailer	9
Phillips 66	Oil and gas retailer	1
QVC	Multi-channel electronic retailer	8
Sam's Club	Mass merchandiser	20
ShopHQ	Multi-channel electronic retailer	7
Stein Mart	Department store	7
		2

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TJX (including T.J.Maxx, Marshalls and HomeGoods)	Specialty retailer apparel and home goods	
Toys R Us (including Babies R Us)	Specialty retailer toys	1
Walmart	Mass merchandiser	14

- (1) In years, at March 31, 2014. See text following the table below under Term for information with respect to the future status of our relationship with three of these partners.
- (2) Our program agreements with these partners will not be extended beyond their contractual expiration dates in 2014 or, in the case of Brooks Brothers, 2015.

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Our ten largest Retail Card programs accounted in aggregate for 59.6% of our total platform revenue for the year ended December 31, 2013. Our programs with JCPenney and Walmart each accounted for more than 10% of our total platform revenue and JCPenney, Lowe's and Walmart each accounted for more than 10% of our total platform interest and fees and other income, in each case for the year ended December 31, 2013. We also have programs with Sam's Club, a subsidiary of Walmart, pursuant to separate program agreements. For purposes of the information provided in this paragraph with respect to Walmart, the platform revenue and interest and fees and other income from the Sam's Club program has not been included.

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 generally 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. Most 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. Since January 1, 2012, we have extended the duration of 11 of our 24 Retail Card program agreements with a new expiration date in 2016 or beyond. These extended program agreements represented, in the aggregate, 57.6% of our total platform revenue for the year ended December 31, 2013 and 58.6% of our total loan receivables at March 31, 2014. Set forth below is certain information regarding the scheduled expiration dates of our partner programs, including the number of programs scheduled to expire during each indicated period and the platform revenue and loan receivables attributable to those programs at the dates and for the periods indicated:

(\$ in millions)	Scheduled Program Expiration					2021 and beyond
	2016 ⁽¹⁾	2017	2018	2019	2020	
Partner programs ⁽²⁾	1	3	5	2	2	6
Platform revenue (for the year ended December 31, 2013)	\$ 397	\$ 360	\$ 474	\$ 1,436	\$ 1,101	\$ 2,337
Loan receivables (at March 31, 2014)	\$ 1,971	\$ 1,882	\$ 2,555	\$ 6,991	\$ 4,639	\$ 17,244

(1) Program agreements with one of our partners, covering most of the financing we provide to that partner's customers, were recently extended from 2016 to beyond 2021. Program agreements covering the remaining financing provided to the partner's customers (most of which we believe will be extended) represent \$101 million of platform revenue for the year ended December 31, 2013 and \$548 million of loan receivables at March 31, 2014 and are included as part of the 2016 information.

(2) Excludes five program agreements that will not be extended beyond their current contractual expiration dates in 2014 or 2015.

A total of 19 of our 24 Retail Card program agreements (including the 11 program agreements we have extended since January 1, 2012) now have an expiration date in 2016 or beyond. These 19 program agreements represented, in the aggregate, 64.8% of our total platform revenue for the year ended December 31, 2013 and 65.0% of our total loan receivables at March 31, 2014.

The program agreements for five of our 24 current Retail Card partners will not be extended beyond their contractual expiration dates in 2014 or, in one case, 2015. These five program agreements represented, in the aggregate, 3.2% of our total platform revenue for the year ended December 31, 2013 and 3.5% of our total loan receivables at March 31, 2014. In addition, we recently extended our program agreement with PayPal, another of our 24 current Retail Card partners, until October 2016. The extension eliminated certain exclusivity provisions that previously existed in the program agreement which we expect will result in lower platform revenue and loan receivables from our PayPal program during the extended term of the agreement and do not expect it to extend beyond that date. The PayPal program agreement represented 3.1% of our total platform revenue for the year ended December 31, 2013 and 2.6% of our total loan receivables at March 31, 2014.

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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 credit losses, retailer payments and operating expenses). We may also provide additional economic benefits to our partners such as a signing bonus, royalties on purchase volume or payments for new accounts. 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, it sets 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 point 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, or we are not adequately capitalized, or if certain force majeure events occur or certain changes in our ownership (which we do not believe will be triggered by this offering or the Split-off) occur. Certain of these 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.

Acquiring New Retail Card Partners

We seek to partner with medium to large, financially strong retailers who have a national or regional footprint and a desire to grow their business through effective consumer financing programs. Our business development team proactively targets and engages with potential partners that either do not have a card program or may be receptive to an opportunity for us to acquire their existing program. The team responds to competitive requests for proposals (RFPs) and informal inquiries initiated by retailers. From January 1, 2011 through March 31, 2014, we added four new Retail Card partners, which accounted for \$2.1 billion of loan receivables at March 31, 2014.

Acquiring and Marketing to Retail Card 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 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 significantly lower costs than general purpose card issuers, who typically market directly to consumers through mass mailings.

To acquire new customers, we collaborate with our partners and leverage our marketing expertise to create marketing programs that promote our products for creditworthy customers. Frequently, our partners market the

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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 and text messages, direct mail campaigns, advertising circulars, and outside marketing via television, radio and print. We also employ our proprietary Quickscreen and eQuickscreen acquisition methods to make targeted pre-approved credit offers at the point-of-sale both in-store and online. Our Quickscreen and eQuickscreen technology allows us to run customer information 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 in-store or online point 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 and eQuickscreen significantly outperform traditional direct-to-consumer pre-approved channels such as direct mail or email in response rate and dollar spending.

After a customer obtains one of our Retail Card products, our marketing programs encourage card utilization by continuing to communicate our products' value propositions (such as, depending on the program, promotional financing offers, cardholder events, product discounts, dollar-off certificates, accountholder sales, reward points and offers, new product announcements and previews, and free or reduced cost gift wrapping, alteration or delivery services) through our partners' distribution channels.

Through our CRM and data analytics teams, we track cardholder responsiveness to our marketing programs and use this research to target marketing messages and promotional offers to cardholders based on their individual characteristics, such as length of relationship and spending pattern. For example, if a cardholder responds positively to a coupon sent by text message, we will tailor future marketing messages so that they are delivered by text message. Our ability to target marketing messages and promotions is enhanced for Dual Card programs because we receive, collect and analyze data on in-store and all other spending.

We also manage retail loyalty programs. These programs typically provide cardholders with rewards in the form of merchandise discounts that are earned by achieving a pre-set spending level on their private label or Dual Card. The merchandise discounts can be mailed to the cardholder, accessed online, or may be immediately redeemable at the partner's store. Other programs provide cash back or reward points, which are redeemable for a variety of products or awards. 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. In the future, we intend to offer loyalty programs to customers that utilize non-credit payment types such as cash, debit or check. These multi-tender loyalty programs will allow our partners to market to an expanded customer base, and allow us access to additional prospective cardholders.

In addition to our efforts to acquire and promote consumer cardholders, we are increasing our focus on small to mid-sized commercial customers. We offer these customers private label credit cards and Dual Cards that can be used 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.

Payment Solutions

Payment Solutions is a leading provider of promotional financing for major consumer purchases, offering private label credit cards and installment loans. Payment Solutions accounted for \$1.5 billion, or 16.0%, of our total platform revenue for the year ended December 31, 2013, and \$371 million, or 15.1%, of our total platform revenue for the three months ended March 31, 2014. Substantially all of the credit extended in Payment Solutions is promotional financing.

Payment Solutions platform 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 revenue associated with promotional financing. We offer three types of promotional financing: deferred interest (interest accrues during a promotional period and becomes payable if the

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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 revenue 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, manufacturers, buying groups, industry associations and our own individually-branded industry programs, which are available to participating merchants, dealers and retail outlets to provide financing offers to their customers. Our programs include:

programs with national and regional retailers and their related retail outlets;

programs with manufacturers and the merchants and dealers (including franchisees) that sell the manufacturers' products;

programs with buying groups or industry associations and their participating member merchants and dealers; and

individually-branded industry programs that we create and the networks of individual, unrelated merchants and dealers who participate in these programs.

At March 31, 2014, we had 264 Payment Solutions programs and a total of 62,000 participating partners. These partners collectively have 118,000 retail locations. During 2013, 67,000 of these retail locations either processed a credit application or made a Payment Solutions credit sale.

Set forth below is certain information regarding our ten largest Payment Solutions programs by platform revenue for the year ended December 31, 2013:

	Category	Length of Relationship⁽¹⁾
Ashley HomeStores	Furniture retailer and manufacturer	3
Discount Tire	Tire retailer	15
Haverty's Furniture	Furniture retailer	3
h.h.gregg	Electronics and appliances retailer	15
North American Home Furnishings Association	Furniture industry association	4
P.C. Richard & Son	Electronics and appliances retailer	15
Rooms To Go	Furniture retailer	11
Select Comfort	Bedding retailer	10
Sleepy's	Bedding retailer	14
Yamaha Motor Corp. USA	Powersports manufacturer	10

(1) In years, at March 31, 2014.

The average length of our relationship for our 10 largest Payment Solutions programs is 10 years.

Payment Solutions platform revenue for the year ended December 31, 2013 is diversified across seven retail markets: home furnishings/flooring (39.3%), electronics/appliances (19.9%), home specialty (13.9%), other retail (7.9%), power (motorcycles, ATVs and lawn and garden) (8.0%), automotive (7.5%), and jewelry and other luxury items (3.5%). Payment Solutions is also diversified by program, with no one Payment Solutions program accounting for more than 1.0% of our total platform revenue for the year ended December 31, 2013.

National and Regional Retailers and Manufacturers. For the Payment Solutions programs we have established with national and regional retailers and manufacturers, the terms of our program agreements typically are 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 we offer. The term of the program agreements generally run from three to five years and are subject to termination prior to the

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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, elect not to increase the program size when the outstanding loan receivables under the program reach certain 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. In addition to the credit programs, we also process general purpose card transactions for some merchants and dealers under programs with manufacturers as their acquiring bank within most of the credit card network associations, for which we receive an interchange fee.

Buying Groups and Industry Associations. For the Payment Solutions programs we have established with buying groups and industry associations, such as the North American Home Furnishings Association, Jewelers of America and MEGA Group USA, the programs 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. In addition to these credit programs, we also process general purpose card transactions for some merchants and dealers as their acquiring bank within most of the credit card network associations, for which we receive an interchange fee.

Individually-branded Programs. Our individually-branded Payment Solutions 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 CarCareONE program, comprised of merchants selling automotive parts, repair services and tires, covers 17,000 locations across the United States, and cards issued may be dual branded with CarCareONE 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.

Dealer Agreements. For the Payment Solutions 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 on 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.

Acquiring New Payment Solutions Partners

Attracting new partners is a key element to the continued growth of our Payment Solutions platform. In Payment Solutions, we seek to partner with, and proactively target, sellers of big-ticket products or services (generally priced from \$500 to \$25,000) to consumers where our financing products provide strong incremental value to sellers and their customers. Our business development team also responds to RFPs initiated by retailers,

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manufacturers, industry groups and other organizations, and works within our existing programs to increase the number of partners participating in these programs. We also promote all of our programs 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. From January 1, 2011 through March 31, 2014, we established 52 new Payment Solutions programs, which accounted for \$1.3 billion of loan receivables at March 31, 2014, and we increased our total partners from 57,000 at December 31, 2010 to 62,000 at March 31, 2014.

Acquiring and Marketing to Payment Solutions Customers

Our Payment Solutions products are generally deeply embedded in our partners' product offerings and our financing offers are therefore a key component of our partners' marketing and growth strategies. Our breadth and scale enable us to bring substantial retailer marketing expertise to our smaller retailer and merchant partners. Similar to Retail Card, we help our partners acquire new customers by leveraging our significant marketing expertise to help them develop marketing programs that promote our products for customers through a variety of channels, including in-store signage, online advertising, retailer website placement, emails and text messages, direct mail campaigns, advertising circulars and print media/outside marketing via television, radio and print. In Payment Solutions, we also use our CRM and data analytics capabilities as described above for Retail Card.

CareCredit

CareCredit is a leading provider of promotional financing to consumers for elective healthcare procedures or services, such as dental, veterinary, cosmetic, vision and audiology. CareCredit accounted for \$1.5 billion, or 16.0%, of our total platform revenue for the year ended December 31, 2013 and \$388 million, or 15.9%, of our total platform revenue for the three months ended March 31, 2014. 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. We generate revenue in CareCredit primarily from interest and fees on our credit products and from merchant discounts provided by partners to compensate us for all or part of the cost of this promotional financing. We also process general purpose card transactions for some providers as their acquiring bank within most of the credit card network associations, for which we obtain an interchange fee.

CareCredit Partners

The vast majority of our partners are individual and small groups of independent healthcare providers. The remainder are national and regional healthcare providers and manufacturers such as LCA-Vision, Heartland Dental, Starkey Laboratories and the Veterinary Centers of America (VCA Antech). At March 31, 2014, we had CareCredit agreements with 152,000 healthcare providers. These partners collectively have 177,000 locations. During 2013, 132,000 of these locations either processed a CareCredit application or made a sale on a CareCredit credit card. No one CareCredit partner accounted for more than 0.4% of our total platform revenue for the year ended December 31, 2013. CareCredit's platform revenue for the year ended December 31, 2013 is diversified across five major specialties: dental (63.9%), veterinary (14.2%), cosmetic and dermatology (9.8%), vision (5.7%), audiology (2.8%) and other markets (3.6%).

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 on 15 days notice. There typically are no retailer share arrangements with partners in CareCredit.

Table of Contents***Acquiring New CareCredit Partners***

CareCredit includes a network of healthcare practitioners that provide elective procedures that generally are not covered by insurance. 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 has a strong credit history. 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. At March 31, 2014, we had relationships with 107 professional and other associations (including the American Dental Association and the American Animal Hospital Association), manufacturers and buying groups, which endorse and promote our credit products to their members. Of these relationships, 63 were paid endorsements linked to member enrollment in, and volume under, the relevant program. We believe our ability to attract new partners is aided by our customer satisfaction rate, which our research in 2014 shows is 92%. We also approach individual healthcare service providers through direct mail and advertising, and at trade shows. We have increased the number of our CareCredit partners from 122,000 at December 31, 2010 to 152,000 at March 31, 2014.

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 2014 survey of our CareCredit customers, 47% indicated that they would have postponed or reduced scope of treatment if financing was not offered by their provider. Consumers can apply for our CareCredit products in the provider's office, or on-line via the web or mobile device.

We also market our products to potential and existing customers directly through our web-based partner locator, which 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 partner locator averaged 560,000 hits per month during the year ended December 31, 2013. We believe our partners recognize the locator as an important source of new customer acquisition. Our extensive marketing activities targeted to existing customers have yielded high levels of CareCredit card re-use across the network, with 69% of the transactions across our CareCredit network during the year ended December 31, 2013 resulting from repeat use at one or more providers.

Our Credit Products

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 within credit cards, by private label credit cards and Dual Cards) and indicates the percentage of our total loan receivables that are under standard terms only or pursuant to a promotional financing offer at March 31, 2014.

Credit Product	Standard Terms		Total
	Only	Promotional Offer	
Private label credit cards	45.4%	28.0%	73.4%

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Dual Cards	22.2	0.2	22.4
Total credit cards	67.6	28.2	95.8
Commercial credit products	2.4		2.4
Consumer installment loans		1.8	1.8
Total	70.0%	30.0%	100.0%

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Credit Cards

Our credit card products are loans we extend through open-ended revolving credit card accounts. We offer two principal types of credit cards: private label credit cards and Dual 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., CarCareONE 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 on either standard terms only, 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, 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 cost of providing the promotional financing feature. 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.

In Retail Card, credit under our private label credit cards typically is extended on standard terms only, and in Payment Solutions and CareCredit, credit under our private label credit cards typically is extended pursuant to a promotional financing offer. 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

Our proprietary Dual Cards are Visa, MasterCard, American Express or Discover general purpose credit cards that are co-branded with our partner's own brand and may be used to make purchases of goods or services from our partner (functioning as a private label credit card) or purchases from others wherever cards from those card networks are accepted (functioning as a general purpose credit card) or cash advance transactions.

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.

Credit extended under our Dual Cards typically is extended on standard terms only. Currently, only Retail Card offers Dual Cards. At March 31, 2014, we offered Dual Cards through 18 of our 24 Retail Card programs. We expect to continue to increase the number of partner programs that offer Dual Cards and seek to increase the portion of our loan receivables attributable to Dual Cards.

Charges using a Dual Card generate interchange income for us in connection with purchases made by cardholders other than in store or online from the partner.

We currently do not issue Dual Cards in Canada.

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Loyalty Programs

We operate a number of loyalty programs 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 rewards in the form of merchandise discounts that are earned by achieving a pre-set spending level on their private label credit card or Dual Card. Other programs provide cash back or reward points, which are redeemable for a variety of products or awards.

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. To the extent required by law or regulation, we send a monthly billing statement to each customer who has an outstanding debit or credit balance.

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 co-branded 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, and are rolling out an improved customer experience for this product with enhanced functionality. 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 segment. 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. 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

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will cancel all or a portion of a customer's credit card balance in the event of certain qualifying life events. In October 2012, we ceased telesales of debt cancellation protection products and only offer a debt cancellation product online and, on a limited basis, by direct mail.

Direct Banking

Through the Bank, we offer our customers a range of FDIC-insured deposit products directly through our Optimizer+^{plus} platform. The Bank also takes deposits through third-party securities brokerage firms that offer our FDIC-insured deposit products to their customers. At March 31, 2014, we had \$27.4 billion in deposits, \$13.0 billion of which were direct deposits (which includes deposits from banks and financial institutions) and \$14.4 billion of which were brokered deposits. Direct deposits were received from 109,000 customers that had a total of 168,000 accounts. 4% of our direct deposits (by volume) and 1% of these accounts (by number) were from commercial customers and all the others were from retail customers. The Bank had an 84% retention rate on certificates of deposit balances up for renewal for the three months ended March 31, 2014. FDIC insurance is provided for our deposit products up to applicable limits.

In January 2013, we acquired the deposit business of MetLife, which is a direct banking platform that at the time had \$6.4 billion in deposits (\$6.0 billion in direct deposits). The acquisition of this direct-to-consumer retail banking platform is a key part of our strategy to increase our deposit base as a source of stable and diversified low cost funding going forward. Our online platform is highly scalable allowing us to expand without having to rely on a traditional brick and mortar branch network. We expect growth in our direct banking platform to come primarily from retail deposits.

We are growing our direct banking operations and believe we are well-positioned to benefit from the consumer driven-shift from branch banking to direct banking. According to 2012 and 2013 American Bankers Association surveys, the percentage of customers who prefer to do their banking via direct channels (internet, mail, phone and mobile) increased from 53% to 61% between 2010 and 2013, while those who prefer branch banking declined from 25% to 18% over the same period.

Our deposit products include certificates of deposit, IRAs, money market accounts and savings accounts. We market our deposit products through multiple channels including our online, print and radio advertising. Customers can apply for, fund, and service their deposit accounts online or via phone. We have a dedicated staff within our call centers to service deposit accounts. Historically, we also offered a partner-branded prepaid re-loadable card product to the customers of a few of our Retail Card partners. We had an aggregate of \$172.1 million of deposits in the Bank at December 31, 2013 attributable to this product. In the first quarter of 2014, we sold substantially all of these deposits and no longer offer this product, because the program through which we offered the product did not provide satisfactory returns.

To attract new deposits and retain existing ones, we intend to introduce new deposit and credit products and enhancements to our existing products. These new and enhanced products may include the introduction of checking accounts, overdraft protection lines of credit, a bill payment account feature and Synchrony-branded debit and general purpose credit cards, as well as enhanced small business deposit accounts and expanded affinity offers. 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.

FIS provides our platform for online retail deposits including a customer-facing servicing platform that customers can access via our marketing site. FIS also provides supplemental back office, IT production and IT development support for our direct banking operations.

We seek to differentiate our deposit product offerings from our competitors on the basis of brand, reputation, convenience, customer service and value. We have launched a subbrand for our deposit products called Optimizer+^{plus}, which emphasizes reliability, trust, security, convenience and attractive rates. Optimizer+^{plus} Perks offers rewards to customers based on their tenure or balance amounts, including reduced fees, travel offers and concierge telephone support.

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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 consumer credit products is generally highly diversified across 110.7 million open accounts at March 31, 2014, 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 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 risk. Different scoring models may be used depending upon bureau type and account source.

We also apply additional application screens based on various inputs, including credit bureau information, 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 (OFAC) of the U.S. Department of the Treasury, as well as screens that account for adherence to USA PATRIOT Act of 2001 (the Patriot Act) and CARD Act requirements, including ability to pay requirements.

We occasionally 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 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

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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 on-line, point-of-sale terminals or on-line sites have an on-line 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 takes into account 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. For example we intend to begin implementing EMV chips with some of our partners in 2014.

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 and use of external vendors, 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, 2013, we handled approximately 174 million calls.

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 two off-shore call centers. We also provide phone-based customer service through a third party vendor. Our off-shore facilities are located in Hyderabad, India and Manila, Philippines. We blend domestic and off-shore locations and seek optimal cost as an important part of our servicing strategy. Customer service for cards issued to customers in Canada is supported through agents based in the United States.

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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 413 million paper and electronic payments in 2013);

embossing and mailing credit cards (approximately 43 million cards in 2013);

printing and mailing and eService delivery of credit card statements (more than 598 million paper and electronic statements in 2013); and

other letters mailed or sent electronically (more than 92 million in 2013).

All United States 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. United States credit card statement printing and mailing, card embossing and mailing and letter production and mailing for customers is provided through outsourced services with 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 and mailing and statement printing and mailing services related to cards issued to customers in Canada are outsourced to Canadian suppliers.

Technology

We leverage information technology and deliver products and services that meet the needs of our partners and enable 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 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. Consequently, 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 technologies, we may either develop these capabilities internally or rely on third-party providers. We rely on 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 FIS for retail banking.

To protect our systems and technologies, and the consumer information stored on our systems, we employ security, backup and recovery systems and generally require the same of our most significant third-party service providers. Our information security policy and supporting standards and procedures (including multiple layers of security controls), are designed to ensure the confidentiality, integrity and availability of consumer data and ensure that access is limited to those with a business need. We evaluate the effectiveness of the key security controls through ongoing assessment and measurement. We have implemented a security program that is designed to provide oversight of third parties who store, process or have access to material consumer data.

In addition, we perform, or cause to be performed, a variety of vulnerability and penetration testing on the platforms, systems and applications used to provide our products and services in an effort to reduce the risk that

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any attacks on these platforms, systems and applications are successful. We also perform periodic test and validation of our disaster recovery plans and require certain of our third parties to do so as well. In connection with the Separation, we must migrate, and in some cases, establish with third parties, key parts of our technology infrastructure, including our data centers.

Competition

Our industry is highly competitive and is becoming more 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, American Express, Capital One, 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 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 PayPal. In the future, we expect our products will face increased competition from new emerging payment technologies, such as Google Wallet, ISIS Mobile Wallet, Square, as well as consortia of merchants that are expected to combine payment systems to reduce interchange and other costs (e.g., MCX). 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. 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), Discover, Nationwide, Sallie Mae and 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.

Intellectual Property

We use a variety of methods, such as trademarks, patents, copyrights and trade secrets, to protect our intellectual property. 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. Following this offering, we are launching our new brand, Synchrony, and expect to spend significant amounts over the next few years promoting our new brand.

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We have two patents for proprietary methods related to our Dual Cards. The patents were issued in 2005 and 2010 and expire in 2023 and 2027, respectively.

We recently filed trademark applications to protect our new name in the United States and certain other countries, and the applications are pending.

Employees

At December 31, 2013, we had 9,333 full time employees including 2,856 employees in global services (which is responsible for customer service and other administrative functions), 2,665 employees in operations, 1,163 employees in collections, 691 employees in risk management (including fraud), 623 employees in client development, 363 employees in marketing, 311 employees in information technology and 661 other employees in other functions. At December 31, 2013, our workforce consisted of 6,477 full time employees in the United States, 1,558 in India and 1,298 in the Philippines. None of our employees is represented by a labor union or is 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 provided us with additional contractors for customer service, collections and other functions.

Facilities

The table below sets out selected information on our principal facilities.

Location	Owned/Leased ⁽¹⁾
Corporate Headquarters:	
Stamford, CT	Leased
Bank Headquarters:	
Draper, UT	Leased
Payment Processing Centers:	
Atlanta, GA	Leased
Longwood, FL	Leased
Customer Service Centers:	
Canton, OH	Leased
Charlotte, NC	Leased
Frisco, TX	Leased
Hyderabad, India	Leased
Kettering, OH	Leased
Manila, Philippines	Leased
Manila, Philippines (Alabang)	Leased
Merriam, KS	Owned
Phoenix, AZ	Leased
Rapid City, SD	Leased
San Juan, PR	Leased
Other Support Centers:	

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Alpharetta, GA	Leased
Bellevue, WA	Leased
Bentonville, AR	Leased
Costa Mesa, CA	Leased
San Francisco, CA	Leased
San Jose, CA	Leased
St. Paul, MN	Leased
Walnut Creek, CA	Leased
Bank Retail Branch Location:	
Bridgewater, NJ	Leased

- (1) In connection with this offering, certain of these leased properties were assigned to us by GECC. In some cases GECC will continue to have liability for obligations under the leases and we will indemnify GECC for any costs or expenses related to those obligations.

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Our corporate headquarters are located on a site in Stamford, Connecticut that is leased by GECC from a third party. The site contains three buildings, two of which we currently occupy completely and another which we occupy partially, with the remaining space occupied by other GE businesses. In connection with the completion of this offering, we entered into an arms-length sublease agreement with GECC for our current facilities on this site. Our physical space and the technology services in Stamford are separate from the other GE businesses that operate there. GECC's current lease agreement expires September 30, 2016, and contains two remaining five year renewal options.

We maintain small offices at a few of our United States partner locations pursuant to servicing, lease or license agreements. We also have several locations (in addition to those set forth above) where we use space leased or owned by GE or GECC and we intend to either exit or relocate these operations to other space to be leased directly by us.

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.

Legal Proceedings

For a discussion concerning our legal proceedings, see Note 16. *Legal Proceedings and Regulatory Matters* to our combined financial statements and Note 13. *Legal Proceedings and Regulatory Matters* to our condensed combined financial statements, and for updated information regarding certain of these legal proceedings, see Regulation Consumer Financial Services Regulation.

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 we encounter, namely credit, market, liquidity, operational and strategic risk. Historically, the risk function for substantially all of our operations has been managed through the risk management function at the Bank level. We are currently establishing an overall risk management function at the Synchrony level, building on our extensive, well-established risk management experience and processes at the Bank. The Bank will maintain a substantial risk management function that will be coordinated with our overall risk management. The following is a description of our overall risk management function, which we expect will be substantially in place immediately after the closing of this offering.

As described in greater detail below under Risk Management Roles and Responsibilities, we will manage our enterprise risk using an integrated framework that will include 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). The Risk Committee of our board of directors will have responsibility for the oversight of our risk management program, and three other board committees will have other oversight roles with respect to risk management. Several management committees and subcommittees will have important roles and responsibilities in administering our risk management program, including the Enterprise Risk Management Committee (the ERMC), the ALCO and the Investment Committee. This committee-focused governance structure will provide a forum through which risk expertise will be applied cross-functionally to all major decisions, including development of processes, policies and controls used by the CRO and risk management team to execute our risk management philosophy.

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

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Risk Categories

Our risk management is, and will continue to be, organized around five major risk categories: credit risk, market risk, liquidity risk, operational risk and strategic risk. We evaluate, and will continue to evaluate, the potential impact of a risk event on us (including the Bank and other 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 an 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 the most significant risks we face. See [Credit Risk Management](#) for a description of our customer credit risk management procedures.

Market Risk

Market risk is the risk of loss due to changes in external market variables such as interest rates and asset values. Our principal market risk exposures arise from volatility in interest rates and their impact on our economic value, capitalization levels and earnings. Market risk will be managed through our ALCO processes, and will be subject to policy and risk appetite limits for both earnings at risk and the economic value of equity sensitivity analysis. The ALCO will review market risk scenario results on a monthly basis, and interest rate risk appetite metrics will be reviewed on a quarterly basis by the ERMC and our board of directors.

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. Our 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 all of our liabilities in a timely manner and at an acceptable cost. Policy and risk appetite limits will 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 policies will also call for funding diversification, monitoring early warning indicators in the capital markets, and limits on the amounts of certificates of deposit maturities in any one month. Our ALCO will review liquidity exposures continuously in the context of approved policy and risk appetite limits and report results quarterly to the ERMC and our board of directors.

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, including the Bank, 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 will be 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. Our operational risk team will conduct a formal strategic risk assessment at least annually, and establish risk mitigation plans for top strategic risks. The Bank's New Product Innovation Council will assess the strategic viability and consistency of each new Bank product or service. New initiatives will require the approval of the ERMC and our board of directors, in the case of projects deemed more risky or critical to the mission of the business.

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Risk Management Roles and Responsibilities

Responsibility for risk management will flow to individuals and entities throughout our Company, including our board of directors, various board and management committees and senior management. We believe our credit risk culture has facilitated, and will continue to facilitate, the evolution of an effective risk presence across the Company. Set forth below is a description of the expected roles and responsibilities related to the key elements of our risk management framework.

Board of Directors

Our board of directors, among other things, will approve the enterprise-wide risk appetite statement and framework for the Company, as well as certain other risk management policies and oversee the Company's strategic plan and enterprise-wide risk management program. Our board of directors may assign certain risk management activities to applicable committees and management.

Board Committees

Our board of directors has established, effective at the completion of this offering, four committees that will assist the board in its oversight of our risk management. These committees and their expected risk-related roles are described below.

Audit Committee. In coordination with the Risk Committees of the Company and the Bank, the Audit Committee, among other things, will 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 disclosure and 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, among other things, will: (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, among other things, will: (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, among other things, will: (i) assist our board of directors in its oversight of the Company's enterprise-wide risk-management 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 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 our 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

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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 allowance for loan losses, liquidity policy and risk appetite, regulatory capital policy and ratios and internal capital adequacy assessment processes and, at least annually, the Bank's annual capital plan and recovery 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

Upon completion of this offering, we will establish two management committees with important roles and responsibilities in our risk management function: the ERM (of which ALCO will be a subcommittee) and the Investment Committee. These committees and their expected risk-related roles are described below.

ERM. A management committee that will be under the oversight of the Risk Committee, the ERM will be comprised of our senior executives and chaired by the CRO. The ERM will have responsibility for identifying, assessing, monitoring and mitigating risks across the Company and for reporting on material risks to our Risk Committee. The responsibilities of the ERM will include the day-to-day management of risks impacting the Company and ensuring compliance across the Company with the overall risk appetite. The ERM will also oversee 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. A subcommittee of the ERM, the ALCO will be comprised of our senior executives and chaired by the Treasurer. It will identify, measure, monitor, manage and control market, liquidity and credit (investments and bank relationships) risks to the Company's balance sheet. ALCO activities will 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.

Investment Committee. A management committee under the oversight of the board of directors and its Risk Committee, the Investment Committee will be comprised of our senior executives and chaired by the CRO. The Investment Committee will have responsibility for reviewing and approving critical investment activities of the Company, such as equity investments, acquisitions, dispositions, joint ventures, portfolio deals and investment issues impacting the Company. It will also be responsible for overseeing the Company's approach to managing its investments. The Committee may make decisions only within the authority that is granted to it by the board of directors and must escalate any investment proposals outside of its authority to the board of directors for final decision.

Chief Executive Officer, Chief Risk Officer and Other Senior Officers

Our Chief Executive Officer has, and will continue to have, ultimate responsibility for ensuring the management of the Company's risk in accordance with the Company's approval