synchrony

ANNUAL REPORT 2023

Dear Synchrony Stakeholders,

Synchrony continues to be an essential part of the lives of tens of millions of people, hundreds of thousands of small businesses and healthcare providers, and a responsible and trusted contributor to the economy. We do this while delivering consistently strong results for our company and shareholders and creating a culture and workplace that works for our people.

In 2023, we delivered another year of strong financial performance — including record purchase volume — by once again putting the value of experience, the strength of our operating model, and strategic investments in play to deliver for our customers, partners, employees and shareholders.

As I reflected on the past year, I thought of the multiyear transformation we kicked off three years ago and how the results have allowed us to be more focused on the industries we serve — accelerating our ability to bring products and capabilities to market faster while exceeding the expectations of our customers and partners.

At the same time, I am proud of the environment we've co-created with our Synchrony team to enable them to thrive, both at home and at work. Our culture — built on trust, flexibility and innovation — remains strong and differentiated as we continuously adapt to make Synchrony an even greater place to do great work.

The result: our team continues to execute and deliver year after year — and 2023 was no different.

Our 2023 Financial Performance

In 2023, we drove strong growth supported by Synchrony's diverse portfolio, flexible product offerings, advanced digital capabilities and the overall health of the consumer. The broad utility and value of our products continued to resonate deeply with our customer base, leading to record purchase volume totaling $185 billion and the origination of almost 23 million new accounts.

In the fourth quarter of 2023, net charge-offs reached pre-pandemic levels, in line with our expectations and contributing to a full-year net charge-off rate of 4.87%, below our target underwriting range of 5.5%–6.0%. We also drove continued progress toward our target operating efficiency ratio, demonstrating cost discipline while maintaining investments to ensure our long-term success. Deposits in Synchrony Bank increased $9.4 billion, or 13%, to $81.2 billion and comprised 84% of Synchrony's funding.

We strive to deliver attractive risk-adjusted returns through changing market conditions and economic cycles, allowing us to consistently generate and return capital to our shareholders. And through strong execution and prudent capital management, we continued our long history of capital returns, including $1.5 billion returned to shareholders this year. Since 2016, we have paid $3.6 billion in dividends and reduced our outstanding shares by 50%. We are confident we can continue to sustainably grow and deliver resilient risk-adjusted returns over time while delivering still greater value for our many stakeholders in the short and long term.

In 2023, we added more than 25 partners and renewed more than 30 existing relationships. This included J.Crew selecting Synchrony to launch its first co-branded credit card, which will be a digital-first program with mobile wallet provisioning, robust preapproval capabilities, scan-to-apply, and direct-to-device credit applications — all hallmarks of Synchrony's advanced digital capabilities. This competitive win is a testament to our culture of innovation, consistent investment in our digital ecosystem, and strategic focus to empower our customers and partners with best-in-class omnichannel experiences. Other key wins and renewals across our platforms included Albertsons, Belk, The Container Store, Destination Pet, LG Air Conditioning Technologies, Piaggio, Rheem and many more.

Expanding Our Reach in Pet, Health & Wellness and Home Specialties

In addition to our strong signings and renewals, we continue to invest in our company. We entered into a strategic partnership with — and took a minority ownership stake in — Independence Pet Holdings (IPH). As part of the agreement, IPH acquired Pets Best, the pet insurance company Synchrony purchased in 2019 and grew from approximately 125,000 pets insured to nearly 800,000 by the end of 2023. We are proud of the work we did with Pets Best, building it into a leading pet insurer in the United States, and are excited about what the future holds for that team and business. IPH has the ability to scale the business to new heights, as it has a fully dedicated pet vertical, including pet insurance expertise and scale. For Synchrony, our agreement with IPH keeps us connected to Pets Best and its other pet businesses, expanding our opportunities in the pet space and allowing us to unlock even greater value and growth for our vet-to-pet financing strategy through the ability to market our CareCredit financing to millions more pet owners.

We also made a move to expand our business and accelerate our growth with the acquisition of Ally Lending, the point-of-sale financing business for Ally Financial. This $2.2 billion loan portfolio consists of partnerships with nearly 2,500 merchant locations and supports more than 450,000 active borrowers in home improvement services and healthcare. This is a strategic fit for us, as we have the scale and expertise to grow this business in these markets and expand to new specialties in home like roofing, HVAC and windows. With this acquisition, we'll be able to further diversify our product offerings, attract new customers, and maximize conversions and sales for our partners.

Bolstering Innovation to Deliver Results

Synchrony's ability to successfully deliver a breadth of financing solutions across an expansive distribution network is reliant on providing our customers the best experience possible. In 2023, we continued to elevate our offerings across in-person and digital transactions. For example, we added digital wallet provisioning capabilities for our partners, including PayPal and Venmo, Verizon, TJX and Belk. As a result, our digital sales continued to grow at an outsized pace, climbing 9%, to nearly 39% of our total 2023 sales.

We also launched our Synchrony Marketplace online and within our native app, where shoppers can access hundreds of offers promoting our partner brands supported by Synchrony's tailored multiproduct financing solutions. In fact, as Synchrony leverages our analytics and marketing capabilities to develop compelling cross-shopping opportunities in this initial launch, Synchrony Marketplace has attracted more than

220 million visits for our partners, providers and merchants, as we more than doubled the number of participating partners.

We continued to broaden the utility of our offerings and extend our reach with new products, programs and markets. This year, we launched multiproduct prequalification and began presenting customers with side-by-side offers of both revolving and installment solutions to bring choice to the forefront. These enhancements empower customers to weigh the benefits of various options in real time and make the decisions that best suit their financing needs in that moment.

We also expanded the reach of our "buy now, pay later" solution we call "Synchrony Pay Later," which is now offered at over 200 provider locations in our Health & Wellness platform and at 18 retail partners. For example, we expanded our partnership with Lowe's beyond private label credit cards to include Synchrony Pay Later (branded as Lowe's Pay), to include more options for consumers at the point of purchase. Home furnishing retailer At Home is also deploying Synchrony Pay Later to help shoppers buy online and in-store using monthly fixed payments. Partners that have offered Synchrony Pay Later solutions have seen a 20% lift in new accounts, with 95% of Pay Later sales coming from new customers.

Our PRISM advanced underwriting platform, which allows us to move beyond the traditional credit score using a proprietary, cycle-tested approach to credit decisioning, is helping us manage the ebbs and flows of the economic landscape. PRISM remains a differentiator by protecting Synchrony and our consumers and driving results for our partners. This year, we added more insightful data, leveraged and built new scores and machine learning models, and continued to advance our technology to drive incremental sales and manage fraud risk.

Thanks to our innovations in digital experience, consumer engagement, marketing, and a broad set of financing solutions, we're increasingly at the center of customers' everyday financing needs, and positioned as the partner of choice for retailers, merchants, and providers alike as they seek enhanced value and greater utility. It's why we continue to invest in the future, building out a payments and financial product ecosystem that delivers flexibility and choice to help people purchase and pay for the things that matter to them while driving growth for our partners and company.

Powered by Our People: The Industry's Best Culture

In making these investments, we rely on the dedication, talent and expertise of our people. They are the best in the business, and I am extremely proud of the work they do every day. I'm equally proud of *how* we have built our high-performing team — by creating it *together* with our employees and working with them to co-design how we work, along with our industry-leading benefits and programs to better support their evolving needs.

We strive to put our employees first and to be a great place to do great work by taking a collaborative and comprehensive approach to wellness that recognizes individual needs and experiences. To help employees show up as their best selves every day, we aim to provide maximum flexibility, total well-being, equity and more. We have found that trusting our employees to decide what works best for them works for our business too, as our results have never been stronger.

- Employees can choose to work remotely or at one of our office hubs, and most of them have chosen to do both, enjoying the flexibility to manage their lives while getting together in person with colleagues to collaborate as needed. Our business results continue to demonstrate that this model works.
- We invested in a team of coaches and specialists focused on wellness, financial advice, benefits, and performance to help employees be successful both at home and work. Moving one step further, we ensured our coaches represented the diversity of our workforce in response to feedback we received directly from employees.
- Our new partnership with Thrive Global, a leading behavior change and wellness technology company, is an extension of these efforts, helping employees and leaders focus on self-care and habits to improve their overall health.
- After listening to our people, we also designed the Synchrony 401(k) Student Loan Match, a unique retirement savings option that enables employees paying off student loans to save for their future by having their qualified student loan payments counted toward Synchrony's matching 401(k) contributions. While they pay their loans down, we help build their savings.
- We are committed to creating an environment that is inclusive and helps everyone be their best. Our Equity, Diversity, Inclusion and Citizenship programs aim to evolve the workforce to reflect the diversity of the populations in the communities we serve, nurture a culture of inclusion where employees are valued, and increase access to education for those who need it most. In recognition of our commitment in this area, the Executive Leadership Council (ELC) honored Synchrony with its ELC Corporate Award in 2023. We also received — for the eighth consecutive year — a perfect score of 100 on the Human Rights Campaign Foundation's 2023–2024 Corporate Equality Index (CEI), the nation's foremost benchmarking survey and report measuring corporate policies and practices related to LGBTQ+ workplace equality.

The results of all these employee-centric programs have paid off. We were recognized once again as one of *Fortune's* Best Companies to Work For® in the U.S., which uses employee feedback as a criterion. We've moved up the list every year since 2018 — we're now in the Top 5 — and are incredibly proud of how we got there: by listening to our people, which has led to higher retention rates, allowing us to preserve more institutional knowledge and focus on delivering for partners and consumers versus training and onboarding new staff.

Best of all: 95% of employees say Synchrony is a great place to work, compared to 57% at a typical U.S. company. And year after year, we are delivering great financial results and driving growth for our partners.

Delivering Results Responsibly

Our strong business results, dedicated team, and incredible culture are all underscored by our commitment to be trusted, transparent and responsible in all our interactions. In fact, Synchrony has been included on JUST Capital's list of America's Most JUST Companies for seven consecutive years, demonstrating what it means to support our workers, customers, communities, the environment and shareholders.

From our very beginnings nearly 100 years ago, we have been there for people who needed us to help them purchase and pay for the things that matter to them – whether to get their kids new shoes for the first day of school, put new tires on the family car, buy that special engagement ring or provide care for their pets. As long as we continue to meet people wherever they are in their buying journey and provide the right product at the right time, we will continue to be successful.

Even as the regulatory environment evolves, Synchrony aims to continue to meet the needs of our partners and advance the responsible use of credit. For example, we had been preparing well in advance of the Consumer Financial Protection Bureau's issuance of its final rule on credit card late fees in March 2024, which, once effective, will cap late fees at $8 and end automatic annual inflation adjustments.

It is our belief that this rule will limit the availability of credit and increase costs for the majority of customers that pay on time. That said, we have continued to engage with our partners on product, policy and pricing changes to address the anticipated impact of the rule. We believe these changes will allow us to continue to meet the needs of our partners and provide consumers with the financing options they need.

We also continue to help the people who count on us by arming them with knowledge and tools to build a strong financial future. For our customers, this means making sure our communications with them are transparent, while also providing financial educational tools on topics like building credit, managing debt and more.

As part of these efforts, last year we announced a partnership with Financial Literacy for All (FL4ALL) — a national initiative dedicated to embedding financial literacy into American culture. We also continue to drive our Education as an Equalizer initiative to increase access to higher education, skills training and financial literacy for underserved communities and our own workforce. Through this program, we have distributed more than $19 million in grants and provided more than 1,400 scholarships since 2021.

Thank You for Choosing Synchrony

As we look forward to another great year ahead, I want to thank our Synchrony stakeholders:

- Our *people* for being the heart of our company who make us better every day — and for continuing to deliver business outcomes that matter
- Our *customers* for trusting us with their business and seeing the value in being a part of the Synchrony ecosystem
- Our *partners* for their loyalty and commitment to driving growth together
- Our *communities* for welcoming us in as a part of your neighborhoods
- You, our *shareholders*, for your commitment to our business that delivers in the short and long term

I am optimistic about the future of our company. Our business is designed to be resilient, differentiated and powered by our people and our partnerships with consumers, merchants and providers. Our experience, built over decades, is deepened through expertise and evolution. Our scale — the reach of Synchrony products, the breadth of our ecosystem and the size of our consumer base — is growing and helps us differentiate. We will continue to invest in the business while seizing transformational moments that drive our strategy.

We remain focused on optimizing outcomes for our stakeholders — by closely managing the drivers of our business that we control, and intently monitoring and preparing for those which we do not. This focus is supported by our Board of Directors, who engage regularly on performance and progress toward our strategic initiatives, along with significant developments and risks that may impact our business.

Synchrony prioritizes sustainable growth to deliver resilient risk-adjusted margins through changing market conditions while prudently investing in the future and long-term growth of the business. And we are delivering on our financial commitments, even as we ready the business for an evolving environment, to support our continued ability to drive long-term value into the future.

These strengths have set us up for success and will power our company this year and in the future.

Nearly 100 years in the making, Synchrony is just getting started.

Brian Doubles
President and CEO

Financial Highlights

For the years ended, and at, December 31, 2023
(in millions unless otherwise stated except for per share data and ratios)

Financial Highlights		2023		2022		2021
Net interest income	$	16,999	$	15,625	$	14,239
Interest and fees on loans	$	19,902	$	16,881	$	15,228
Net earnings	$	2,238	$	3,016	$	4,221
Diluted earnings per share	$	5.19	$	6.15	$	7.34
Shares outstanding[1]		423.5		483.4		569.3
Period End						
Total assets	$	117,479	$	104,564	$	95,748
Loan receivables	$	102,988	$	92,470	$	80,740
Deposits	$	81,153	$	71,735	$	62,270
Common equity Tier 1 capital ratio[2]		12.2%		13.3%		16.1%
Performance Metrics						
Purchase volume (in billions)[3]	$	185.2	$	180.2	$	165.9
Period-end active accounts (in thousands)[4]		73,484		70,763		72,420
Average active accounts (in thousands)[4]		70,337		68,627		67,343
Net interest margin[5]		15.15%		15.63%		14.74%
Net charge-off rate[6]		4.87%		3.00%		2.92%
30+ delinquency rate[7]		4.74%		3.65%		2.62%
Efficiency ratio[8]		34.9%		37.2%		38.9%
Return on assets[9]		2.0%		3.1%		4.5%

[1] Diluted weighted average common shares outstanding.

[2] Prior-period amounts have been recast to reflect the change in presentation of contract costs related to our retailer partner agreements on our Statement of Financial Condition. See Form 10-K for the fiscal year ended December 31, 2023, Note 2. *Basis of Presentation and Summary of Significant Accounting Policies* to our consolidated financial statements for additional information.

[3] Purchase volume, or net credit sales, represents the aggregate amount of charges incurred on credit cards or other credit product accounts less returns during the period. Purchase volume includes activity related to our portfolios classified as held for sale.

[4] Active accounts represent credit card or installment loan accounts on which there has been a purchase, payment or outstanding balance in the current month. Includes activity and accounts associated with loan receivables held for sale.

[5] Net interest margin represents net interest income divided by average interest-earning assets.

[6] Net charge-off rate represents net charge-offs as a percentage of average loan receivables, including those held for sale.

[7] Based on customer statement-end balances extrapolated to the respective period-end date.

[8] Efficiency ratio is calculated as Total Other expense divided by sum of Net interest income plus Other income less Retailer share arrangements (RSA)

[9] Return on assets represents net earnings as a percentage of average total assets.

SYNCHRONY

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