

Synchrony Financial
Form S-1/A
August 01, 2014
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As filed with the Securities and Exchange Commission on August 1, 2014

Registration No. 333 - 197244

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT No. 1
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SYNCHRONY FINANCIAL
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	6199 (Primary Standard Industrial Classification Code Number)	51-0483352 (I.R.S. Employer Identification Number)
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777 Long Ridge Road

Stamford, Connecticut 06902

(203) 585-2400

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Jonathan S. Mothner, Esq.

Executive Vice President, General Counsel and Secretary

Synchrony Financial

777 Long Ridge Road

Stamford, Connecticut 06902

(203) 585-2400

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

David S. Lefkowitz, Esq.

Stuart C. Stock, Esq.

Richard J. Sandler, Esq.

Corey R. Chivers, Esq.

David B.H. Martin, Esq.

John B. Meade, Esq.

Weil, Gotshal & Manges LLP

Covington & Burling LLP

Davis Polk & Wardwell LLP

767 Fifth Avenue

1201 Pennsylvania Avenue, NW

450 Lexington Avenue

New York, New York 10153

Washington, DC 20004

New York, New York 10017

(212) 310-8000

(202) 662-6000

(212) 450-4000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer " Accelerated filer "
 Non-accelerated filer x (Do not check if a smaller reporting company) Smaller reporting company "

CALCULATION OF REGISTRATION FEE

	Title of Each Class of Securities to Be Registered	Proposed Maximum	
		Aggregate Offering Price ⁽¹⁾	Amount of Registration Fee ⁽²⁾
Senior notes		\$3,000,000,000	\$386,400

- (1) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933. This amount represents the proposed maximum aggregate offering price of the securities registered hereunder to be sold by the Registrant.
- (2) A registration fee in the amount of \$12,880 was previously paid in connection with a prior filing of this Registration Statement on July 3, 2014. Pursuant to Rule 457(a) under the Securities Act, an additional filing fee of \$373,520 is being paid in connection with this amendment to the Registration Statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)

Dated August 1, 2014

\$3,000,000,000

\$	% Senior Notes due 2017
\$	% Senior Notes due 2019
\$	% Senior Notes due 2021
\$	% Senior Notes due 2024

We are offering \$ aggregate principal amount of % Senior Notes due 2017 (the 2017 notes), \$ aggregate principal amount of % Senior Notes due 2019 (the 2019 notes), \$ aggregate principal amount of % Senior Notes due 2021 (the 2021 notes), and \$ aggregate principal amount of % Senior Notes due 2024 (the 2024 notes and, together with the 2017 notes, the 2019 notes and the 2021 notes, the notes).

Interest on each series of notes will be payable semi-annually in arrears on and of each year, beginning on , 2015. The 2017 notes will mature on , 2017, the 2019 notes will mature on , 2019, the 2021 notes will mature on , 2021, and the 2024 notes will mature on , 2024. We may redeem each series of notes, in whole or in part, at any time before the applicable maturity date at the prices described under Description of the Notes Optional Redemption.

The notes will be our senior obligations and will rank without preference or priority among themselves and equally in right of payment with all of our other unsecured and unsubordinated obligations. The notes are not savings accounts, deposits or other obligations of any of our bank or non-bank subsidiaries and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

On July 30, 2014, we priced the initial public offering (the IPO) of our common stock. The IPO is scheduled to close on August 5, 2014, subject to customary closing conditions. At the closing of the IPO, we will issue 125 million shares of our common stock (or 15.1% of the shares of our common stock outstanding immediately following the IPO) and receive net proceeds of \$2.8 billion. We also granted to the underwriters in the IPO an option (exercisable at any time on or prior to August 29, 2014) to purchase up to an aggregate of 18.75 million additional shares of our common stock (or 2.3% of the shares of our common stock outstanding immediately following the IPO, but before exercise of the option) at the IPO price, which if exercised in full will result in our receipt of \$418 million of additional net proceeds. The disclosure in this prospectus assumes the IPO has closed as scheduled prior to the closing of this offering of our notes.

Investing in the notes involves risks. See **Risk Factors** beginning on page 23.

	2017 Notes		2019 Notes		2021 Notes		2024 Notes	
	Per 2017 Note	Total	Per 2019 Note	Total	Per 2021 Note	Total	Per 2024 Note	Total
Price to public ⁽¹⁾	%	\$	%	\$	%	\$	%	\$
Underwriting discounts and commissions	%	\$	%	\$	%	\$	%	\$
Proceeds to us	%	\$	%	\$	%	\$	%	\$

(1) Plus accrued interest, if any, from _____, 2014.

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 notes to purchasers in book-entry form only through The Depository Trust Company, for the benefit of its participants, including Clearstream Banking, S.A. and Euroclear Bank S.A./N.V., on or about _____, 2014.

Joint Book-Running Managers

Barclays

BofA Merrill Lynch

Citigroup

Credit Suisse

Deutsche Bank Securities

Goldman, Sachs & Co.
Senior Co-Managers

J.P. Morgan

Morgan Stanley

BNP PARIBAS
RBS

HSBC
Santander

Mizuho Securities
SMBC Nikko
Co-Managers

MUFG

RBC Capital Markets
SOCIETE GENERALE

Banca IMI
COMMERZBANK
Loop Capital Markets

BBVA
Credit Agricole CIB
Mischler Financial Group, Inc.

Blaylock Beal Van, LLC
Fifth Third Securities
Ramirez & Co., Inc.

CastleOak Securities, L.P.
ING Lebenthal Capital Markets
The Williams Capital Group, L.P.

, 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 _____, 2014 (the 40th 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, immediately prior to the IPO, owned 100% of the common stock of 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

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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 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 continue 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 this 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, are continuing to lead our Company following the IPO. 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