SYNCHRONY FINANCIAL [NYSE: SYF]

Equity Research / Financial Services – Consumer Finance & Banking Operations

BUY – Base upside of 59%

Rating	Price	Target Price	Upside	Horizon	Market Cap
BUY	$78.69	$105-125	33-59%	12-18M	$26.5B

Figure 1 - Stock Price and Valuation Range

Source: Yahoo Finance June 20, 2026

Metric	FY 23A	FY 24A	FY 25A	TTM
Diluted EPS	$5.19	$8.55	$9.28	$9.67
Common net income	$2,196	$3,427	$3,469	$3,517
ROE	17.35%	24.03%	22.45%	22.80%
BVPS	$32.37	$39.56	$44.74	$45.35
Trailing P/E	7.03	8.44	9.15	7.79
P/B	1.21	1.71	1.83	1.66
NCO / write-off rate[1]	4.87%	6.31%	5.65%	5.41

Source: Yahoo Finance and Morningstar

[1] NCO Rate TTM: ~5.4% calculated from FY2025 NCOs adjusted for Q1 2026 vs. Q1 2025.

Business Summary

Synchrony Financial ("Synchrony" or "the Company") is a consumer financial services company headquartered in the United States. It trades on the New York Stock Exchange under the ticker SYF and is a constituent of the S&P 500 index. The Company operates across a broad spectrum of industries, including digital, health and wellness, retail, telecommunications, home, auto, outdoor, pet and more.

In conducting its business, Synchrony has established a diverse partner base that includes national and regional retailers, local merchants, manufacturers, buying groups, industry associations and healthcare service providers. Synchrony's partner relationships appear durable, with major programs and relationships involving Amazon, PayPal, Lowe's, Sam's Club, Chevron, American Eagle.

Substantially all of the Company revenue-generating activities are located within the United States, and are organized across five sales platforms: Home & Auto, Digital, Diversified & Value, Health & Wellness and Lifestyle. These platforms are primarily organized by partner type and end-market exposure.

Synchrony's offerings include private label, dual, co-brand and general purpose credit cards, as well as installment loans and consumer banking products. In 2025, Synchrony financed $182.3 billion of purchase volume and had $103.8 billion of loan receivables and 70.7 million active accounts.

Synchrony operates its credit products primarily through its wholly owned subsidiary, Synchrony Bank ("the Bank"). In addition, the Bank offers FDIC-insured deposits directly to retail and commercial customers, including certificates of deposit ("CDs"), individual retirement accounts ("IRAs"), money market accounts, savings accounts and sweep and affinity deposits. As of December 31, 2025, the Bank held $81.1 billion in deposits, representing 84% of Synchrony's total funding sources.

Investment Recommendation Snapshot

Investment Thesis	Key Pushbacks
Synchrony trades at a low valuation despite improving credit quality, resilient loan yields, declining funding costs, and a strong capital return profile.	A regulatory shock, such as a cap on credit card APRs, could materially reduce loan yields and impair Synchrony's ability to maintain profitability.
Synchrony has consistently returned capital to shareholders through dividends and buybacks while maintaining a well-capitalized Common Equity Tier 1 (CET1).	A deterioration of the consumer credit cycle could increase charge-offs and provisions, limiting Synchrony's ability to return capital to shareholders.
Lower deposit costs and consistent loan yields support net interest income, even as receivables growth remains modest.	If Synchrony cannot reprice loan yields quickly enough relative to funding costs, net interest income and margin could be adversely impacted.

Business Model Map

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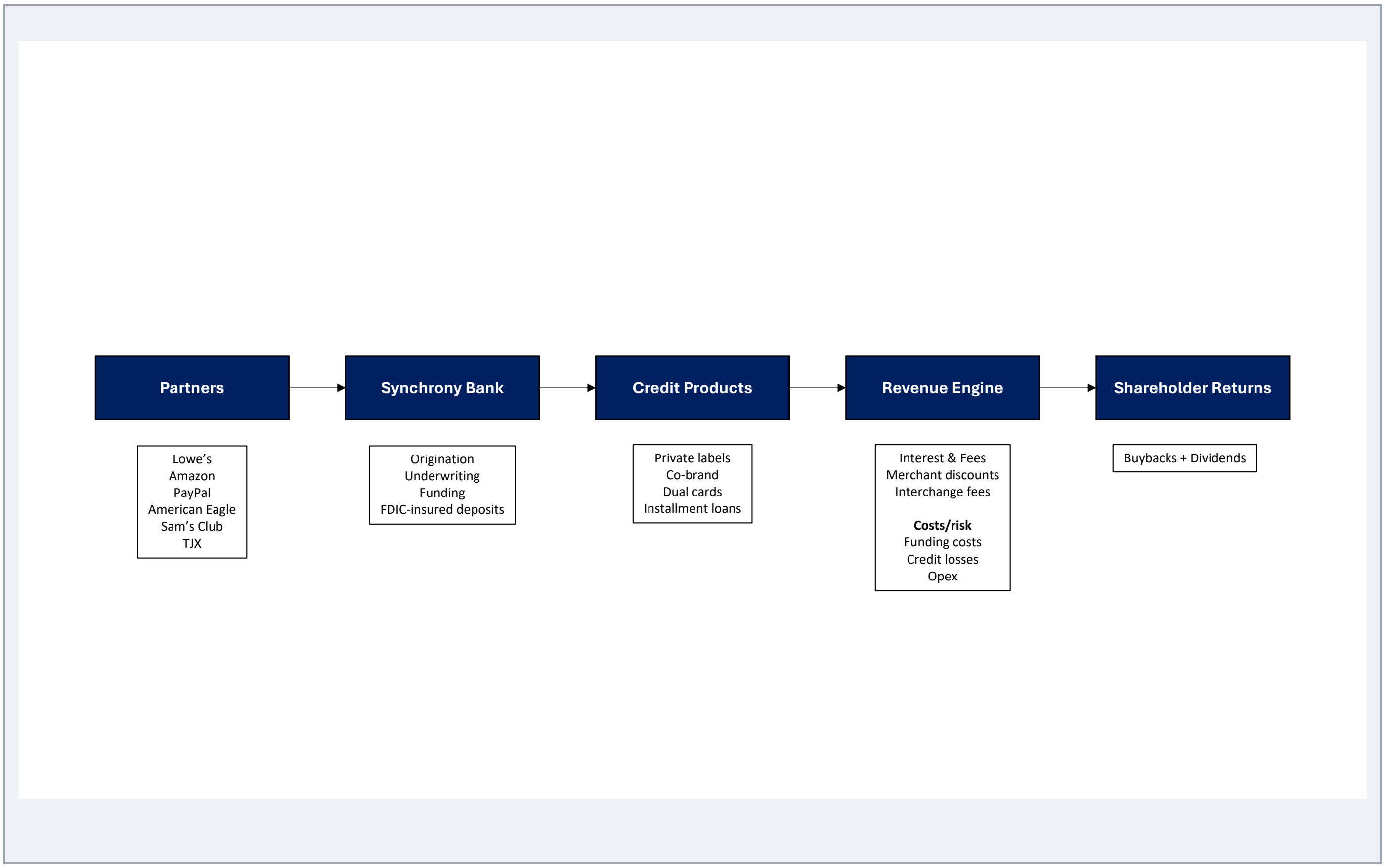
Figure 2 - Business Model Flow



Source: own elaboration and data from FY25 Form 10-K

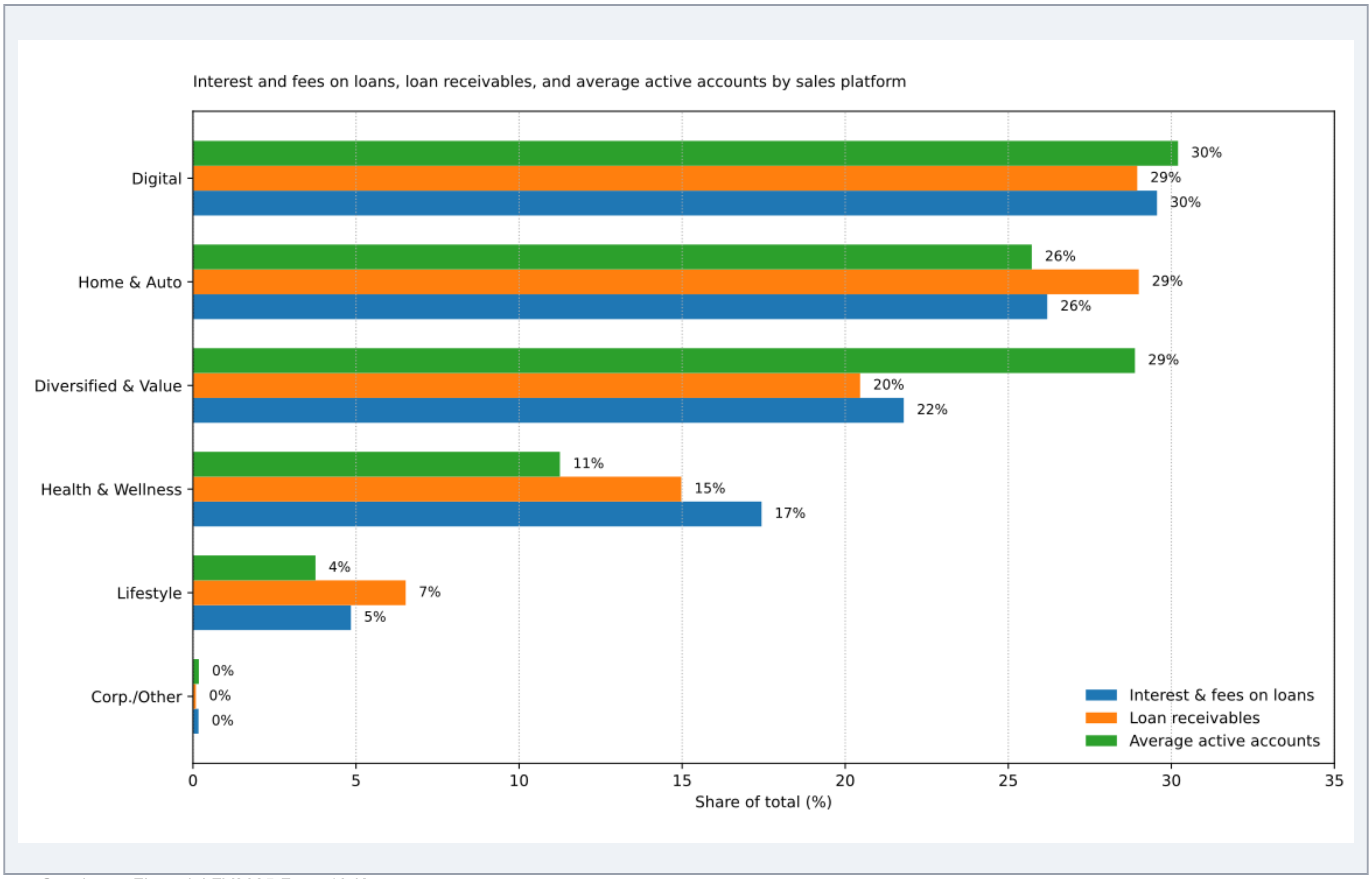
- Synchrony's business model is centered on its credit products originated primarily through Synchrony Bank. These credit products are generally offered through Synchrony's partner network, in certain cases, are co-branded or jointly offered with its partners
- Synchrony's revenue is primarily generated from interest & fees on loan receivables, merchant discounts related to promotional financing, and interchange revenue from card usage, including out-of-partner spend.
- Synchrony has pursued several buybacks programs throughout the past years, repurchasing approximately $1.0B in 2024 and $2.9B in 2025, followed by $900M in Q1 2026 and a new $6.5B authorization with no expiration date.

Platform	What it does	Interest and Fees on Loans (FY25)
Health & Wellness	Provides comprehensive healthcare payments and financing solutions. In addition, Synchrony offers their CareCredit brand. This brand includes a CareCredit-branded private label credit card that may be used across the CareCredit network, including their CareCredit Dual Card that can be used outside the network.	$3.8 billion (17%)
Digital	Provides comprehensive payments and financing solutions with integrated digital experiences through partners who primarily engage with their customers through digital channels. It also offers a Synchrony-branded general purpose credit card.	$6.4 billion (30%)
Lifestyle	Provides comprehensive payments and financing solutions with integrated in-store and digital experiences through a network of partners and merchants who offer merchandise in power sports, outdoor power equipment, and other industries such as sporting goods, apparel, jewelry and music.	$1.1 billion (5%)
Home & Auto	Provides comprehensive payments and financing solutions through partners offering home and automative services. As well as offering Synchrony Car Care network and Synchrony HOME credit card offering.	$5.7 billion (26%)
Diversified & Value	Provides comprehensive payments and financing solutions with integrated in-store and digital experiences through large retail partners.	$4.7 billion (22%)

Volume, Receivables and Revenue Mechanics

[redacted]

Figure 3 - FY2025 Platform Mix: Interest & Fees, Receivables and Active Accounts



Source: Synchrony Financial FY2025 Form 10-K

- Digital and Home & Auto are Synchrony's main loan receivables drivers, each accounting for approximately 29% of 2025 loan receivables. Digital appears to be the most balanced platform by scale accounting for 30% of interest & fees on loans and 30% of average active accounts.
- Diversified & Value accounted for 29% of average active accounts but only 22% of interest & fees on loans, suggesting lower revenue intensity per account relative to Digital and Home & Auto.
- Health & Wellness accounted for 17% of interest & fees on loans, compared with 11% of average active accounts and 15% of loan receivables, indicating higher revenue intensity per account and potentially higher yield characteristics relative to several other platforms.
- Lifestyle represented 7% of loan receivables and roughly 4% of average active accounts.

Metric	FY 23A	FY 24A	FY 25A
Purchase volume	$185.2B	$182.2B	$182.3B
Loan receivables	$103.0B	$104.7B	$103.8B
Loan receivables yield	20.99%	21.24%	21.64%
Net interest margin	15.15%	14.76%	15.24%
Other income[2]	$289M	$1,521M	$520M

[2] FY24 other income includes a $1.1B gain on sale related to Pet Best

Credit Performance

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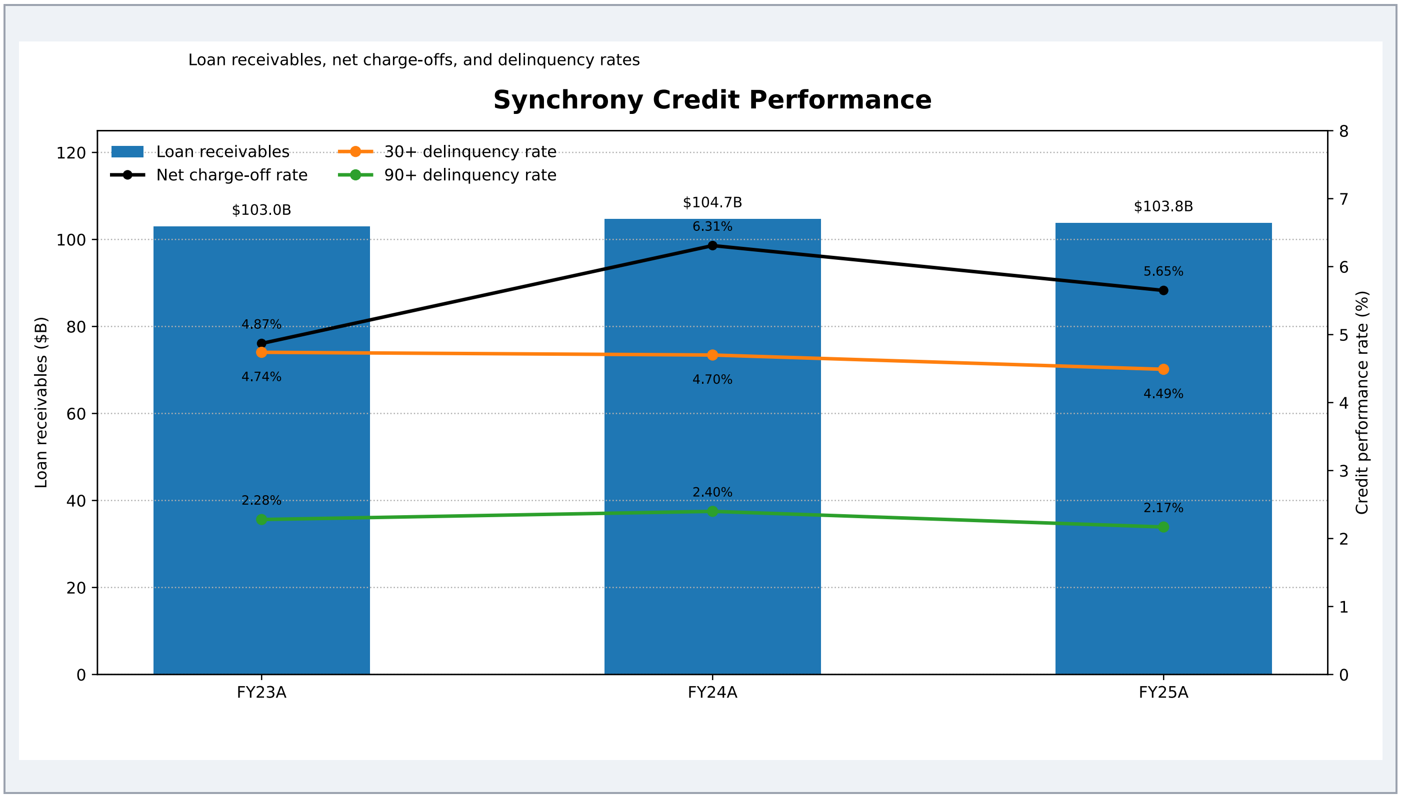
Figure 4 - Receivables, Charge-Offs and Delinquencies



Source: Synchrony Financial FY2025 Form 10-K.

Credit metric	FY 23A	FY 24A	FY 25A	Interpretation
Net charge-off rate	4.87%	6.31%	5.65%	Net charge off rate increased from FY23 to FY25, but improved materially from FY24. Together with lower delinquency rates, the FY25 decline suggests improving credit performance relative to the prior year.
30+ days past due	4.74%	4.70%	4.49%	The 30+ past due rate declined from 4.74% in FY23 to 4.49% in FY25, confirming an improvement in delinquency trends and borrower performance
Provision for credit losses	$5,965M	$6,733M	$5,225M	Provision for credit losses declined in FY25 after peaking in FY24, suggesting lower expected credit losses and an improving credit outlook.
Allowance coverage ratio[3]	10.26%	10.44%	10.06%	Allowance coverage declined from 10.44% in FY24 to 10.06% in FY25, reflecting a lower reserve requirement as credit metrics improved. Coverage nevertheless remained above 10%, indicating that Synchrony still maintained a significant reserve base against loan losses
Reserve build / release[4]	+$1,345M	+$313M	-$439M	FY25 included a $439M reserve release, as provision for credit losses was below net charge-offs. This supported earnings, but appears more defensible given improving delinquency and net charge-off trends, while allowance coverage remained above 10%.

[3] Allowance coverage ratio calculated as “Allowance for credit losses / Loan receivables”
[4] Reserve build / release calculated as “Provision for credit losses – Net charge-offs”

Funding, Liquidity and Regulatory Capital

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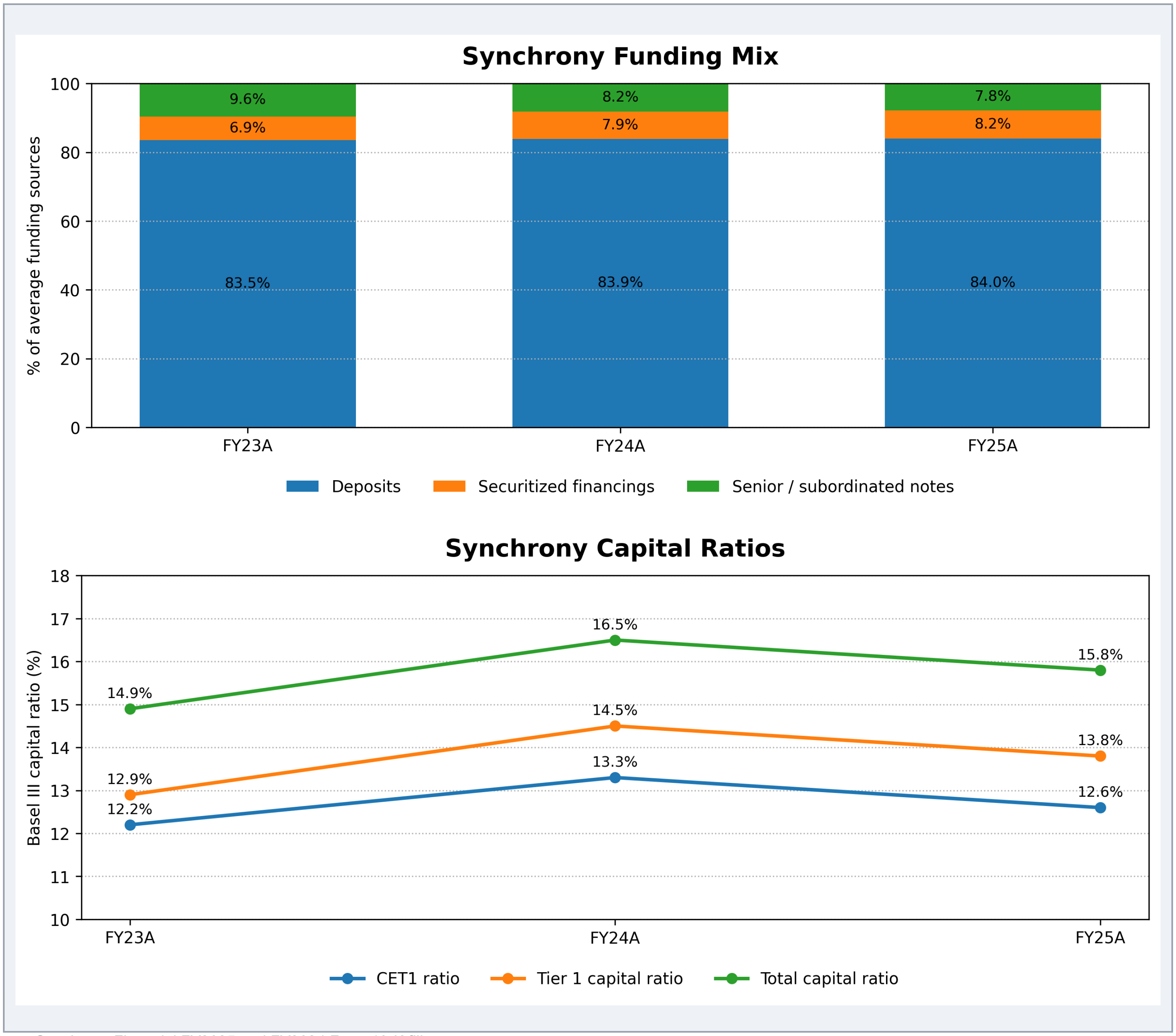
Figure 5 - Funding Mix and Capital Ratios



Source: Synchrony Financial FY2025 and FY2024 Form 10-K filings

- In FY25, Synchrony's funding came primarily from deposits which accounted for 84.0% of average funding sources. The remaining funding came from securitized financings and senior/subordinated unsecured notes, with 8.2% and 7.8% respectively.
- Synchrony's deposits are divided into direct and brokered deposits. Direct deposits are sourced from retail customers, affinity relationships and commercial customers, while brokered deposits are obtained through third-party brokers and program arrangers. As of FY25, direct deposits accounted for $75.2B, compared with $5.9B of brokered deposits. The decline in brokered deposits from FY23 to FY25 improved the quality and stability of Synchrony's funding base by reducing reliance on more market-sensitive funding. However, CDs and IRA CDs still represented approximately 50% of interest-bearing deposits, meaning the deposit base remains exposed to rollover and repricing risk if interest rates or deposit competition change materially.

- Synchrony also maintains a liquidity portfolio and access to external liquidity. As of Dec. 31, 2025, the Company had $10.0B of available borrowing capacity through the Federal Reserve discount window and $2.6B of undrawn securitized financing capacity. As of Mar 31, 2026, that discount window increased to $10.4B.
- Synchrony Financial is a savings and loan holding company, and its principal banking subsidiary is Synchrony Bank. As a result, it must comply with regulatory capital rules under the U.S Basel III Standardized Approach. Synchrony Financial reported a CET1 ratio of 12.6% in FY25, well above the 4.5% minimum capital adequacy requirement. Synchrony Financial’s CET1 ratio declined from 13.3% in FY24 to 12.6% in FY25, primarily due to share repurchases, common and preferred dividends, and the final CECL regulatory capital phase-in, partially offset by net earnings

Financial Forecast and Assumptions

[redacted]

Assumption	Bear	Base	Bull	Regulatory Shock	Source / evidence
High-growth years	2	5	7	2	Estimates based on scenario severity and expected duration of abnormal returns
High-growth earnings growth	2.0%	6.0%	8.0%	-25%	Base/bull/bear reflect normalized earnings growth. Regulatory shock assumes an immediate earnings impairment.
High-growth ROE	13.0%	17.0%	21.0%	9.0%	Based on historical ROE, credit quality, capital return capacity, and regulatory downside risk.
High-growth total payout	65.0%	90.0%	100.0%	40.0%	Based on historical dividends, and buybacks
Stable growth	1.5%	2.5%	3.0%	1.0%	Long-term mature consumer finance growth assumption
Stable ROE	12.0%	15.0%	17.5%	10.0%	Long-term normalized profitability after credit cycle and regulatory effects
Cost of equity	10.07%	10.07%	10.07%	10.07%	CAPM-based cost of equity: risk-free rate (US10YR) + beta x equity risk premium (Damodaran ERP).

Valuation Summary

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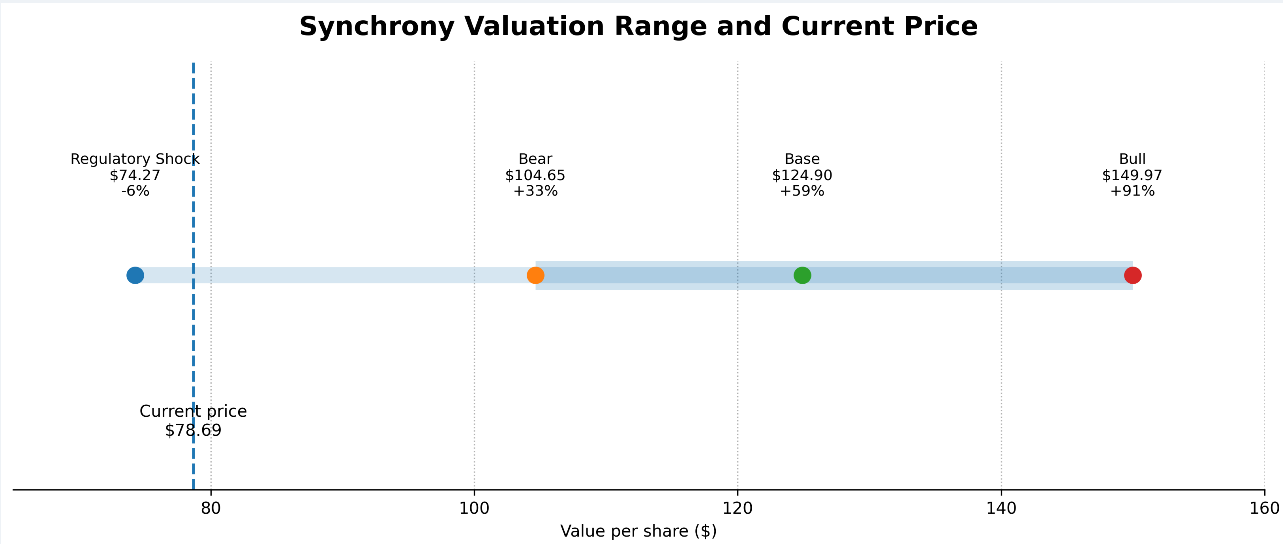
Figure 6 - Valuation Range and Current Price



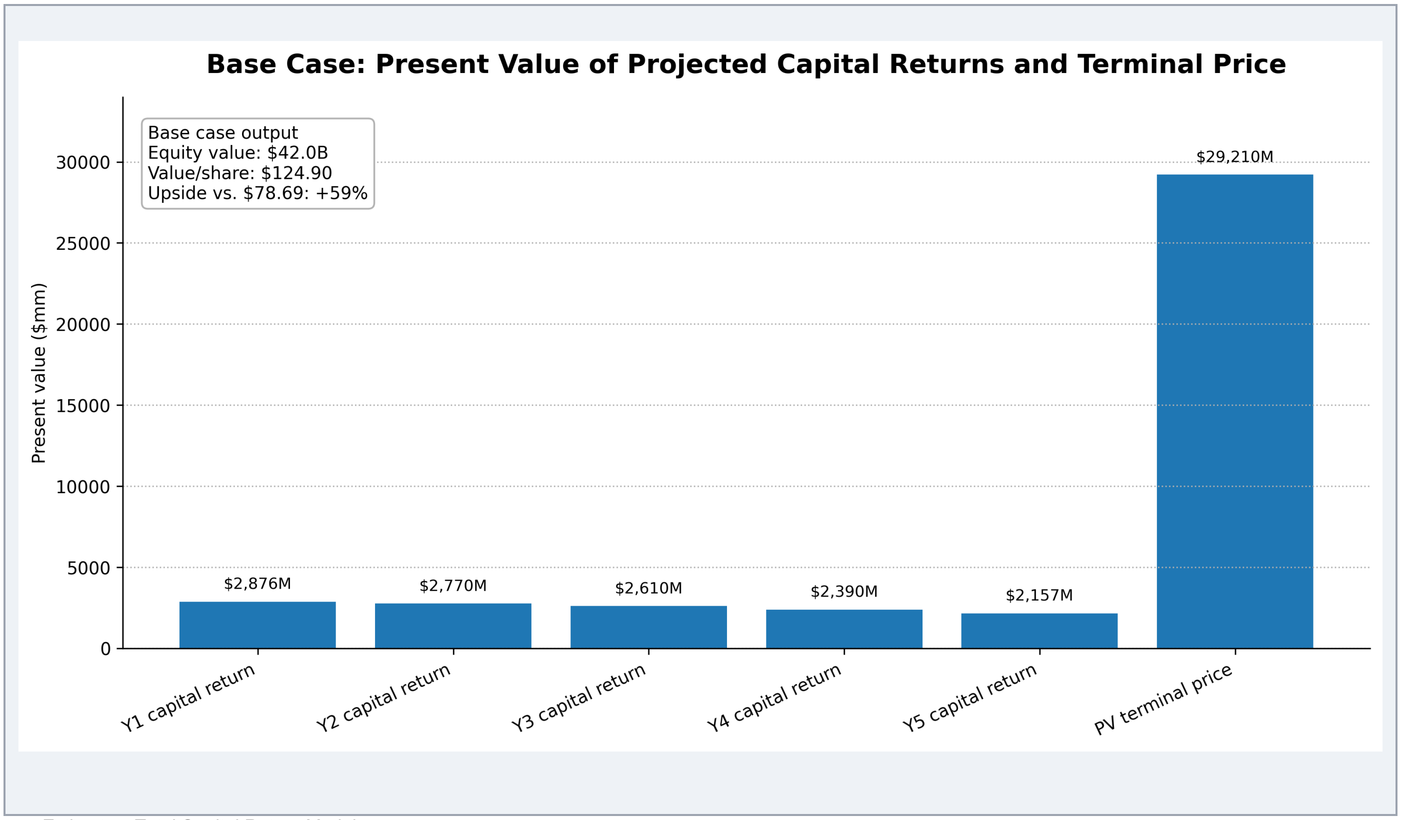
Source: Estimates; Total Capital Return Model; market data as of June 28, 2026. Methodology: Total Capital Return Model

Scenario	Implied value	Upside / downside vs. $78.69	Interpretation
Regulatory Shock	$74.27	-5.6%	Downside case assuming an immediate regulatory earnings impairment
Bear	$104.65	+33.0%	Conservative case with lower growth, lower ROE, and reduced capital return.
Base	$124.90	+58.7%	Primary valuation case based on normalized earnings power and continued capital return.
Bull	$149.97	+90.6%	Upside case assuming stronger ROE, higher payout, and longer high-growth period
Target range	$105-125	+33% to +59%	Recommended target range anchored between bear and base case

Total Capital Return Model

[redacted]

Figure 7 - Projected Total Capital Returned and Terminal Value



Source: Estimates; Total Capital Return Model.

Input / output	Base case	Notes
Current common net income	$3,517M	TTM / latest FY
Current total capital returned	$3,753M	Dividends + net buybacks
Cost of equity	10.07%	RFR + beta x ERP
High-growth earnings growth	6.0%	
High-growth total payout	90.0%	
Stable growth	2.5%	
Stable ROE	15.0%	
Intrinsic value	$124.90	Model output
Implied upside vs. $78.69	58.7%	

Risk Matrix

Risk	Mechanism	Model impact	Severity
Regulatory / APR cap risk	New regulation, supervision, APR caps, interchange restrictions, or higher capital/liquidity requirements could reduce loan yields, fee income, or the Company's ability to return capital.	Lower ROE, lower payout, regulatory shock case.	High
Consumer credit deterioration	Weaker consumer conditions could increase delinquencies, charge-offs, and provisions.	Lower net income, lower ROE, and reduced capacity for buybacks/dividends.	High
Funding and liquidity pressure	Deposit competition, securitization disruption, early amortization, or rating pressure could raise funding costs.	Lower NIM, higher cost of funds, and lower capital return capacity.	High
Interest-rate / repricing mismatch	Assets and liabilities may reprice at different speeds, and some agreements may limit rate increases.	Margin compression if funding costs move faster than loan yields.	Medium/High
Partner concentration and competition	Major partner loss, renegotiation, or weaker partner performance could reduce purchase volume.	Lower receivables growth, lower interest & fees, and weaker earnings growth.	Medium/High

Source Tracker

Topic	Primary source
Business model / segments	Synchrony Financial FY2025 Form 10-K Sales Platforms section
Credit quality	Synchrony Financial FY2025 Form 10-K: credit performance, allowance and delinquency tables
Funding / liquidity	Synchrony Financial FY2025 Form 10-K; Funding, Liquidity and Capital Resources section. Q1 2026 update
Repurchases / dividends	Synchrony Financial FY2025 Form 10-K. Q1 2026 earnings release and buyback authorization