Presale:

Synchrony Card Issuance Trust Class A(2024-1)

March 7, 2024

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Preliminary rating

Class	Preliminary rating	Interest rate(i)	Amount (mil. $)	Required credit support (%)	Expected maturity date	Legal final maturity date
A(2024-1)	AAA (sf)	Fixed	500.00	26.00	March 15, 2027	March 15, 2030

Note: This presale report is based on information as of March 7, 2024. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. (i)The actual interest rate will be determined on the pricing date.

Profile

Collateral	A pool of private-label and co-branded revolving credit card receivables accounts originated under Synchrony Bank's sales platforms.
Sponsor, originator, servicer, administrator	Synchrony Bank (BBB/Stable/--).
Issuer	Synchrony Card Issuance Trust.
Depositor and transferor	Synchrony Card Funding LLC.
Trustee	Citibank N.A. (A+/Stable/A-1).
Indenture trustee and bank account provider	The Bank of New York Mellon (AA-/Stable/A-1+).

Rationale

The preliminary rating assigned to Synchrony Card Issuance Trust's (SYNIT's) SynchronySeries class A(2024-1) notes reflects:

- Our view that the 26.00% credit support for the class A notes, which is provided by the subordinated transferor amount, is sufficient to withstand the simultaneous stresses we apply to the loss rate, payment rate, yield, purchase rate, excess spread, and coupons for the notes (see table 3, Collateral Overview, and S&P Global Ratings' Assumptions sections below);
- Our view that the 5.00% minimum free equity percentage will be insufficient in our 'AAA' stress scenarios to absorb dilution or noncash reductions in the receivables in full, resulting in a 1.75% uncovered dilution, which is captured in our cash flow analysis;

- The timely payment of interest each month and full principal repayment made by the legal final maturity date under our stressed cash flow modeling scenarios for the assigned preliminary rating;
- Our expectation that under a moderate ('BBB') stress scenario and all else being equal, the assigned preliminary 'AAA (sf)' rating will remain within the limits as specified in the credit stability section of "S&P Global Ratings Definitions," published June 9, 2023;
- Our view of the credit risk in the collateral loan pool based on our economic forecast, the credit quality and historical performance of the master trust portfolio's receivables, the collateral characteristics, and vintage performance data;
- That the trust receivables performance has remained steady so far this year. We believe our base-case and stressed assumptions continue to adequately capture the credit risks of the credit card receivables and corresponding performance, our updated macroeconomic forecast for the U.S., and our forward-looking view of the credit card sector;
- Our view of Synchrony Bank's (BBB/Stable/--) servicing, account origination, underwriting, account management, collections, and general operational practices and experience in private-label and co-branded cards;
- Our assessment of the series' bank accounts at The Bank of New York Mellon (AA-/Stable/A-1+), which do not constrain the preliminary rating (see Transaction Counterparties section below); and
- Our view of the transaction's payment structure, cash flow mechanics, and legal structure.

Environmental, Social, And Governance

Our rating analysis considers a transaction's potential exposure to environmental, social, and governance (ESG) credit factors. For credit card asset-backed securities (ABS), we view the exposure to environmental credit factors as below average, to social credit factors as above average, and to governance credit factors as average (see "ESG Industry Report Card: Credit Card Asset-Backed Securities," published March 31, 2021). In our view, the exposure to ESG credit factors in this transaction is in line with our sector benchmark.

Social credit factors are generally viewed as above average, given the relatively high interest rates for borrowers who carry a balance month-to-month. However, we believe our approach to determining yield stresses, which considers the impact of any potential legislation or regulatory actions on interest rates and fees, adequately accounts for this.

Governance credit factors are generally viewed as average, reflecting the originator's active role managing the revolving collateral pool over the transaction's life, exposing investors to the risk of loosening underwriting standards or potential adverse selection. To account for this risk, we assumed that the pool's composition and quality will reflect the originator/servicer's track records, operational strategies, and the historical performance data across varying economic cycles, typically resulting in a higher expected loss than that of the actual performance data.

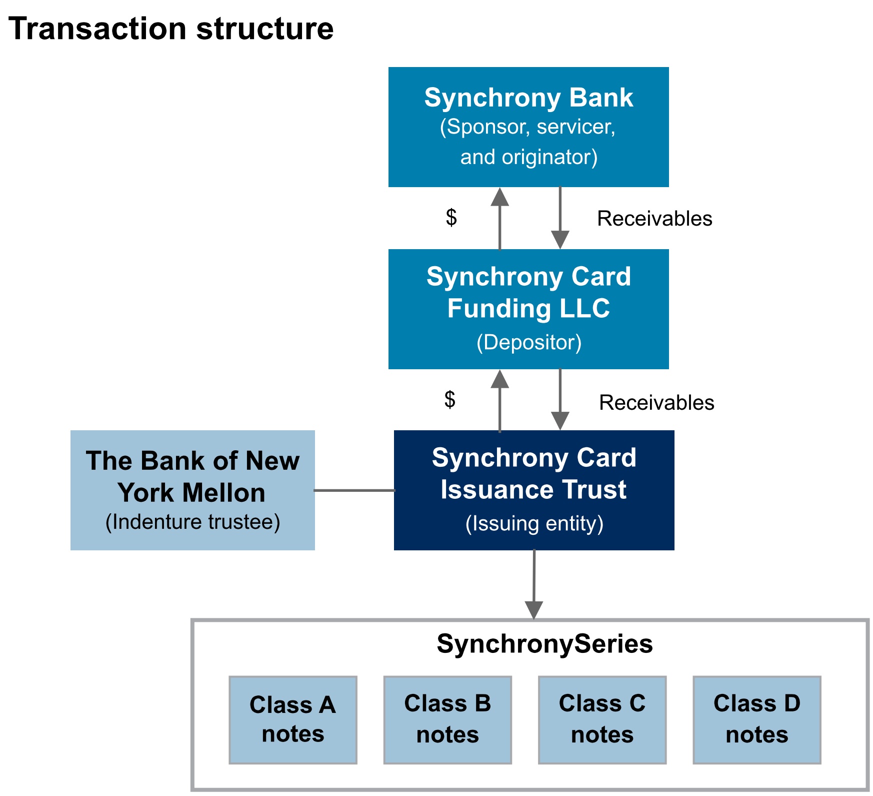
SynchronySeries Class A(2024-1) Notes Summary

All aspects of the note structure are unchanged from the prior notes, including the issuer, eligible accounts and receivables, payment priority, collections and allocation mechanics, early redemption events, and events of default.

SynchronySeries class A(2024-1) notes' key features include the following:

- The notes will pay fixed-rate interest monthly on the 15th day of each calendar month, or the next business day if it is not a business day, beginning in April 2024.
- The subordinated transferor amount (STA) provides subordination of 26.00%, as a percentage of the capital structure.

Chart 1



The main features of the SynchronySeries securities include the following:

- Synchrony Bank originates private-label and co-branded credit card accounts typically through exclusive partnership agreements with retail partners. Synchrony Bank also owns the credit card accounts, and in its capacity as a seller, under the receivable sale agreement, sells eligible receivables to Synchrony Card Funding LLC. As the transferor under the transfer agreement, Synchrony Card Funding LLC transfers and assigns all rights, titles, and interests of the eligible receivables to Synchrony Card Issuance Trust. The collateral backing the SynchronySeries notes is the assigned receivables.
- The SynchronySeries is structured as delinked tranches, meaning additional notes or tranches may be issued so long as certain issuance conditions, including credit enhancement, are met.
- SynchronySeries is a senior-subordinated structure that can issue up to four classes of notes (A, B, C, and D), paying interest and principal sequentially in order of seniority. Each class of SynchronySeries notes may consist of one or more tranches.

- The required enhancement amount for any class or tranche may be satisfied by issuing subordinated classes, subordinated classes and STA, or entirely by STA. The STA ensures that the required collateral amount necessary to support the notes is achieved if one or more of the subordinated classes (B, C, or D) is not issued.

Collateral Overview

When we review credit card trusts, we use peer group comparisons to refine our evaluation of a specific pool relative to similar portfolios based on collateral characteristics. Overall, we believe that the receivables designated to the trust have characteristics similar to other trusts in our Private-Label Credit Card Quality Index (PLCCQI). The trust's collateral characteristics have remained stable.

Table 1

Trust collateral characteristics

As of Dec. 31, 2023	
Total receivables balance (bil. $)	9.1
Average principal balance ($)	1,256
Average credit limit ($)	6,281
Utilization rate (%)	20.0
Average age of accounts (mos.)	90
Credit score > 660 (% of receivables)	76.2
Credit score > 720 (% of receivables)	48.3

SYNIT's collateral pool of approximately $9.1 billion, as of Dec. 31, 2023, consists of private-label, co-branded, and general-purpose credit card receivables generated by personal accounts that Synchrony Bank originates or acquires as part of its agreements with retailers. Accounts designated to the trust portfolio were chosen from among the accounts in the selected portfolio that satisfy the eligibility criteria specified in the receivables sale agreement and the transfer agreement.

The trust's collateral pool consists of receivables from eight major program partners and one Synchrony-branded credit card. Sam's Club, TJX, Lowe's, Amazon, and PayPal are the five largest programs under Synchrony Bank's card programs. As of Dec. 31, 2023, the trust's retail partners rated by S&P Global Ratings account for approximately 92.6% of the receivables (see table 2). In our view, highly rated, diversified retail partners mitigate the risks that arise from shifts in portfolio composition due to joint-and-several defaults among retail partners (see the S&P Global Ratings' Credit Rating Scenarios section below).

Co-branded, private-label, and general-purpose credit cards account for 67.60%, 26.50%, and 5.90%, respectively, of the trust's receivables. Co-branded, or dual-purpose, cards are private-label cards with multi-merchants' acceptance of general-purpose credit cards. We believe that co-branded and general-purpose credit cards provide cardholder utility diversification beyond the partners and mitigate performance risks from private-label-only cards.

Table 2

Trust composition

As of Dec. 31, 2023

Program partner	S&P Global Ratings' credit rating	Receivables (% of total)
Sam's Club Dual Card(i)	AA/Stable/A-1+	27.6
TJX Dual Card	A/Stable/A-1	20.9
Lowe's Private Label Credit Card	BBB+/Stable/A-2	14.0
Amazon Private Label Credit Card	AA/Stable/A-1+	12.5
PayPal Dual Card	A-/Stable/A-2	10.0
Synchrony MasterCard	BBB/Stable/--	5.9
American Eagle Dual Card	NR	4.3
JCPenney Dual Card	NR	3.1
Dick's Sporting Goods Dual Card	BBB/Stable/--	1.8
Other	NR	0.0
Total rated	--	92.6
'A-' to 'AA'	--	71.0
'B-' to 'BBB+'	--	21.7
Co-branded	--	67.6
Private label	--	26.5
General-purpose bankcard	--	5.9

(i)A Walmart-owned membership warehouse. NR--Not rated.

S&P Global Ratings' Assumptions

Our base-case and stress assumptions for SYNIT are unchanged from the previous transaction. We believe they continue to adequately reflect our view regarding the credit risk of the credit card receivables and corresponding performance, our macroeconomic forecast for the U.S., and our forward-looking view of the U.S. bankcard sector. A summary of the assumptions we used when assigning our preliminary rating to the class A(2024-1) notes is shown in table 3.

Table 3

S&P Global Ratings' credit rating scenarios

	Net losses(i)	Total payment rate(ii)	Yield(ii)	Purchase rate(ii)	Excess spread	Uncovered dilution
Base-case assumption (%)	8.25	15.75	21.00	N/A	N/A	N/A
'AAA' rating stress assumption (%)	36.00	7.75	12.00	1.00	(6.00)	1.75

(i)In our 'AAA' rating scenario, losses rise to the stressed assumption over 12 months. (ii)The total payment, yield, and purchase rates start at the stressed levels in the first month of our cash flow runs. N/A--Not applicable.

The stresses are based on our criteria (see "U.S. Credit Card Securitizations: Methodology And

Assumptions," published Aug. 24, 2017).

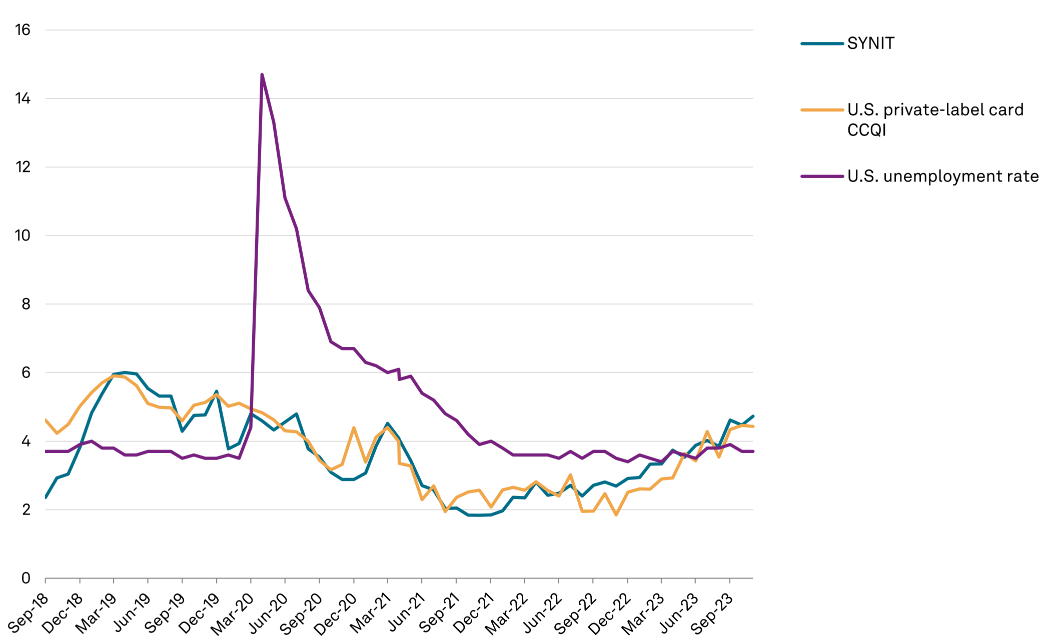
Loss Rate

Our base-case loss rate assumption of 8.25% and 'AAA' stress assumption of 36.00% factor in the loss performance trend and peer comparisons. In addition, our assumptions are forward-looking and consider potential changes in the program partners' composition and incorporate our views on the retail sector and macroeconomic variables, including our U.S. unemployment forecast. In our opinion, loss rates could spike quickly in this pool during the revolving period because of a rapid shift in the partner composition due to partnership agreements not being renewed, as well as stressed performance for bankrupt retail partners.

The trust's loss rate has trended in line with the PLCCQI over the past few years, averaging about 2.46% in 2022 and 3.78% in 2023 (see chart 2). We continue to monitor the evolving economic environment and expect the loss rates to remain relatively stable over the next 12 months based on the current pool composition.

Chart 2

Net loss rate (%)



SYNIT--Synchrony Card Issuance Trust. CCQI--Credit Card Quality Index.

Yield

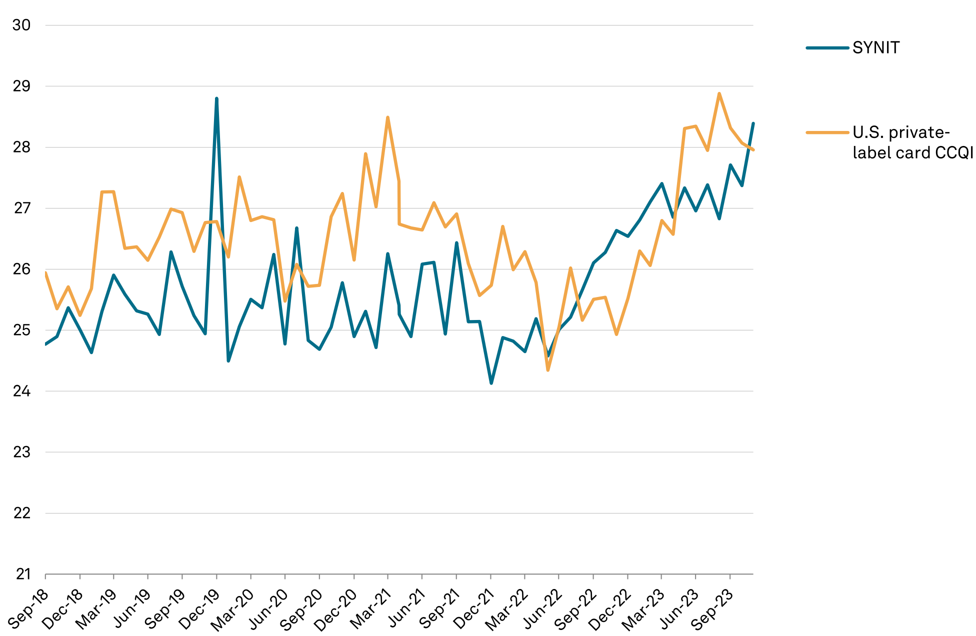
Our base-case yield assumption for the trust is 21.00%, which is well below the trust portfolio yields. Our stress assumption of 12.00% is 57.10% of our base-case assumption of 21.00%.

In our analysis, we believe interchange may not be available to the trust if the card lender becomes insolvent. We generally do not assign any credit to interchange in our yield assumptions for the higher rating categories. Our analysis also considers the rapid shift in the partner composition due to partnership agreements not being renewed. The effect on yield from the removal of each partner is based on its performance and size. In addition, we also consider the effect legislation or regulatory actions could have on interest rates, fees, and competitive pressures, which could result in a yield in the 10.00%-13.00% range.

Yield for the trust portfolio has historically been slightly lower than the PLCCQI, averaging 25.26% in 2022 and 27.22% in 2023. Over the five-year historical period, yield has remained consistent, averaging 25.59% (see chart 3).

Chart 3

Annualized yield (%)



SYNIT--Synchrony Card Issuance Trust. CCQI--Credit Card Quality Index.

Payment Rate

The payment rate is the rate at which individuals pay down their balances each month. The magnitude of the payment rate affects the length of time during which ABS investors are subjected to the credit risk of a deteriorating pool of assets. The higher the payment rate, the more quickly investors can be paid out in adverse scenarios.

Our base-case total payment rate assumption for the trust is 15.75%, substantially below the trust's portfolio payment rate, and the haircut is less than other retail trusts in the PLCCQI. Our 7.75% (49.20% of the base-case) 'AAA' stress payment rate assumption for this trust is within the 45.00%-55.00% range that we established for investment-grade originators in our criteria.

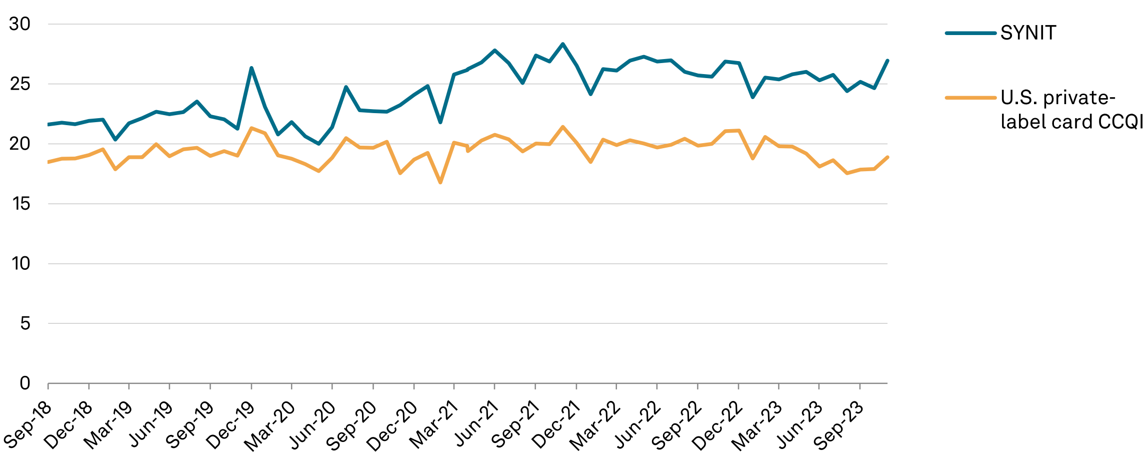
For private-label pools, we generally apply a higher haircut to our base-case payment rate in our stress scenarios than bank credit card pools because we believe pure private-label retail credit cards will likely have limited utility, should the originator or related retail partners become insolvent. Additionally, we assumed that the number of non-revolvers (convenience users) in the pool declined before the first month in an amortization scenario, and the portion of revolvers increased, resulting in a sharp decline in payment rates.

To account for such a scenario, in our stress analysis, we considered that the payment rate could decline substantially during the revolving period from a rapid shift in the partner composition. In our stress test, we removed higher payment rate partners from the trust and assessed the impact on the payment rate. In these stressed scenarios, our analysis factored that approximately 73.50% of the receivables are associated with dual-purpose or general-purpose cardholders, which we believe provide some utility diversification beyond the retail partners.

Monthly payment rates for the trust averaged 26.28% for the year ended Dec. 31, 2022, and 25.47% in 2023. Since the trust's inception in 2018, the trust portfolio payment rate has consistently been higher than the PLCCQI (see chart 4).

Chart 4

Monthly payment rate (%)



SYNIT--Synchrony Card Issuance Trust. CCQI--Credit Card Quality Index.

Purchase Rate

We assume a 1.00% purchase rate in our 'AAA'-rating cash flow scenario for this trust. Our purchase rate assumption accounts for our credit rating on the originator relative to the preliminary rating assigned to the notes, the originator's ability to continue generating and transferring receivables to the master trust, the originated receivables' credit characteristics, and the diversity of the partners in the pool.

Dilution Analysis

Dilution, which is the noncash reduction in the principal receivables balance from merchandise returns or for any other reason excluding losses and payments, typically runs higher in retail card portfolios than it does in bankcard portfolios.

Under the transaction's terms, the minimum free equity percentage will equal at least 5.00% of the invested amount to cover noncash reductions in the principal receivables balance. In our analysis, we reviewed the trust's available historical monthly dilution data. Based upon the available data, we believe that the 5.00% minimum free-equity percentage will be insufficient in our 'AAA' stress scenarios to absorb dilutions or noncash reductions in the receivables, resulting in a 1.75% uncovered dilution, which is captured in our cash flow analysis.

Sensitivity Analysis

Our ratings incorporate credit stability as one of several factors that we use to determine an issuer's or an issue's creditworthiness. Accordingly, we undertook a sensitivity analysis assuming the pool's base-case loss rate would increase to our current 'BBB' stressed loss rate assumption. We believe that under a moderate ('BBB') stress scenario, all else being equal, our preliminary rating on the class A(2024-1) notes will be within the credit stability limits specified in section A.4 of the Appendix in "S&P Global Ratings Definitions," published June 9, 2023.

Allocation and Payment Priority

The issuer allocates available finance charge collections to the card series notes on each distribution date in the priority shown in table 4.

Table 4

Application of finance charge collection

Priority	Payment
1	Servicing fee, if not retained by servicer.
2	Interest on each tranche of class A notes.
3	Interest on each tranche of class B notes.
4	Interest on each tranche of class C notes.
5	Interest on each tranche of class D notes.
6	Treat as available principal collection to cover the notes' default amount.
7	Treat as available principal collection to cover nominal liquidation and subordinated transferor amount deficit.

Table 4

Application of finance charge collection (cont.)

Priority	Payment
8	Deposit into the accumulation reserve account, if necessary.
9	Deposit into the class D reserve account, if necessary.
10	Make any other payments or deposits required for any class or tranche.
11	Transferor.

If the SynchronySeries share of collections of finance charge receivables for any month is insufficient to make the interest payments on each class (items 2-5 in table 4), then the SynchronySeries share of such collections will be paid, first, to each tranche of class A notes; second, to each tranche of class B notes; third, to each tranche of class C notes; and fourth, to each tranche of class D notes. In each case, they will be paid pro rata within the related class based on the ratio of the amount targeted to be paid to a tranche of notes to the amount targeted to be paid to all tranches of notes of such class.

If finance charge collections, recoveries, and investment earnings are insufficient to pay the SynchronySeries payments described in items 1-5 in table 4, the shortfalls will be paid by reallocating amounts from the available principal collections to the extent available (see table 6). Although this reallocation of principal provides liquidity protection for the transaction, if any reallocated principal is not reimbursed from future finance charge collections, the collateral amount available to pay the notes' principal balance may be reduced. Reallocated principal collections available to each class of notes are limited by the amount of subordination available to those notes.

If there is an investor charge-off for any monthly period, such reduction will be allocated to each tranche of SynchronySeries notes (see table 5).

Table 5

Allocation of reduction from investor charge-offs

Priority	Class A	Class B	Class C	Class D
1	Subordinated transferor amount by an amount equal to the class A reallocated amount.	Subordinated transferor amount by an amount equal to the class B reallocated amount.	Subordinated transferor amount by an amount equal to the class C reallocated amount.	Subordinated transferor amount by an amount equal to the class D reallocated amount.
2	Class D by the amount remaining from class A (after priority 1).	Class D by the amount remaining from class B (after priority 1).	Class D by the amount remaining from class C (after priority 1).	--
3	Class C by the amount remaining from class A (after priorities 1 and 2).	Class C by the amount remaining from class B (after priorities 1 and 2).	--	--
4	Class B by the amount remaining from class A (after priorities 1, 2, and 3).	--	--	--

SynchronySeries is a principal-sharing series. Collections of principal receivables allocated to the collateral amount that are not needed to make deposits or payments for SynchronySeries can be made available to other series.

During the revolving period, principal collections are paid to the transferor and then reinvested in new receivables. During the controlled accumulation period, collected principal will be deposited into a principal funding account daily for distribution to the noteholders on the expected payment date. A reserve account will be funded to 0.50% of the note principal balance from finance charge collections to cover any negative carry risk if the investment earnings on the principal funding account are insufficient to make monthly interest payments on the notes during the accumulation period. The reserve account does not need to be funded if the accumulation period is only one month or if the current three-month average excess spread is greater than 5.00%.

After applying the share of principal collections to make up for shortfalls in the SynchronySeries share of finance charge collections as described in table 5, the indenture trustee will apply the SynchronySeries remaining share of collections of principal receivables to make targeted deposits to the principal funding of each tranche of notes per table 6.

Table 6

Application of principal payment

Priority	Payment
1	To pay unpaid servicing fee.
2	Cover interest shortfall for each tranche of class A notes.
3	Cover interest shortfall for each tranche of class B notes.
4	Cover interest shortfall for each tranche of class C notes.
5	Cover interest shortfall for each tranche of class D notes.
6	Make targeted deposits to the principal funding account of each tranche of class A.
7	Make targeted deposits to the principal funding account of each tranche of class B.
8	Make targeted deposits to the principal funding account of each tranche of class C.
9	Make targeted deposits to the principal funding account of each tranche of class D.
10	Transferor.

Following an early amortization event for any tranche of SynchronySeries notes, including the offered notes, the tranche's share of principal collections will be paid monthly to the noteholders sequentially until paid in full.

Early Amortization And Events Of Default

Early amortization events include:

- Failure to make the required payments or deposits, or perform another obligation, subject to cure periods;
- Material inaccuracies in representations and warranties, subject to cure periods;
- The transferor's failure to transfer the receivables into the trust;
- The occurrence of any servicer default;
- An average excess spread percentage of less than zero for any three consecutive months;
- The tranche principal balance not being fully paid on the expected payment date;
- The occurrence of a bank-related bankruptcy, insolvency, liquidation, conservatorship, receivership, or similar event to the issuer or Synchrony Bank;

- The trust becoming subject to regulation as an investment company within the meaning of the Investment Company Act of 1940; and
- The occurrence of an event of default for the tranche of notes.

Events of default include:

- Failure of the trust to pay interest when due and payable, and the default continues for 35 days, or its failure to pay principal on the notes when due and payable on the legal maturity date;
- A trust-related bankruptcy, insolvency, conservatorship, receivership, liquidation, or similar event; or
- Failure of the trust to observe or perform covenants or agreements made in the indenture regarding the notes, and the failure continues for 60 days after the indenture trustee has or the noteholders representing at least 25% of the note principal amount have notified the trust, which requires the failure to be remedied, and it materially and adversely affects the noteholders' interests during the 60-day period.

Transaction Counterparties

Synchrony Bank is a wholly owned subsidiary of Synchrony Financial (BBB-/Stable/--). Synchrony Bank is the originator and servicer of the credit card accounts and receivables designated to the trust. These accounts are originated typically through exclusive partnership agreements with retail partners under its card programs. The terms of the agreements are partner-specific, and Synchrony Bank controls the credit criteria, underwriting, servicing, and collection of accounts that qualify under those criteria.

Synchrony Bank (BBB/Stable/--) is the originator, sponsor, and servicer of the trust's credit card receivables. Synchrony Bank is a key transaction party (KTP), whose failure to perform as contracted can pose a risk to the securitization's expected performance.

We believe our operational risk assessment of Synchrony Bank as a servicer, and the minimum eligible ratings for the servicer as stated in the program documents, mitigate the KTP's performance risk. Additionally, the bank account provider generally satisfies our counterparty criteria requirements.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria, May 15, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | ABS: U.S. Credit Card Securitizations: Methodology And

Assumptions, Aug. 24, 2017

- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- SLIDES: 2024 U.S. And Canada Credit Cards ABS Review, Feb. 23, 2024
- Global Structured Finance 2024 Outlook, Jan. 10, 2024
- Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking, Nov. 27, 2023