bread financial™

Bread Financial

First Quarter 2022 Results

April 28, 2022

Ralph Andretta

President & CEO

Perry Beberman

EVP & CFO

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements give our expectations or forecasts of future events and can generally be identified by the use of words such as "believe," "expect," "anticipate," "estimate," "intend," "project," "plan," "likely," "may," "should" or other words or phrases of similar import. Similarly, statements that describe our business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements we make regarding, and the guidance we give with respect to, our anticipated operating or financial results, future financial performance and outlook, initiation or completion of strategic initiatives, including our ability to realize the intended benefits of the spinoff of the LoyaltyOne® segment, future dividend declarations, and future economic conditions, including, but not limited to, market conditions, inflation, developments in the geopolitical environment, including the war in Ukraine, and the ongoing effects of the global COVID-19 pandemic, which remain difficult to predict.

We believe that our expectations are based on reasonable assumptions. Forward-looking statements, however, are subject to a number of risks and uncertainties that could cause actual results to differ materially from the projections, anticipated results or other expectations expressed in this presentation, and no assurances can be given that our expectations will prove to have been correct. These risks and uncertainties include, but are not limited to, factors set forth in the Risk Factors section in our Annual Report on Form 10-K for the most recently ended fiscal year, which may be updated in Item 1A of, or elsewhere in, our Quarterly Reports on Form 10-Q filed for periods subsequent to such Form 10-K. Our forward-looking statements speak only as of the date made, and we undertake no obligation, other than as required by applicable law, to update or revise any forward-looking statements, whether as a result of new information, subsequent events, anticipated or unanticipated circumstances or otherwise.

Non-GAAP Financial Measures

We prepare our Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). However, certain information included within this presentation, constitutes non-GAAP financial measures. Our calculations of non-GAAP financial measures may differ from the calculations of similarly titled measures by other companies. In particular, Pre-tax pre-provision earnings ("PPNR") is calculated by increasing Income from continuing operations before income taxes by Provision for credit losses. We use PPNR internally as a metric to evaluate our results of operations before income taxes, excluding the volatility that can occur within Provision for credit losses; we believe the use of this non-GAAP financial measure provides additional clarity in understanding our results of operations and trends. For a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP measure, please see the financial tables and information that follows. For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures, please see the financial tables and information that follows.

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bread financial™

A tech-forward financial services company providing simple, personalized payment, lending, and saving solutions

bread cashback™

bread pay™

bread savings™

Our Ongoing Business Transformation

Leading provider of tech-forward payment, lending, and saving solutions

- Expanding our product suite and direct-to-consumer offerings
- Enhancing our core technology and digital capabilities
- Improving our capital ratios and reducing our leverage
- Increasing emphasis on Environmental, Social, and Governance

Key Foundational Elements		
Proactive risk management	Prudent balance sheet management	Disciplined expense management

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Key Highlights

Continued progress toward our long-term financial goals

- Rebranded to Bread Financial to reflect our broad suite of digitally-enabled payment, lending, and saving solutions focused on consumer choice, ease, and trust
- Consistent double-digit sales growth, up 14% versus 1Q21
- Growth continues to accelerate as average and end-of-period loans increased 5% and 8%, respectively, versus 1Q21
- Focused on profitable growth with robust business development activities and pipeline opportunities

Monitoring macroeconomic environment & consumer health

- Closely monitoring impact from inflation, rising interest rates, and changes in spending and saving habits
- Consumer financial health remains stronger than pre-pandemic levels
- Proactive credit risk management is a key tenet of our strategy
- Diversified products and brand partner verticals reduce our risk, improving our credit profile

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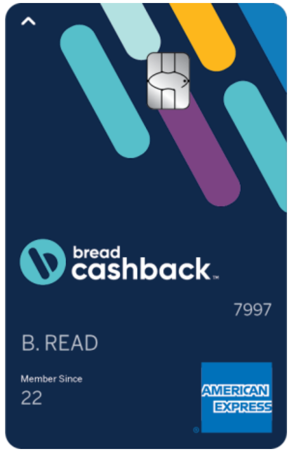
Business Development Highlights

New Bread Cashback Card



- Unlimited 2% cashback
- No annual fee
- No foreign transaction fees
- Premium protection benefits
- American Express lifestyle benefits
- Instant mobile acquisition and wallet provisioning

Brand Partner Announcements & Renewals

Harley-Davidson Motor Company
Victoria's Secret
LendingClub

Select New Bread Pay Partners

Motivo – Independence by Design.
leesa
Wholesale ATV
Goal Zero
modern planet by gabrielross

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Financial Results

($ in millions, except per share amounts)	1Q22	1Q21	$ Change	% Change
Income from continuing operations, net of taxes	$211	$268	$(57)	(21) %
(Loss) income from discontinued operations, net of taxes	(1)	18	(19)	(102)
Net income	**$210**	**$286**	**$(76)**	**(26) %**

****

Net income per diluted share from continuing operations	$4.21	$5.38	$(1.17)	(22) %
Net (loss) income per diluted share from discontinued operations	(0.01)	0.36	(0.37)	(103)
Net income per diluted share	**$4.20**	**$5.74**	**$(1.54)**	**(27) %**
Weighted average shares outstanding – diluted *(in millions)*	50.0	49.8		

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First Quarter 2022 Financial Highlights

Continuing Operations

$921 million	$211 million	$4.21
Revenue	Net Income from Continuing Operations	Diluted EPS from Continuing Operations

- Credit sales of $6.9 billion were up 14% versus 1Q21
- First quarter average loans of $16.7 billion were up 5% versus 1Q21
- Revenue increased 15% versus 1Q21, while total non-interest expenses increased 6%
- Net income from continuing operations of $211 million was down 21% versus 1Q21, as PPNR growth was more than offset by a significantly lower reserve release in 1Q22
- Credit metrics remained strong with a delinquency rate of 4.1% and a net loss rate of 4.8% for the quarter

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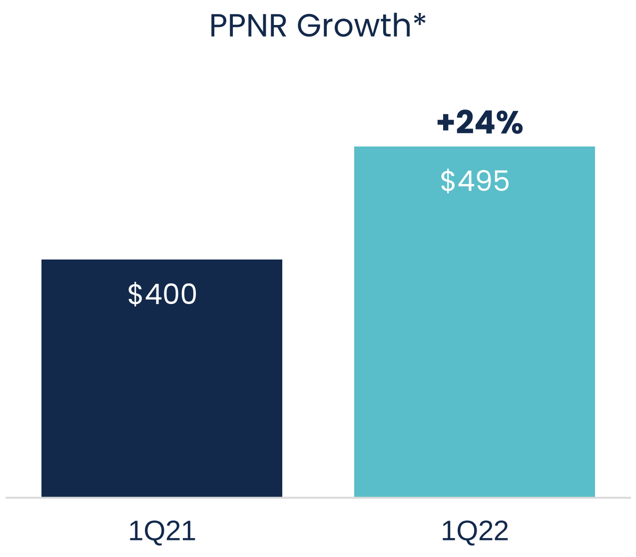
Financial Results – Continuing Operations

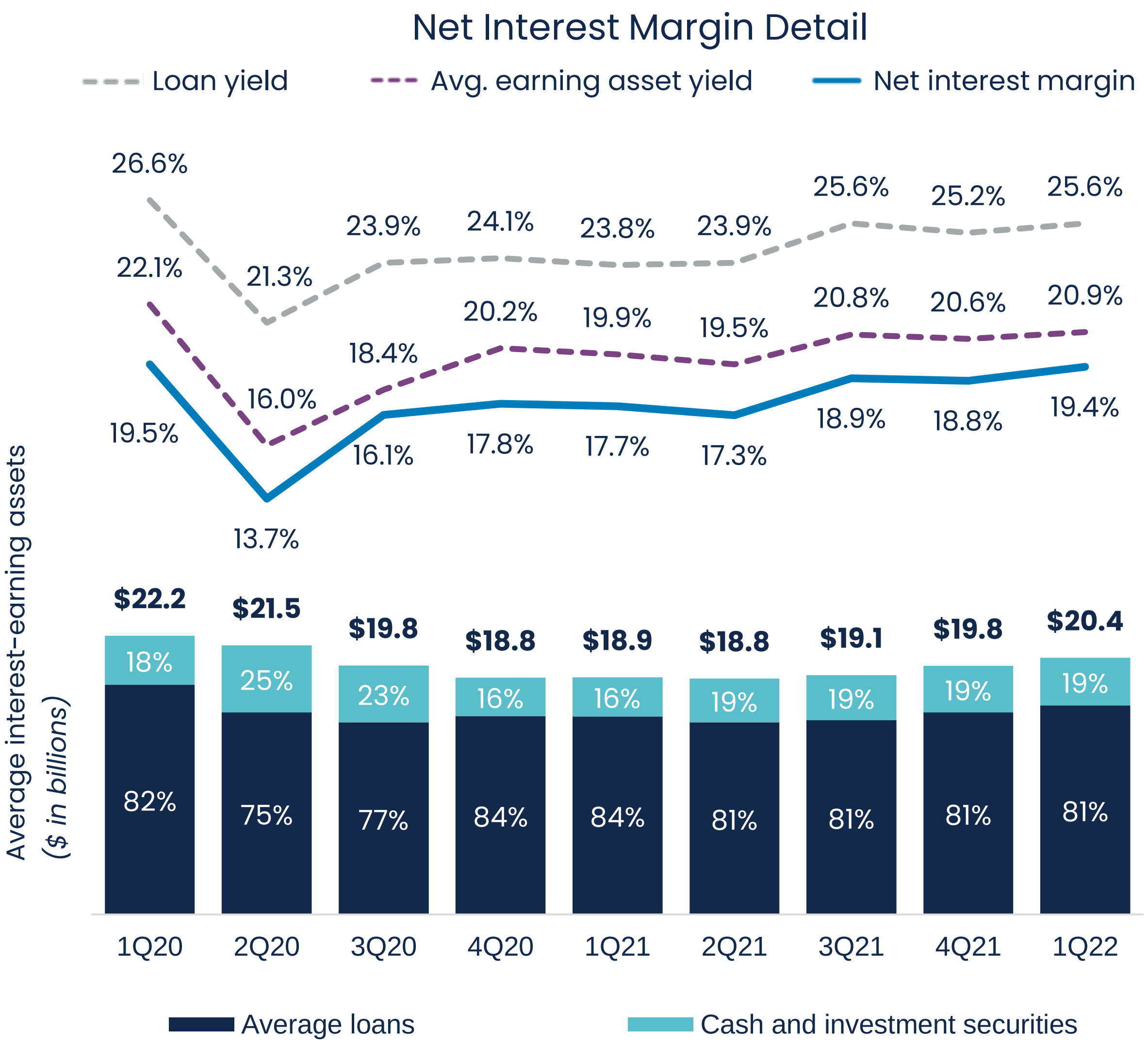
($ in millions, except per share)	1Q22	1Q21	$ Change	% Change
Total interest income	$1,068	$942	$126	13 %
Total interest expense	79	107	(28)	(26)
Net interest income	**989**	**835**	**154**	**18**
Total non-interest income	(68)	(33)	(35)	108
Revenue	**921**	**802**	**119**	**15**
Net principal losses	199	198	1	1
Reserve build (release)	(6)	(165)	159	nm
Provision for credit losses	193	33	160	nm
Total non-interest expenses	426	402	24	6
Income before income taxes	**302**	**367**	**(65)**	**(18)**
Provision for income taxes	91	99	(8)	(7)
Net income	**$211**	**$268**	**$(57)**	**(21) %**
Net income per diluted share	$4.21	$5.38	$(1.17)	(22) %
Weighted average shares outstanding – diluted	50.0	49.8	0.2	0 %
**				
Pre-tax pre-provision earnings ("PPNR")*	**$495**	**$400**	**$95**	**24 %**

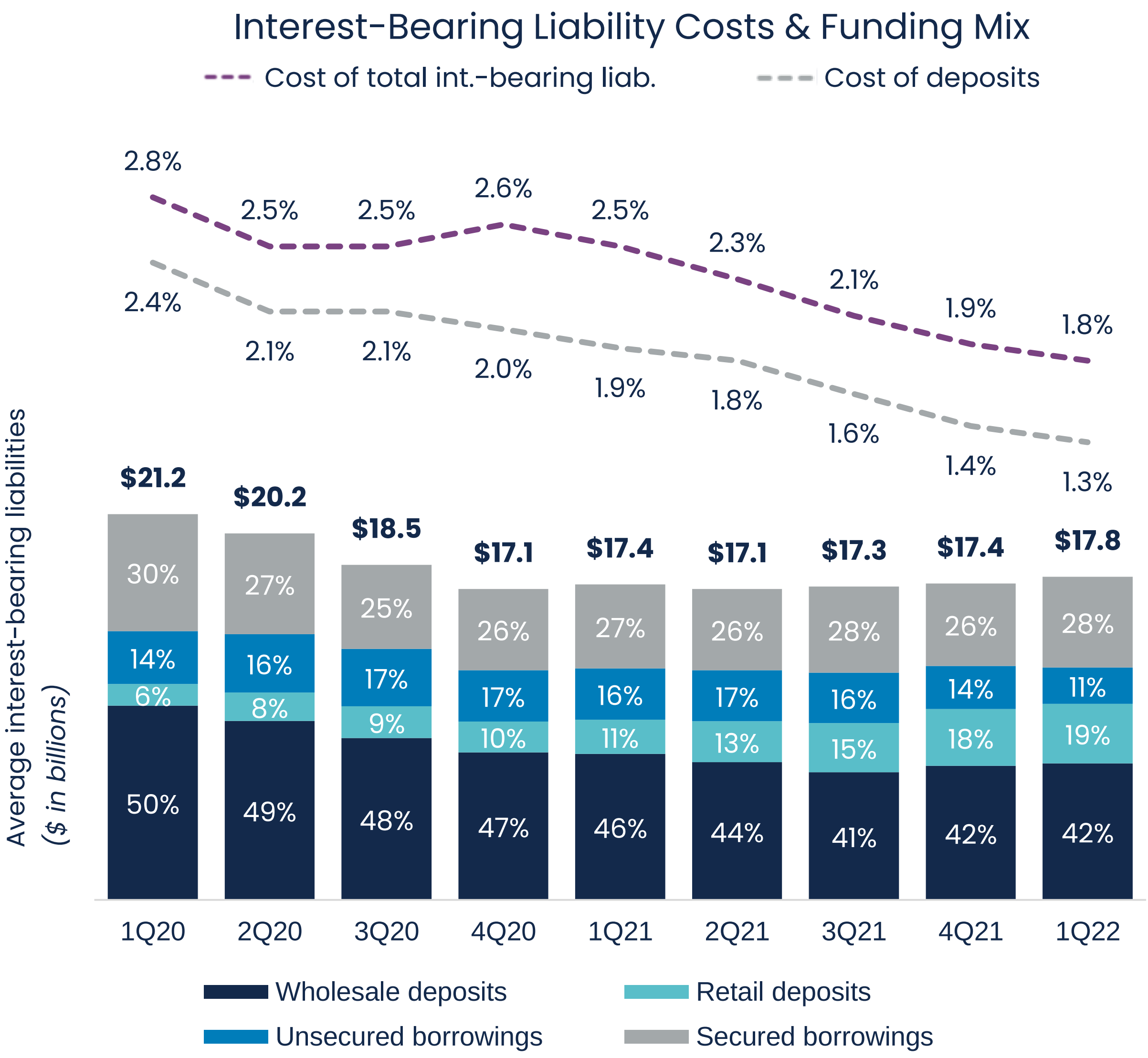
** Pre-tax pre-provision earnings is a non-GAAP financial measure.*

nm – not meaningful



Net Interest Margin





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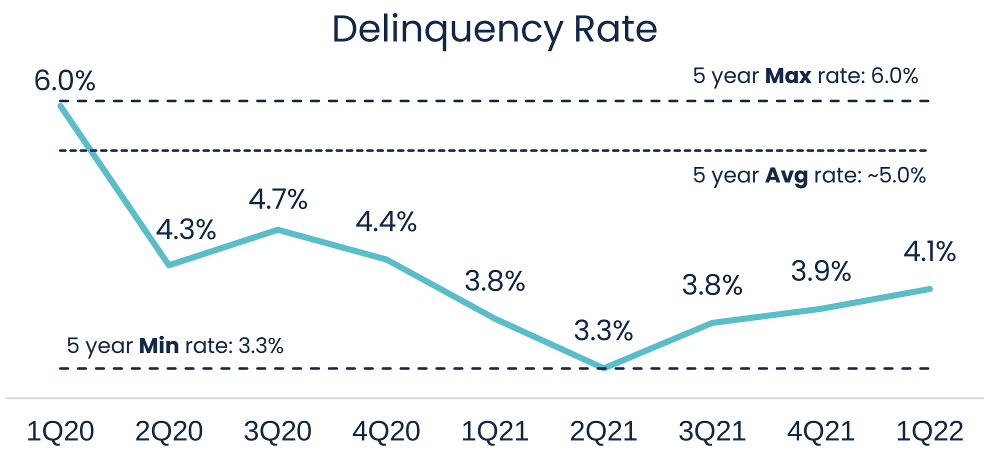
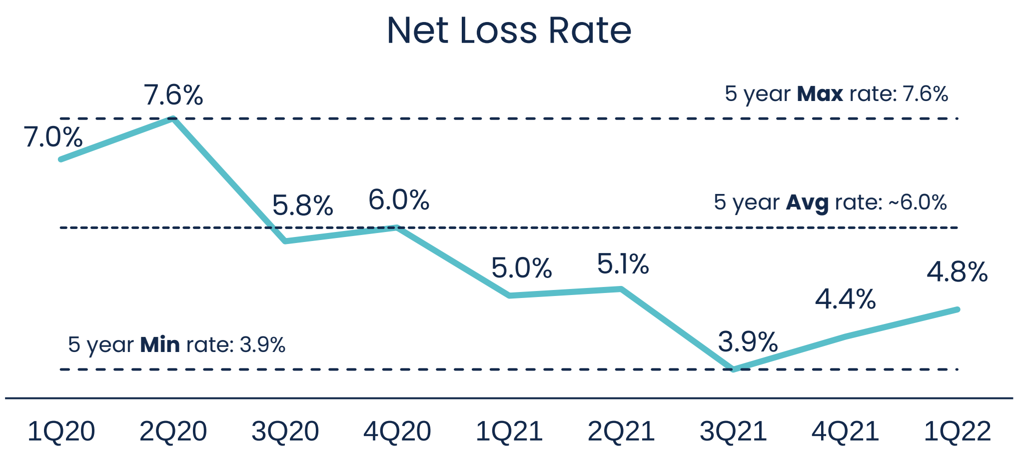
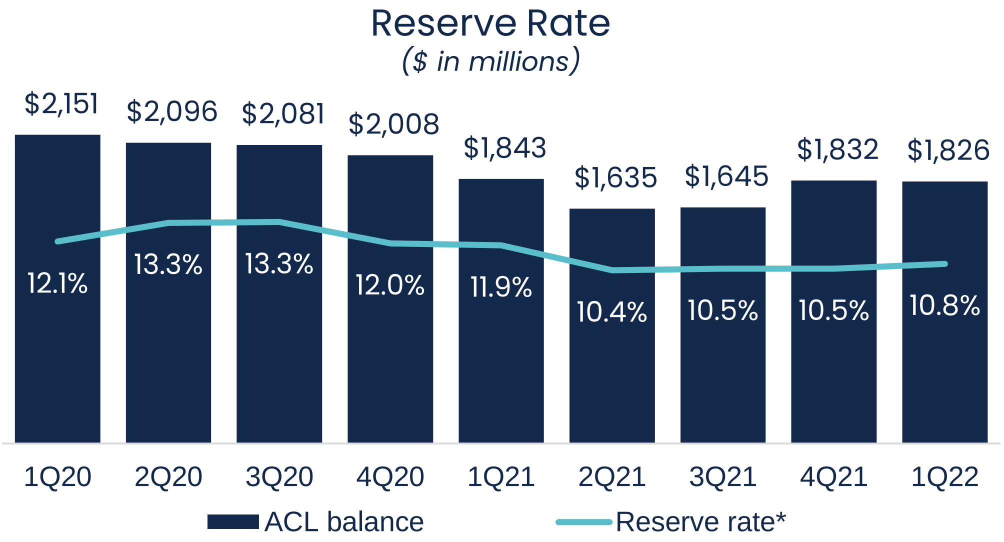
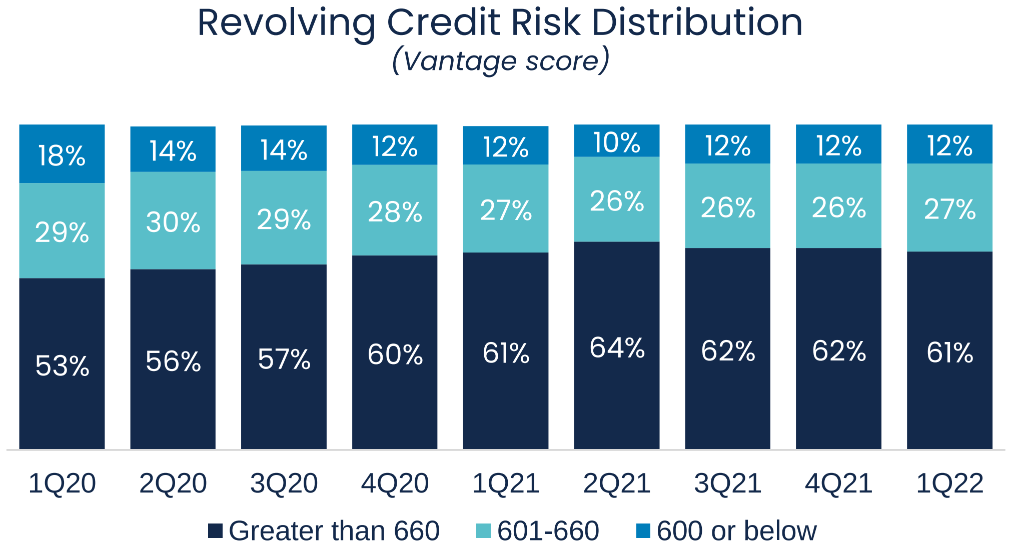
Credit Quality and Allowance







* Calculated as the percentage of the Allowance for credit losses to end-of-period Credit card and other loans.



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2022 Financial Outlook

Full Year 2021 Actuals	Full Year 2022 Outlook	Commentary
Average loans $15,656 million	Up low double digits	• Continued sales momentum and net partner additions driving strong profitable growth • On a year-over-year basis, expect year-end loan growth to be stronger than full year average loan growth given success of new business development activities in 2022 • Outlook includes new signings, both announced & unannounced, expected to add incremental year-end balances of greater than $2 billion
Revenue $3,272 million	Aligned with loan growth	• Net interest income growth is expected to be favorable to full year average loan growth year-over-year, with a nominal benefit from continued Federal Reserve rate hikes in 2022 • Non-interest income year-over-year change is expected to partially offset the favorability in Net interest income (financial impacts from divesting our interest in LVI* are not included in the outlook)
Total non-interest expenses $1,684 million	Positive operating leverage	• Includes a planned incremental strategic investment of more than $125 million in technology modernization, digital advancement, marketing, and product innovation driving future growth and efficiencies • We expect expenses will increase sequentially each quarter throughout 2022 • We will manage the pace of our investments to align with our revenue & growth outlook
Net loss rate 4.6%	Low-to-mid 5% range	• Expect credit metrics to normalize in 2022 off of historically low rates, yet remain below our historical through-the-cycle average of ~6.0%

**Bread Financial has a 19% ownership stake in Loyalty Ventures Inc.*

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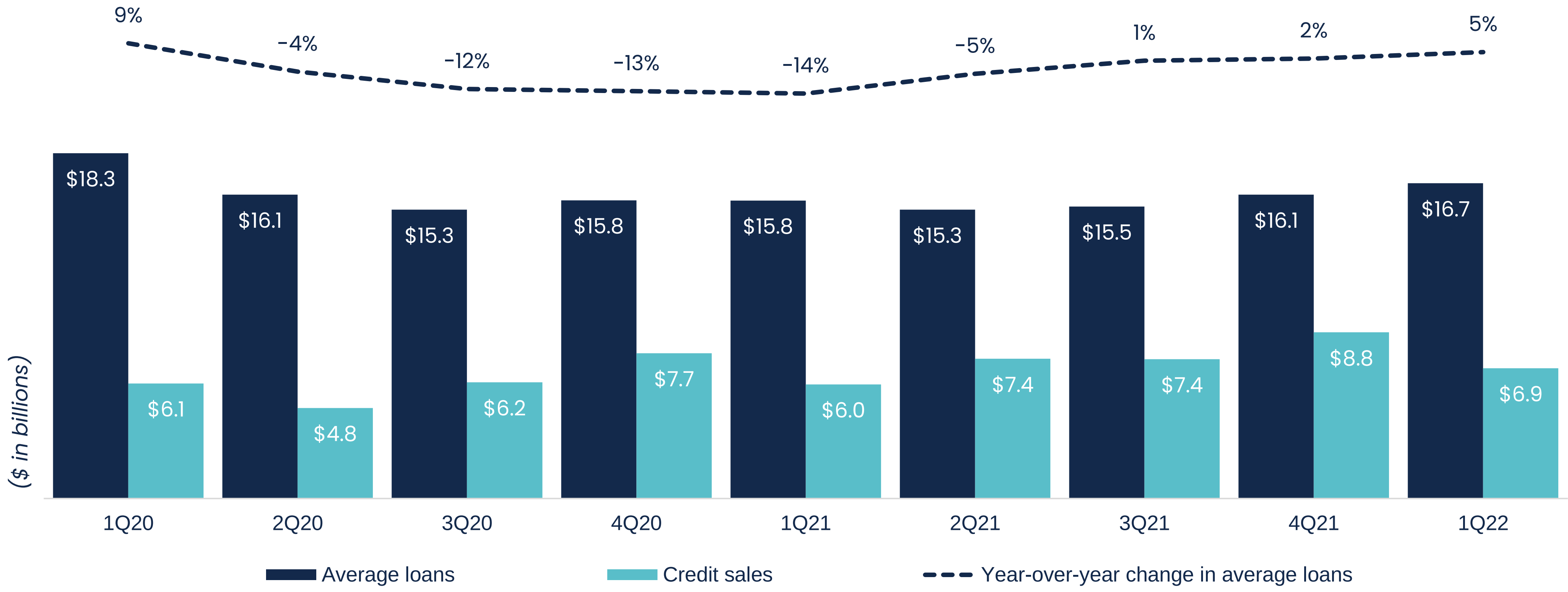
Appendix

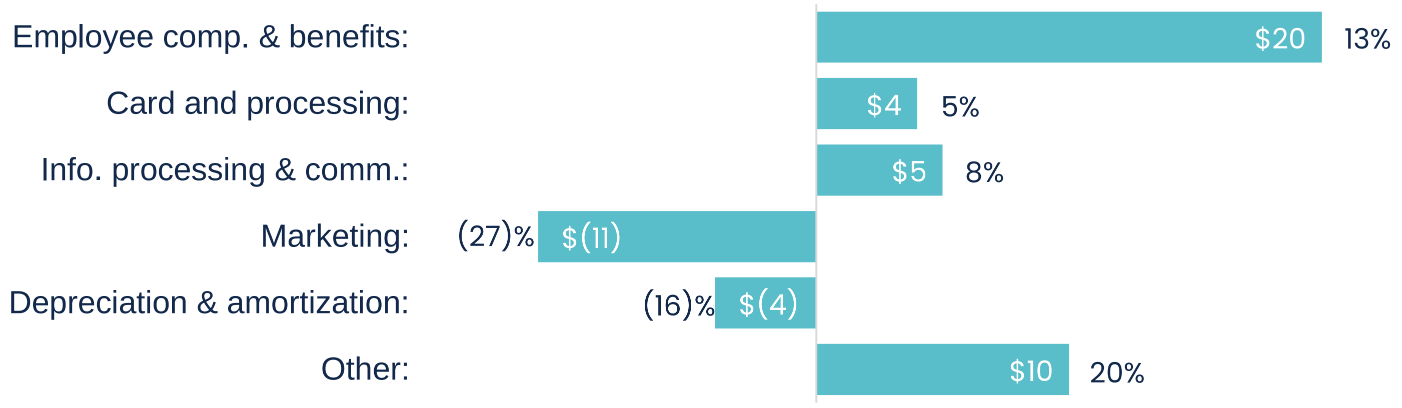
Average Loans and Credit Sales



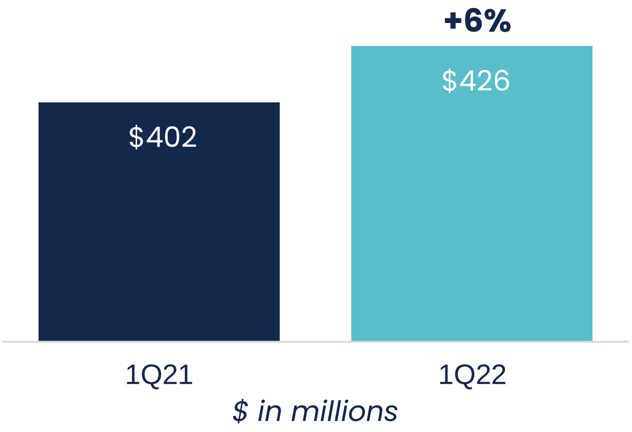
Loans continue to inflect higher with strong year-over-year credit sales growth providing momentum

Total Non-Interest Expenses

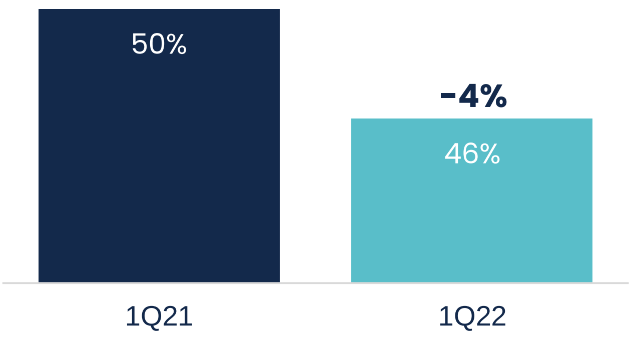
1Q22 vs. 1Q21 Change in Non-Interest Expenses



Total Non-Interest Expenses



Efficiency Ratio



Total non-interest expenses were up 6% versus 1Q21

- Employee compensation and benefit costs increased 13%, primarily driven by increased salaries, continued digital and technology modernization-related hiring, and higher volume-related staffing levels.
- Marketing expenses decreased primarily due to timing of marketing spend in the current year and higher marketing costs related to card program enhancements in 1Q21.
- Other expenses increased primarily due to legal and other business activity costs.

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Summary Financial Highlights
Continuing Operations

($ in millions)	1Q22	1Q21	1Q22 vs 1Q21	4Q21	1Q22 vs 4Q21
Credit sales	$6,887	$6,043	14%	$8,778	(22)%
Average credit card and other loans	$16,650	$15,785	5%	$16,086	4%
End-of-period credit card and other loans	$16,843	$15,537	8%	$17,399	(3)%
End-of-period direct-to-consumer deposits	$3,561	$2,152	66%	$3,180	12%
Return on average assets(1)	4.0%	4.9%	(0.9)%	1.1%	2.9%
Return on average equity(2)	38.5%	66.3%	(27.8)%	11.1%	27.4%
Net interest margin(3)	19.4%	17.7%	1.7%	18.8%	0.6%
Loan yield(4)	25.6%	23.8%	1.8%	25.2%	0.4%
Efficiency ratio(5)	46.2%	50.1%	(3.9)%	50.0%	(3.8)%
Tangible book value per common share(6)	$31.87	$21.32	49.5%	$28.09	13.5%
Tangible common equity / tangible assets ratio (TCE/TA) (7)	7.8%	5.2%	2.6%	6.6%	1.2%
Cash dividend declared per common share	$0.21	$0.21	—%	$0.21	—%
30+ day delinquency rate	4.1%	3.8%	0.3%	3.9%	0.2%
Net loss rate	4.8%	5.0%	(0.2)%	4.4%	0.4%
Reserve rate	10.8%	11.9%	(1.1)%	10.5%	0.3%

(1) Return on average assets represents annualized Income from continuing operations divided by average Total assets.
(2) Return on average equity represents annualized Income from continuing operations divided by average Total stockholders' equity.
(3) Net interest margin represents annualized Net interest income divided by average total interest-earning assets.
(4) Loan yield represents annualized Interest and fees on Credit card and other loans divided by Average credit card and other loans.
(5) Efficiency ratio represents Total non-interest expenses divided by Total net interest and non-interest income.
(6) Tangible book value per common share represents Total stockholders' equity less Intangible assets, net, and Goodwill divided by shares outstanding.
(7)Tangible common equity represents Total stockholders' equity less Intangible assets, net, and Goodwill. Tangible assets represents Total assets less Intangible assets, net, and Goodwill.

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Summary Financial Highlights

Continuing Operations

($ in millions)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Credit sales	$6,099	$4,799	$6,152	$7,657	$6,043	$7,401	$7,380	$8,778	$6,887
Year-over-year change	*(3)%*	*(36)%*	*(21)%*	*(18)%*	*(1)%*	*54%*	*20%*	*15%*	*14%*
Average credit card and other loans	$18,294	$16,116	$15,300	$15,759	$15,785	$15,282	$15,471	$16,086	$16,650
Year-over-year change	*9%*	*(4)%*	*(12)%*	*(13)%*	*(14)%*	*(5)%*	*1%*	*2%*	*5%*
End-of-period credit card and other loans	$17,732	$15,809	$15,599	$16,784	$15,537	$15,724	$15,690	$17,399	$16,843
Year-over-year change	*5%*	*(10)%*	*(13)%*	*(14)%*	*(12)%*	*(1)%*	*1%*	*4%*	*8%*
End-of-period direct-to-consumer deposits	$1,192	$1,843	$1,707	$1,700	$2,152	$2,398	$3,052	$3,180	$3,561
Year-over-year change	*nm**	*144%*	*57%*	*46%*	*81%*	*30%*	*79%*	*87%*	*66%*
Return on average assets(1)	—%	0.3%	2.1%	1.4%	4.9%	4.8%	3.7%	1.1%	4.0%
Return on average equity(2)	(0.2)%	7.0%	37.2%	21.3%	66.3%	56.4%	38.0%	11.1%	38.5%
Net interest margin(3)	19.5%	13.7%	16.1%	17.8%	17.7%	17.3%	18.9%	18.8%	19.4%
Loan yield(4)	26.6%	21.3%	23.9%	24.1%	23.8%	23.9%	25.6%	25.2%	25.6%
Efficiency ratio(5)	40.4%	60.6%	51.0%	63.4%	50.1%	55.5%	50.6%	50.0%	46.2%
Tangible book value per common share(6)	$15.41	$16.99	$20.68	$16.34	$21.32	$27.12	$31.18	$28.09	$31.87
Tangible common equity / Tangible assets ratio (TCE/TA) (7)	3.1%	3.6%	4.7%	3.7%	5.2%	6.4%	7.2%	6.6%	7.8%
Cash dividend declared per common share	$0.63	$0.21	$0.21	$0.21	$0.21	$0.21	$0.21	$0.21	$0.21
30+ day delinquency rate	6.0%	4.3%	4.7%	4.4%	3.8%	3.3%	3.8%	3.9%	4.1%
Net loss rate	7.0%	7.6%	5.8%	6.0%	5.0%	5.1%	3.9%	4.4%	4.8%
Reserve rate	12.1%	13.3%	13.3%	12.0%	11.9%	10.4%	10.5%	10.5%	10.8%

(1) Return on average assets represents annualized Income from continuing operations divided by average Total assets.
(2) Return on average equity represents annualized Income from continuing operations divided by average Total stockholders' equity.
(3) Net interest margin represents annualized Net interest income divided by average total interest-earning assets.

*nm – not meaningful

(4) Loan yield represents annualized Interest and fees on Credit card and other loans divided by Average credit card and other loans.
(5) Efficiency ratio represents Total non-interest expenses divided by Total net interest and non-interest income.
(6) Tangible book value per common share represents Total stockholders' equity less Intangible assets, net, and Goodwill divided by shares outstanding.
(7)Tangible common equity represents Total stockholders' equity less Intangible assets, net, and Goodwill. Tangible assets represents Total assets less Intangible assets, net, and Goodwill.

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Financial Results

Continuing Operations

($ in millions, except per share)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Total interest income	$1,227	$860	$915	$950	$942	$915	$994	$1,017	$1,068
Total interest expense	146	127	114	112	107	100	91	84	79
Net interest income	**1,081**	**733**	**801**	**838**	**835**	**815**	**903**	**933**	**989**
Total non-interest income	(11)	(28)	(47)	(69)	(33)	(51)	(52)	(78)	(68)
Revenue	**1,070**	**705**	**754**	**769**	**802**	**764**	**851**	**855**	**921**
Net principal losses	320	305	223	235	198	194	152	176	199
Reserve build (release)	336	(55)	(16)	(82)	(165)	(208)	9	187	(6)
Provision for credit losses	656	250	207	153	33	(14)	161	363	193
Total non-interest expenses	432	427	385	487	402	424	431	427	426
(Loss) income before income taxes	**(18)**	**28**	**162**	**129**	**367**	**354**	**259**	**65**	**302**
(Benefit) provision for income taxes	(17)	8	47	55	99	91	53	4	91
Net (loss) income	**$(1)**	**$20**	**$115**	**$74**	**$268**	**$263**	**$206**	**$61**	**$211**
Net (loss) income per diluted share	$(0.01)	$0.41	$2.41	$1.54	$5.38	$5.25	$4.11	$1.21	$4.21
Weighted average shares outstanding – diluted	47.7	47.7	47.8	48.4	49.8	50.0	50.0	50.0	50.0

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Reconciliation of GAAP to Non-GAAP Financial Measures:

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
(Loss) income before income taxes	**$(18)**	**$28**	**$162**	**$129**	**$367**	**$354**	**$259**	**$65**	**$302**
Provision for credit losses	656	250	207	153	33	(14)	161	363	193
Pre-tax pre-provision earnings (“PPNR”)*	$638	$278	$369	$282	$400	$340	$420	$428	$495
Gain on portfolio sales	20	—	—	—	—	—	10	—	—
PPNR less gain on portfolio sales*	$618	$278	$369	$282	$400	$340	$410	$428	$495

** Pre-tax pre-provision earnings and Pre-tax pre-provision earnings less gain on portfolio sales are non-GAAP financial measures.*

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Net Interest Margin

($ in millions)	1Q22 Average Balance	1Q22 Interest Income / Expense	1Q22 Average Yield / Rate
Cash and investment securities	$3,794	$2	0.3%
Credit card and other loans	16,650	1,066	25.6%
Total interest-earning assets	**20,444**	**1,068**	**20.9%**
Direct-to-consumer deposits (retail)	3,278	6	0.8%
Wholesale deposits	7,523	28	1.5%
Interest-bearing deposits	**10,801**	**34**	**1.3%**
Secured borrowings	4,994	20	1.6%
Unsecured borrowings	2,004	25	5.0%
Interest-bearing borrowings	6,998	45	2.6%
Total interest-bearing liabilities	**$17,799**	**$79**	**1.8%**
Net Interest Income		**$989**	
Net interest margin*		**19.4%**	

** Net interest margin represents annualized Net interest income divided by average Total interest-earning assets.*

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Capital and Liquidity

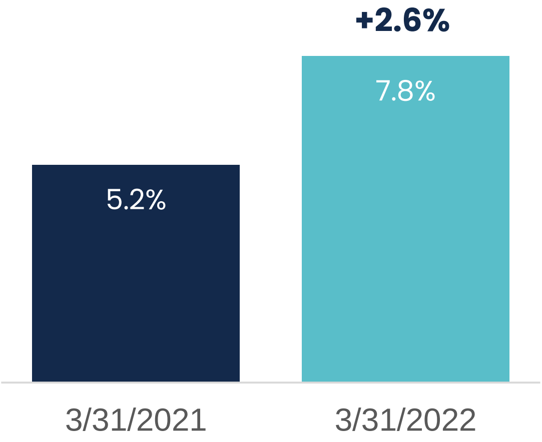
Parent Level:

- Liquidity as of March 31, 2022, of $0.8 billion, consisting of cash on hand plus revolver capacity

Bank Level (Banks Combined):

- As of March 31, 2022, the banks finished the quarter with $2.9 billion in cash on hand and $3.3 billion in equity
- Total risk based capital ratio at 22.1% - over double the 10% threshold to be considered well-capitalized; CET1 at 20.8%
- Funding in place for expected growth outlook – with continued long-term strategic focus on retail deposit growth

Tangible Common Equity/ Tangible Assets Ratio(1)



Banks Combined Capital Ratios	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Common equity tier 1 capital ratio(2)	15.9%	18.3%	18.8%	18.4%	21.0%	22.1%	22.6%	20.0%	20.8%
Tier 1 capital ratio(3)	15.9%	18.3%	18.8%	18.4%	21.0%	22.1%	22.6%	20.0%	20.8%
Total risk-based capital ratio(4)	17.3%	19.7%	20.1%	19.7%	22.3%	23.4%	23.9%	21.3%	22.1%
Tier 1 leverage capital ratio(5)	12.8%	14.2%	16.1%	17.1%	17.8%	19.2%	19.5%	18.6%	18.2%

Capital Priorities

- Support Profitable Growth & Growth Investments
- Improve Capital Metrics
- Efficient Return of Capital to Shareholders

(1) Tangible common equity represents Total stockholders' equity less Intangible assets, net, and Goodwill. Tangible assets represents Total assets less Intangible assets, net, and Goodwill.
(2) The Common equity tier 1 capital ratio represents common equity tier 1 capital divided by total risk-weighted assets.
(3) The Tier 1 capital ratio represents tier 1 capital divided by total risk-weighted assets.
(4) The Total risk-based capital ratio represents total capital divided by total risk-weighted assets.
(5) The Tier 1 leverage capital ratio represents tier 1 capital divided by total assets for leverage ratio.

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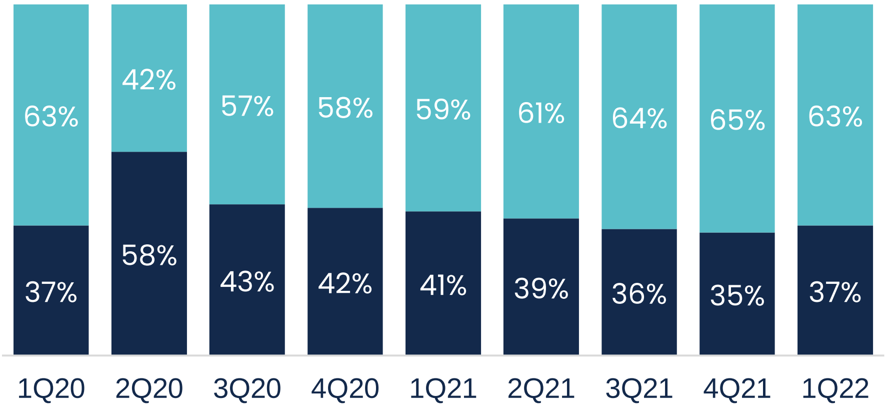
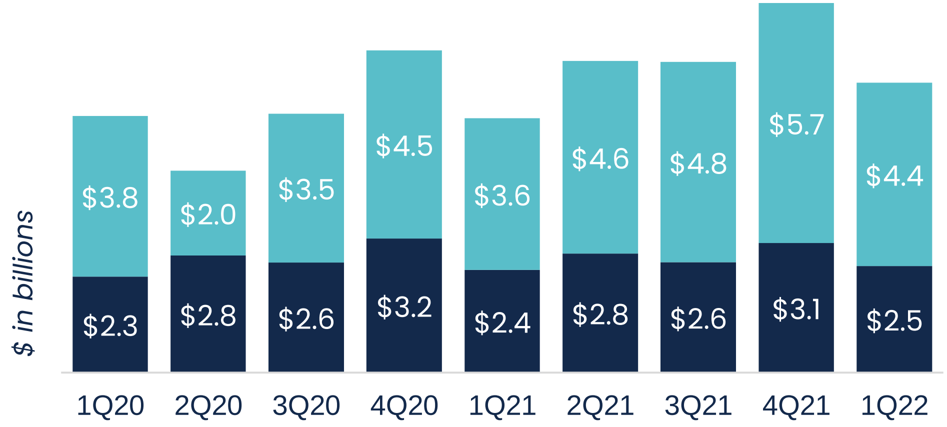
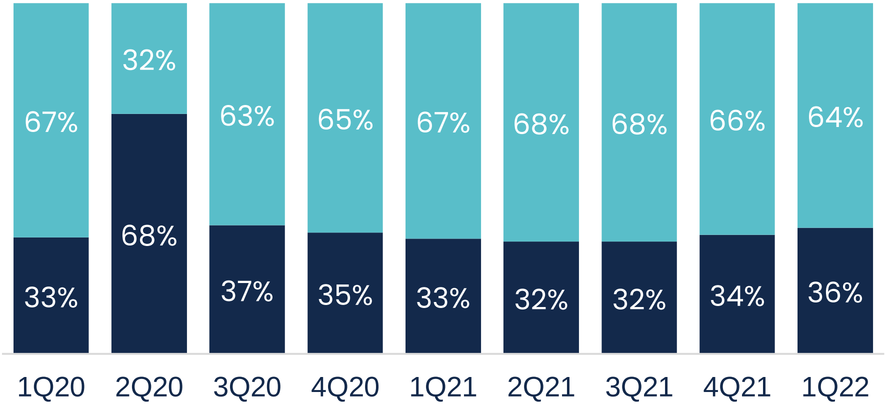
Sales and New Account Data

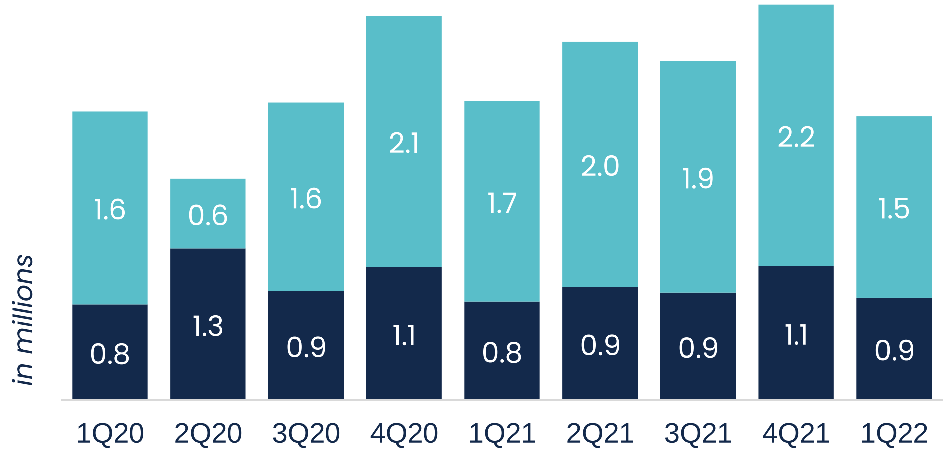
In-store vs. Digital Sales





In-store vs. Digital New Accounts





Digital includes all non-store new accounts and Bread

Digital In-store

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