



First quarter 2025 results

April 24, 2025

First quarter 2025

Key highlights

Demonstrated financial resilience and opportunistic capital allocation

- Enhanced financial resilience through responsible growth, proactive risk management, prudent capital allocation to strengthen our balance sheet, and ongoing operational excellence initiatives.
- Net income of \$138 million and earnings per diluted share of \$2.78.
- Tangible book value per common share⁽¹⁾ of \$48.92 increased 6% year-over-year.
- Direct-to-consumer deposits of \$7.9 billion increased 13% year-over-year, and now represent 43% of our average total funding.
- Completed offering of \$400 million subordinated notes due 2035, increasing our Total risk-based capital ratio as tier 2 capital.
- Repurchased \$102 million, or 2.1 million shares in the first quarter. Subsequently, in April we repurchased an additional 1.1 million shares for a total of 3.2 million shares, completing the board-authorized share repurchase program of \$150 million.

Proactive risk management given ongoing macroeconomic uncertainty

- Closely monitoring the impact of the new administration's policies including tariffs, trade, immigration, tax and deregulation, and the impacts they have on consumers and our business.
- While consumer financial health was relatively steady in the first quarter, we will remain disciplined with our credit risk management given ongoing macroeconomic uncertainty.

(1) Represents a Non-GAAP financial measure. See "Non-GAAP Financial Measures" and "Reconciliation of GAAP to Non-GAAP Financial Measures".

First quarter 2025 financial highlights



Continuing operations⁽¹⁾

Revenue
\$970 million

Net income
\$142 million

Diluted EPS
\$2.86

Year-over-year comparisons

- Credit sales of \$6.1 billion increased 1%, driven by increased general-purpose spending.
- Average loans of \$18.2 billion decreased 2%, primarily due to the macroeconomic environment throughout 2024 driving lower consumer spending, higher gross losses, and tighter underwriting standards.
- Revenue decreased \$21 million, or 2%, primarily due to lower finance charges and late fees resulting from a lower average prime rate, lower delinquencies, and our gradual shift in risk and product mix leading to a lower proportion of private label accounts.
- Total non-interest expenses decreased \$5 million, or 1%, primarily driven by a \$15 million decrease in other expenses, which includes prior year debt extinguishment costs, and a \$4 million decrease in card and processing expenses, partially offset by a \$7 million increase in information processing and communication expenses and a \$7 million increase in marketing expenses.
- Income from continuing operations increased \$7 million, or 5%, primarily due to a lower provision for credit losses and lower total non-interest expenses, partially offset by a decline in finance charges and late fees.
- The delinquency rate of 5.9% decreased from 6.2% in the first quarter of 2024.
- The net loss rate of 8.2% decreased from 8.5% in the first quarter of 2024.

⁽¹⁾ Continuing operations excludes amounts associated with our former LoyaltyOne segment and our former Epsilon segment which previously have been disclosed as discontinued operations and classified accordingly.

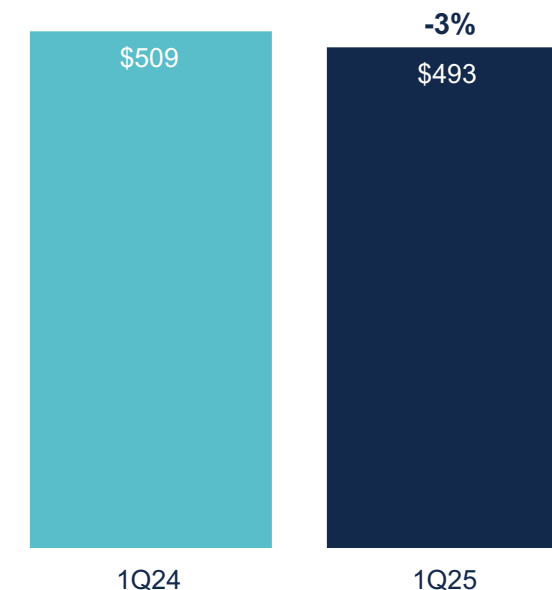
Summary P&L results



Continuing operations

(\$ in millions)	1Q25	1Q24	\$ change	% change
Total interest income	\$ 1,231	\$ 1,300	\$ (69)	(5)
Total interest expense	225	248	(23)	(9)
Net interest income	1,006	1,052	(46)	(4)
Total non-interest income	(36)	(61)	25	(42)
Revenue	970	991	(21)	(2)
Net principal losses	365	394	(29)	(7)
Reserve release	(69)	(73)	4	(4)
Provision for credit losses	296	321	(25)	(8)
Total non-interest expenses	477	482	(5)	(1)
Income before income taxes	197	188	9	5
Provision for income taxes	55	53	2	5
Net income	\$ 142	\$ 135	\$ 7	5
Pretax pre-provision earnings⁽¹⁾	\$ 493	\$ 509	\$ (16)	(3)

Pretax pre-provision earnings⁽¹⁾
(\$ in millions)

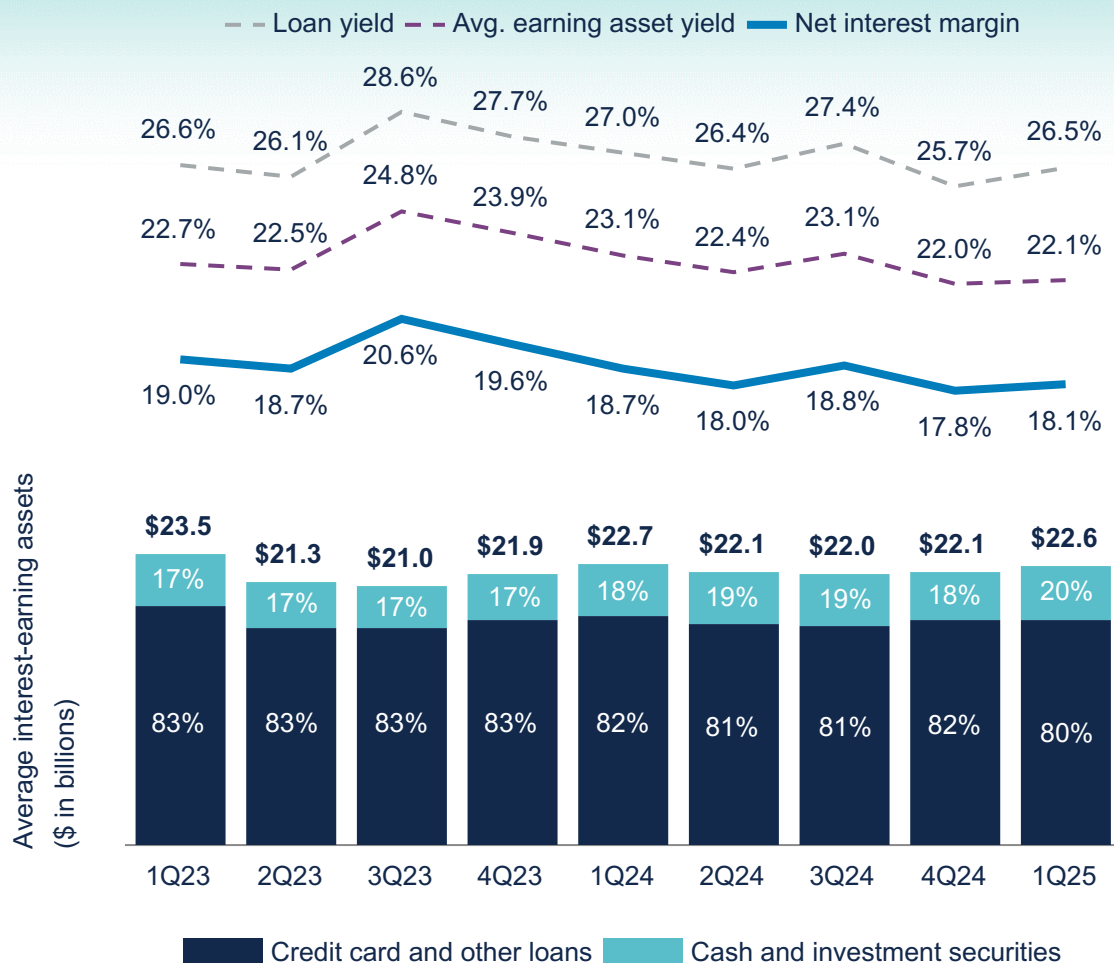


(1) Represents a Non-GAAP financial measure. See "Non-GAAP Financial Measures," and "Reconciliation of GAAP to Non-GAAP Financial Measures" in the Appendix.

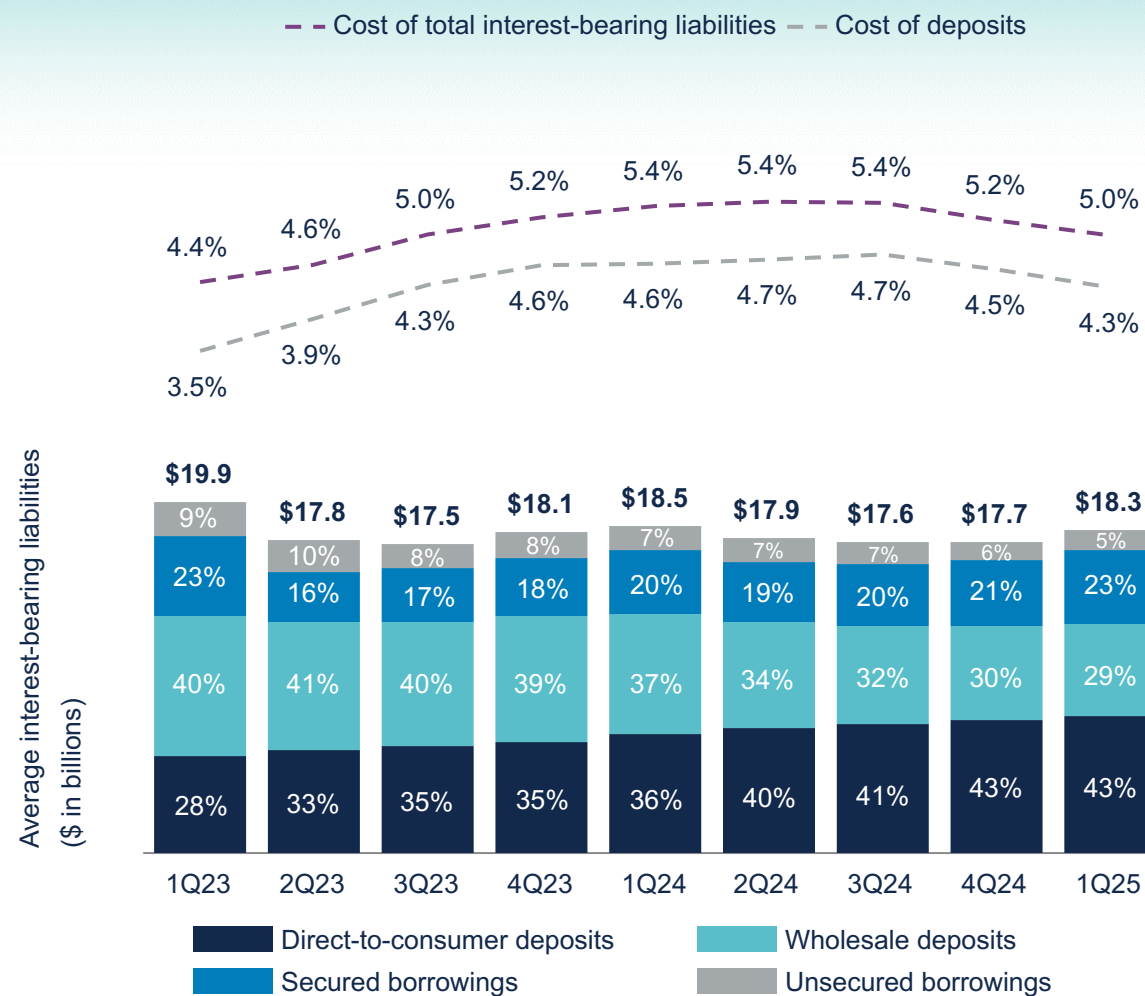
Net interest margin



Interest-earning asset yields and mix



Interest-bearing liability costs and funding mix

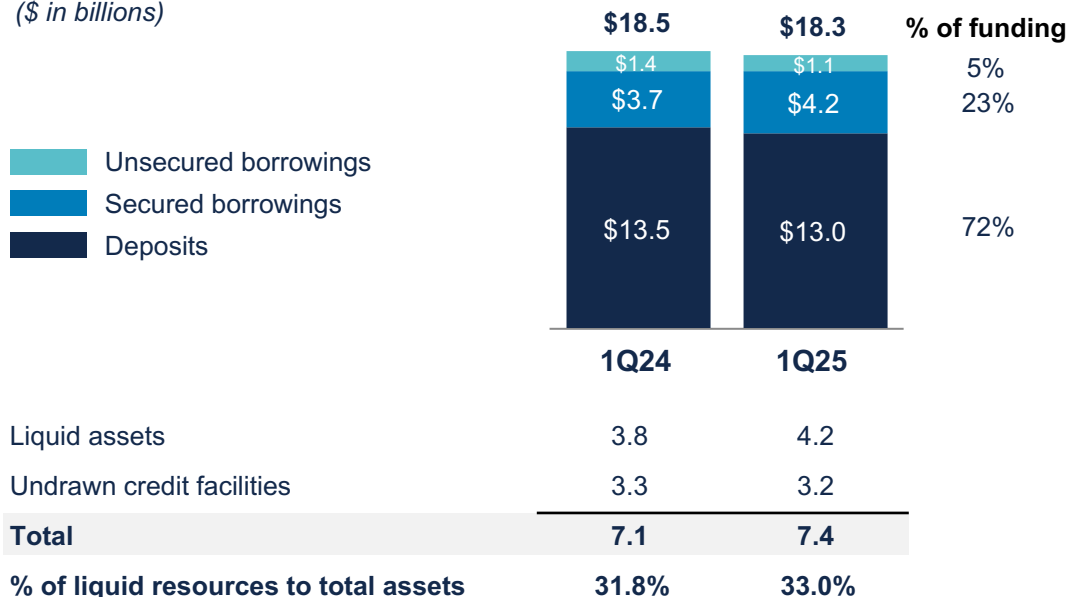


Funding, capital, and liquidity



Funding sources

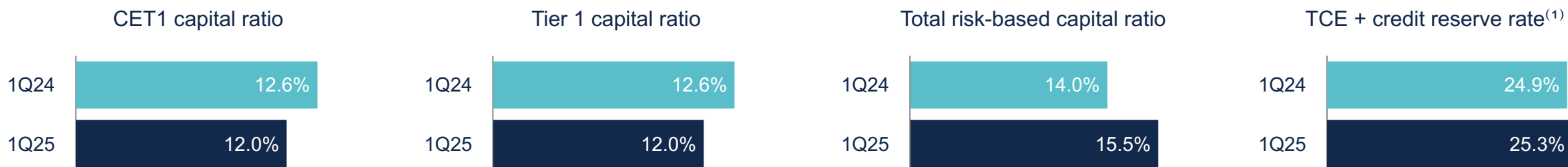
(\$ in billions)



CET1 and total risk-based capital (TRBC) ratios walk

	CET1	TRBC
1Q24	12.6 %	14.0 %
Net earnings	2.0 %	2.0 %
Risk-weighted asset changes	0.3 %	0.4 %
Common dividends	(0.2)%	(0.2)%
Share repurchases	(0.8)%	(0.8)%
CECL transition provisions	(0.7)%	(0.7)%
Convertible notes repurchase	(1.0)%	(1.0)%
Subordinated notes	N/A	2.1 %
Other activity, net	(0.2)%	(0.3)%
1Q25	12.0 %	15.5 %

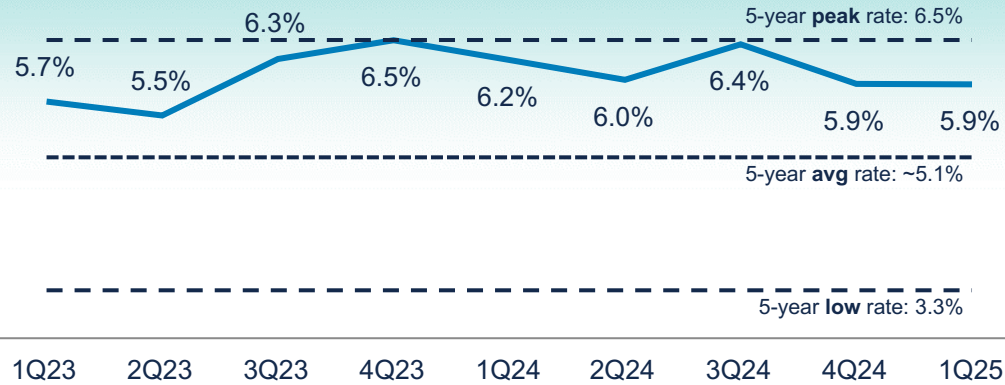
Capital ratios



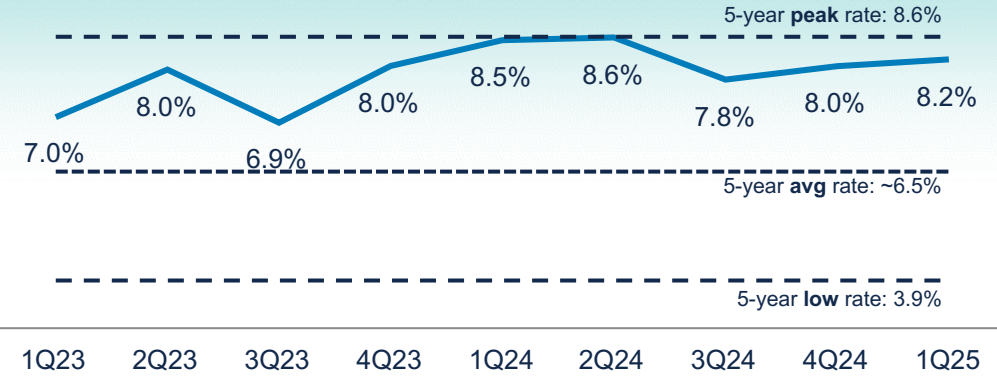
Credit quality and allowance



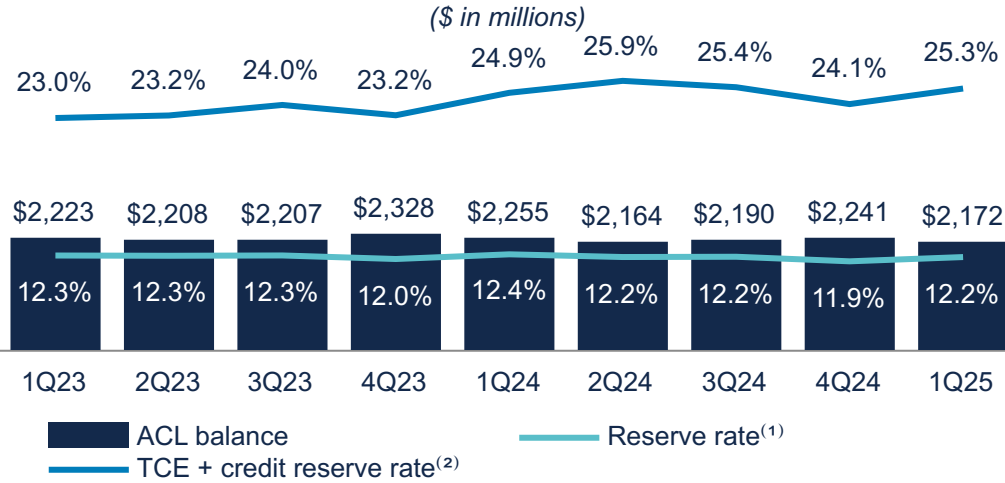
Delinquency rates



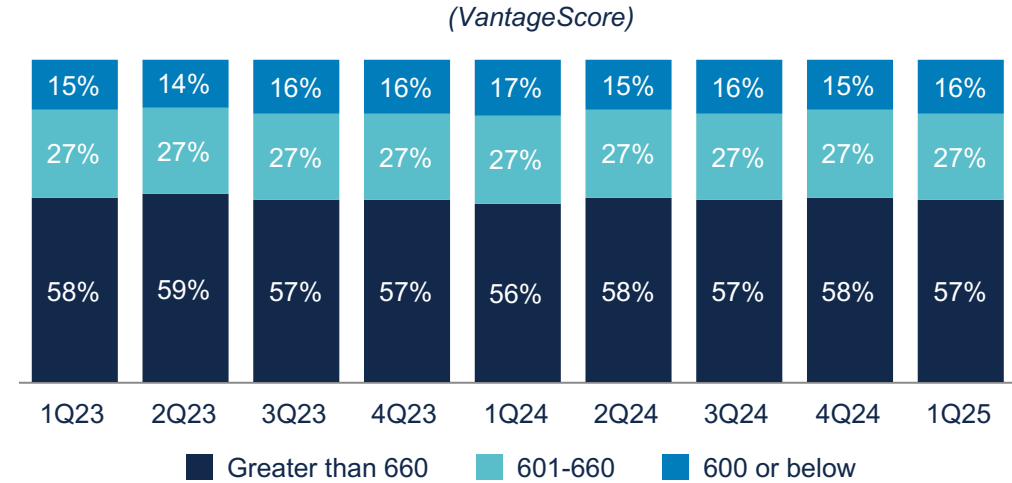
Net loss rates



Reserve rates and loss absorption capacity



Revolving credit risk distribution



(1) and (2) See Additional footnotes and definitions of terms in the Appendix.

Notes: Starting with 3Q22 through 2Q23, the Net loss rate was impacted by the transition of our credit card processing services in June 2022. See the Additional footnotes and definition of terms slides in the Appendix for an explanation of our change to the average daily balance methodology, as well as impacts from Hurricanes Helene and Milton in 4Q24.

2025 financial outlook

As of 4/24/2025



Our 2025 outlook assumed no late fee reduction related to the CFPB late fee rule, which has recently been vacated.⁽¹⁾

Full year 2024 actuals	Full year 2025 outlook	Commentary
Average loans 2024: \$18,084 million	Flat to slightly down	Based on an updated range of economic scenarios and expected impacts on consumer spending, our strategic credit tightening actions, elevated gross credit losses, and visibility into our pipeline and existing partners, we now expect 2025 average credit card and other loans to be flat to slightly down versus full year 2024.
Revenue (excl. gain on sale)⁽²⁾ 2024: \$3,827 million	Flat to slightly up	Revenue, excluding portfolio sale gains, is expected to be flat to slightly up as a result of implemented pricing changes, partially offset by interest rate reductions by the Federal Reserve, lower billed late fees, and a continued shift in risk and product mix.
Adjusted total non-interest expenses⁽²⁾ 2024: \$1,953 million	Positive operating leverage	Expect to deliver nominal full year positive operating leverage, excluding any portfolio sale gains and the pretax impacts from our repurchased convertible notes. We continue to strategically invest in technology modernization, marketing, and product innovation to drive growth and efficiencies.
Net loss rate 2024: 8.2%	8.0% to 8.2%	2025 net loss rate is expected to improve from 2024 as a result of our credit management actions and responsible loan growth, yet remain elevated due to continued inflationary pressure on consumers' ability to pay.

(1) On April 15, 2025, the United States District Court for the Northern District of Texas entered an order and final judgement, pursuant to which the CFPB's credit card late fee rule was vacated.

(2) Represent Non-GAAP Financial Measures. We are unable to provide a quantitative reconciliation of the forward-looking 2025 financial outlook for these Non-GAAP Financial Measures to their most directly comparable forward-looking GAAP measures as we cannot reliably predict all of the necessary components of such forward-looking GAAP measures without unreasonable effort. In the calculation of full year 2024 actuals, Revenue (excl. gain on sale) excludes from Total revenue an \$11 million gain on portfolio sale and Adjusted total non-interest expenses excludes from Total non-interest expenses a \$107 million pre-tax impact from our repurchased convertible notes for the year ended December 31, 2024.



Appendix

Building on our position of strength

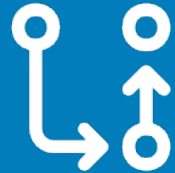


2025 focus areas



Responsible growth

Scale diversified product suite enabling growth and expanding revenue generation opportunities, meeting the evolving needs of our brand partners and customers



Manage to the macroeconomic and regulatory environment

Proactively execute strategies to improve credit performance and mitigate regulatory uncertainty



Disciplined capital allocation and risk management

Effectively manage capital ensuring appropriate returns on investments, reducing risk, and maintaining a strong balance sheet



Operational excellence

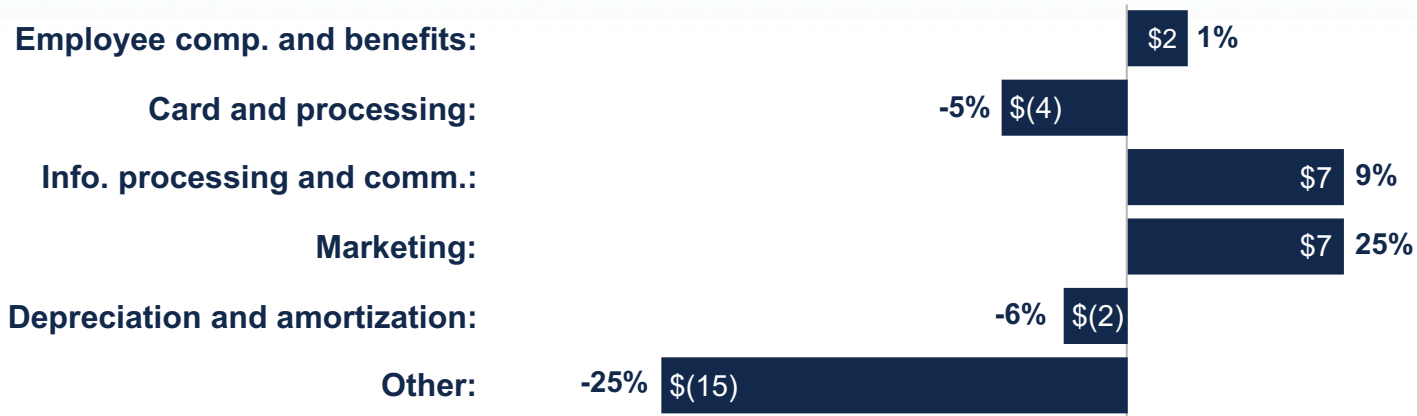
Accelerate continuous improvement initiatives to deliver technology advancements, improved customer satisfaction, reduced risk exposure, enterprise-wide efficiency, and value creation

Total non-interest expenses



Continuing operations

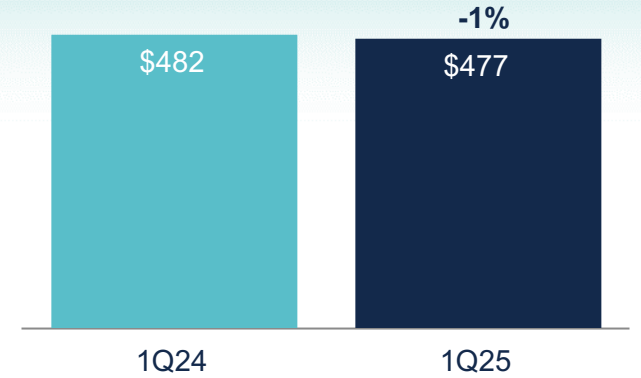
1Q25 vs. 1Q24 change in non-interest expenses
(\$ in millions)



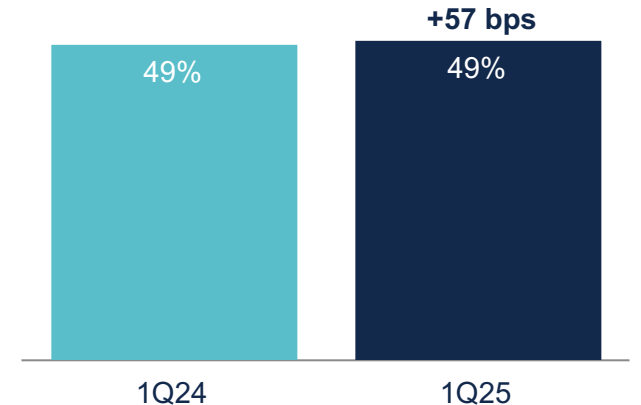
Total non-interest expenses decreased 1% versus 1Q24

- Card and processing expenses decreased due primarily to reduced volume-related card and statement costs.
- Information processing and communication expenses increased primarily due to elevated software license renewal costs.
- Marketing expenses increased due to incremental investments associated with brand partner programs.
- Other expenses decreased primarily due to prior year debt extinguishment costs.

Total non-interest expenses
(\$ in millions)



Efficiency ratio⁽¹⁾



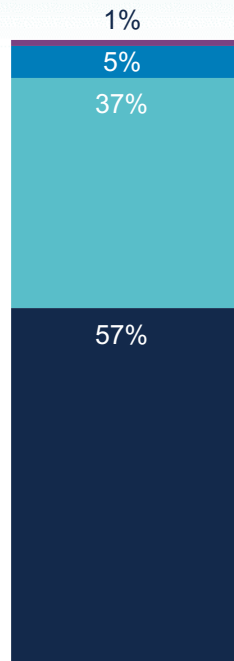
(1) See Additional footnotes and definitions of terms in the Appendix.

Diversified product and partner mix



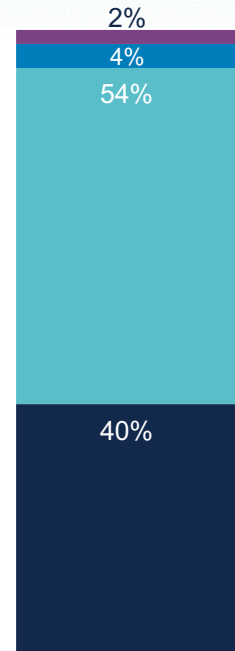
Product diversification

End-of-period loans



1Q25

Credit sales

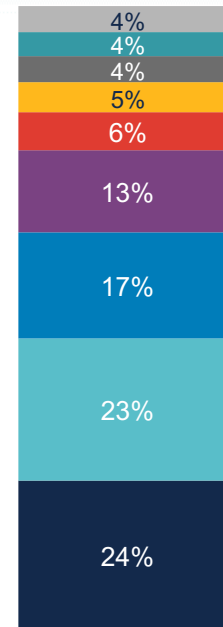


1Q25

Private label Co-brand Proprietary Bread Pay

Partner diversification

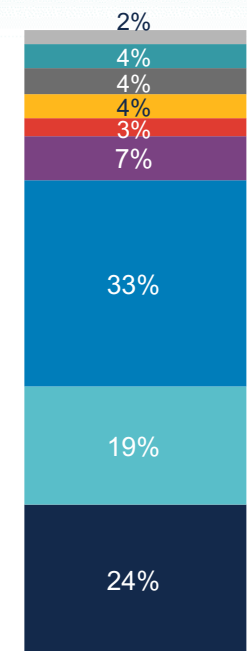
End-of-period loans



1Q25

Specialty apparel
Travel and entertainment
Home
Proprietary card
Other

Credit sales



1Q25

Health and beauty
Jewelry
Technology and electronics
Sporting goods

Summary financial highlights



Continuing operations

(\$ in millions)	1Q25	1Q24	1Q25 vs 1Q24	4Q24	1Q25 vs 4Q24
Credit sales	\$ 6,106	\$ 6,030	1%	\$ 7,898	(23%)
Average credit card and other loans	\$ 18,164	\$ 18,546	(2%)	\$ 18,156	—%
End-of-period credit card and other loans	\$ 17,815	\$ 18,185	(2%)	\$ 18,896	(6%)
End-of-period direct-to-consumer deposits	\$ 7,922	\$ 6,984	13%	\$ 7,687	3%
Return on average assets ⁽¹⁾	2.5%	2.4%	0.1%	0.1%	2.4%
Return on average equity ⁽²⁾	17.7%	17.5%	0.2%	0.9%	16.8%
Return on average tangible common equity ⁽³⁾	23.0%	23.1%	(0.1%)	1.2%	21.8%
Net interest margin ⁽⁴⁾	18.1%	18.7%	(0.6%)	17.8%	0.3%
Loan yield ⁽⁵⁾	26.5%	27.0%	(0.5%)	25.7%	0.8%
Efficiency ratio ⁽⁶⁾	49.1%	48.6%	0.5%	57.8%	(8.7%)
Common equity tier 1 capital ratio ⁽⁷⁾	12.0%	12.6%	(0.6%)	12.4%	(0.4%)
Tangible book value per common share ⁽⁸⁾	\$ 48.92	\$ 45.96	6%	\$ 46.97	4%
Payment rate ⁽⁹⁾	15.1%	14.8%	0.3%	15.0%	0.1%
Delinquency rate	5.9%	6.2%	(0.3%)	5.9%	—%
Net loss rate	8.2%	8.5%	(0.3%)	8.0%	0.2%
Reserve rate	12.2%	12.4%	(0.2%)	11.9%	0.3%

The terms associated with footnotes (1) through (9) are defined on the Additional footnotes and definition of terms slides in the Appendix.

Summary financial highlights – trending



Continuing operations

(\$ in millions)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
Credit sales	\$ 7,373	\$ 7,057	\$ 6,668	\$ 7,802	\$ 6,030	\$ 6,570	\$ 6,464	\$ 7,898	\$ 6,106
Year-over-year change	7%	(13%)	(13%)	(23%)	(18%)	(7%)	(3%)	1%	1%
Average credit card and other loans	\$ 19,405	\$ 17,652	\$ 17,540	\$ 18,267	\$ 18,546	\$ 17,872	\$ 17,766	\$ 18,156	\$ 18,164
Year-over-year change	17%	4%	—%	(8%)	(4%)	1%	1%	(1%)	(2%)
End-of-period credit card and other loans	\$ 18,060	\$ 17,962	\$ 17,922	\$ 19,333	\$ 18,185	\$ 17,743	\$ 17,933	\$ 18,896	\$ 17,815
Year-over-year change	7%	1%	(1%)	(10%)	1%	(1%)	—%	(2%)	(2%)
End-of-period direct-to-consumer deposits	\$ 5,630	\$ 5,993	\$ 6,098	\$ 6,454	\$ 6,984	\$ 7,193	\$ 7,483	\$ 7,687	\$ 7,922
Year-over-year change	58%	43%	18%	18%	24%	20%	23%	19%	13%
Return on average assets ⁽¹⁾	7.7%	1.2%	3.2%	0.8%	2.4%	2.4%	0.1%	0.1%	2.5%
Return on average equity ⁽²⁾	73.0%	9.4%	24.8%	6.2%	17.5%	16.7%	0.4%	0.9%	17.7%
Return on average tangible common equity ⁽³⁾	107.0%	13.2%	34.3%	8.5%	23.1%	21.8%	0.5%	1.2%	23.0%
Net interest margin ⁽⁴⁾	19.0%	18.7%	20.6%	19.6%	18.7%	18.0%	18.8%	17.8%	18.1%
Loan yield ⁽⁵⁾	26.6%	26.1%	28.6%	27.7%	27.0%	26.4%	27.4%	25.7%	26.5%
Efficiency ratio ⁽⁶⁾	42.2%	55.7%	48.7%	50.8%	48.6%	49.9%	58.4%	57.8%	49.1%
Common equity tier 1 capital ratio ⁽⁷⁾	11.8%	12.1%	12.9%	12.2%	12.6%	13.8%	13.3%	12.4%	12.0%
Tangible book value per common share ⁽⁸⁾	\$ 38.44	\$ 38.99	\$ 42.45	\$ 43.70	\$ 45.96	\$ 48.89	\$ 47.48	\$ 46.97	\$ 48.92
Payment rate ⁽⁹⁾	15.6%	15.0%	14.4%	14.5%	14.8%	14.4%	14.0%	15.0%	15.1%
Delinquency rate	5.7%	5.5%	6.3%	6.5%	6.2%	6.0%	6.4%	5.9%	5.9%
Net loss rate	7.0%	8.0%	6.9%	8.0%	8.5%	8.6%	7.8%	8.0%	8.2%
Reserve rate	12.3%	12.3%	12.3%	12.0%	12.4%	12.2%	12.2%	11.9%	12.2%

The terms associated with footnotes (1) through (9) are defined on the Additional footnotes and definition of terms slides in the Appendix.

Note: Starting with 3Q22 through 2Q23, the Net loss rate was impacted by the transition of our credit card processing services in June 2022.

Summary P&L results – trending



Continuing operations

(\$ in millions)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
Total interest income	\$ 1,335	\$ 1,197	\$ 1,301	\$ 1,312	\$ 1,300	\$ 1,228	\$ 1,277	\$ 1,219	\$ 1,231
Total interest expense	218	205	219	237	248	241	240	231	225
Net interest income	1,117	992	1,082	1,075	1,052	987	1,037	988	1,006
Total non-interest income	172	(40)	(51)	(58)	(61)	(48)	(54)	(62)	(36)
Revenue	1,289	952	1,031	1,017	991	939	983	926	970
Net principal losses	342	351	304	367	394	382	347	367	365
Reserve (release) build	(235)	(15)	—	115	(73)	(92)	22	50	(69)
Provision for credit losses	107	336	304	482	321	290	369	417	296
Total non-interest expenses	544	530	502	516	482	469	574	536	477
Income (loss) before income taxes	638	86	225	19	188	180	40	(27)	197
Provision for income taxes	183	22	52	(26)	53	47	37	(35)	55
Net income	\$ 455	\$ 64	\$ 173	\$ 45	\$ 135	\$ 133	\$ 3	\$ 8	\$ 142
Adjusted net income (loss) ⁽¹⁾	\$ 455	\$ 64	\$ 173	\$ 45	\$ 135	\$ 133	\$ 94	\$ 21	\$ 144
Pretax pre-provision earnings (PPNR)⁽¹⁾	\$ 745	\$ 422	\$ 529	\$ 501	\$ 509	\$ 470	\$ 409	\$ 390	\$ 493
Less: Gain on portfolio sale	(230)	—	—	—	—	(5)	(4)	(2)	—
Add: Impact from repurchased Convertible Notes	—	—	—	—	—	—	96	11	2
PPNR excluding gain on portfolio sale and impact from repurchased Convertible Notes⁽¹⁾	\$ 515	\$ 422	\$ 529	\$ 501	\$ 509	\$ 465	\$ 501	\$ 399	\$ 495

(1) Represents a Non-GAAP financial measure. See "Non-GAAP Financial Measures," and "Reconciliation of GAAP to Non-GAAP Financial Measures" in the Appendix.

Net interest margin



(\$ in millions)	1Q25		
	Average balance	Interest income / expense	Average yield / rate
Cash and investment securities	\$ 4,423	\$ 46	4.2%
Credit card and other loans	18,164	1,185	26.5%
Total interest-earning assets	22,587	1,231	22.1%
Direct-to-consumer (Retail)	7,798	87	4.5%
Wholesale deposits	5,224	51	4.0%
Interest-bearing deposits	13,022	138	4.3%
Secured borrowings	4,194	61	5.9%
Unsecured borrowings	1,080	26	9.8%
Interest-bearing borrowings	5,274	87	6.7%
Total interest-bearing liabilities	\$ 18,296	\$ 225	5.0%
Net interest income		\$ 1,006	
Net interest margin⁽¹⁾			18.1%

(1) See Additional footnotes and definitions of terms in the Appendix.

Capital



(\$ in millions)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	Rolling 4 quarter avg.
Total company										
Common equity tier 1 capital ratio ⁽¹⁾	11.8%	12.1%	12.9%	12.2%	12.6%	13.8%	13.3%	12.4%	12.0%	12.9%
Total risk-based capital ratio ⁽²⁾	13.2%	13.4%	14.2%	13.6%	14.0%	15.1%	14.6%	13.8%	15.5%	14.8%
Total risk-weighted assets ⁽³⁾	\$ 18,893	\$ 18,745	\$ 18,730	\$ 20,140	\$ 19,344	\$ 18,859	\$ 19,010	\$ 19,928	\$ 18,810	\$ 19,152
Tangible common equity / tangible assets ratio ⁽⁴⁾	9.1%	9.4%	10.0%	9.6%	10.6%	11.3%	11.2%	10.4%	10.8%	10.9%
Tangible common equity + credit reserve rate ⁽⁵⁾	23.0%	23.2%	24.0%	23.2%	24.9%	25.9%	25.4%	24.1%	25.3%	25.1%
Comenity Bank										
Common equity tier 1 capital ratio ⁽¹⁾	18.3%	18.8%	20.3%	19.7%	18.2%	18.0%	17.4%	16.5%	17.0%	17.2%
Total risk-based capital ratio ⁽²⁾	19.7%	20.1%	21.6%	21.1%	19.6%	19.4%	18.8%	17.9%	18.4%	18.6%
Comenity Capital Bank										
Common equity tier 1 capital ratio ⁽¹⁾	21.7%	18.2%	18.5%	16.6%	17.5%	18.1%	16.0%	15.4%	15.3%	16.2%
Total risk-based capital ratio ⁽²⁾	23.0%	19.6%	19.9%	18.0%	18.9%	19.5%	17.4%	16.7%	18.9%	18.1%

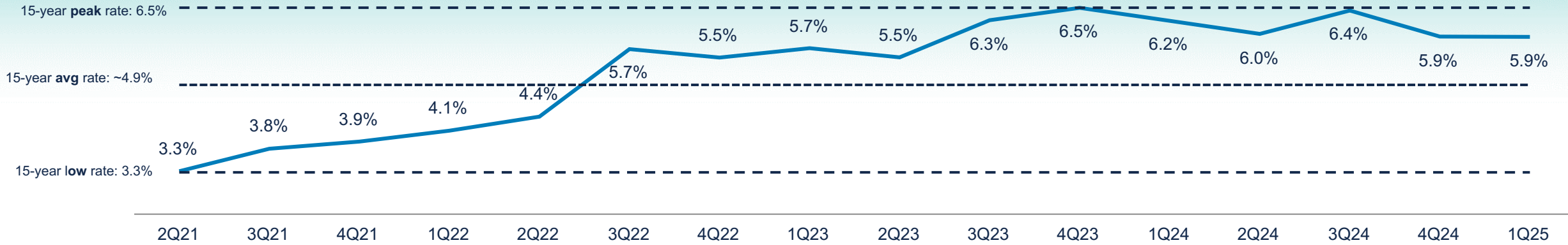
The terms associated with footnotes (1) through (5) are defined on the Additional footnotes and definition of terms slides in the Appendix.

Note: The Common equity tier 1 capital ratio and Total risk-based capital ratio include adjustments for the phase-in of the effect of the current expected credit loss (CECL) model on regulatory capital over a three-year period beginning in the first quarter of 2022, through 2024. 75%, 50% and 25% of the phase-in is included in 2024, 2023 and 2022, respectively. The effects of CECL on our regulatory capital will be fully phased-in beginning in the first quarter of 2025.

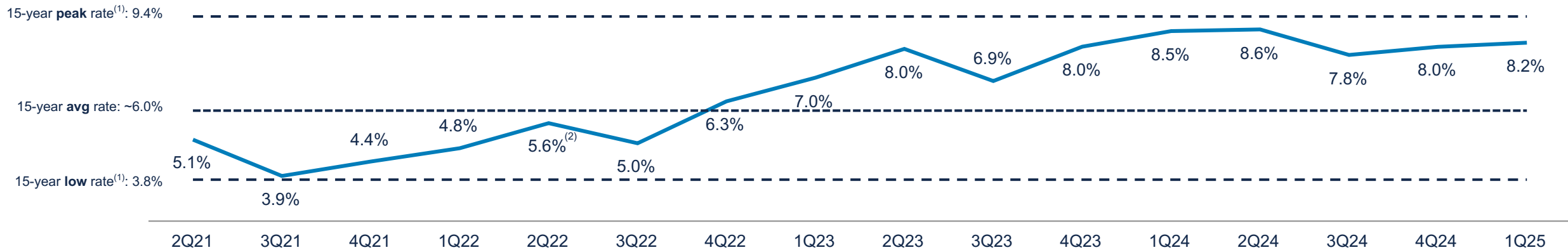
Credit quality trends



Delinquency rates



Net loss rates



The explanations associated with footnotes (1) and (2) are defined on the Additional footnotes and definition of terms slides in the Appendix.

Notes: Starting with 3Q22 through 2Q23, the Net loss rate was impacted by the transition of our credit card processing services in June 2022. As well, beginning in 2024, we revised the calculation of average balances to more closely align with industry practice by incorporating an average daily balance. Prior to 2024, average balances represent the average balance at the beginning and end of each month, averaged over the periods indicated.

Additional footnotes and definitions of terms

Notes

- (1) Beginning in 2024, we revised the calculation of average balances to more closely align with industry practice by incorporating an average daily balance. Prior to 2024, average balances represent the average balance at the beginning and end of each month, averaged over the periods indicated.
- (2) As a result of Hurricanes Helene and Milton, we froze delinquency progression in the fourth quarter of 2024 for customers in Federal Emergency Management Agency identified impact zones for one billing cycle. We estimate the net loss rate benefited by more than 20 basis points as a result, which consequently will negatively impact the second quarter of 2025 net loss rate.

Credit quality and allowance

- (1) **Reserve rate:** Reserve rate represents the percentage of the Allowance for credit losses to end-of-period Credit card and other loans.
- (2) **TCE + credit reserve rate:** TCE + credit reserve rate represents the sum of TCE and Allowance for credit losses divided by end-of-period Credit card and other loans. TCE is a Non-GAAP financial measure.

Total non-interest expenses

- (1) **Efficiency ratio:** Efficiency ratio represents Total non-interest expenses divided by Total net interest and non-interest income.

Summary financial highlights

- (1) **Return on average assets:** Return on average assets represents annualized Income from continuing operations divided by average Total assets.
- (2) **Return on average equity:** Return on average equity represents annualized Income from continuing operations divided by average Total stockholders' equity.
- (3) **Return on average tangible common equity:** Return on average tangible common equity (ROTCE) represents annualized Income from continuing operations divided by average Tangible common equity. Tangible common equity (TCE) represents Total stockholders' equity reduced by Goodwill and intangible assets, net. ROTCE is a Non-GAAP financial measure.
- (4) **Net interest margin:** Net interest margin represents annualized Net interest income divided by average Total interest-earning assets.
- (5) **Loan yield:** Loan yield represents annualized Interest and fees on loans divided by Average credit card and other loans.
- (6) **Efficiency ratio:** Efficiency ratio represents Total non-interest expenses divided by Total net interest and non-interest income.
- (7) **Common equity tier 1 capital ratio:** Common equity tier 1 capital ratio represents tier 1 capital divided by total risk-weighted assets. In the calculation of tier 1 capital, we follow the Basel III Standardized Approach and therefore Total stockholders' equity has been reduced, primarily by Goodwill and intangible assets, net.
- (8) **Tangible book value per common share:** Tangible book value per common share represents TCE divided by shares outstanding and is a Non-GAAP financial measure.
- (9) **Payment rate:** Payment rate represents consumer payments during the last month of the period, divided by the beginning-of-month Credit card and other loans, including held for sale in applicable periods.

Continued on the following page

Additional footnotes and definitions of terms

Net interest margin

- (1) **Net interest margin:** Net interest margin represents annualized Net interest income divided by average Total interest-earning assets.

Capital

- (1) **Common equity tier 1 capital ratio:** Common equity tier 1 capital ratio represents tier 1 capital divided by total risk-weighted assets. In the calculation of tier 1 capital, we follow the Basel III Standardized Approach and therefore Total stockholders' equity has been reduced, primarily by Goodwill and intangible assets, net.
- (2) **Total risk-based capital ratio:** Total risk-based capital ratio represents total capital divided by total risk-weighted assets. In the calculation of total capital, we follow the Basel III Standardized Approach and therefore tier 1 capital has been increased by tier 2 capital, which for us is comprised of subordinated notes, as well as the allowable portion of the Allowance for credit losses.
- (3) **Total risk-weighted assets:** Total risk-weighted assets are generally measured by allocating assets, and specified off-balance sheet exposures, to various risk categories as defined by the Basel III Standardized Approach.
- (4) **Tangible common equity/tangible assets ratio:** Tangible common equity over tangible assets (TCE/TA) represents TCE divided by Tangible assets (TA), which is Total assets reduced by Goodwill and intangible assets, net. TCE/TA is a Non-GAAP financial measure.
- (5) **Tangible common equity (TCE) + credit reserve rate:** Tangible common equity + credit reserve rate represents the sum of TCE and Allowance for credit losses divided by End-of-period credit card and other loans. TCE is a non-GAAP financial measure.

Credit quality trends

- (1) Peak Net loss rate occurred in 2010. Low Net loss rate occurred in 2014.
- (2) The 2Q22 Net loss rate includes a 30 basis point increase from the effects of the purchase of previously written-off accounts that were sold to a third-party debt collection agency.

Forward-looking statements



This release 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, future dividend declarations, and future economic conditions.

We believe that our expectations are based on reasonable assumptions. Forward-looking statements, however, are subject to a number of risks and uncertainties that are difficult to predict and, in many cases, beyond our control. Accordingly, our actual results could differ materially from the projections, anticipated results or other expectations expressed in this release, and no assurances can be given that our expectations will prove to have been correct. Factors that could cause the outcomes to differ materially include, but are not limited to, the following: macroeconomic conditions, including market conditions, inflation, interest rates, labor market conditions, recessionary pressures or concerns over a prolonged economic slowdown, and the related impact on consumer spending behavior, payments, debt levels, savings rates and other behaviors; global political and public health events and conditions, including significant shifts in trade policy, such as changes to, or the imposition of, tariffs and/or trade barriers and any economic impacts, volatility, uncertainty and geopolitical instability resulting therefrom, as well as ongoing wars and military conflicts and natural disasters; future credit performance, including the level of future delinquency and write-off rates; the loss of, or reduction in demand from, significant brand partners or customers in the highly competitive markets in which we compete; the concentration of our business in U.S. consumer credit; inaccuracies in the models and estimates on which we rely, including the amount of our Allowance for credit losses and our credit risk management models; the inability to realize the intended benefits of acquisitions, dispositions and other strategic initiatives; our level of indebtedness and ability to access financial or capital markets; pending and future federal and state legislation, regulation, supervisory guidance, and regulatory and legal actions, including, but not limited to, those related to financial regulatory reform and consumer financial services practices, as well as any such actions with respect to late fees, interchange fees or other charges; impacts arising from or relating to the transition of our credit card processing services to third party service providers that we completed in 2022; failures or breaches in our operational or security systems, including as a result of cyberattacks, unanticipated impacts from technology modernization projects or otherwise; and any tax or other liability or adverse impacts arising out of or related to the spinoff of our former LoyaltyOne segment or the bankruptcy filings of Loyalty Ventures Inc. (LVI) and certain of its subsidiaries and subsequent litigation or other disputes. The foregoing factors, along with other risks and uncertainties that could cause actual results to differ materially from those expressed or implied in forward-looking statements, are described in greater detail under the headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” 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 herein 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:

- In August 2024 we entered into separate, privately-negotiated repurchase agreements with a limited number of Convertible Note holders to repurchase a portion of our outstanding \$316 million aggregate principal amount of 4.25% Convertible Senior Notes due 2028 (the Convertible Notes). Subsequently, in September and November of 2024, and again in March of 2025, certain holders of Convertible Notes separately approached us to repurchase Convertible Notes, and we entered into additional separate, privately-negotiated repurchase agreements with such holders of Convertible Notes. From a GAAP perspective, we paid a premium to induce these repurchases which resulted in an impact to Total non-interest expenses, with a corresponding favorable tax impact, also reflected in Net income and consequently our Earnings per diluted share. We have shown adjustments to these three financial statement line items, for total Company as well as for continuing operations, to exclude the impact from our repurchased Convertible Notes. We use *Adjusted total non-interest expenses*, *Adjusted net income*, and *Adjusted earnings per diluted share* to evaluate the ongoing operations of the Company excluding the volatility that can occur from the impact of our repurchased Convertible Notes.
- *Pretax pre-provision earnings* (PPNR) represents Income from continuing operations before income taxes and the Provision for credit losses. *PPNR excluding gain on portfolio sale and impact from repurchased Convertible Notes* then excludes from PPNR the gain on any portfolio sale in the period, as well as the inducement expense from our repurchased Convertible Notes in the period. We use *PPNR* and *PPNR excluding gain on portfolio sale and impact from repurchased Convertible Notes* as metrics to evaluate our results of operations before income taxes, excluding the volatility that can occur within Provision for credit losses and the one-time nature of a gain on the sale of a portfolio and/or the impact from repurchased Convertible Notes.
- *Return on average tangible common equity* (ROTCE) represents annualized Income from continuing operations divided by average Tangible common equity. Tangible common equity (TCE) represents Total stockholders' equity reduced by Goodwill and intangible assets, net. We use *ROTCE* as a metric to evaluate the Company's performance.
- *Tangible common equity over Tangible assets* (TCE/TA) represents TCE divided by Tangible assets (TA), which is Total assets reduced by Goodwill and intangible assets, net. We use *TCE/TA* as a metric to evaluate the Company's capital adequacy and estimate its ability to absorb losses.
- *Tangible book value per common share* represents TCE divided by shares outstanding. We use *Tangible book value per common share*, a metric used across the industry, to estimate liquidation value.

We believe the use of these Non-GAAP financial measures provide additional clarity in understanding our results of operations and trends. For a reconciliation of these Non-GAAP financial measures to the most directly comparable GAAP measures, please see the "Reconciliation of GAAP to Non-GAAP Financial Measures".

Reconciliation of GAAP to Non-GAAP financial measures

(\$ in millions, except per share amounts)

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
Adjusted total non-interest expenses									
Total non-interest expenses	\$ 544	\$ 530	\$ 502	\$ 516	\$ 482	\$ 469	\$ 574	\$ 536	\$ 477
Impact from repurchased Convertible Notes	—	—	—	—	—	—	96	11	2
Adjusted total non-interest expenses	\$ 544	\$ 530	\$ 502	\$ 516	\$ 482	\$ 469	\$ 478	\$ 525	\$ 475
Income from continuing operations, net of taxes	\$ 455	\$ 64	\$ 173	\$ 45	\$ 135	\$ 133	\$ 3	\$ 8	\$ 142
Loss from discontinued operations, net of taxes	—	(16)	(2)	(2)	(1)	—	(1)	(1)	(4)
Net income	\$ 455	\$ 48	\$ 171	\$ 43	\$ 134	\$ 133	\$ 2	\$ 7	\$ 138
Impact from repurchased Convertible Notes	—	—	—	—	—	—	91	13	2
Adjusted net income	\$ 455	\$ 48	\$ 171	\$ 43	\$ 134	\$ 133	\$ 93	\$ 20	\$ 140
Adjusted income from continuing operations, net of taxes	\$ 455	\$ 64	\$ 173	\$ 45	\$ 135	\$ 133	\$ 94	\$ 21	\$ 144
Weighted average shares outstanding – diluted	50.1	50.3	50.1	49.6	49.7	50.2	51.0	50.9	49.6
Income from continuing operations per diluted share	\$ 9.08	\$ 1.27	\$ 3.46	\$ 0.90	\$ 2.73	\$ 2.65	\$ 0.06	\$ 0.15	\$ 2.86
(Loss) income from discontinued operations per diluted share	—	(0.32)	(0.04)	(0.03)	(0.03)	0.01	(0.01)	(0.01)	(0.08)
Net income per diluted share	\$ 9.08	\$ 0.95	\$ 3.42	\$ 0.87	\$ 2.70	\$ 2.66	\$ 0.05	\$ 0.14	\$ 2.78
Impact from repurchased Convertible Notes	—	—	—	—	—	—	1.78	0.26	0.04
Adjusted net income per diluted share	\$ 9.08	\$ 0.95	\$ 3.42	\$ 0.87	\$ 2.70	\$ 2.66	\$ 1.83	\$ 0.40	\$ 2.82
Adjusted income from continuing operations per diluted share	\$ 9.08	\$ 1.27	\$ 3.46	\$ 0.90	\$ 2.73	\$ 2.65	\$ 1.84	\$ 0.41	\$ 2.90

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Reconciliation of GAAP to Non-GAAP financial measures

(\$ in millions)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
Pretax pre-provision earnings (PPNR)									
Income (loss) before income taxes	\$ 638	\$ 86	\$ 225	\$ 19	\$ 188	\$ 180	\$ 40	\$ (27)	\$ 197
Provision for credit losses	107	336	304	482	321	290	369	417	296
Pretax pre-provision earnings (PPNR)	\$ 745	\$ 422	\$ 529	\$ 501	\$ 509	\$ 470	\$ 409	\$ 390	\$ 493
Less: Gain on portfolio sale	(230)	—	—	—	—	(5)	(4)	(2)	—
Add: Impact from repurchased Convertible Notes	—	—	—	—	—	—	96	11	2
PPNR excluding gain on portfolio sale and impact from repurchased Convertible Notes	\$ 515	\$ 422	\$ 529	\$ 501	\$ 509	\$ 465	\$ 501	\$ 399	\$ 495
Average Tangible common equity									
Average Total stockholders' equity	\$ 2,496	\$ 2,731	\$ 2,795	\$ 2,866	\$ 3,120	\$ 3,202	\$ 3,314	\$ 3,217	\$ 3,246
Less: average Goodwill and intangible assets, net	(794)	(785)	(775)	(766)	(759)	(750)	(748)	(752)	(744)
Average Tangible common equity	\$ 1,702	\$ 1,946	\$ 2,020	\$ 2,100	\$ 2,361	\$ 2,452	\$ 2,566	\$ 2,465	\$ 2,502
Tangible common equity (TCE)									
Total stockholders' equity	\$ 2,716	\$ 2,736	\$ 2,864	\$ 2,918	\$ 3,032	\$ 3,170	\$ 3,112	\$ 3,051	\$ 3,068
Less: Goodwill and intangible assets, net	(790)	(780)	(771)	(762)	(753)	(744)	(754)	(746)	(738)
Tangible common equity (TCE)	\$ 1,926	\$ 1,956	\$ 2,093	\$ 2,156	\$ 2,279	\$ 2,426	\$ 2,358	\$ 2,305	\$ 2,330
Tangible assets (TA)									
Total assets	\$ 21,970	\$ 21,609	\$ 21,608	\$ 23,141	\$ 22,299	\$ 22,144	\$ 21,736	\$ 22,891	\$ 22,382
Less: Goodwill and intangible assets, net	(790)	(780)	(771)	(762)	(753)	(744)	(754)	(746)	(738)
Tangible assets (TA)	\$ 21,180	\$ 20,829	\$ 20,837	\$ 22,379	\$ 21,546	\$ 21,400	\$ 20,982	\$ 22,145	\$ 21,644