Bread Financial

1Q23 Investor Deck

February 13, 2023

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, rising interest rates, unemployment levels and the increased probability of a recession, and the related impact on consumer payment rates, savings rates and other behavior; global political and public health events and conditions, including the ongoing war in Ukraine and the continuing effects of the global COVID-19 pandemic; 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, including the spinoff of our former LoyaltyOne® segment; our level of indebtedness and ability to access financial or capital markets; pending and future 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; and failures or breaches in our operational or security systems, including as a result of cyberattacks, unanticipated impacts from technology modernization projects or otherwise. 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. Additional information will also be set forth in our Annual Report on Form 10-K for the year ended December 31, 2022. 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, *Pretax pre-provision earnings* (PPNR) is calculated by increasing/decreasing Income from continuing operations before income taxes by the net build/release in Provision for credit losses. We use PPNR as a metric to evaluate our results of operations before income taxes, excluding the volatility that can occur within Provision for credit losses. *Tangible common equity over Tangible assets* (TCE/TA) represents Total stockholders' equity reduced by Goodwill and intangible assets, net, (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 cover potential losses. *Tangible book value per common share* represents TCE divided by shares outstanding. We use Tangible book value per common share as a metric to estimate the Company's potential value in relation to tangible assets per share. 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".

Achievement of 2022 financial targets

Full year 2021 actuals	Full year 2022 outlook	Full year 2022 actuals
Average loans $15,656 million	Up low double digits	**Up 13%** $17,768 million
Revenue $3,272 million	Aligned with/better than loan growth	**Up 17%** $3,826 million
Total non-interest expenses $1,684 million	Positive operating leverage	**Positive operating leverage = 2%** $1,932 million
Net loss rate 4.6%	Low-to-mid 5% range	**5.4%**

Additional financial achievements

- Quality growth as PPNR increased 19% compared with 2021
- Strengthened financial resilience through improvement in capital positioning and debt reduction
- Increased credit loss absorption capacity through loan loss reserves
- Grew retail deposits on our Bread Savings platform to $5.5 billion, an increase of $2.3 billion or 72%

2023 financial outlook

Full year 2022 actuals	Full year 2023 outlook	Commentary
Average loans $17,768 million	Up mid-single digits	• Based on our new and renewed business announcements, visibility into our pipeline, anticipated BJ's portfolio sale and our current economic outlook, we expect full year 2023 average credit card and other loans to grow in the mid-single-digit range relative to 2022
Revenue $3,826 million	Aligned with loan growth	• Net interest margin expected to remain similar to the 2022 full year rate of 19.2% • Our outlook continues to assume additional interest rate increases by the Federal Reserve will result in a nominal benefit to total net interest income • Guidance excludes anticipated gain on sale
Total non-interest expenses $1,932 million	Positive operating leverage	• We will manage the pace of investments to align with our revenue and growth outlook • Includes ongoing strategic investment in technology modernization, digital advancement, marketing and product innovation, driving future growth and efficiencies • Expect to deliver nominal full year positive operating leverage, excluding anticipated gain on sale
Net loss rate 5.4%	~7%	• Our outlook is inclusive of impacts from the 2022 transition of our credit card processing services as well as continued pressure on consumers' ability to pay due to persistent inflation and higher rates • We remain confident in our long-term guidance of a through-the-cycle average net loss rate below our historical average of 6%

Our 2023 financial outlook assumes a more challenging macroeconomic landscape with continued inflationary pressures and an unemployment rate gradually moving to the mid-to-upper 4% range by year end 2023. We will update our guidance as these factors change.

Milestone events

Building a stronger, more focused tech-forward financial services company

2020

New leadership team and continued board refreshment

Acquired versatile payment platform with installment loans and SplitPay (BNPL)

2021

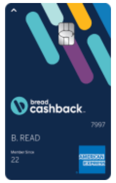
Announced strategic platform relationships

Record year for new signings and renewals

Completed spinoff of Loyalty Ventures

2022

Rebranded as a tech-forward financial services company



Expanded our product suite and direct-to-consumer offerings

Invested more than $125 million in marketing, technology, digital and product innovation

Another strong year for signings and renewals

Recognized for prioritization of Environmental, Social & Governance

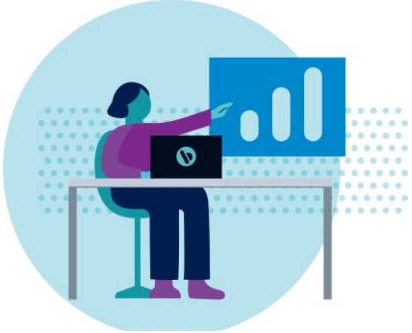
Differentiated products and brand partnerships

Expanded product offering provides consumer choice across the total addressable market

Budget/cash Flow ←→ Rewards/convenience

Gen Z | Millennial | Gen X | Baby boomer

- Installment loans
- Private label credit card
- Co-brand credit card
- Proprietary credit card
- SplitPay (BNPL)
- Savings products



Product **graduation** from credit-building products to a full suite of financial offerings

Product **optimization** presents the right product, to the right customer, at the right time

Long history of brand partnership success

Card partner loyalty

>90% partner renewal rate

15 years average tenure

Well diversified

~100 card partners in multiple industry verticals

U.S. consumer penetration

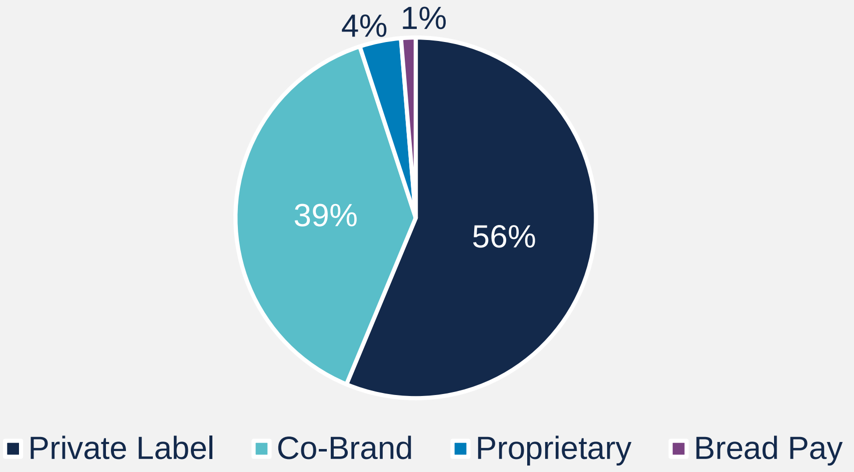
We've put a card in the wallets of

1 in 7

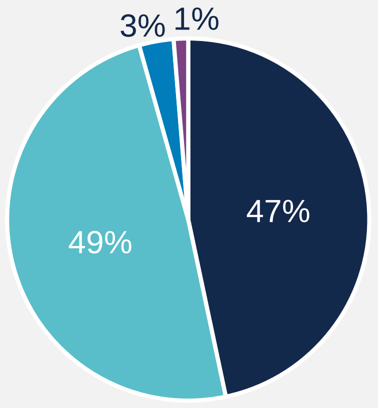
American adults, including 1 in 5 U.S. female adults

2022 product and partner diversification

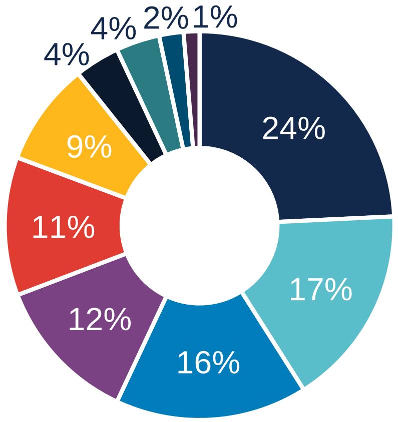
End-of-period loans by product



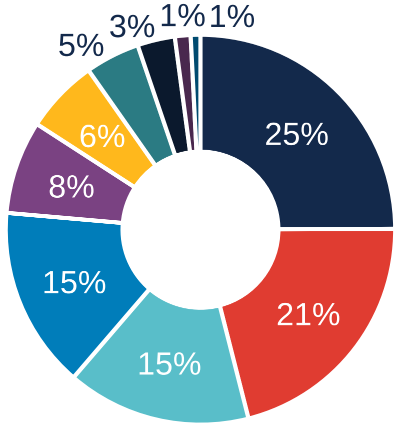
Credit sales by product



End-of-period loans by brand partner



Credit sales by brand partner



- Specialty apparel
- Health and beauty
- Travel and entertainment
- Jewelry
- General retail
- Home
- Proprietary card
- Sporting goods
- Other
- Bread Pay

Ongoing business transformation

Transforming our company to deliver sustainable, profitable growth with an expectation to outperform historic loss levels

- Strong corporate governance
- Proactive risk management
- Prudent balance sheet management
- Disciplined expense management
- Enhanced core capabilities

Improved balance sheet strength and funding mix

- Loan loss reserve materially higher
- Capital ratios significantly improved
- Reduced debt levels
- Increased mix of consumer deposits

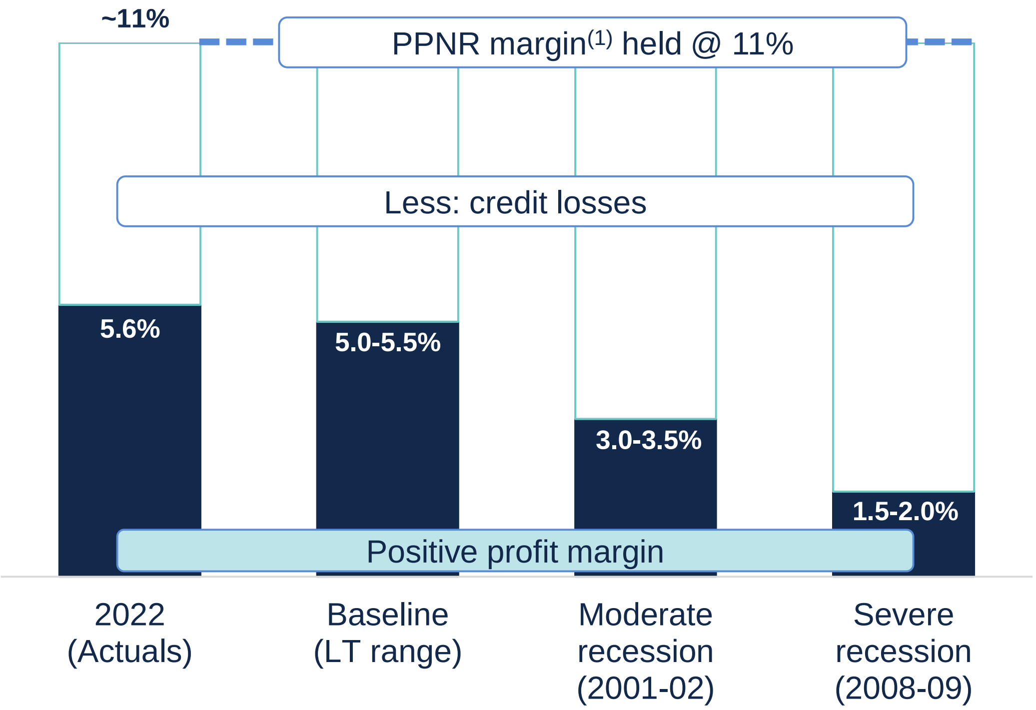
Enhanced credit risk management and underlying credit distribution

- Diversification across products and partners
- Prudent and proactive line management
- Well-established risk appetite metrics
- Credit mix shift to higher quality

Active recession readiness playbook

Strengthened financial resilience

Positive profit margin maintained in stressed scenarios



Net loss rate	Range of net loss rates		
5.4%	5.5-6.0%	7.5-8.0%	9.0-9.5%

Expect to outperform historic loss levels due to enhanced credit risk management

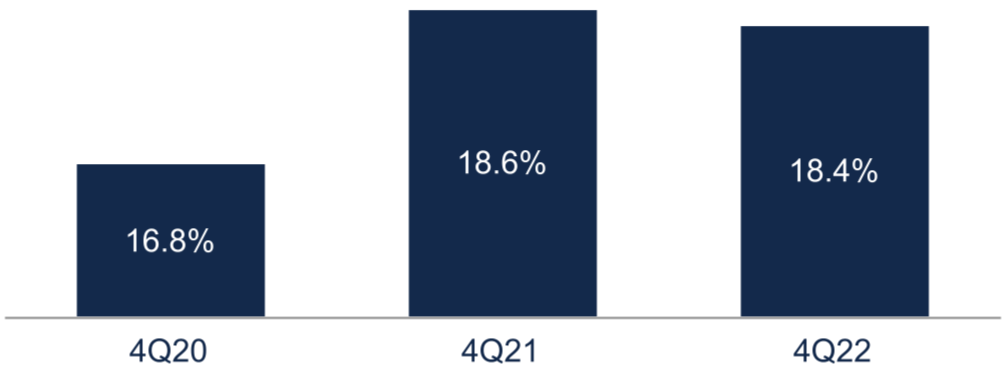
*In addition to strong profit margins, **strengthened balance sheet ratios and credit mix** provide more layers and confidence in resilience.*

- **Attractive risk-adjusted loan yield[(2)] of 20.5%.** More than **350 bps** higher than the closest peer.
- **Loan loss reserve materially higher.** Rate of **11.5%, up 550 bps** from year-end 2019 and prior pre-recession periods.
- **Capital ratios significantly improved.** TCE/TA ratio[(3)] at **6.0%**; was negative during various prior periods.
- **Credit mix shifting to higher quality.** Risk score mix with >660 at **62%**, above pre-pandemic levels.

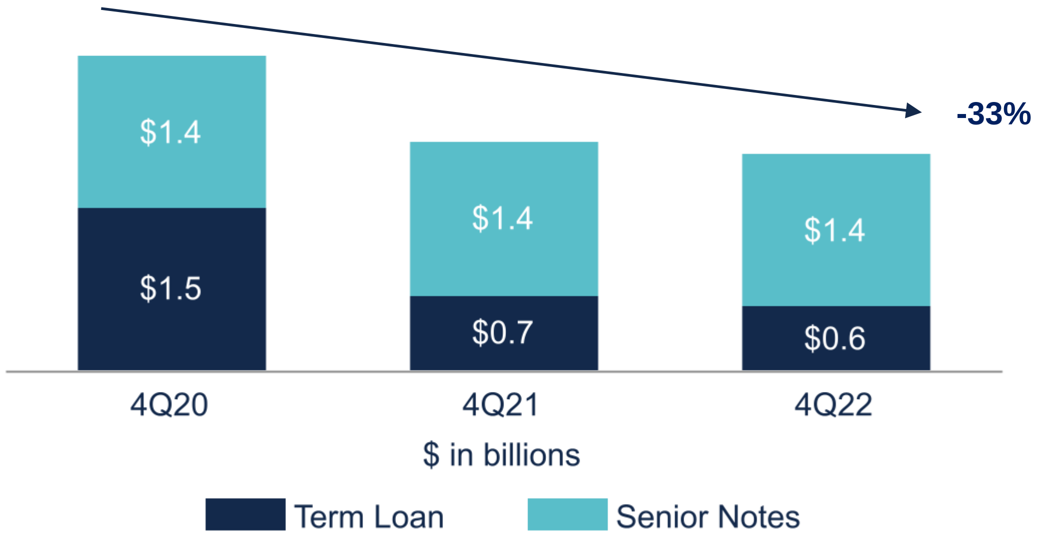
(1) Pretax Pre-Provision Earnings (PPNR) margin represents PPNR divided by average loans. PPNR is a non-GAAP financial measure. See the Non-GAAP financial measures section and the Reconciliation of GAAP to non-GAAP financial measures included in the appendix.
(2) Risk-adjusted loan yield represents loan yield less the net principal loss rate.
(3) Tangible common equity (TCE) represents total stockholders' equity reduced by goodwill and intangible assets, net. Tangible assets (TA) represents total assets reduced by goodwill and intangible assets, net. TCE/TA is a non-GAAP financial measure. See the Non-GAAP financial measures section and the Reconciliation of GAAP to non-GAAP financial measures included in the appendix.

Loss absorption capacity and debt levels

Tangible Common Equity + Credit Reserves Rate*



Parent Level Debt Outstanding



Capital priorities

- Support profitable growth opportunities
- Improve capital metrics and reduce debt levels
- Return of capital to shareholders

*The "Tangible Common Equity + Credit Reserves Rate" is calculated as the sum of tangible common equity and allowance for credit losses divided by end-of-period loans. This is a non-GAAP financial measure. See "Non-GAAP financial measures" and "Reconciliation of GAAP to non-GAAP financial measures."

Appendix

Summary financial highlights

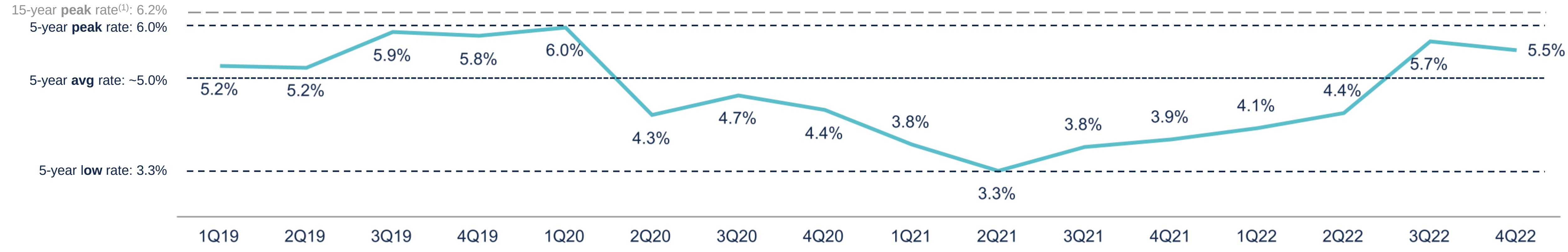
Continuing operations

($ in millions)	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	2021	2022
Credit sales	$ 7,657	$ 6,043	$ 7,401	$ 7,380	$ 8,778	$ 6,887	$ 8,140	$ 7,689	$ 10,166	$ 29,603	$ 32,883
Year-over-year change	*(18%)*	*(1%)*	*54%*	*20%*	*15%*	*14%*	*10%*	*4%*	*16%*	*20%*	*11%*
Average credit card and other loans	$ 15,759	$ 15,785	$ 15,282	$ 15,471	$ 16,086	$ 16,650	$ 17,003	$ 17,598	$ 19,820	$ 15,656	$ 17,768
Year-over-year change	*(13%)*	*(14%)*	*(5%)*	*1%*	*2%*	*5%*	*11%*	*14%*	*23%*	*(4%)*	*13%*
End-of-period credit card and other loans	$ 16,784	$ 15,537	$ 15,724	$ 15,690	$ 17,399	$ 16,843	$ 17,769	$ 18,126	$ 21,365	$ 17,399	$ 21,365
Year-over-year change	*(14%)*	*(12%)*	*(1%)*	*1%*	*4%*	*8%*	*13%*	*16%*	*23%*	*4%*	*23%*
End-of-period direct-to-consumer deposits	$ 1,700	$ 2,152	$ 2,398	$ 3,052	$ 3,180	$ 3,561	$ 4,191	$ 5,176	$ 5,466	$ 3,180	$ 5,466
Year-over-year change	*46%*	*81%*	*30%*	*79%*	*87%*	*66%*	*75%*	*70%*	*72%*	*87%*	*72%*
Return on average assets(1)	1.4%	4.9%	4.8%	3.7%	1.1%	4.0%	0.2%	2.4%	(2.2%)	3.6%	1.0%
Return on average equity(2)	21.3%	66.3%	56.4%	38.0%	11.1%	38.5%	2.2%	22.8%	(23.3%)	40.7%	9.8%
Net interest margin(3)	17.8%	17.7%	17.3%	18.9%	18.8%	19.4%	18.6%	19.9%	19.1%	18.2%	19.2%
Loan yield(4)	24.1%	23.8%	23.9%	25.6%	25.2%	25.6%	25.0%	27.2%	26.0%	24.7%	26.0%
Efficiency ratio(5)	63.4%	50.1%	55.5%	50.6%	50.0%	46.2%	52.9%	49.7%	53.1%	51.5%	50.5%
Tangible common equity/tangible assets ratio (TCE/TA)(6)	3.7%	5.2%	6.4%	7.2%	6.6%	7.8%	7.5%	8.0%	6.0%	6.6%	6.0%
Tangible book value per common share(7)	$ 16.34	$ 21.32	$ 27.12	$ 31.18	$ 28.09	$ 31.87	$ 31.75	$ 34.30	$ 29.42	$ 28.09	$ 29.42
Cash dividend declared per common share	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.84	$ 0.84
Payment rate(8)	16.2%	18.8%	17.6%	16.7%	17.2%	17.7%	15.3%	15.5%	16.4%	17.2%	16.4%
Delinquency rate	4.4%	3.8%	3.3%	3.8%	3.9%	4.1%	4.4%	5.7%	5.5%	3.9%	5.5%
Net principal loss rate	6.0%	5.0%	5.1%	3.9%	4.4%	4.8%	5.6%	5.0%	6.3%	4.6%	5.4%
Reserve rate	12.0%	11.9%	10.4%	10.5%	10.5%	10.8%	11.2%	11.4%	11.5%	10.5%	11.5%

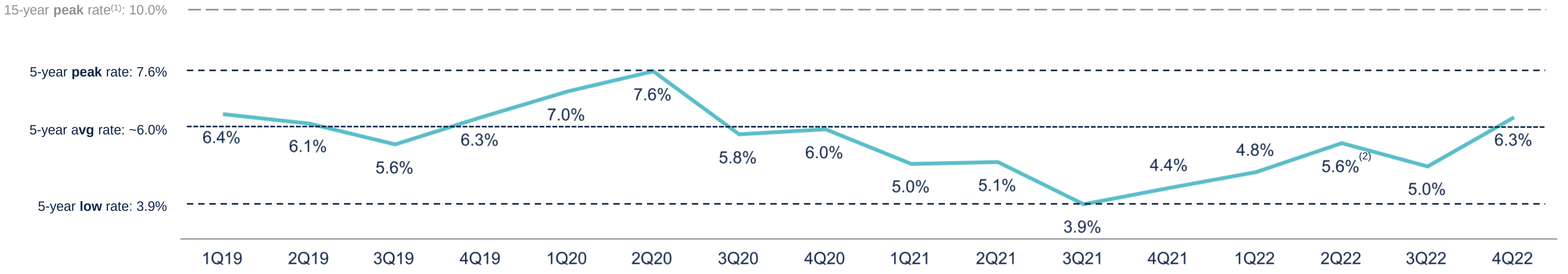
(1) Return on average assets represents annualized income from continuing operations divided by average total assets.
(2) Return on average equity represents annualized income from continuing operations divided by average total stockholders' equity.
(3) Net interest margin represents annualized net interest income divided by average total interest-earning assets.
(4) Loan yield represents annualized interest and fees on 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 common equity (TCE) represents total stockholders' equity reduced by goodwill and intangible assets, net. Tangible assets (TA) represents total assets reduced by goodwill and intangible assets, net. TCE/TA is a non-GAAP financial measure.
(7) Tangible book value per common share represents TCE divided by shares outstanding, and is a non-GAAP measure.
(8) 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.

Credit quality trends

Delinquency rates



Net loss rates



(1) Peak delinquency and net loss rates occurred in 2009.
(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.
Note: The 3Q22 and 4Q22 delinquency and net loss rates were impacted by the transition of our credit card processing services.

Reconciliation of GAAP to non-GAAP financial measures

($ in millions)	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	2021	2022
Pretax pre-provision earnings (PPNR)											
Income before income taxes	$ 129	$ 367	$ 354	$ 259	$ 65	$ 302	$ 16	$ 189	$ (207)	$ 1,044	$ 300
Provision for credit losses	153	33	(14)	161	363	193	404	304	692	544	1,594
Pretax pre-provision earnings (PPNR)	**$ 282**	**$ 400**	**$ 340**	**$ 420**	**$ 428**	**$ 495**	**$ 420**	**$ 493**	**$ 485**	**$ 1,588**	**$ 1,894**
Tangible common equity (TCE)											
Total stockholders' equity	$ 1,522	$ 1,764	$ 2,048	$ 2,246	$ 2,086	$ 2,268	$ 2,275	$ 2,399	$ 2,265	$ 2,086	$ 2,265
Less: goodwill and intangible assets, net	(710)	(704)	(699)	(694)	(687)	(682)	(694)	(690)	(799)	(687)	(799)
Tangible common equity (TCE)	**$ 812**	**$ 1,060**	**$ 1,349**	**$ 1,552**	**$ 1,399**	**$ 1,586**	**$ 1,581**	**$ 1,709**	**$ 1,466**	**$ 1,399**	**$ 1,466**
Tangible assets (TA)											
Total assets	$ 22,547	$ 21,163	$ 21,812	$ 22,257	$ 21,746	$ 20,938	$ 21,811	$ 21,960	$ 25,407	$ 21,746	$ 25,407
Less: goodwill and intangible assets, net	(710)	(704)	(699)	(694)	(687)	(682)	(694)	(690)	(799)	(687)	(799)
Tangible assets (TA)	**$ 21,837**	**$ 20,459**	**$ 21,113**	**$ 21,563**	**$ 21,059**	**$ 20,256**	**$ 21,117**	**$ 21,270**	**$ 24,608**	**$ 21,059**	**$ 24,608**