



Bread Financial

Morgan Stanley U.S. Financials,
Payments & CRE Conference

June 14, 2022





bread financial™

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







Mid-Quarter 2Q22 Financial Update

- Credit sales remain up double digits year-over-year through May
- Average and End of Period loans for May up 12% year-over-year
- Payments rates remain elevated across Vantage ranges versus pre-pandemic levels; seeing gradual moderation
- Delinquency rate remains strong, with May at 4% and a stable outlook for 2022
- May net loss rate negatively impacted by ~90 basis points related to a pending contractual dispute. Excluding the impact, the 2Q22 net loss rate is still expected to be near the high end of our full year guidance of low- to mid-5%
- Fiserv conversion remains on track



Our Business Transformation

A leading provider of tech-forward payment, lending, and saving solutions

-  Expanded our product suite and direct-to-consumer offerings
-  Enhanced our core technology and digital capabilities
-  Focused on improving our capital ratios and reducing our leverage
-  Increased emphasis on Environmental, Social, and Governance

Guiding business principles to drive sustainable, profitable growth

Strong corporate
governance

Proactive risk
management

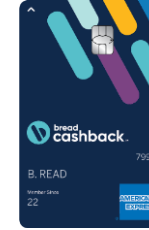
Prudent balance sheet
management

Disciplined expense
management

Milestone Events



Enhanced **Digital Suite**



New leadership team & continued Board refreshment

Launched enhanced digital capabilities for our brand partners

Announced strategic platform relationships

Completed spinoff of Loyalty Ventures

Launched Bread Cashback™ American Express® Credit Card

2020

2021

2022



Launched the Comenity® Mastercard®



Acquired versatile payment platform with installment loan and split pay (BNPL)



Record year for new signings and renewals



Rebranded as a tech-forward financial services company

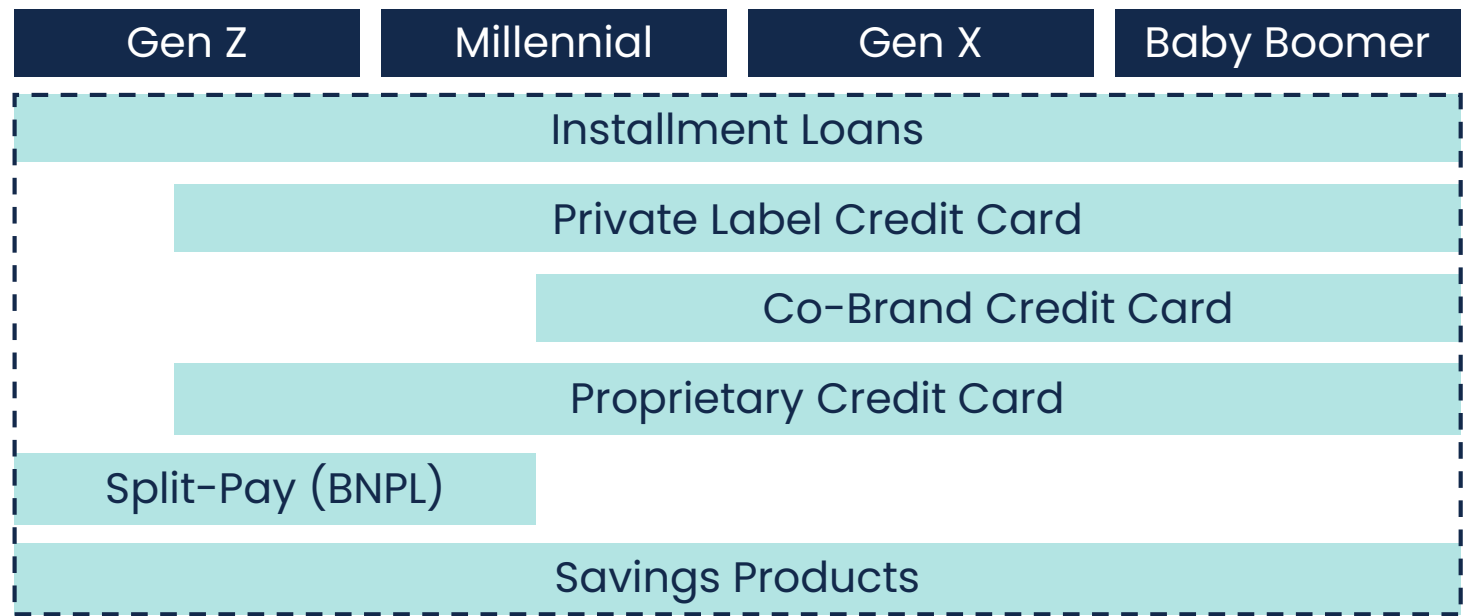


Transitioned core processing to Fiserv

Differentiated Products & Brand Partnerships

Expanded product offerings provide consumer choice across the total addressable market

Budget/Cash Flow ←————→ Rewards/Convenience



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

~130

Card partner programs in multiple industry verticals

U.S. Consumer Penetration

We've put a card in the wallets of

1 in 7

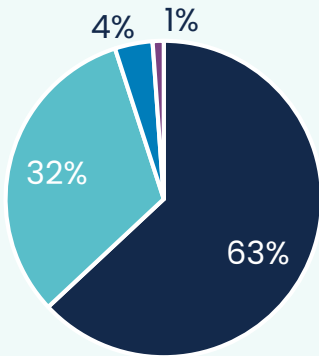
American adults, including 1 in 5 U.S. female adults

Product Diversification

Diversifying our product mix to optimize risk-adjusted returns and deliver sustainable, profitable growth

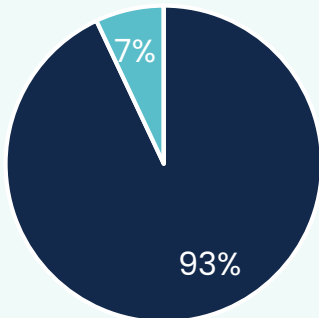
End-of-Period Loan Balances

3/31/2022



■ Private Label ■ Co-Brand ■ Proprietary ■ BNPL

12/31/2009



Co-Brand, proprietary, and BNPL now comprise over 1/3 of loan balances

Private Label (Closed Network)



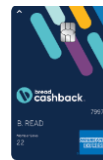
- Long history of successes with programs tailored to build customer loyalty with our partners' brands
- Traditional PLCC average loan ~\$400; also provide promotional "Big Ticket" PLCC financing
- Higher revenue yields; deeper underwriting; lower credit lines

Co-Brand (Open Network)



- Ideal for well known brands; builds brand loyalty and enables general purpose network spend, improving diversification
- Majority of Co-Brand portfolio >660 Vantage score
- Higher credit scores; higher credit lines; lower revenue yields

Proprietary (Open Network)



- General purpose cashback cards to capture incremental spend, and build and retain customer relationships
- Increases total addressable market, including the Millennial and Gen Z populations
- No partner risk or share of economics

BNPL

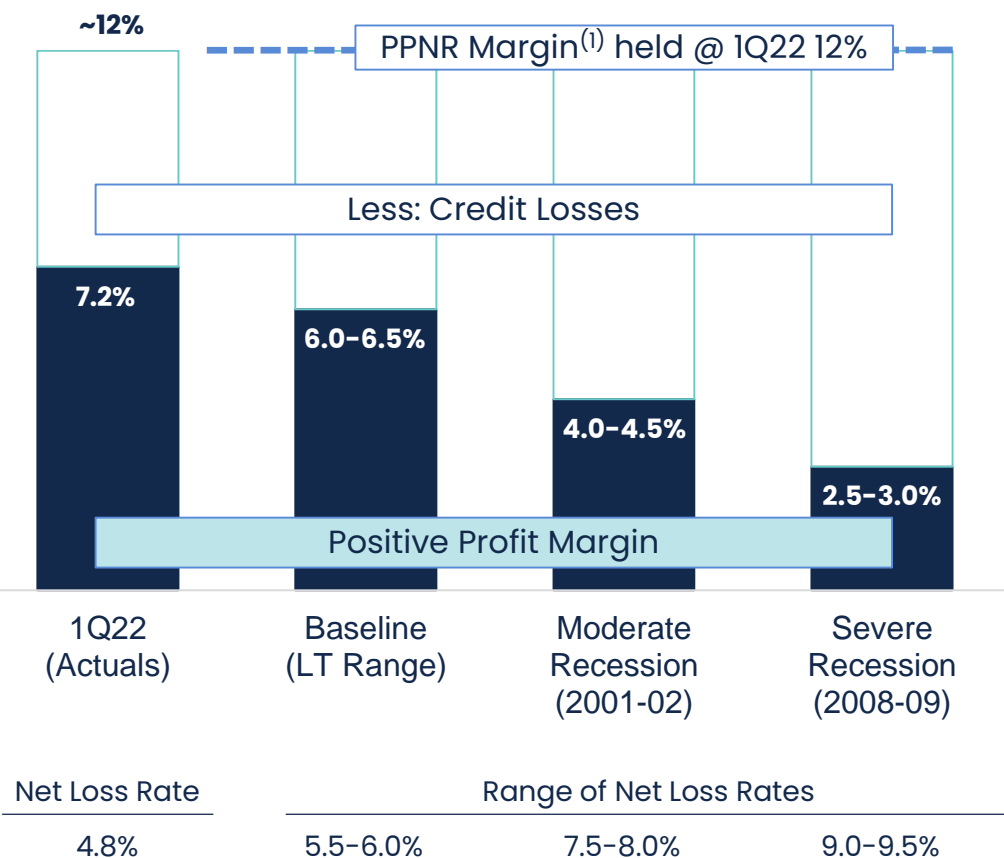


- Buy Now, Pay Later (BNPL) consists of both digital installment and split pay offerings
- Bolsters full suite of products to provide consumer choice with focus on Millennials and Gen Z
- Over 95% of loans are installment

Strengthened Financial Resilience

Strong PPNR margin and strengthened balance sheet provide improved financial resilience

Positive Profit Margin Maintained in Stressed Scenarios



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 of resilience.

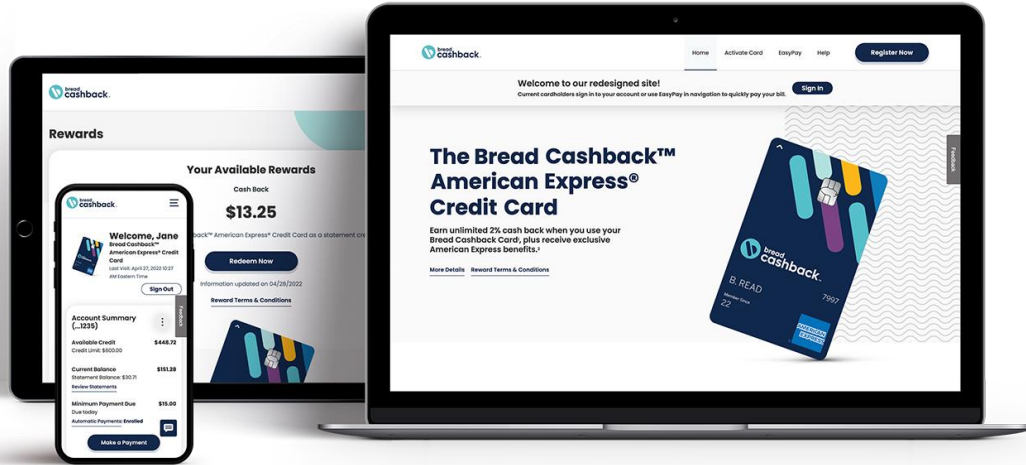
- Loan Loss reserve materially higher.** Rate of **10.8%**, up **480 bps** from year-end 2019 and prior pre-recession periods.
- Capital ratios significantly improved.** TCE/TA ratio at **7.8%**; was negative during various periods and up 300 bps from spin.
- Credit mix shifting to higher quality.** Risk score mix with >660 at **61%**, above the 52% pre-pandemic level and higher than any other pre-recession period.

Enhanced Credit Risk Management

- ✓ Diversification across products, partners, and channels
- ✓ Stronger underwriting resulting from enhanced technology, monitoring, and data
- ✓ Prudent and proactive line management
- ✓ Well-established risk appetite metrics
- ✓ Recession readiness playbook in place

Technology Innovation

Enhanced our core technology and digital capabilities



Digital Modernization

Accelerate
Customer Centric
Growth

Seamless Self
Service &
Engagement

Deliver a Robust Set
of Product and
Partner Capabilities

- Bolstered **technology modernization** of our core processing and digital properties, driving convenience and choice
- Full product suite coupled with our **data and analytics** expertise provide personalized experiences offering the right product for the consumer in the channel of their choice
- Bread Pay platform strengthens our **versatile tech stack** with API-configured, headless integration capabilities, and expands our total addressable market and distribution network
- Customer Account Center redesign provides **simplified navigation**, enhanced transaction & dashboard views, and reinforces engagement with Rewards

Long-Term Company Financial Targets

Announced at Investor Day in May 2021 based on 3-year outlook

High single-digit
annual loan
growth

Average of
\$20 billion in 2023

Positive
operating
leverage

2022 and beyond

Net loss rate
less than 6%

Average through-the-
cycle target range

Return on
Equity
mid- to high-
20% Range

Capital Priorities

Support Profitable Growth &
Growth Investments

Improve Capital Metrics

Efficient Return of Capital
to Shareholders

Environmental, Social, and Governance



Proxy statement features enhanced, integrated ESG disclosure, in line with our ESG report released in May 2022.

Areas of focus

- Sustainability Governance
- Fair & Responsible Banking
- Secure & Responsible Use of Data
- Human Capital Management
- Environment, Climate Risk
- Community Investment
- Multi-Stakeholder Financial Wellness

Forbes Forbes Best Employers for Diversity



Bloomberg Gender Equality Index



Recognized by the Women's Forum of New York for commitment to gender equality



Stevie Award for Contact Center of the Year, Bronze winner



16th consecutive year Customer Care Centers Benchmark Portal Certified

Bread Financial Leadership Team & Board of Directors

Executive Leadership Team with ~150 years of Combined Industry Experience



Ralph Andretta
President & CEO



Perry Beberman
EVP & CFO



Val Greer
EVP & Chief Commercial Officer



Tammy McConnaughey
EVP, Operations & Credit Risk



Joe Motes
EVP, CAO & General Counsel

Engaged & Diverse Board of Directors



Roger Ballou



John Gerspach



Karin Kimbrough



Rajesh Natarajan



Timothy Theriault



Laurie Tucker



Sharen Turney



Ralph Andretta

Successful execution of multi-year Board refreshment program

- Challenging, supportive Board
- Responsible decision-making
- Active oversight of ESG strategy and execution

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 Measure

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 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 our Quarterly Report on Form 10-Q for the most recent quarter end, filed with the Securities and Exchange Commission.

About Bread Financial™

Bread Financial™ (NYSE: BFH) is a tech-forward financial services company providing simple, personalized payment, lending and saving solutions. The company creates opportunities for its customers and partners through digitally-enabled choices that offer ease, empowerment, financial flexibility and exceptional customer experiences. Driven by a digital-first approach, data insights and white-label technology, Bread Financial delivers growth for its partners through a comprehensive product suite, including private label and co-brand credit cards, installment lending, and buy now, pay later (BNPL). Bread Financial also offers direct-to-consumer solutions that give customers more access, choice and freedom through its branded **Bread Cashback™ American Express® Credit Card** and **Bread Savings™** products.

Formerly Alliance Data, Bread Financial is an S&P MidCap 400 company headquartered in Columbus, Ohio, and committed to sustainable business practices powered by its 6,000+ global associates. To learn more about Bread Financial, visit [BreadFinancial.com](https://breadfinancial.com) or follow us on [Facebook](#), [LinkedIn](#), [Twitter](#) and [Instagram](#).

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