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Bread Financial

First Quarter 2023 Results

April 27, 2023

Ralph Andretta | President & CEO

Perry Beberman | EVP & CFO

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; 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; 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 liability, disputes or other adverse impacts arising out of or relating to the spinoff of our former LoyaltyOne segment or the recent bankruptcy filings of Loyalty Ventures Inc. and certain of its subsidiaries. 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, *Pretax pre-provision earnings* (PPNR) is calculated by increasing/decreasing Income from continuing operations before income taxes by the net provision/release in Provision for credit losses. *PPNR less gain on portfolio sales* then decreases PPNR by the gain on any portfolio sales in the period. We use PPNR and PPNR less gain on portfolio sales 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. *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”.

2023 Focus Areas

Responsible Growth

Support organic growth and new brand partner launches that deliver long-term value

Enhance Balance Sheet

Build capital and reduce parent-level debt;
ensure proactive credit, liquidity, and interest rate risk management

Optimize Data & Technology

Leverage new capabilities to create additional value and drive efficiencies

Strategically Invest

Deliver exceptional value and experiences through marketing, loyalty, and technology innovation

Strengthened Financial Resilience

Bread Financial is positioned to perform well through a full economic cycle

- Strong corporate governance
- Proactive risk management
- Prudent balance sheet management
- Expense discipline
- Enhanced core capabilities

Strengthened balance sheet and funding mix

Loan loss reserve materially higher	Capital ratios significantly improved	Reduced debt levels	Increased mix of direct-to-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 over time

Active recession readiness playbook

Prudent Balance Sheet Management

Strong, Stable Funding Base

Growing online direct-to-consumer deposits; small average account size

>90% FDIC insured

Diverse funding sources

Disciplined Financial Management

Prudent interest rate risk management

No Held-to-Maturity securities

Liquidity portfolio held nearly all in cash at Fed

Strengthened balance sheet and funding mix

Capital ratios significantly improved	**+3x**	TCE/TA ratio increase since 1Q20 to **9.1%**
Reduced debt	**-39%**	parent debt reduction since 1Q20
Increased direct-to-consumer deposits	**+$4.4B**	DTC deposits since 1Q20 to **$5.6 billion**
Loan loss reserve materially higher	**+300bps**	reserve rate increase since CECL Day 1

First Quarter 2023 Financial Highlights

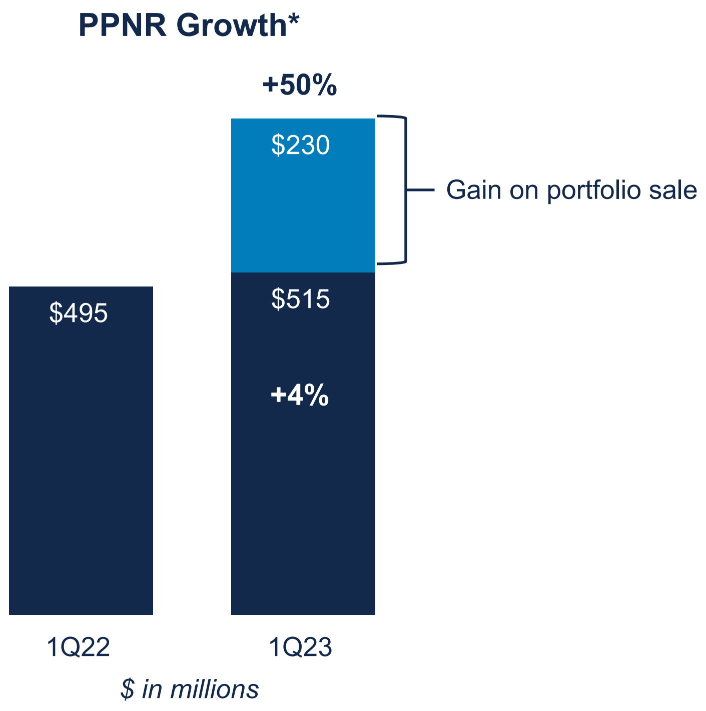
$1,289 million	$455 million	$9.08
Revenue	**Net Income**	**Diluted EPS**

Year-over-year comparisons

- Credit sales of $7.4 billion increased 7% driven by brand partner additions and growth across brand partners
- First quarter average loans of $19.4 billion grew 17%
- Revenue, including gain on portfolio sale, increased 40%, well above total non-interest expense growth of 28%
- Net income increased $245 million driven by PPNR improvement, that included a $230 million pretax gain on portfolio sale, and a lower provision for credit losses, due to both the sale of the BJ's portfolio and seasonal paydowns
- Credit performance metrics in the quarter were impacted by the transition of our credit card processing services in June 2022, as expected

Financial Results
Continuing Operations

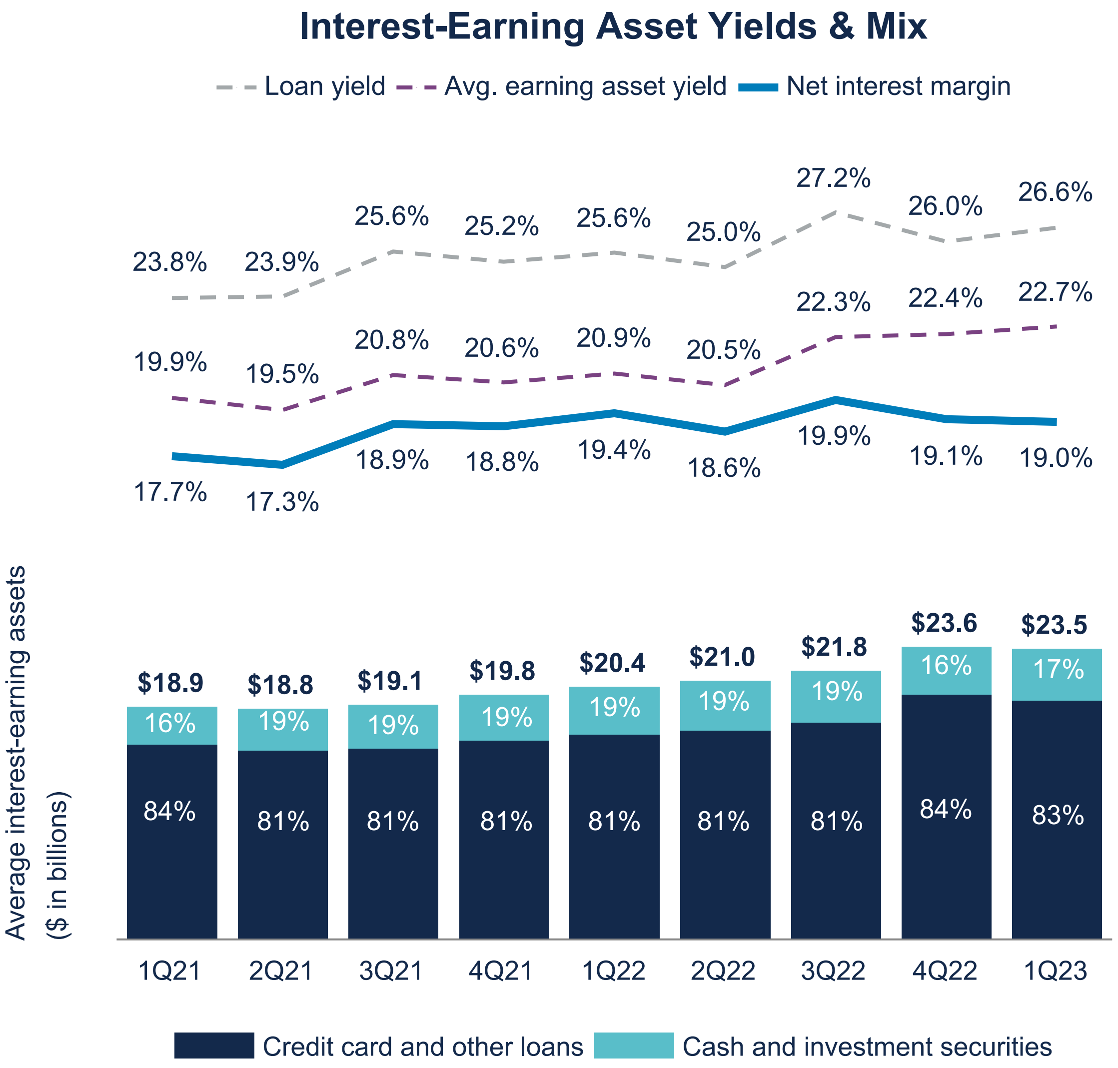
($ in millions, except per share)	1Q23	1Q22	$ Chg	% Chg
Total interest income	$ 1,335	$ 1,068	$ 267	25%
Total interest expense	218	79	139	nm
Net interest income	**1,117**	**989**	**128**	**13%**
Total non-interest income	172	(68)	240	nm
Revenue	**1,289**	**921**	**368**	**40%**
Net principal losses	342	199	143	71%
Reserve (release) build	(235)	(6)	(229)	nm
Provision for credit losses	107	193	(86)	(45%)
Total non-interest expenses	544	426	118	28%
Income before income taxes	**638**	**302**	**336**	**nm**
Provision for income taxes	183	91	92	nm
Net income	**$ 455**	**$ 211**	**$ 244**	**nm**
Net income per diluted share	$ 9.08	$ 4.21	$ 4.87	nm
Weighted avg. shares outstanding – diluted	50.1	50.0		
Pretax pre-provision earnings (PPNR)*	**$ 745**	**$ 495**	**$ 250**	**50%**
Less: Gain on portfolio sale	(230)	—	(230)	nm
PPNR less gain on portfolio sale*	$ 515	$ 495	$ 20	4%

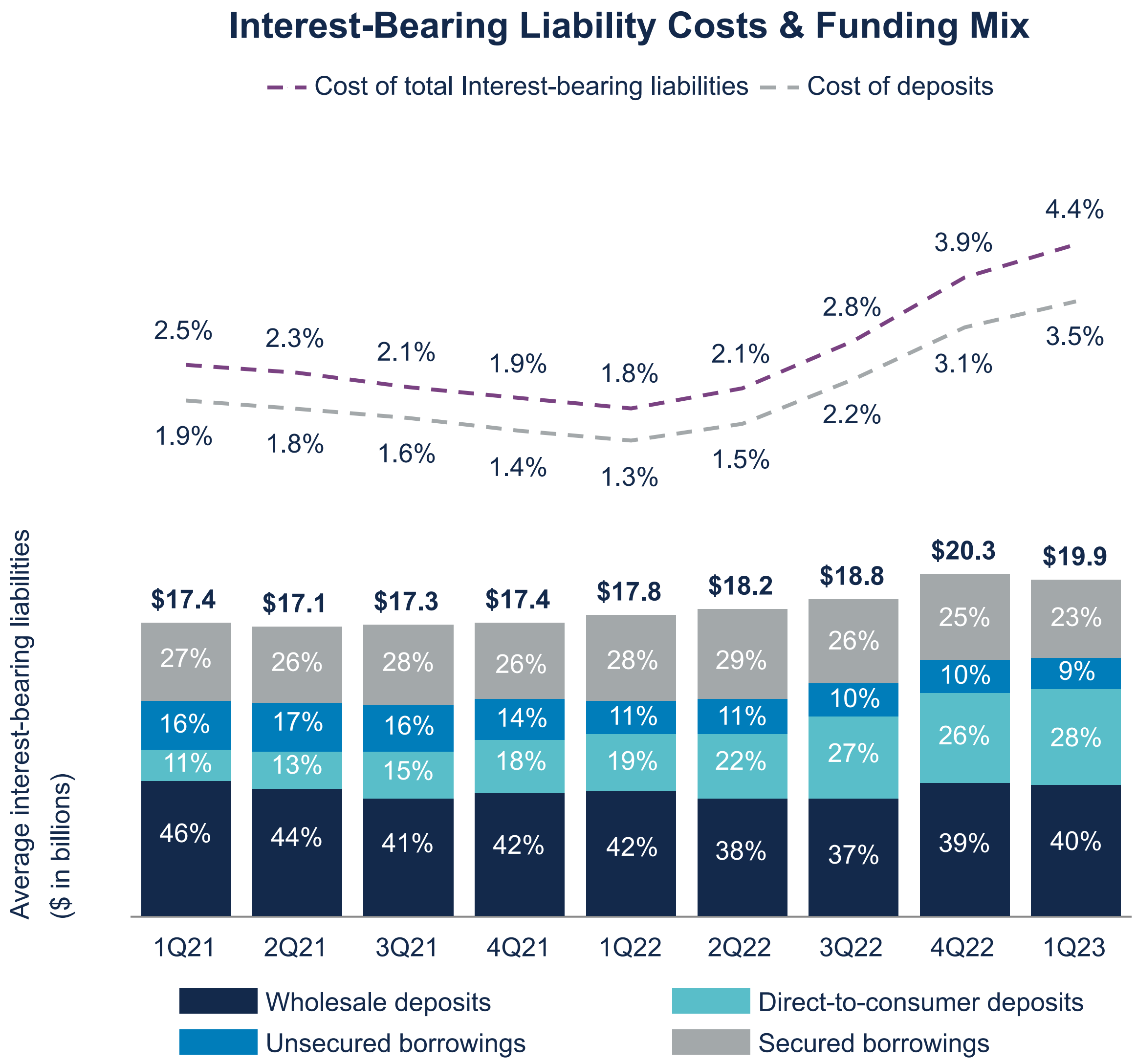


** PPNR and PPNR less gain on portfolio sale are non-GAAP financial measures. See "Non-GAAP Financial Measures" and "Reconciliation of GAAP to Non-GAAP Financial Measures".*

nm – Not meaningful, denoting a variance of 100 percent or more.

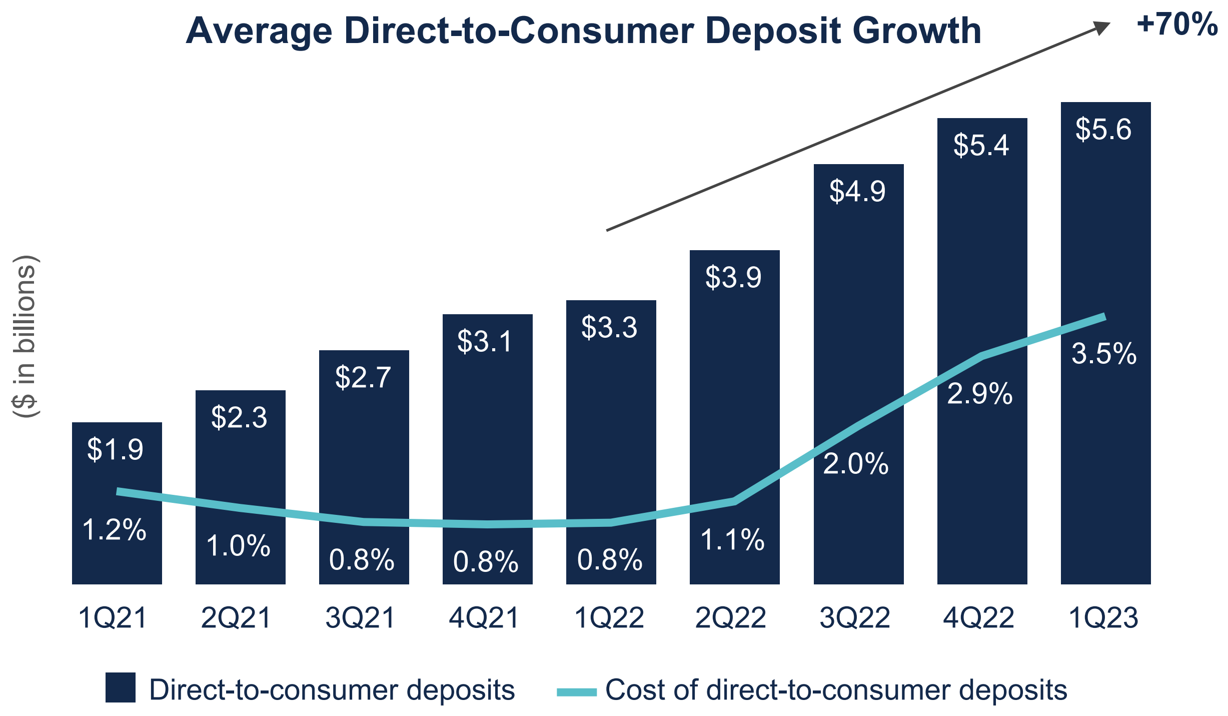
Net Interest Margin

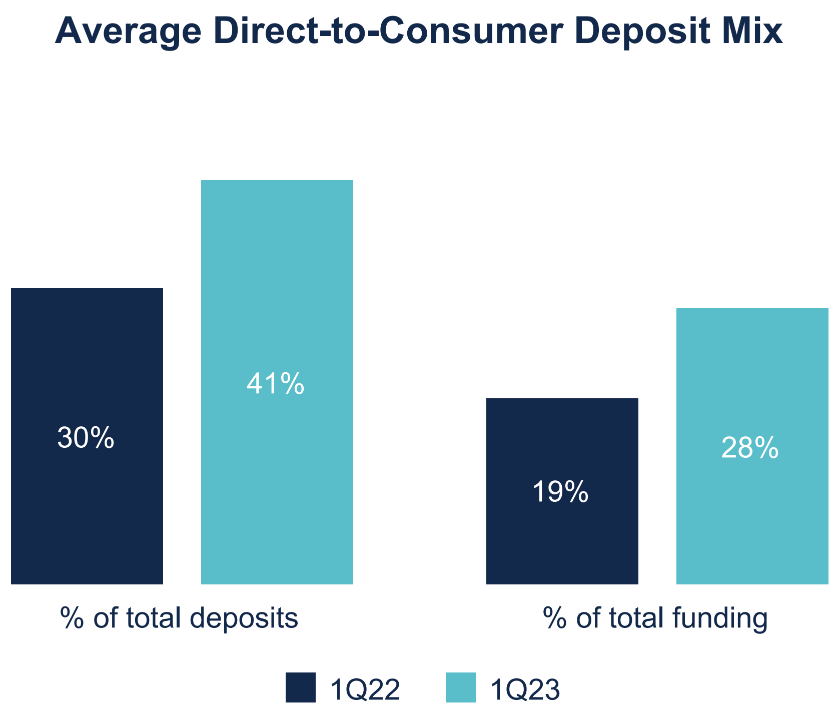




Direct-to-Consumer Deposit Growth

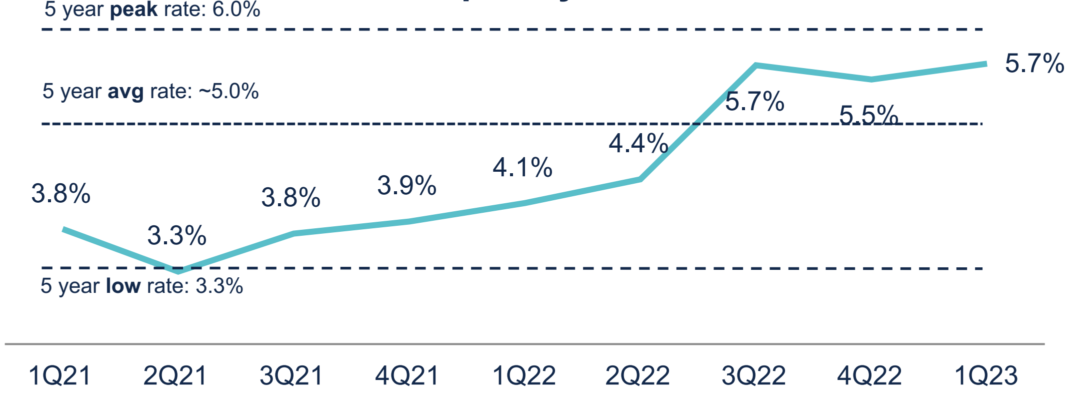
Strong growth in Bread Savings™ direct-to-consumer deposits diversifies our funding mix



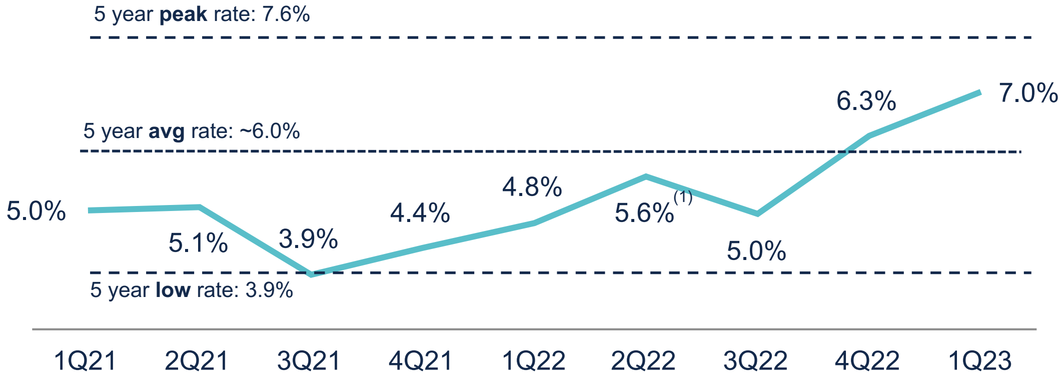


Credit Quality and Allowance

Delinquency Rates

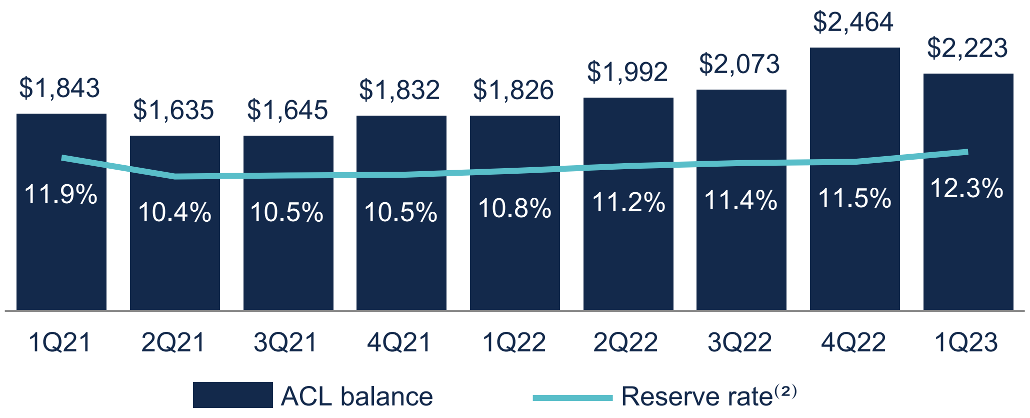


Net Loss Rates



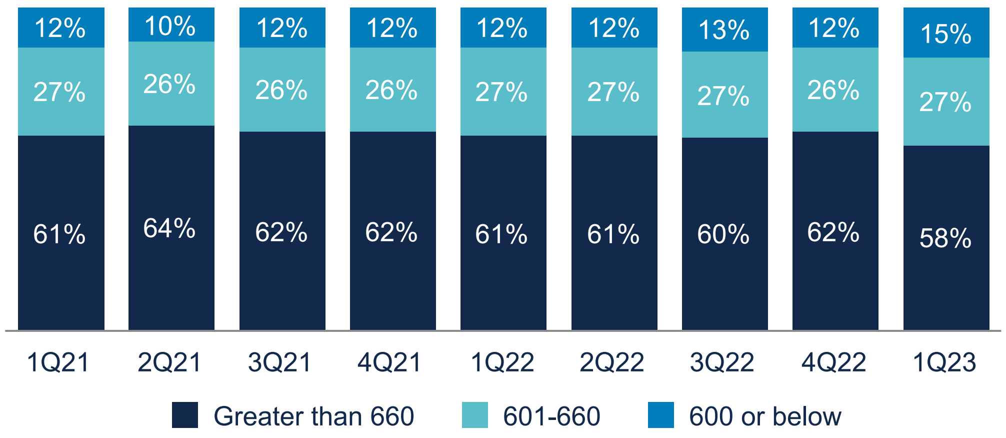
Reserve Rates

($ in millions)



Revolving Credit Risk Distribution

(Vantage score)



(1) 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.
(2) Calculated as the percentage of the Allowance for credit losses to end-of-period Credit card and other loans.
Note: The 3Q22, 4Q22, and 1Q23 Delinquency and Net loss rates were impacted by the transition of our credit card processing services.

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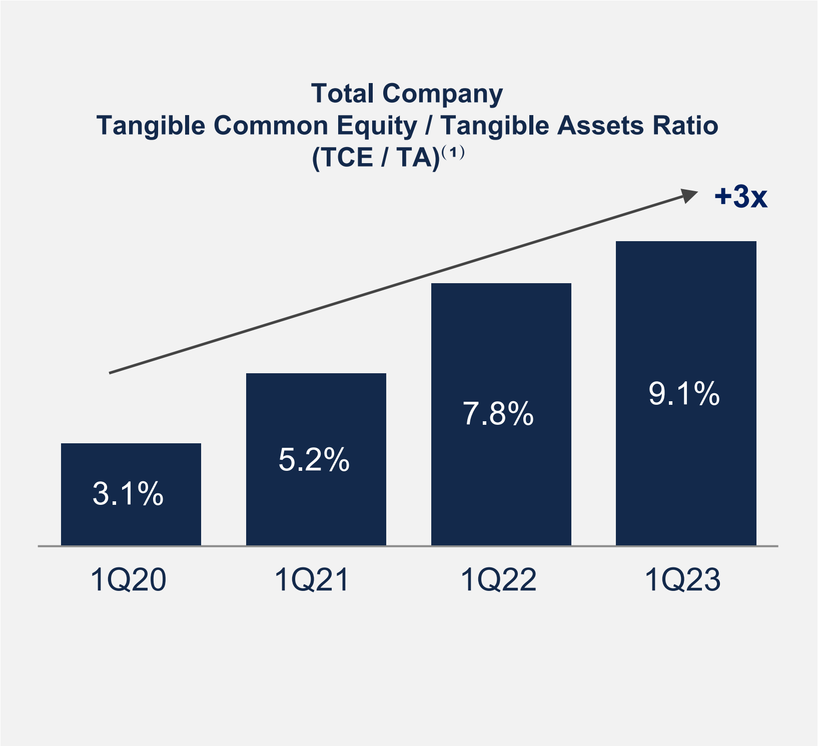
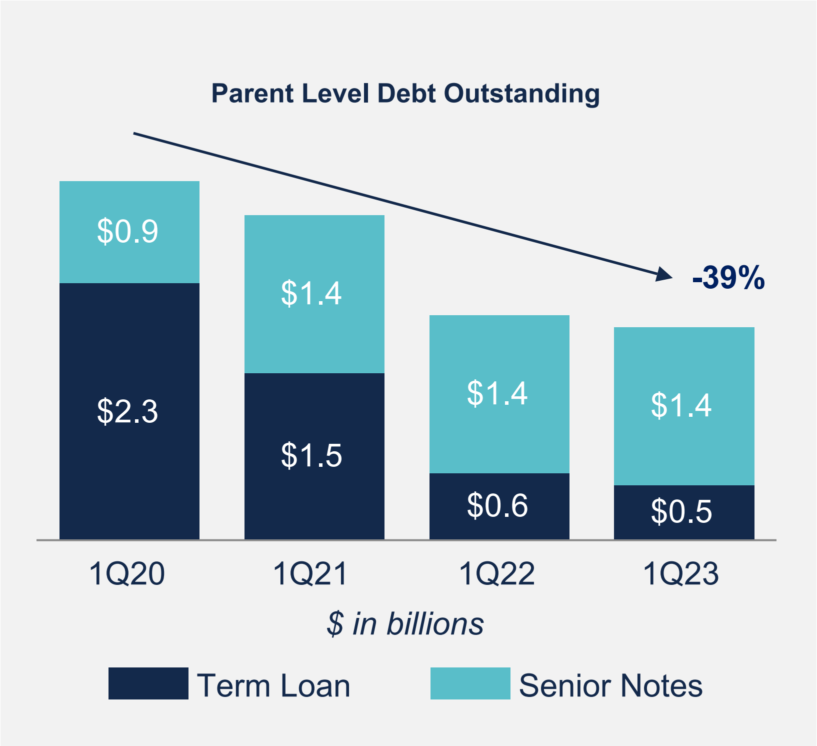
Capital Allocation

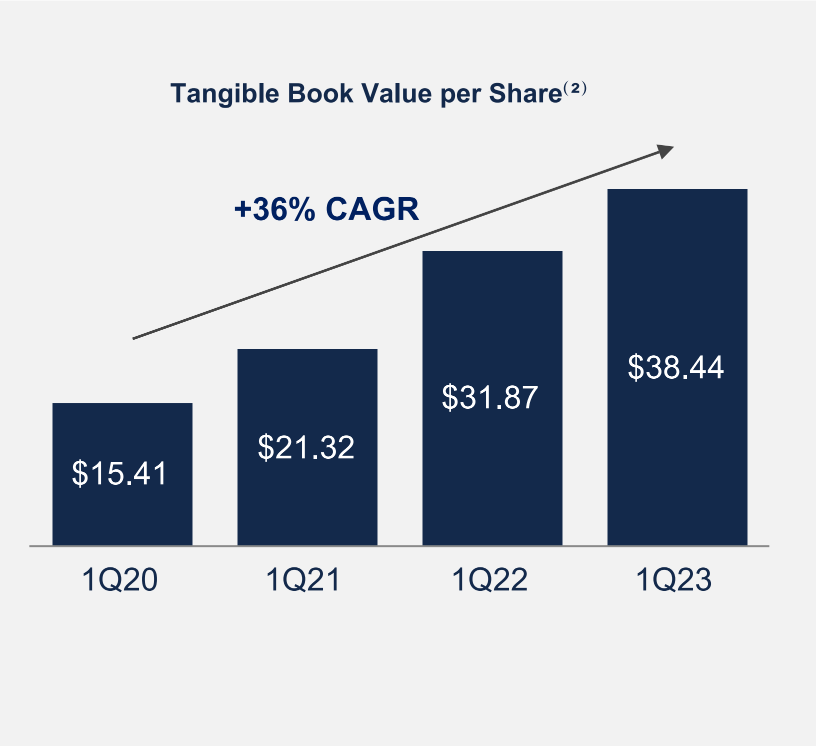
Improve capital metrics



Reduce debt levels



Drive shareholder value



(1) 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.
(2) Tangible book value per common share represents TCE divided by shares outstanding and is a non-GAAP financial measure.

2023 Financial Outlook

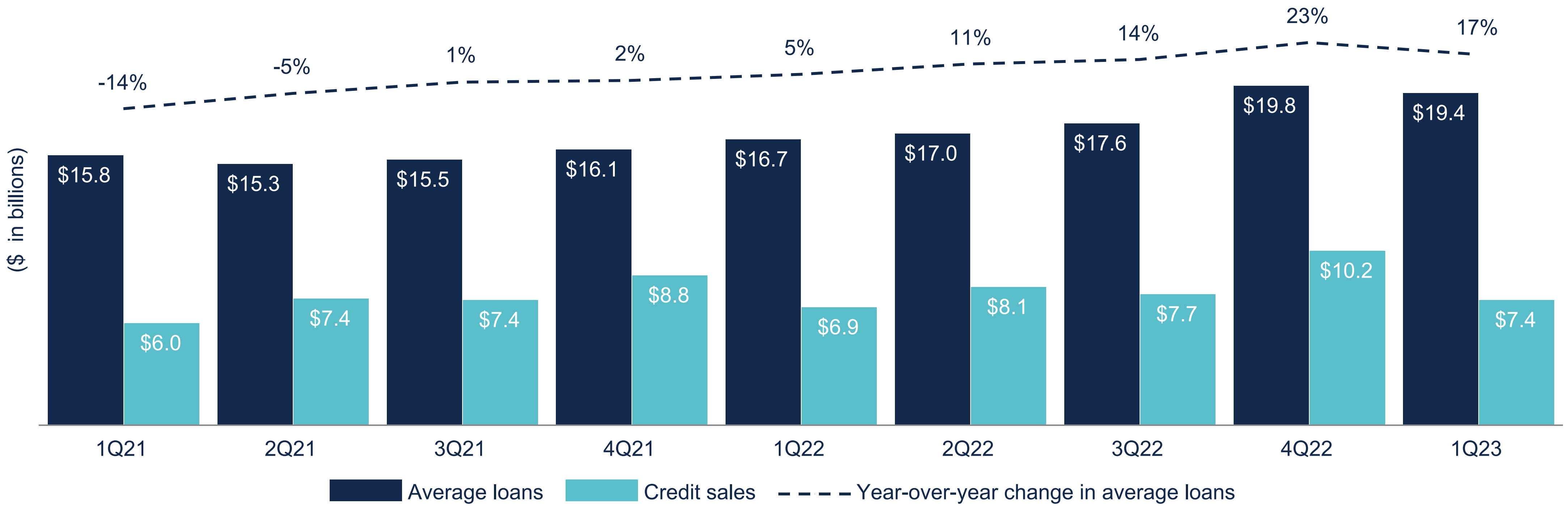
Our 2023 full year outlook remains unchanged from our guidance provided in January 2023

Full Year 2022 Actuals	Full Year 2023 Outlook	Commentary
Average loans $17,768 million	Up mid-single digits	• 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 is expected to remain similar to the 2022 full year rate of 19.2%. • Revenue guidance excludes the gain on portfolio sale.
Total non-interest expenses $1,932 million	Positive operating leverage	• We expect to deliver full year positive operating leverage while we continue to strategically invest in technology modernization, marketing, and product innovation to drive growth and efficiencies. • With the magnitude of the gain on portfolio sale, we plan to invest up to $30 million of the gain in 2023 to accelerate our business transformation. Excluding the gain on portfolio sale from revenue and this $30 million investment from total expenses, we expect to achieve nominal positive operating leverage for the full year.
Net loss rate 5.4%	~7%	• Our outlook is inclusive of customer accommodations related to the 2022 transition of our credit card processing services as well as continued pressure on consumers' ability to pay due to persistent inflation. • We remain confident in our long-term guidance of a through-the-cycle average net loss rate below our historical average of 6%.

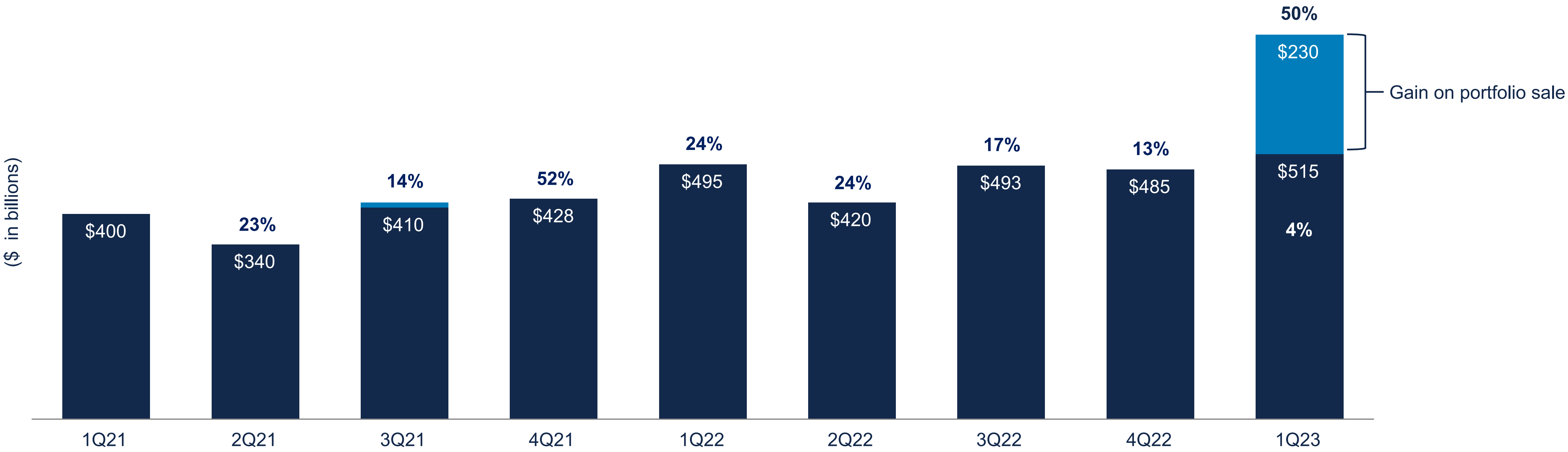
Our 2023 financial outlook assumes a more challenging macroeconomic landscape with continued inflationary pressures and an unemployment rate gradually moving to the mid-to-upper 4% range by year end 2023.

Appendix

Average Loans and Credit Sales



Pretax Pre-Provision Earnings*



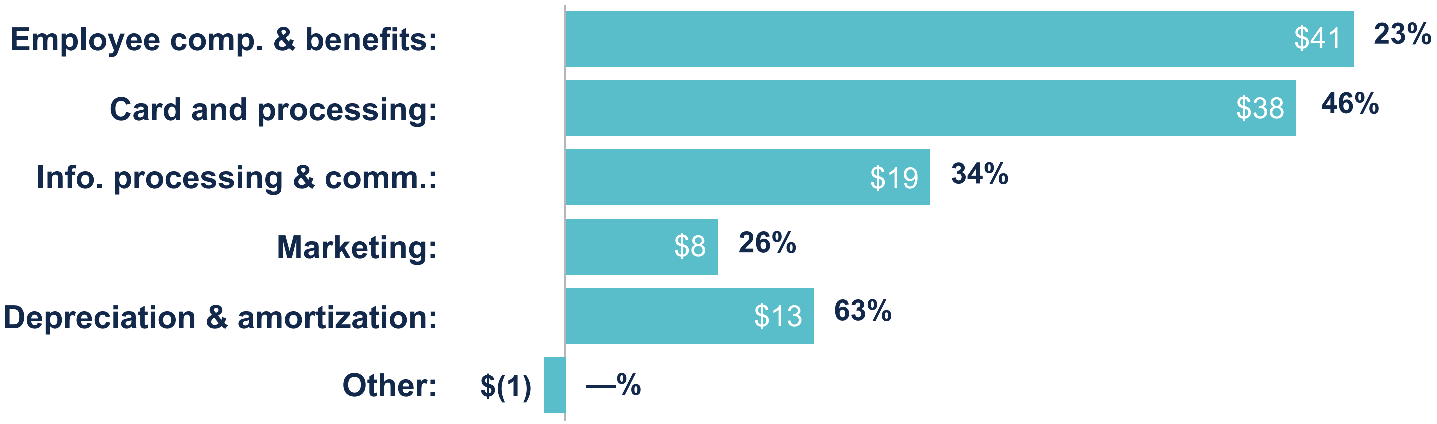
Percentages equal year-over-year growth rate.

The first quarter 2023 marks the eighth consecutive quarter with year-over-year PPNR growth

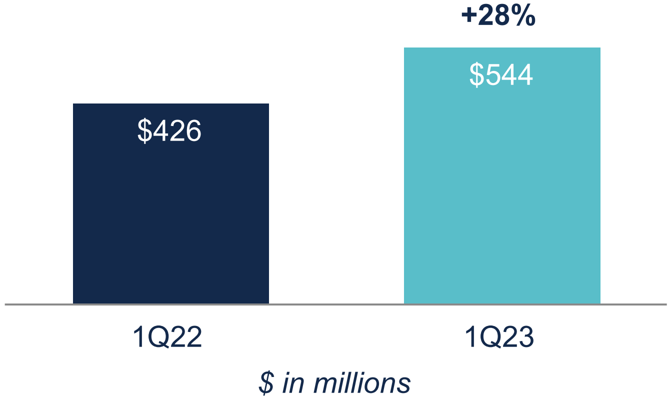
** PPNR and PPNR less gain on portfolio sale are non-GAAP financial measures. See "Non-GAAP Financial Measures" and "Reconciliation of GAAP to Non-GAAP Financial Measures".*

Total Non-Interest Expenses

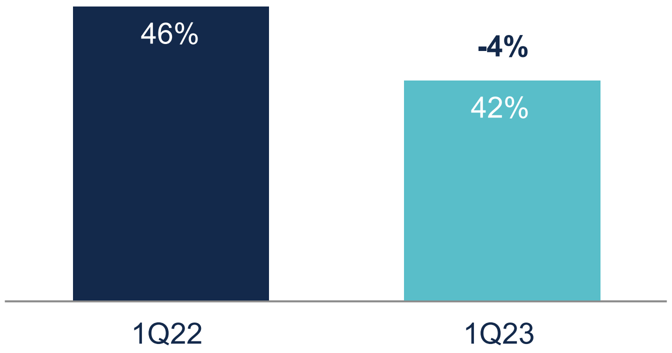
1Q23 vs. 1Q22 Change in Non-Interest Expenses



Total Non-Interest Expenses



Efficiency Ratio*



Total non-interest expenses increased 28% versus 1Q22

- Employee compensation and benefit costs increased primarily driven by continued digital and technology modernization-related hiring and customer care and collections staffing
- Card and processing expenses increased due to increased fraud costs and higher direct mail and statement volumes
- Information processing and communications expenses increased as a result of the transition of our credit card processing services and other software licensing expenses

** Efficiency ratio represents Total non-interest expenses divided by Total net interest and non-interest income.*

Summary Financial Highlights

Continuing Operations

($ in millions)	1Q23	1Q22	1Q23 vs 1Q22	4Q22	1Q23 vs 4Q22
Credit sales	$ 7,373	$ 6,887	7%	$ 10,166	(27%)
Average credit card and other loans	$ 19,405	$ 16,650	17%	$ 19,820	(2%)
End-of-period credit card and other loans	$ 18,060	$ 16,843	7%	$ 21,365	(15%)
End-of-period direct-to-consumer deposits	$ 5,630	$ 3,561	58%	$ 5,466	3%
Return on average assets[1]	7.7%	4.0%	3.7%	(2.2%)	9.9%
Return on average equity[2]	73.0%	38.5%	34.5%	(23.3%)	96.3%
Net interest margin[3]	19.0%	19.4%	(0.4%)	19.1%	(0.1%)
Loan yield[4]	26.6%	25.6%	1.0%	26.0%	0.6%
Efficiency ratio[5]	42.2%	46.2%	(4.0%)	53.1%	(10.9%)
Tangible common equity / tangible assets ratio (TCE/TA)[6]	9.1%	7.8%	1.3%	6.0%	3.1%
Tangible book value per common share[7]	$ 38.44	$ 31.87	20.6%	$ 29.42	30.7%
Cash dividend declared per common share	$ 0.21	$ 0.21	—%	$ 0.21	—%
Payment rate[8]	15.6%	17.7%	(2.1%)	16.4%	(0.8%)
Delinquency rate[9]	5.7%	4.1%	1.6%	5.5%	0.2%
Net loss rate[9]	7.0%	4.8%	2.2%	6.3%	0.7%
Reserve rate	12.3%	10.8%	1.5%	11.5%	0.8%

(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.
(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 financial 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.
(9) The 1Q23 Delinquency and Net Loss rates were impacted by the transition of our credit card processing services.

Summary Financial Highlights

Continuing Operations

($ in millions)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
Credit sales	$ 6,043	$ 7,401	$ 7,380	$ 8,778	$ 6,887	$ 8,140	$ 7,689	$ 10,166	$ 7,373
Year-over-year change	*(1%)*	*54%*	*20%*	*15%*	*14%*	*10%*	*4%*	*16%*	*7%*
Average credit card and other loans	$ 15,785	$ 15,282	$ 15,471	$ 16,086	$ 16,650	$ 17,003	$ 17,598	$ 19,820	$ 19,405
Year-over-year change	*(14%)*	*(5%)*	*1%*	*2%*	*5%*	*11%*	*14%*	*23%*	*17%*
End-of-period credit card and other loans	$ 15,537	$ 15,724	$ 15,690	$ 17,399	$ 16,843	$ 17,769	$ 18,126	$ 21,365	$ 18,060
Year-over-year change	*(12%)*	*(1%)*	*1%*	*4%*	*8%*	*13%*	*16%*	*23%*	*7%*
End-of-period direct-to-consumer deposits	$ 2,152	$ 2,398	$ 3,052	$ 3,180	$ 3,561	$ 4,191	$ 5,176	$ 5,466	$ 5,630
Year-over-year change	*81%*	*30%*	*79%*	*87%*	*66%*	*75%*	*70%*	*72%*	*58%*
Return on average assets(1)	4.9%	4.8%	3.7%	1.1%	4.0%	0.2%	2.4%	(2.2%)	7.7%
Return on average equity(2)	66.3%	56.4%	38.0%	11.1%	38.5%	2.2%	22.8%	(23.3%)	73.0%
Net interest margin(3)	17.7%	17.3%	18.9%	18.8%	19.4%	18.6%	19.9%	19.1%	19.0%
Loan yield(4)	23.8%	23.9%	25.6%	25.2%	25.6%	25.0%	27.2%	26.0%	26.6%
Efficiency ratio(5)	50.1%	55.5%	50.6%	50.0%	46.2%	52.9%	49.7%	53.1%	42.2%
Tangible common equity / tangible assets ratio (TCE/TA)(6)	5.2%	6.4%	7.2%	6.6%	7.8%	7.5%	8.0%	6.0%	9.1%
Tangible book value per common share(7)	$ 21.32	$ 27.12	$ 31.18	$ 28.09	$ 31.87	$ 31.75	$ 34.30	$ 29.42	$ 38.44
Cash dividend declared per common share	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.21
Payment rate(8)	18.8%	17.6%	16.7%	17.2%	17.7%	15.3%	15.5%	16.4%	15.6%
Delinquency rate	3.8%	3.3%	3.8%	3.9%	4.1%	4.4%	5.7%	5.5%	5.7%
Net principal loss rate	5.0%	5.1%	3.9%	4.4%	4.8%	5.6%	5.0%	6.3%	7.0%
Reserve rate	11.9%	10.4%	10.5%	10.5%	10.8%	11.2%	11.4%	11.5%	12.3%

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

Financial Results

Continuing Operations

($ in millions, except per share)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
Total interest income	$ 942	$ 915	$ 994	$ 1,017	$ 1,068	$ 1,073	$ 1,218	$ 1,325	$ 1,335
Total interest expense	107	100	91	84	79	95	133	195	218
Net interest income	**835**	**815**	**903**	**933**	**989**	**978**	**1,085**	**1,130**	**1,117**
Total non-interest income	(33)	(51)	(52)	(78)	(68)	(85)	(106)	(97)	172
Revenue	**802**	**764**	**851**	**855**	**921**	**893**	**979**	**1,033**	**1,289**
Net principal losses	198	194	152	176	199	238	218	312	342
Reserve (release) build	(165)	(208)	9	187	(6)	166	86	380	(235)
Provision for credit losses	33	(14)	161	363	193	404	304	692	107
Total non-interest expenses	402	424	431	427	426	473	486	548	544
Income (loss) before income taxes	**367**	**354**	**259**	**65**	**302**	**16**	**189**	**(207)**	**638**
Provision for income taxes	99	91	53	4	91	4	55	(73)	183
Net income (loss)	**$ 268**	**$ 263**	**$ 206**	**$ 61**	**$ 211**	**$ 12**	**$ 134**	**$ (134)**	**$ 455**
Net income (loss) per diluted share	$ 5.38	$ 5.25	$ 4.11	$ 1.21	$ 4.21	$ 0.25	$ 2.69	$ (2.68)	$ 9.08
Weighted average shares outstanding – diluted	49.8	50.0	50.0	50.0	50.0	49.9	49.9	50.0	50.1
Pretax pre-provision earnings (PPNR)*	**$ 400**	**$ 340**	**$ 420**	**$ 428**	**$ 495**	**$ 420**	**$ 493**	**$ 485**	**$ 745**
Less: Gain on portfolio sale	—	—	(10)	—	—	—	—	—	(230)
PPNR less gain on portfolio sale*	$ 400	$ 340	$ 410	$ 428	$ 495	$ 420	$ 493	$ 485	$ 515

* *PPNR and PPNR less gain on portfolio sale are non-GAAP financial measures. See "Non-GAAP Financial Measures" and "Reconciliation of GAAP to Non-GAAP Financial Measures".*

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Net Interest Margin

($ in millions)	1Q23		
	Average Balance	Interest Income / Expense	Average Yield / Rate
Cash and investment securities	$ 4,087	$ 46	4.5%
Credit card and other loans	19,405	1,289	26.6%
Total interest-earning assets	**23,492**	**1,335**	**22.7%**
Direct-to-consumer (Retail)	5,559	49	3.5%
Wholesale deposits	7,866	68	3.5%
Interest-bearing deposits	**13,425**	**117**	**3.5%**
Secured borrowings	4,565	70	6.2%
Unsecured borrowings	1,914	31	6.4%
Interest-bearing borrowings	**6,479**	**101**	**6.3%**
Total interest-bearing liabilities	**$ 19,904**	**$ 218**	**4.4%**
Net interest income		**$ 1,117**	
Net interest margin*		**19.0%**	

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

Financial Results

($ in millions, except per share amounts)	1Q23	1Q22	$ Chg	% Chg
Income from continuing operations, net of taxes	$ 455	$ 211	$ 244	nm
Income (loss) from discontinued operations, net of taxes	—	(1)	1	nm
Net income	**$ 455**	**$ 210**	**$ 245**	**nm**
Net income per diluted share from continuing ops	$ 9.08	$ 4.21	$ 4.87	nm
Net income (loss) per diluted share from discontinued ops	$ —	$ (0.01)	$ 0.01	nm
Net income per diluted share	**$ 9.08**	**$ 4.20**	**$ 4.88**	**nm**
Weighted average shares outstanding – diluted *(in millions)*	50.1	50.0		

nm – Not meaningful, denoting a variance of 100 percent or more.

Capital and Liquidity

Parent Level:

- Liquidity as of March 31, 2023, of $1.0 billion, consisting of cash on hand plus revolver capacity

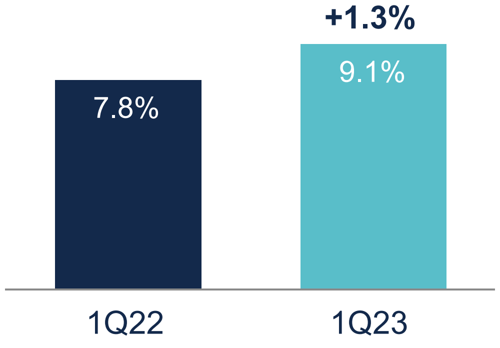
Bank Level (Banks Combined*):

- As of March 31, 2023, the banks finished the quarter with $3.3 billion in cash on hand and $3.5 billion in equity
- Total risk-based capital ratio at 21.6% - nearly double the 10% threshold to be considered well-capitalized; CET1 at 20.2%
- Funding in place to support expected growth outlook – with continued long-term strategic focus on retail deposit growth

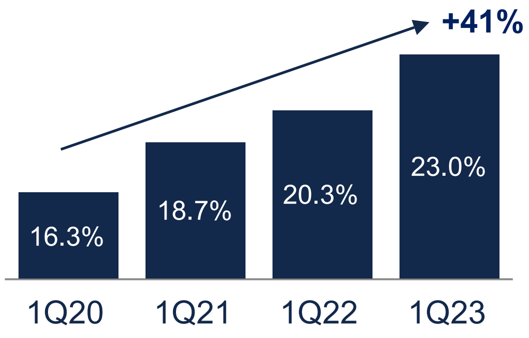
Banks Combined* Capital Ratios	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
Common equity tier 1 capital ratio(2)	21.0%	22.1%	22.6%	20.0%	20.8%	20.1%	19.4%	17.0%	20.2%
Tier 1 capital ratio(3)	21.0%	22.1%	22.6%	20.0%	20.8%	20.1%	19.4%	17.0%	20.2%
Total risk-based capital ratio(4)	22.3%	23.4%	23.9%	21.3%	22.1%	21.5%	20.7%	18.3%	21.6%
Tier 1 leverage capital ratio(5)	17.8%	19.2%	19.5%	18.6%	18.2%	17.7%	16.3%	15.6%	16.1%

* Combined bank level represents Comenity Bank and Comenity Capital Bank.

Total Company Tangible Common Equity/ Tangible Assets Ratio(1)



Total Company Tangible Common Equity + Credit Reserves Rate(6)



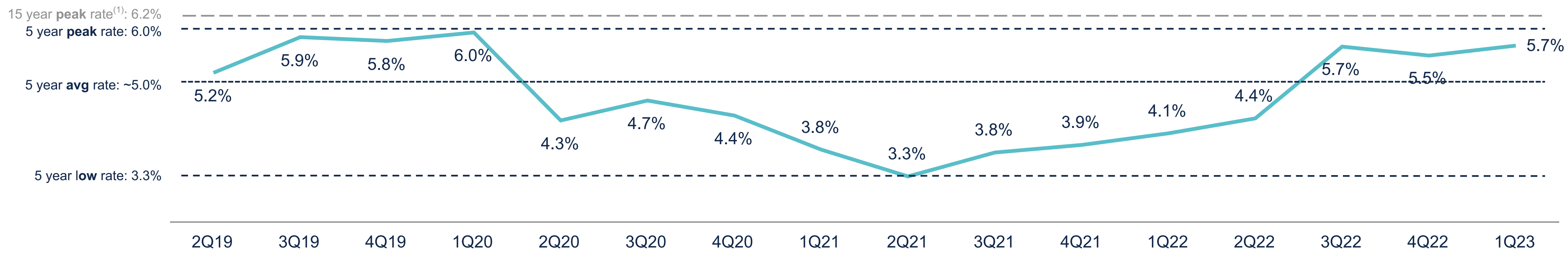
(1) Tangible common equity (TCE) represents Total stockholders' equity reduced by Goodwill and intangible assets, net. Tangible assets (TA) represents Total assets reduced by Goodwill and intangible assets, net. TCE/TA is a non-GAAP financial measure.
(2) The Common Equity Tier 1 capital ratio represents 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 average assets, after certain adjustments.
(6) 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 credit card and other loans.

Reconciliation of GAAP to Non-GAAP Financial Measures

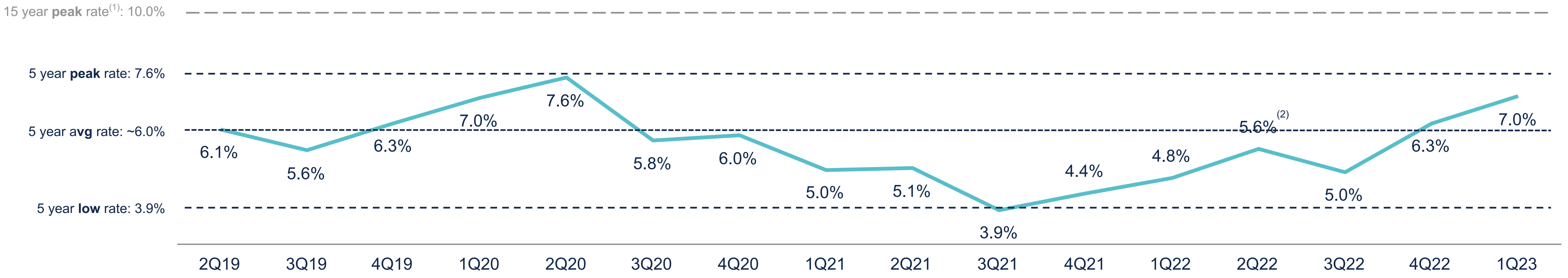
($ in millions)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
Pretax pre-provision earnings (PPNR)									
Income (loss) before income taxes	$ 367	$ 354	$ 259	$ 65	$ 302	$ 16	$ 189	$ (207)	$ 638
Provision for credit losses	33	(14)	161	363	193	404	304	692	107
Pretax pre-provision earnings (PPNR)	**$ 400**	**$ 340**	**$ 420**	**$ 428**	**$ 495**	**$ 420**	**$ 493**	**$ 485**	**$ 745**
Less: Gain on portfolio sale	—	—	(10)	—	—	—	—	—	(230)
PPNR less gain on portfolio sale	$ 400	$ 340	$ 410	$ 428	$ 495	$ 420	$ 493	$ 485	$ 515
Tangible common equity (TCE)									
Total stockholders' equity	$ 1,764	$ 2,048	$ 2,246	$ 2,086	$ 2,268	$ 2,275	$ 2,399	$ 2,265	$ 2,716
Less: Goodwill and intangible assets, net	(704)	(699)	(694)	(687)	(682)	(694)	(690)	(799)	(790)
Tangible common equity (TCE)	**$ 1,060**	**$ 1,349**	**$ 1,552**	**$ 1,399**	**$ 1,586**	**$ 1,581**	**$ 1,709**	**$ 1,466**	**$ 1,926**
Tangible assets (TA)									
Total assets	$ 21,163	$ 21,812	$ 22,257	$ 21,746	$ 20,938	$ 21,811	$ 21,960	$ 25,407	$ 21,970
Less: Goodwill and intangible assets, net	(704)	(699)	(694)	(687)	(682)	(694)	(690)	(799)	(790)
Tangible assets (TA)	**$ 20,459**	**$ 21,113**	**$ 21,563**	**$ 21,059**	**$ 20,256**	**$ 21,117**	**$ 21,270**	**$ 24,608**	**$ 21,180**

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, 4Q22, and 1Q23 Delinquency and Net loss rates were impacted by the transition of our credit card processing services.