

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported):  
April 28, 2022



**BREAD FINANCIAL HOLDINGS, INC.**

(Exact Name of Registrant as Specified in Charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**001-15749**  
(Commission  
File Number)

**31-1429215**  
(IRS Employer  
Identification No.)

**3095 LOYALTY CIRCLE**  
**COLUMBUS, Ohio 43219**  
(Address and Zip Code of Principal Executive Offices)

**(614) 729-4000**  
(Registrant's Telephone Number, including Area Code)

**NOT APPLICABLE**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	BFH	NYSE

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 2.02 Results of Operations and Financial Condition.**

On April 28, 2022, Bread Financial Holdings, Inc. (the "Company") issued a press release regarding its results of operations for the first quarter ended March 31, 2022. A copy of this press release is furnished as Exhibit 99.1.

**Item 7.01 Regulation FD Disclosure.**

On April 28, 2022, the Company issued a press release regarding its results of operations for the first quarter ended March 31, 2022. A copy of this press release is furnished as Exhibit 99.1.

Attached as Exhibit 99.2 is a presentation to be given to investors and others by senior officers of the Company.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

**Exhibit No. Document Description**

[99.1](#) Press Release dated April 28, 2022 announcing the results of operations for the first quarter ended March 31, 2022.

[99.2](#) Investor Presentation Materials.

104 Cover Page Interactive Data File (embedded within the Inline XBRL document).

*Note:* The information contained in this report (including Exhibits 99.1 and 99.2) shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such a filing.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Bread Financial Holdings, Inc.

Date: April 28, 2022

By: /s/ Joseph L. Motes III  
Joseph L. Motes III  
Executive Vice President, Chief  
Administrative Officer, General  
Counsel and Secretary

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## Bread Financial Reports First Quarter 2022 Results

**COLUMBUS, Ohio, April 28, 2022** – Bread Financial Holdings, Inc. (NYSE: BFH), a tech-forward financial services company that provides simple, personalized payment, lending, and saving solutions, today announced results for the first quarter ended March 31, 2022.

- First quarter net income was \$210 million, or \$4.20 per diluted share

Financial Summary	First Quarter 2022	
	Total Company	Continuing Operations <sup>(a)</sup>
Net Income (\$ millions)	\$210	\$211
Earnings per Diluted Share	\$4.20	\$4.21

(a) Reflective of the spinoff of Loyalty Ventures Inc.

- Rebranded to Bread Financial to reflect streamlined, tech-forward financial services business; expanded products and direct-to-consumer offerings
- Total revenue of \$921 million, up \$119 million, or 15%, versus 1Q21
- Credit metrics remained strong with a delinquency rate of 4.1% and a net loss rate of 4.8%

### Business Highlights

"On the heels of announcing our Company rebrand in March, we successfully launched the Bread Cashback™ American Express® Card. Bread Cashback offers industry-leading benefits and complements our existing suite of financial products, as we continue to ensure our customers have access to robust solutions to serve their payment, lending, and saving needs at all stages of their financial lives. In particular, this proprietary card provides an additional opportunity to drive acquisition and growth, with a strong value proposition appealing especially within the Millennial and Gen Z consumer base," said Ralph Andretta, president and chief executive officer of Bread Financial.



"During the quarter we announced the launch of a new co-brand credit card with Victoria's Secret, as well as the long-term renewal of our relationship. As our largest and longest-tenured brand partner, we are thrilled to expand our relationship and offer our credit and loyalty products to Victoria's Secret customers for years to come.



"Building on our recent new business development success, we launched a pilot for a new Harley-Davidson private label credit card to provide promotional finance plans for general merchandise, parts and accessories, service and more through participating Harley-Davidson dealers. Additionally, we continue to add new online brand partners on our Bread Pay™ platform, including our recent launch with Wayfair," Andretta noted.



### CEO COMMENTARY

"First quarter results demonstrated the significant progress of our strategic transformation and highlighted our focus on profitable growth. We continued to produce double-digit sales growth and accelerated year-over-year loan growth. Pre-tax pre-provision earnings increased 24% and 16% from first quarter 2021 and fourth quarter 2021 levels, respectively. We are delivering on our business transformation objectives and are focused on building long-term value for our stockholders.

"We have positioned Bread Financial to experience lower than historical average loss levels as a result of our proactive risk management, including a more balanced product portfolio with higher co-brand and proprietary card balances. This resulted in an improved credit profile from pre-pandemic levels, providing confidence in sustained performance as questions around credit normalization increase. We planned for the normalization of consumer payment behavior, which is reflected in our guidance; to-date, results are within our range of expectations, although the pace of payment normalization is slower than originally forecasted.

"We are closely monitoring geopolitical and macroeconomic conditions and the long term effects of persistent inflation on the economy and consumers. Additionally, we will continue to manage our risk strategies with real-time analytics, making adjustments as necessary in this dynamic environment.

"Despite the macroeconomic headwinds, we are optimistic on our overall outlook for 2022 as consumer health remains stronger than pre-pandemic levels, and the diversification of our full product suite and brand partner verticals positions us to drive responsible, profitable growth, as well as an improving underlying risk profile."

- Ralph Andretta, president and chief executive officer

## 2022 Full Year CFO Outlook

- **Macroeconomic Assumptions:** "We remain vigilant in monitoring macroeconomic conditions and the impact on consumers and our brand partners. Our outlook assumes a moderation in the consumer payment rate throughout 2022. Payment rate variability is a key determinant for the high- and low-ends of our forecasted ranges. We expect rate increases by the Federal Reserve during the year to result in a nominal benefit to total net interest income, which is included in our outlook.
- **Average Loan Growth:** "Based on our new business expectations, visibility into our pipeline, and the current economic outlook, we now anticipate full year 2022 average credit card and other loan growth in the low-double-digit range relative to 2021, up from a high-single to low-double-digit range.
- **Total Revenue Growth:** "Total revenue growth for 2022 is anticipated to be aligned with average loan growth, with potential upside from improved net interest margin.
- **Total Expense Growth:** "As a result of ongoing investment in technology modernization, digital advancement, marketing, and product innovation, along with strong portfolio growth, we continue to anticipate total expenses will increase in 2022, while ensuring we deliver modest positive operating leverage for the full year. The pace and timing of our investments will be calibrated to align with our revenue growth outlook, including our planned incremental investment of more than \$125 million in digital and product innovation, marketing, and technology enhancements during the year.
- **Net Loss Rate:** "We continue to expect a net loss rate in the low-to-mid 5% range for 2022 as credit metrics begin to normalize from historically low rates due to the expiration of federal stimulus and assistance programs. We remain confident in our long-term guidance of a through-the-cycle average net loss rate below our historical average of 6%.
- **Effective Tax Rate:** "We expect our full year effective tax rate to be in the range of 25% to 26% with quarter-over-quarter volatility due to the timing of various discrete items."

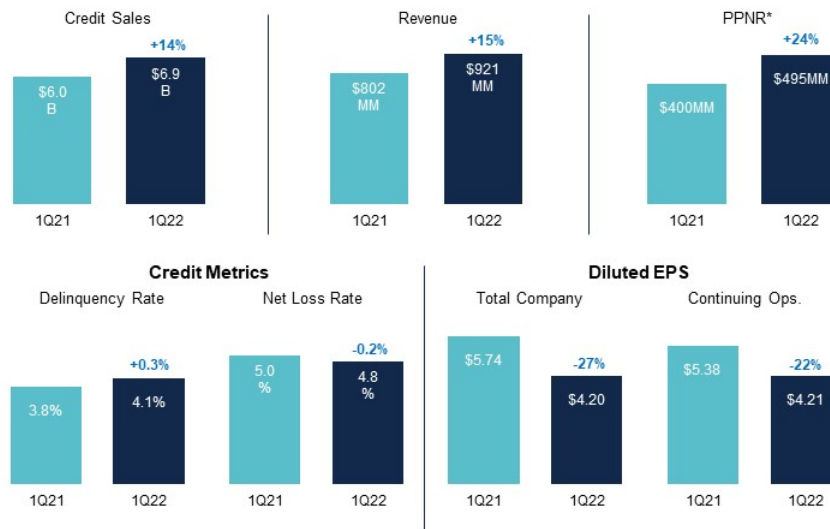
## CFO COMMENTARY

"Bread Financial had a very positive start to the year with sales growth ahead of our expectations. Revenue increased 15% compared to the first quarter of 2021, driven primarily from balance sheet growth and improved net interest margin. We remain focused on increasing our investments, especially around digital talent and product innovation, which we expect would result in increased expenses each quarter throughout 2022. Net losses were slightly better than our outlook for the quarter as a result of slower than expected payment normalization and resilient consumer health. However, we maintained conservative economic scenario weightings in our credit reserve modeling given the increasing interest rate environment, inflation, and the war in Ukraine.

"We remain focused on risk-reward tradeoff that positions us to maintain profitable growth in the periods ahead; we are committed to ensuring our investments deliver long-term stockholder value and we remain confident in our ability to responsibly execute on our growth strategy and achieve our financial targets."

- Perry Beberman, executive vice president and chief financial officer

## Key Operating and Financial Metrics<sup>(a)</sup>



### Continuing Operations<sup>(a)</sup>

(\$ in millions, except per share amounts)

	Quarter Ended		
	2022	2021	Change
Total net interest and non-interest income ("Revenue")	\$921	\$802	15%
Net principal losses	\$199	\$198	1%
Reserve build (release)	\$(6)	\$(165)	nm
Provision for credit losses	\$193	\$33	nm
Total non-interest expenses	\$426	\$402	6%
Income from continuing operations before income taxes	\$302	\$367	(18)%
<b>Income from continuing operations</b>	<b>\$211</b>	<b>\$268</b>	<b>(21)%</b>
Income from continuing operations per diluted share	\$4.21	\$5.38	(22)%
Weighted average shares outstanding – diluted	50.0	49.8	
*****			
Pre-tax pre-provision earnings ("PPNR")	\$495	\$400	24%

(a) Reflective of the spinoff of Loyalty Ventures Inc. for all periods presented.

nm – not meaningful

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

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## First Quarter 2022 Compared to First Quarter 2021 – Continuing Operations

- Credit sales increased 14% to \$6.9 billion as consumer spending continued to remain strong.
- Average and end-of-period credit card and other loans increased 5% and 8% to \$16.7 and \$16.8 billion, respectively, driven by strong credit sales and the recovering economy.
- Revenue increased 15%, or \$119 million, resulting from higher average loan balances, improved loan yields, and improvement in our cost of funds.
- Total non-interest expenses increased 6%, or \$24 million, as employee compensation and benefit costs increased 13%, or \$20 million, primarily driven by increased salaries, continued digital and technology modernization-related hiring, and higher volume-related staffing levels.
- PPNR, a non-GAAP measure (as defined and reconciled below), improved by \$95 million, or 24%, reflecting profitable loan growth and improved funding costs.
- Net income from continuing operations decreased \$57 million, as the PPNR improvement described above was more than offset by a \$165 million net reserve release in provision for credit losses in the prior year period.
- Delinquency rate of 4.1% increased from 3.8% in 1Q21 as a result of gradual consumer payment rate normalization.
- Net loss rate of 4.8% improved from 5.0% in 1Q21 and remains well-below our historical average net loss rate primarily due to improved economic conditions and proactive risk management.
- Repurchased 200,000 shares in the first quarter of 2022.

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## Contacts

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**Media Relations:** Shelley Whiddon ([Shelley.Whiddon@breadfinancial.com](mailto:Shelley.Whiddon@breadfinancial.com)), 214-494-3811

Rachel Stultz ([Rachel.Stultz@breadfinancial.com](mailto:Rachel.Stultz@breadfinancial.com)), 614-729-4890

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

## Non-GAAP Financial Measures

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

## Conference Call / Webcast Information

Bread Financial will host a conference call on Thursday, April 28, 2022 at 8:30 a.m. (Eastern Time) to discuss the Company's first quarter 2022 results. The conference call will be available via the Internet at [www.breadfinancial.com](http://www.breadfinancial.com). There will be several slides accompanying the webcast. Please go to the website at least 15 minutes prior to the call to register, download and install any necessary software. The recorded webcast will also be available on the Company's website.

A replay of the conference call will be available two hours after the end of the call until 11:59 p.m. ET on Thursday, May 12, 2022. To access the replay, please dial (866) 813-9403 or (929) 458-6194 and reference conference ID number "990394".



## 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](#) or follow us on [Facebook](#), [LinkedIn](#), [Twitter](#) and [Instagram](#).

BREAD FINANCIAL HOLDINGS  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (In millions, except per share amounts)

	Three Months Ended	
	March 31,	
	2022	2021
<b>Interest income:</b>		
Interest and fees on loans	\$ 1,066	\$ 941
Interest on cash and investment securities	2	1
<b>Total interest income</b>	<u>1,068</u>	<u>942</u>
<b>Interest expense:</b>		
Interest on deposits	34	47
Interest on borrowings	45	60
<b>Total interest expense</b>	<u>79</u>	<u>107</u>
<b>Net interest income</b>	989	835
<b>Non-interest income:</b>		
Interchange revenue, net of retailer share arrangements	(96)	(68)
Other	28	35
<b>Total non-interest income</b>	<u>(68)</u>	<u>(33)</u>
<b>Total net interest and non-interest income</b>	921	802
<b>Provision for credit losses</b>	<u>193</u>	<u>33</u>
<b>Total net interest and non-interest income, after provision for credit losses</b>	<u>728</u>	<u>769</u>
<b>Non-interest expenses:</b>		
Employee compensation and benefits	179	159
Card and processing expenses	82	78
Information processing and communication	56	51
Marketing expense	31	42
Depreciation and amortization	21	25
Other	57	47
<b>Total non-interest expenses</b>	<u>426</u>	<u>402</u>
Income from continuing operations before income taxes	302	367
Provision for income taxes	91	99
Income from continuing operations	211	268
(Loss) income from discontinued operations, net of taxes	(1)	18
<b>Net income</b>	<u>\$ 210</u>	<u>\$ 286</u>
<b>Basic earnings per share:</b>		
Income from continuing operations	\$ 4.23	\$ 5.39
(Loss) income from discontinued operations	(0.01)	0.37
Net income per share	<u>\$ 4.22</u>	<u>\$ 5.76</u>
<b>Diluted earnings per share:</b>		
Income from continuing operations	\$ 4.21	\$ 5.38
(Loss) income from discontinued operations	(0.01)	0.36
Net income per diluted share	<u>\$ 4.20</u>	<u>\$ 5.74</u>
<b>Weighted average shares:</b>		
Basic	49.9	49.7
Diluted	50.0	49.8
<b>Pre-tax pre-provision earnings*:</b>		
Income from continuing operations before income taxes	\$ 302	\$ 367
Provision for credit losses	193	33
Pre-tax pre-provision earnings	<u>\$ 495</u>	<u>\$ 400</u>

\* Pre-tax pre-provision earnings ("PPNR") is a non-GAAP financial measure.

BREAD FINANCIAL HOLDINGS  
 UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS  
 (In millions)

	March 31, 2022	December 31, 2021
<b>Assets</b>		
Cash and cash equivalents	\$ 2,930	\$ 3,046
Credit card and other loans:		
Total credit card and other loans	16,843	17,399
Allowance for credit losses	(1,826)	(1,832)
Credit card and other loans, net	15,017	15,567
Investment securities	233	239
Property and equipment, net	220	215
Goodwill and intangible assets, net	682	687
Other assets	1,856	1,992
Total assets	\$ 20,938	\$ 21,746
<b>Liabilities and Stockholders' Equity</b>		
Deposits	\$ 10,646	\$ 11,027
Debt issued by consolidated variable interest entities	4,816	5,453
Long-term and other debt	1,962	1,986
Other liabilities	1,246	1,194
Total liabilities	18,670	19,660
Stockholders' equity	2,268	2,086
Total liabilities and stockholders' equity	\$ 20,938	\$ 21,746
Shares of common stock outstanding	49.8	49.8

BREAD FINANCIAL HOLDINGS  
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In millions)

	Three Months Ended	
	March 31,	
	2022	2021
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 210	\$ 286
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	193	33
Depreciation and amortization	21	34
Deferred income taxes	(48)	(26)
Non-cash stock compensation	7	7
Amortization of deferred financing costs	6	8
Amortization of deferred origination costs	21	16
Change in other operating assets and liabilities:		
Change in other assets	(2)	60
Change in other liabilities	73	95
Other	16	4
Net cash provided by operating activities	<u>497</u>	<u>517</u>
<b>Cash Flows from Investing Activities:</b>		
Change in credit card and other loans	339	1,034
Change in redemption settlement assets	—	(13)
Capital expenditures	(20)	(12)
Purchase of investment securities	(18)	(22)
Maturities of investment securities	12	22
Other	(3)	—
Net cash provided by investing activities	<u>310</u>	<u>1,009</u>
<b>Cash Flows from Financing Activities:</b>		
Unsecured borrowings under debt agreements	175	—
Repayments/maturities of unsecured borrowings under debt agreements	(200)	(25)
Debt issued by consolidated variable interest entities	525	175
Repayments/maturities of debt issued by consolidated variable interest entities	(1,162)	(2,039)
Net (decrease) increase in deposits	(405)	162
Dividends paid	(10)	(11)
Repurchase of common stock	(12)	—
Other	(7)	(3)
Net cash used in financing activities	<u>(1,096)</u>	<u>(1,741)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	(1)
Change in cash, cash equivalents and restricted cash	(289)	(216)
Cash, cash equivalents and restricted cash at beginning of period	<u>3,923</u>	<u>3,463</u>
Cash, cash equivalents and restricted cash at end of period	<u>\$ 3,634</u>	<u>\$ 3,247</u>

Note: The unaudited Condensed Consolidated Statements of Cash Flows are presented reflecting the combined cash flows from continuing and discontinued operations.

BREAD FINANCIAL HOLDINGS  
 UNAUDITED SUMMARY FINANCIAL HIGHLIGHTS  
 (In millions, except per share amounts and percentages)

	Three Months Ended March 31,		Change
	2022	2021	
Credits sales	\$ 6,887	\$ 6,043	14%
Average credit card and other loans	\$ 16,650	\$ 15,785	5%
End-of-period credit card and other loans	\$ 16,843	\$ 15,537	8%
End-of-period direct-to-consumer deposits	\$ 3,561	\$ 2,152	66%
Return on average assets <sup>(1)</sup>	4.0%	4.9%	(0.9)%
Return on average equity <sup>(2)</sup>	38.5%	66.3%	(27.8)%
Net interest margin <sup>(3)</sup>	19.4%	17.7%	1.7%
Loan yield <sup>(4)</sup>	25.6%	23.8%	1.8%
Efficiency ratio <sup>(5)</sup>	46.2%	50.1%	(3.9)%
Tangible book value per common share <sup>(6)</sup>	\$ 31.87	\$ 21.32	49.5%
Tangible common equity / tangible assets ratio (TCE/TA) <sup>(7)</sup>	7.8%	5.2%	2.6%
Cash dividend per common share	\$ 0.21	\$ 0.21	—%
Delinquency rate	4.1%	3.8%	0.3%
Net loss rate	4.8%	5.0%	(0.2)%
Reserve rate	10.8%	11.9%	(1.1)%

- (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 book value per common share represents Total stockholders' equity less Intangible assets, net, and Goodwill divided by shares outstanding.  
 (7) Tangible common equity represents Total stockholders' equity less Intangible assets, net, and Goodwill. Tangible assets represents Total assets less Intangible assets, net, and Goodwill.



# Bread Financial

First Quarter 2022 Results

April 28, 2022

Ralph Andretta

President & CEO

Perry Beberman

EVP & CFO



# Forward-Looking Statements

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

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

# Non-GAAP Financial Measures

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# bread financial™

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





# Our Ongoing Business Transformation

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

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

## Key Foundational Elements

Proactive risk management

Prudent balance sheet management

Disciplined expense management

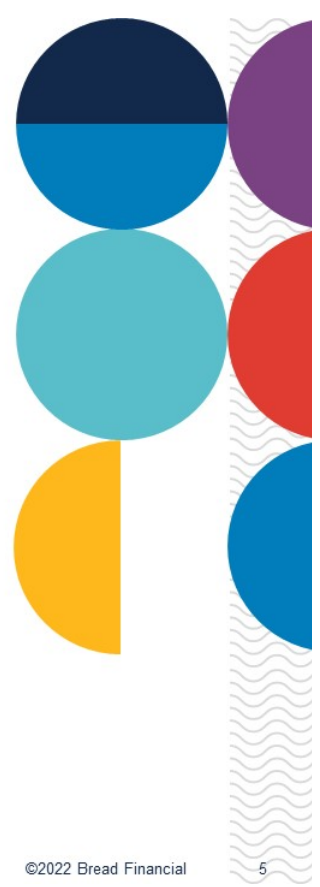
# Key Highlights

## Continued progress toward our long-term financial goals

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

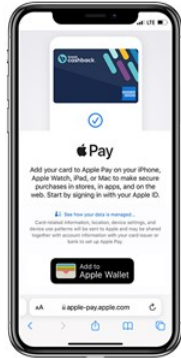
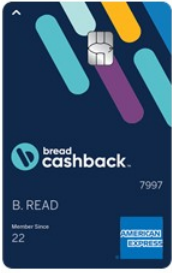
## Monitoring macroeconomic environment & consumer health

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



# Business Development Highlights

## New Bread Cashback Card



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



## Brand Partner Announcements & Renewals



## Select New Bread Pay Partners



# Financial Results

*(\$ in millions, except per share amounts)*

	1Q22	1Q21	\$ Change	% Change
Income from continuing operations, net of taxes	\$211	\$268	\$(57)	(21)%
(Loss) income from discontinued operations, net of taxes	(1)	18	(19)	(102)
<b>Net income</b>	<b>\$210</b>	<b>\$286</b>	<b>\$(76)</b>	<b>(26)%</b>
*****				
Net income per diluted share from continuing operations	\$4.21	\$5.38	\$(1.17)	(22)%
Net (loss) income per diluted share from discontinued operations	(0.01)	0.36	(0.37)	(103)
<b>Net income per diluted share</b>	<b>\$4.20</b>	<b>\$5.74</b>	<b>\$(1.54)</b>	<b>(27)%</b>
 Weighted average shares outstanding – diluted <i>(in millions)</i>	 50.0	 49.8		

# First Quarter 2022 Financial Highlights

## Continuing Operations

**\$921** million

Revenue

**\$211** million

Net Income from  
Continuing Operations

**\$4.21**

Diluted EPS  
from Continuing Operations

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

# Financial Results – Continuing Operations

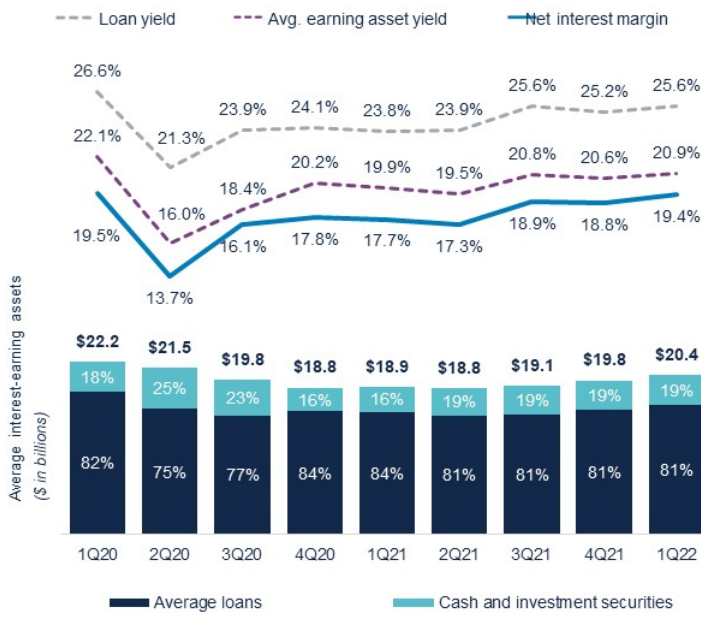
(\$ in millions, except per share)	1Q22	1Q21	\$ Change	% Change
Total interest income	\$1,068	\$942	\$126	13%
Total interest expense	79	107	(28)	(26)
<b>Net interest income</b>	<b>989</b>	<b>835</b>	<b>154</b>	<b>18</b>
Total non-interest income	(68)	(33)	(35)	108
<b>Revenue</b>	<b>921</b>	<b>802</b>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

\* Pre-tax pre-provision earnings is a non-GAAP financial measure.  
nm – not meaningful

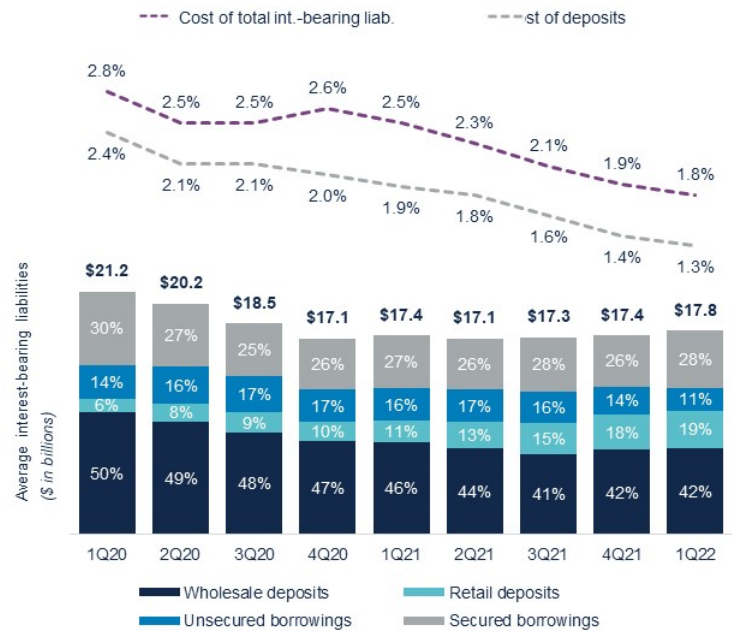


# Net Interest Margin

## Net Interest Margin Detail



## Interest-Bearing Liability Costs & Funding Mix



# Credit Quality and Allowance

### Delinquency Rate



### Net Loss Rate

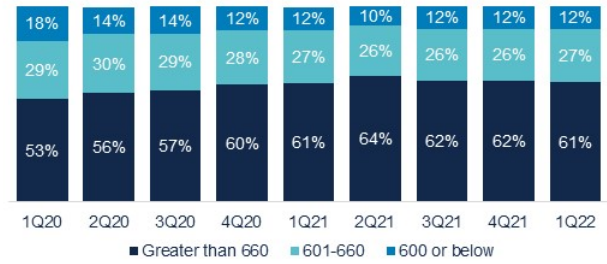


### Reserve Rate (\$ in millions)



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

### Revolving Credit Risk Distribution (Vantage score)





# 2022 Financial Outlook

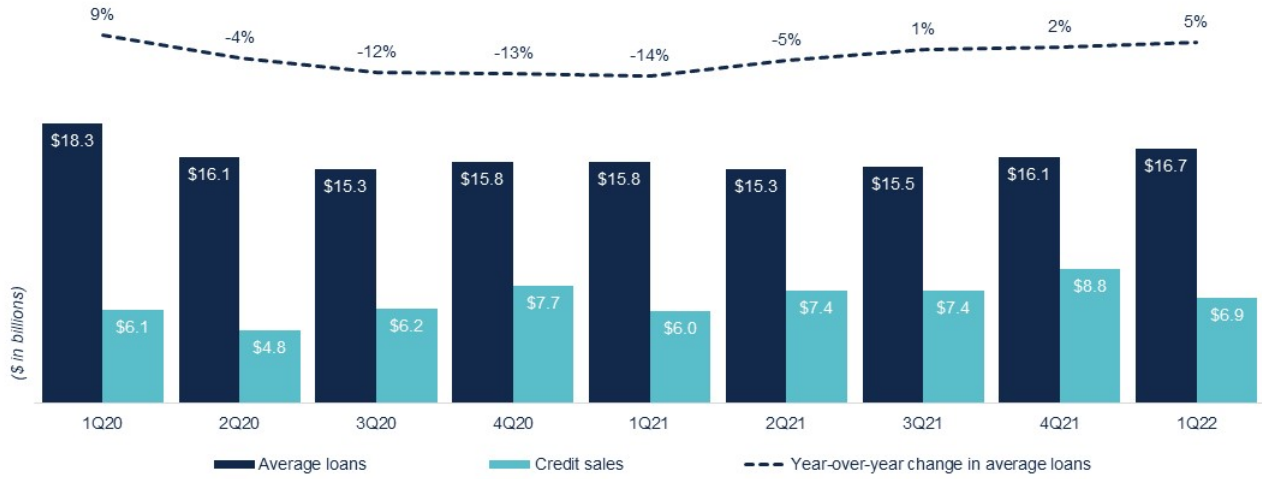
Full Year 2021 Actuals	Full Year 2022 Outlook	Commentary
<b>Average loans</b> \$15,656 million	Up low double digits	<ul style="list-style-type: none"> <li>Continued sales momentum and net partner additions driving strong profitable growth</li> <li>On a year-over-year basis, expect year-end loan growth to be stronger than full year average loan growth given success of new business development activities in 2022</li> <li>Outlook includes new signings, both announced &amp; unannounced, expected to add incremental year-end balances of greater than \$2 billion</li> </ul>
<b>Revenue</b> \$3,272 million	Aligned with loan growth	<ul style="list-style-type: none"> <li>Net interest income growth is expected to be favorable to full year average loan growth year-over-year, with a nominal benefit from continued Federal Reserve rate hikes in 2022</li> <li>Non-interest income year-over-year change is expected to partially offset the favorability in Net interest income (financial impacts from divesting our interest in LVI* are not included in the outlook)</li> </ul>
<b>Total non-interest expenses</b> \$1,684 million	Positive operating leverage	<ul style="list-style-type: none"> <li>Includes a planned incremental strategic investment of more than \$125 million in technology modernization, digital advancement, marketing, and product innovation driving future growth and efficiencies</li> <li>We expect expenses will increase sequentially each quarter throughout 2022</li> <li>We will manage the pace of our investments to align with our revenue &amp; growth outlook</li> </ul>
<b>Net loss rate</b> 4.6%	Low-to-mid 5% range	<ul style="list-style-type: none"> <li>Expect credit metrics to normalize in 2022 off of historically low rates, yet remain below our historical through-the-cycle average of ~6.0%</li> </ul>

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

# Appendix



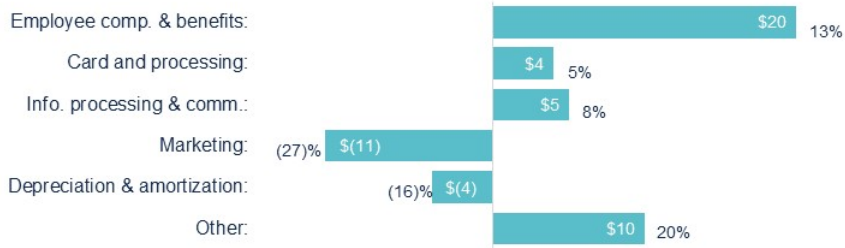
# Average Loans and Credit Sales



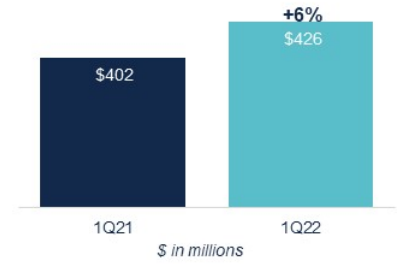
Loans continue to inflect higher with strong year-over-year credit sales growth providing momentum

# Total Non-Interest Expenses

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



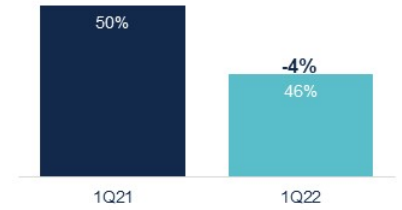
Total Non-Interest Expenses



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

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

Efficiency Ratio



# Summary Financial Highlights

## Continuing Operations

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

(1) Return on average assets represents annualized Income from continuing operations divided by average Total assets.

(2) Return on average equity represents annualized Income from continuing operations divided by average Total stockholders' equity.

(3) Net interest margin represents annualized Net interest income divided by average total interest-earning assets.

(4) Loan yield represents annualized Interest and fees on Credit card and other loans divided by Average credit card and other loans.

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

(6) Tangible book value per common share represents Total stockholders' equity less Intangible assets, net, and Goodwill divided by shares outstanding.

(7) Tangible common equity represents Total stockholders' equity less Intangible assets, net, and Goodwill. Tangible assets represents Total assets less Intangible assets, net, and Goodwill.

# Summary Financial Highlights

## Continuing Operations

(\$ in millions)

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

(1) Return on average assets represents annualized Income from continuing operations divided by average Total assets.

(2) Return on average equity represents annualized Income from continuing operations divided by average Total stockholders' equity.

(3) Net interest margin represents annualized Net interest income divided by average total interest-earning assets.

(4) Loan yield represents annualized Interest and fees on Credit card and other loans divided by Average credit card and other loans.

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

(6) Tangible book value per common share represents Total stockholders' equity less Intangible assets, net, and Goodwill divided by shares outstanding.

(7) Tangible common equity represents Total stockholders' equity less Intangible assets, net, and Goodwill. Tangible assets represents Total assets less Intangible assets, net, and Goodwill.

\*nm – not meaningful



# Financial Results

## Continuing Operations

(\$ in millions, except per share)

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Total interest income	\$1,227	\$860	\$915	\$950	\$942	\$915	\$994	\$1,017	\$1,068
Total interest expense	146	127	114	112	107	100	91	84	79
<b>Net interest income</b>	<b>1,081</b>	<b>733</b>	<b>801</b>	<b>838</b>	<b>835</b>	<b>815</b>	<b>903</b>	<b>933</b>	<b>989</b>
Total non-interest income	(11)	(28)	(47)	(69)	(33)	(51)	(52)	(78)	(68)
<b>Revenue</b>	<b>1,070</b>	<b>705</b>	<b>754</b>	<b>769</b>	<b>802</b>	<b>764</b>	<b>851</b>	<b>855</b>	<b>921</b>
Net principal losses	320	305	223	235	198	194	152	176	199
Reserve build (release)	336	(55)	(16)	(82)	(165)	(208)	9	187	(6)
Provision for credit losses	656	250	207	153	33	(14)	161	363	193
Total non-interest expenses	432	427	385	487	402	424	431	427	426
<b>(Loss) income before income taxes</b>	<b>(18)</b>	<b>28</b>	<b>162</b>	<b>129</b>	<b>367</b>	<b>354</b>	<b>259</b>	<b>65</b>	<b>302</b>
(Benefit) provision for income taxes	(17)	8	47	55	99	91	53	4	91
<b>Net (loss) income</b>	<b>\$(1)</b>	<b>\$20</b>	<b>\$115</b>	<b>\$74</b>	<b>\$268</b>	<b>\$263</b>	<b>\$206</b>	<b>\$61</b>	<b>\$211</b>
Net (loss) income per diluted share	\$(0.01)	\$0.41	\$2.41	\$1.54	\$5.38	\$5.25	\$4.11	\$1.21	\$4.21
Weighted average shares outstanding – diluted	47.7	47.7	47.8	48.4	49.8	50.0	50.0	50.0	50.0
*****									
<b>Reconciliation of GAAP to Non-GAAP Financial Measures:</b>									
<b>(Loss) income before income taxes</b>	<b>\$(18)</b>	<b>\$28</b>	<b>\$162</b>	<b>\$129</b>	<b>\$367</b>	<b>\$354</b>	<b>\$259</b>	<b>\$65</b>	<b>\$302</b>
Provision for credit losses	656	250	207	153	33	(14)	161	363	193
Pre-tax pre-provision earnings ("PPNR")*	\$638	\$278	\$369	\$282	\$400	\$340	\$420	\$428	\$495
Gain on portfolio sales	20	—	—	—	—	—	10	—	—
PPNR, less gain on portfolio sales*	\$618	\$278	\$369	\$282	\$400	\$340	\$410	\$428	\$495

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

# Net Interest Margin

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

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



# Capital and Liquidity

## Parent Level:

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

## Bank Level (Banks Combined):

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

Tangible Common Equity/  
Tangible Assets Ratio<sup>(1)</sup>



## Banks Combined Capital Ratios

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

(1) Tangible common equity represents Total stockholders' equity less Intangible assets, net, and Goodwill. Tangible assets represents Total assets less Intangible assets, net, and Goodwill.

(2) The Common equity tier 1 capital ratio represents common equity tier 1 capital divided by total risk-weighted assets.

(3) The Tier 1 capital ratio represents tier 1 capital divided by total risk-weighted assets.

(4) The Total risk-based capital ratio represents total capital divided by total risk-weighted assets.

(5) The Tier 1 leverage capital ratio represents tier 1 capital divided by total assets for leverage ratio.

## Capital Priorities

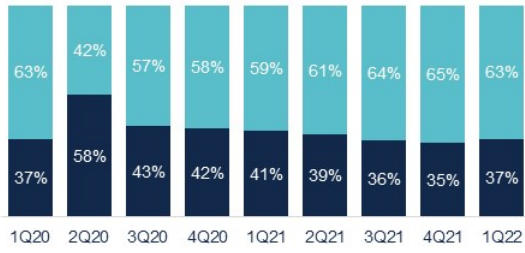
Support Profitable Growth &  
Growth Investments

Improve Capital Metrics

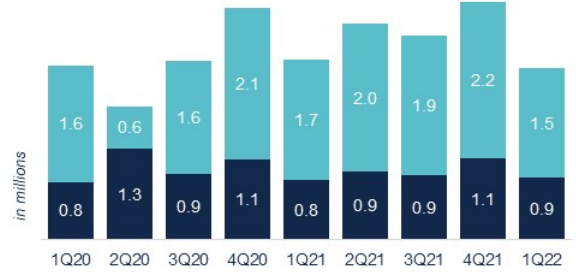
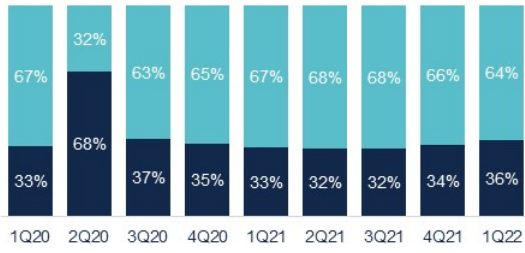
Efficient Return of Capital  
to Shareholders

# Sales and New Account Data

In-store vs. Digital Sales



In-store vs. Digital New Accounts



Digital includes all non-store new accounts and Bread

■ Digital ■ In-store