

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):
July 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 July 28, 2022, Bread Financial Holdings, Inc. (the “Company”) issued a press release regarding its results of operations for the second quarter ended June 30, 2022 (the “Q2 2022 Earnings Release”). A copy of the Q2 2022 Earnings Release is furnished as Exhibit 99.1 hereto.

Item 7.01 Regulation FD Disclosure.

In connection with the Q2 2022 Earnings Release, on July 28, 2022, the Company made available an investor presentation that may be used by the Company’s senior management during meetings and calls with analysts, investors and other market participants, a copy of which is furnished as Exhibit 99.2 hereto and is posted on the Company’s website at www.breadfinancial.com on the “Investors” page under “Events & Presentations.” Information on the Company’s website does not constitute a part of this Current Report on Form 8-K.

In addition, on July 28, 2022, the Company issued a press release announcing a new, multi-year agreement with AAA. A copy of the press release announcing the Company’s agreement with AAA is furnished as Exhibit 99.3 hereto.

Item 8.01 Other Events.

On July 28, 2022, the Company issued a press release announcing that the Board of Directors of the Company declared a quarterly cash dividend of \$0.21 per share of common stock, payable on September 16, 2022 to stockholders of record at the close of business on August 12, 2022. A copy of the press release announcing the Company’s quarterly dividend is attached as Exhibit 99.4 hereto.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No. Document Description

99.1	Press Release dated July 28, 2022 announcing the Company’s results of operations for the second quarter ended June 30, 2022.
99.2	Investor Presentation dated July 28, 2022.
99.3	Press Release dated July 28, 2022 announcing the Company’s agreement with AAA.
99.4	Press Release dated July 28, 2022 announcing the Company’s quarterly dividend.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

Note: Except for the information in Item 8.01 hereof (including Exhibit 99.4 hereto), the information contained in this report (including Exhibits 99.1, 99.2 and 99.3) 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.

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: July 28, 2022

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

Bread Financial Reports Second Quarter 2022 Results

COLUMBUS, Ohio, July 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 financial results for the second quarter ended June 30, 2022.

Financial Summary	Second Quarter 2022		Year-to-Date 2022	
	Total Company	Continuing Operations ^(a)	Total Company	Continuing Operations ^(a)
Net Income (\$ millions)	\$12	\$12	\$223	\$224
Earnings per Diluted Share	\$0.25	\$0.25	\$4.46	\$4.47

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

- Second quarter net income was \$12 million, or \$0.25 per diluted share, including a reserve build of \$166 million and a \$21 million write-down in the carrying value of the Company's investment in Loyalty Ventures Inc.
- Total second quarter revenue was \$893 million, up \$129 million, or 17%, versus the second quarter of 2021.
- Expected normalization of credit metrics continued in the second quarter with a delinquency rate of 4.4% and a net loss rate of 5.6%, which included the previously disclosed 30 basis point, or \$13 million increase from the effects of the purchase of previously written-off accounts that were sold to a third-party debt collection agency.

Business Highlights

"We are pleased to have announced a long-term relationship with AAA, while also reaching a definitive contract to acquire AAA's existing credit card portfolio, expected to close in the fourth quarter. Serving more than 56 million U.S. members, AAA is one of North America's largest and most trusted membership organizations. With enhanced cardholder value propositions, our program with AAA will include two unique co-brand products, the AAA Travel Advantage Visa Credit Card and AAA Daily Advantage Visa Credit Card, both of which cater to the modern consumers' evolving payment and loyalty rewards preferences. The AAA program further diversifies our portfolio and demonstrates our continued focus on loan growth," said Ralph Andretta, president and chief executive officer of Bread Financial.



"We continue to successfully renew many of our longstanding relationships including a multi-year renewal with Torrid, a direct-to-consumer apparel and intimates brand in North America that serves over three million customers through its e-commerce channel and more than 600 stores nationwide. We remain committed to working closely with Torrid to drive customer loyalty, acquisition, and increased spending in the coming years.

TORRID

"Our recent business development wins of iconic brands and renewals with our valued brand partners reflect the successful execution of our strategy to drive sustainable, profitable growth and we anticipate this success will continue given our strong pipeline." Andretta noted.

CEO COMMENTARY

"Our second quarter results demonstrated the benefits of the strategic actions we have implemented since 2020. Our business transformation efforts continue to enable sustainable, profitable growth, leading to a pretax pre-provision earnings (PPNR) increase of 24% versus the second quarter of 2021. End-of-period loans grew 13% year-over-year driven by continued strong sales growth. Our credit metrics remained better than historical levels as a result of our disciplined, proactive risk management and the continued strength of the consumer.

"Through the execution of our strategy, we have strengthened our financial resilience as evidenced by the improvement in our capital and funding metrics as well as the diversification across both our product portfolio with increasing co-brand and proprietary card balances and industry verticals. Through product and brand partner diversification, our credit profile has improved from pre-pandemic levels, providing confidence in sustained performance as credit continues to normalize. Although the consumer remains well-positioned, our seasoned leadership team will remain proactive in our discipline around underwriting, risk management, and recession readiness.

"During the quarter, we completed the planned transition of our credit card processing services to Fiserv, including the secure transfer of millions of data records, and migrated to the cloud. These are core components of our broader technology modernization and business transformation efforts. Our team is committed and fully engaged to ensure expected platform performance is achieved. We are pleased with achieving these milestones, which are expected to improve our long-term operational efficiencies, scalability, risk management, and speed-to-market.

"We continue to make strategic investments that will drive profitable growth, while utilizing the tools necessary to manage through the full economic cycle."

- Ralph Andretta, president and chief executive officer

2022 Full Year CFO Outlook

- **Macroeconomic Assumptions:** "We continue to be vigilant in monitoring macroeconomic conditions and the impact on consumers and our brand partners. Our outlook continues to assume a moderation in the consumer payment rate throughout 2022. Payment rate variability is a key determinant for the high- and low-ends of our forecast. We expect ongoing interest rate increases by the Federal Reserve during the year to result in a nominal benefit to total net interest income, which is also included in our outlook.
- **Average Loan Growth:** "Based on our new and renewed business announcements, visibility into our pipeline, and the current economic outlook, we continue to anticipate full year 2022 average credit card and other loans growth will be in the low-double-digit range relative to 2021.
- **Total Revenue:** "Total revenue growth for 2022 is anticipated to align with average loan growth, with potential upside from improved full year net interest margin.
- **Total Expenses:** "As a result of ongoing investment in technology modernization, digital advancement, marketing, and product innovation, along with strong portfolio growth, we continue to expect increased expenses sequentially each quarter throughout 2022. We remain focused on delivering modest positive operating leverage for the full year as the pace and timing of our investments will be managed to align with our full year revenue and growth outlook.
- **Net Loss Rate:** "We continue to expect a net loss rate in the low-to-mid 5% range for 2022 as credit metrics 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 also continue to expect our full year normalized 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

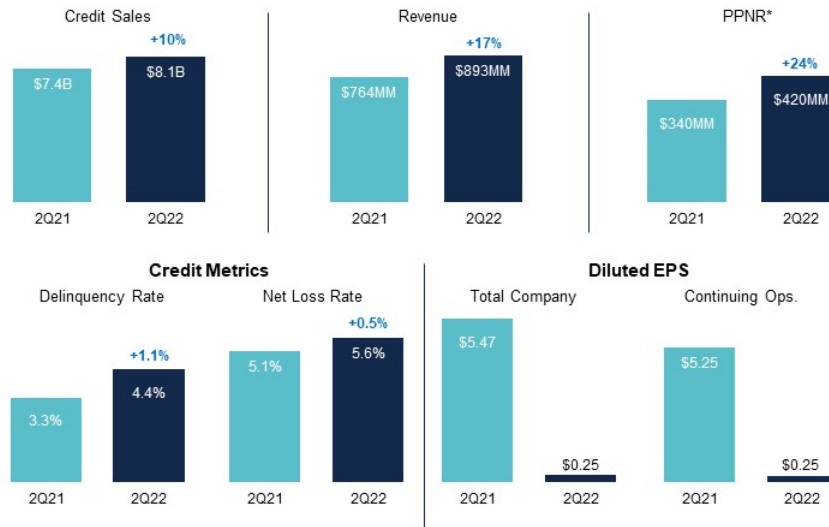
"In the second quarter, Bread Financial exhibited year-over-year improvements in several of our key financial metrics. Revenue increased 17% compared with the second quarter of 2021, driven by continued loan growth. For the fifth consecutive quarter, PPNR growth improved year-over-year by double-digits, highlighting the quality growth we are focused on delivering.

"While the health of the consumer remains strong, which is evident from our delinquency and net loss rates remaining below the historical averages, we continue to closely monitor the evolving macroeconomic landscape. As we have mentioned previously, our expectation of and planning for the normalization of consumer payment behavior is reflected in our 2022 guidance, and our results this quarter are within the range of our expectations. Given ongoing macroeconomic uncertainties, we have maintained conservative economic scenario weightings in our credit reserve modeling, with an increasing probability of a recession due to more persistent inflation.

"Despite these macroeconomic headwinds, we remain confident in our full year guidance and we will continue to manage our business considering risk-reward tradeoffs to maintain sustainable, profitable growth in the periods ahead."

- Perry Beberman, executive vice president and chief financial officer

Key Operating and Financial Metrics^(a)



Continuing Operations^(a)

(\$ in millions, except per share amounts)

	Quarter Ended June 30,			Year-to-Date through June 30,		
	2022	2021	Change	2022	2021	Change
Total net interest and non-interest income ("Revenue")	\$893	\$764	17%	\$1,814	\$1,566	16%
Net principal losses	\$238	\$194	23%	\$438	\$392	12%
Reserve build (release)	\$166	\$(208)	(180)%	\$160	\$(373)	(143)%
Provision for credit losses	\$404	\$(14)	nm	\$598	\$19	nm
Total non-interest expenses	\$473	\$424	12%	\$897	\$826	9%
Income from continuing operations before income taxes	\$16	\$354	(95)%	\$319	\$721	(56)%
Income from continuing operations	\$12	\$263	(95)%	\$224	\$531	(58)%
Income from continuing operations per diluted share	\$0.25	\$5.25	(95)%	\$4.47	\$10.63	(58)%
Weighted average shares outstanding – diluted	49.9	50.0		50.0	49.9	

Pretax pre-provision earnings (PPNR) [*]	\$420	\$340	24%	\$917	\$740	24%

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

nm – not meaningful

* Pretax pre-provision earnings (PPNR) is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below.

Second Quarter 2022 Compared with Second Quarter 2021 – Continuing Operations

- Credit sales increased 10% to \$8.1 billion as consumer spending remained strong.
- Average and end-of-period credit card and other loans increased 11% and 13% to \$17.0 and \$17.8 billion, respectively, driven by strong credit sales.
- Revenue increased 17%, or \$129 million, resulting from higher average loan balances and improved loan yields partially offset by a \$21 million write-down in the carrying value of our equity method investment in Loyalty Ventures Inc. Net Interest Margin increased 130 basis points year-over-year and was lower sequentially due to seasonality.
- Total non-interest expenses increased 12%, or \$49 million, as employee compensation and benefit costs increased 18%, or \$29 million, marketing expenses increased 41%, or \$15 million, and investments were made in the Bread Pay platform as part of our technology modernization initiative.
- PPNR, a non-GAAP financial measure, improved by \$80 million, or 24%, reflecting sustainable, profitable growth and continued success with our business transformation efforts.
- Net income from continuing operations decreased \$251 million, as the improvement in PPNR was offset by a \$166 million net reserve build in provision for credit losses reflecting both loan growth in the quarter of nearly \$1 billion and conservative economic scenario weightings due to more persistent inflation. Net income from continuing operations was also impacted by a \$21 million write-down in the carrying value of our equity method investment in Loyalty Ventures Inc. and a \$13 million increase from the effects of the purchase of previously written-off accounts that were sold to a third-party debt collection agency.
- Delinquency rate of 4.4% increased from a historical low of 3.3% in 2Q21 and 4.1% in 1Q22 as a result of expected consumer payment rate normalization.
- Net loss rate of 5.6% increased from 5.1% in 2Q21, inclusive of 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; this matter remains subject to an ongoing legal dispute with the debt collection agency.

Contacts

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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, future economic conditions, including, but not limited to, market conditions, persistent inflation, rising interest rates, the increased probability of a recession and related impacts on consumer behavior, future legislative or regulatory actions that could have impact on our business and results of operations, including any such actions that may be taken with respect to late fees or other charges, developments in the geopolitical environment, including the war in Ukraine, and the ongoing effects of the global COVID-19 pandemic, all of which factors 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 presentation, constitutes non-GAAP financial measures. Our calculations of non-GAAP financial measures may differ from the calculations of similarly titled measures by other companies. In particular, *Pretax pre-provision earnings* (PPNR) is calculated by increasing/decreasing Income from continuing operations before income taxes by the net build/release in Provision for credit losses. We use PPNR as a metric to evaluate our results of operations before income taxes, excluding the volatility that can occur within Provision for credit losses. *Tangible common equity over Tangible assets* (TCE/TA) represents Total stockholders' equity reduced by Goodwill and intangible assets, net, (TCE) divided by Tangible assets (TA), which is Total assets reduced by Goodwill and intangible assets, net. We use TCE/TA as a metric to evaluate the Company's capital adequacy and estimate its ability to cover potential losses. *Tangible book value per common share* represents TCE divided by shares outstanding. We use Tangible book value per common share as a metric to estimate the Company's potential value in relation to tangible assets per share. We believe the use of these non-GAAP financial measures provide additional clarity in understanding our results of operations and trends. For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures, please see the financial tables and information that follows.

Conference Call / Webcast Information

Bread Financial will host a conference call on Thursday, July 28, 2022 at 8:30 a.m. (Eastern Time) to discuss the Company's second quarter 2022 results. The conference call will be available via the Internet at 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, August 11, 2022. To access the replay, please dial (866) 813-9403 or (929) 458-6194 and reference conference ID number "564340".

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.

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, INC.
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (In millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Interest income				
Interest and fees on loans	\$ 1,064	\$ 913	\$ 2,130	\$ 1,854
Interest on cash and investment securities	9	2	11	3
Total interest income	<u>1,073</u>	<u>915</u>	<u>2,141</u>	<u>1,857</u>
Interest expense				
Interest on deposits	41	43	76	90
Interest on borrowings	54	57	98	117
Total interest expense	<u>95</u>	<u>100</u>	<u>174</u>	<u>207</u>
Net interest income	<u>978</u>	<u>815</u>	<u>1,967</u>	<u>1,650</u>
Non-interest income				
Interchange revenue, net of retailer share arrangements	(102)	(85)	(198)	(153)
Other	17	34	45	69
Total non-interest income	<u>(85)</u>	<u>(51)</u>	<u>(153)</u>	<u>(84)</u>
Total net interest and non-interest income	<u>893</u>	<u>764</u>	<u>1,814</u>	<u>1,566</u>
Provision for credit losses	<u>404</u>	<u>(14)</u>	<u>598</u>	<u>19</u>
Total net interest and non-interest income, after provision for credit losses	<u>489</u>	<u>778</u>	<u>1,216</u>	<u>1,547</u>
Non-interest expenses				
Employee compensation and benefits	191	162	370	320
Card and processing expenses	84	83	166	161
Information processing and communication	61	55	117	106
Marketing expenses	50	35	80	77
Depreciation and amortization	30	22	51	47
Other	57	67	113	115
Total non-interest expenses	<u>473</u>	<u>424</u>	<u>897</u>	<u>826</u>
Income from continuing operations before income taxes	16	354	319	721
Provision for income taxes	4	91	95	190
Income from continuing operations	<u>12</u>	<u>263</u>	<u>224</u>	<u>531</u>
Income (loss) from discontinued operations, net of income taxes	—	11	(1)	29
Net income	<u>\$ 12</u>	<u>\$ 274</u>	<u>\$ 223</u>	<u>\$ 560</u>
Basic income per share				
Income from continuing operations	\$ 0.25	\$ 5.29	\$ 4.48	\$ 10.68
Income (loss) from discontinued operations	\$ —	\$ 0.21	\$ (0.01)	\$ 0.58
Net income per share	<u>\$ 0.25</u>	<u>\$ 5.50</u>	<u>\$ 4.47</u>	<u>\$ 11.26</u>
Diluted income per share				
Income from continuing operations	\$ 0.25	\$ 5.25	\$ 4.47	\$ 10.63
Income (loss) from discontinued operations	\$ —	\$ 0.22	\$ (0.01)	\$ 0.58
Net income per share	<u>\$ 0.25</u>	<u>\$ 5.47</u>	<u>\$ 4.46</u>	<u>\$ 11.21</u>
Weighted average common shares outstanding				
Basic	49.8	49.7	49.8	49.7
Diluted	49.9	50.0	50.0	49.9
Pretax pre-provision earnings (PPNR)*	\$ 420	\$ 340	\$ 917	\$ 740

* Pretax pre-provision earnings (PPNR) is a non-GAAP financial measure.

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

	June 30, 2022	December 31, 2021
Assets		
Cash and cash equivalents	\$ 3,111	\$ 3,046
Credit card and other loans		
Total credit card and other loans	17,769	17,399
Allowance for credit losses	(1,992)	(1,832)
Credit card and other loans, net	15,777	15,567
Available-for-sale securities	224	239
Property and equipment, net	219	215
Goodwill and intangible assets, net	694	687
Other assets	1,786	1,992
Total assets	\$ 21,811	\$ 21,746
Liabilities and Stockholders' Equity		
Deposits	\$ 11,028	\$ 11,027
Debt issued by consolidated variable interest entities	5,498	5,453
Long-term and other debt	1,939	1,986
Other liabilities	1,071	1,194
Total liabilities	19,536	19,660
Stockholders' equity	2,275	2,086
Total liabilities and stockholders' equity	\$ 21,811	\$ 21,746
Shares of common stock outstanding	49.8	49.8

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

	Six Months Ended June 30,	
	2022	2021
Cash Flows from Operating Activities		
Net income	\$ 223	\$ 560
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	598	19
Depreciation and amortization	51	66
Deferred income taxes	(102)	22
Non-cash stock compensation	16	16
Amortization of deferred financing costs	12	16
Amortization of deferred origination costs	43	34
Change in other operating assets and liabilities		
Change in other assets	(32)	(59)
Change in other liabilities	(106)	54
Other	40	5
Net cash provided by operating activities	743	733
Cash Flows from Investing Activities		
Change in credit card and other loans	(596)	666
Change in redemption settlement assets	—	(41)
Purchase of credit card portfolio	(249)	(32)
Capital expenditures	(43)	(35)
Purchase of investment securities	(23)	(60)
Maturities of investment securities	18	35
Other	(4)	2
Net cash provided by investing activities	(897)	535
Cash Flows from Financing Activities		
Unsecured borrowings under debt agreements	218	31
Repayments/maturities of unsecured borrowings under debt agreements	(269)	(82)
Debt issued by consolidated variable interest entities	1,588	2,065
Repayments/maturities of debt issued by consolidated variable interest entities	(1,543)	(3,173)
Net decrease in deposits	(22)	(176)
Payment of deferred financing costs	(7)	(8)
Dividends paid	(22)	(21)
Repurchase of common stock	(12)	—
Other	(3)	(1)
Net cash used in financing activities	(72)	(1,365)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	1
Change in cash, cash equivalents and restricted cash	(226)	(96)
Cash, cash equivalents and restricted cash at beginning of period	3,923	3,463
Cash, cash equivalents and restricted cash at end of period	\$ 3,697	\$ 3,367

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

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
Credit sales	\$ 8,140	\$ 7,401	10%	\$ 15,028	\$ 13,445	12%
Average credit card and other loans	\$ 17,003	\$ 15,282	11%	\$ 16,827	\$ 15,533	8%
End-of-period credit card and other loans	\$ 17,769	\$ 15,724	13%	\$ 17,769	\$ 15,724	13%
End-of-period direct-to-consumer deposits	\$ 4,191	\$ 2,398	75%	\$ 4,191	\$ 2,398	75%
Return on average assets ⁽¹⁾	0.2%	4.8%	(4.6)%	2.1%	4.9%	(2.8)%
Return on average equity ⁽²⁾	2.2%	56.4%	(54.2)%	19.9%	61.0%	(41.1)%
Net interest margin ⁽³⁾	18.6%	17.3%	1.3%	19.0%	17.5%	1.5%
Loan yield ⁽⁴⁾	25.0%	23.9%	1.1%	25.3%	23.9%	1.4%
Efficiency ratio ⁽⁵⁾	52.9%	55.5%	(2.6)%	49.5%	52.7%	(3.2)%
Tangible common equity / tangible assets ratio (TCE/TA) ⁽⁶⁾	7.5%	6.4%	1.1%	7.5%	6.4%	1.1%
Tangible book value per common share ⁽⁷⁾	\$ 31.75	\$ 27.12	17.1%	\$ 31.75	\$ 27.12	17.1%
Cash dividend per common share	\$ 0.21	\$ 0.21	0.0%	\$ 0.42	\$ 0.42	0.0%
Delinquency rate	4.4%	3.3%	1.1%	4.4%	3.3%	1.1%
Net loss rate ⁽⁸⁾	5.6%	5.1%	0.5%	5.2%	5.0%	0.2%
Reserve rate	11.2%	10.4%	0.8%	11.2%	10.4%	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) The three and six months ended June 30, 2022 Net loss rates include 30 basis point and 15 basis point increases, respectively, from the effects of the purchase of previously written-off accounts that were sold to a third-party debt collection agency; this matter remains subject to an ongoing legal dispute with the debt collection agency

BREAD FINANCIAL HOLDINGS, INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(In millions, except percentages)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
Pretax pre-provision earnings (PPNR)						
Income from continuing operations before income taxes	\$16	\$354	(95)%	\$319	\$721	(56)%
Provision for credit losses	404	(14)	nm	598	19	nm
Pretax pre-provision earnings (PPNR)	<u>\$420</u>	<u>\$340</u>	<u>24%</u>	<u>\$917</u>	<u>\$740</u>	<u>24%</u>
Tangible common equity (TCE)						
Total stockholders' equity	2,275	2,048	11%	2,275	2,048	11%
Less: Goodwill and intangible assets, net	(694)	(699)	(1)%	(694)	(699)	(1)%
Tangible common equity (TCE)	<u>\$1,581</u>	<u>\$1,349</u>	<u>17%</u>	<u>\$1,581</u>	<u>\$1,349</u>	<u>17%</u>
Tangible assets (TA)						
Total assets	21,811	21,812	—	21,811	21,812	—
Less: Goodwill and intangible assets, net	(694)	(699)	(1)%	(694)	(699)	(1)%
Tangible assets (TA)	<u>\$21,117</u>	<u>\$21,113</u>	<u>—</u>	<u>\$21,117</u>	<u>\$21,113</u>	<u>—</u>

nm – not meaningful



Bread Financial

Second Quarter 2022 Results

July 28, 2022

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, initiation or completion of strategic initiatives, including our ability to realize the intended benefits of the spinoff of the LoyaltyOne® segment, future dividend declarations, future economic conditions, including, but not limited to, market conditions, persistent inflation, rising interest rates, the increased probability of a recession and related impacts on consumer behavior, future legislative or regulatory actions that could have impact on our business and results of operations, including any such actions that may be taken with respect to late fees or other charges, developments in the geopolitical environment, including the war in Ukraine, and the ongoing effects of the global COVID-19 pandemic, all of which factors 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 presentation, constitutes non-GAAP financial measures. Our calculations of non-GAAP financial measures may differ from the calculations of similarly titled measures by other companies. In particular, *Pretax pre-provision earnings* (PPNR) is calculated by increasing/decreasing Income from continuing operations before income taxes by the net build/release in Provision for credit losses. We use PPNR as a metric to evaluate our results of operations before income taxes, excluding the volatility that can occur within Provision for credit losses. *Tangible common equity over Tangible assets* (TCE/TA) represents Total stockholders' equity reduced by Goodwill and intangible assets, net, (TCE) divided by Tangible assets (TA), which is Total assets reduced by Goodwill and intangible assets, net. We use TCE/TA as a metric to evaluate the Company's capital adequacy and estimate its ability to cover potential losses. *Tangible book value per common share* represents TCE divided by shares outstanding. We use Tangible book value per common share as a metric to estimate the Company's potential value in relation to tangible assets per share. We believe the use of these non-GAAP financial measures provide additional clarity in understanding our results of operations and trends. For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures, please see the financial tables and information that follows.

Key Highlights

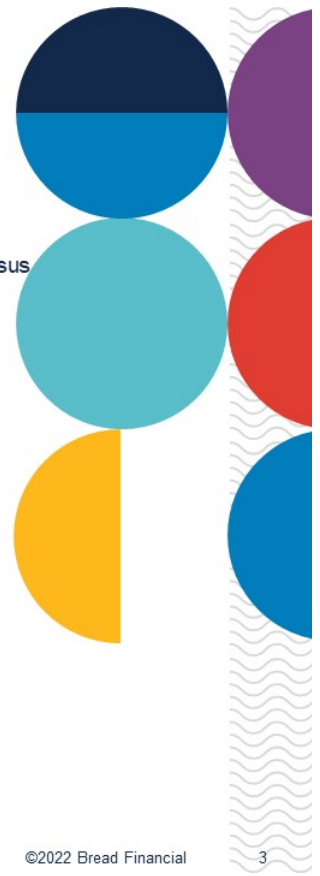
Quality growth with strong core performance trends

- ✔ Consistent credit sales growth, up 10% versus 2Q21
- ✔ Growth continues to accelerate as average and end-of-period loans increased 11% and 13%, respectively, versus 2Q21
- ✔ Pretax pre-provision earnings* up 24% versus 2Q21; 5th consecutive quarter up double-digits
- ✔ Remain focused on sustainable, profitable growth with a robust business development pipeline
- ✔ Closely monitoring impact from inflation, rising interest rates, and changes in spending & savings

Business transformation efforts continue

- ✔ Advanced technology modernization through digital enhancements and processing transition
- ✔ Continued diversification across both products and industry verticals
- ✔ Strong foundation of seasoned financial services industry executive leadership with success in managing through full economic cycles
- ✔ Strengthened financial resilience to deliver sustainable, profitable growth

* See "Non-GAAP Financial Measures."



Business Development Highlights

New Brand Partnership



One of North America's largest and most trusted membership organizations serving more than 56 million U.S. members

Brand Partner Renewal

TORRID

Serves over three million customers through its e-commerce platform and over 600 stores

Select New Bread Pay Partners



Stock4Less



Foresight Sports



Quality Water Treatment

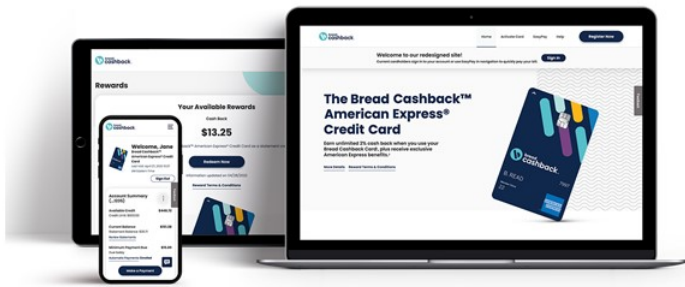


Unistellar Optics



ELLEVATE YOURSELF | DIRECT

Technology Modernization



Digital Modernization

Accelerate Customer-Centric Growth

Seamless Self Service & Engagement

Deliver a Robust Set of Product and Partner Capabilities

Key Benefits of Core Processing Conversion to Fiserv

- 1 Faster speed-to-market for new products, brand partner launches, and portfolio conversions
- 2 Ability to seamlessly integrate a variety of additional payment products in the future
- 3 Ability to manage risk more effectively and better serve our brand partners
- 4 Long-term cost savings associated with improved platform efficiencies

Second Quarter 2022 Financial Highlights

\$893 million

Revenue

\$12 million

Net Income

\$0.25

Diluted EPS

- Credit sales of \$8.1 billion were up 10% versus 2Q21
- Second quarter average loans of \$17.0 billion were up 11% versus 2Q21
- Revenue increased 17% versus 2Q21, inclusive of a \$21 million write-down in the carrying value of the Company's investment in Loyalty Ventures Inc., while total non-interest expenses increased 12%
- Net income from continuing operations of \$12 million was down 95% versus 2Q21, as PPNR growth was more than offset by higher provision for credit losses in 2Q22, including a reserve build of \$166 million in the quarter
- Credit metrics remained below historical averages

Financial Results – Continuing Operations

(\$ in millions, except per share)

	2Q22	2Q21	\$ Chg	% Chg	YTD '22	YTD '21	\$ Chg	% Chg
Total interest income	\$1,073	\$915	\$158	17 %	\$2,141	\$1,857	\$284	15 %
Total interest expense	95	100	(5)	(5)	174	207	(33)	(16)
Net interest income	978	815	163	20	1,967	1,650	317	19
Total non-interest income	(85)	(51)	(34)	65	(153)	(84)	(69)	82
Revenue	893	764	129	17	1,814	1,566	248	16
Net principal losses	238	194	44	23	438	392	46	12
Reserve build (release)	166	(208)	374	nm	160	(373)	533	nm
Provision for credit losses	404	(14)	418	nm	598	19	579	nm
Total non-interest expenses	473	424	49	12	897	826	71	9
Income before income taxes	16	354	(338)	(95)	319	721	(402)	(56)
Provision for income taxes	4	91	(87)	(96)	95	190	(95)	(50)
Net income	\$12	\$263	(251)	(95) %	\$224	\$531	\$(307)	(58) %
Net income per diluted share	\$0.25	\$5.25	\$(5.00)	(95) %	\$4.47	\$10.63	\$(6.16)	(58) %
Weighted avg. shares outstanding – diluted	49.9	50.0			50.0	49.9		

Pretax pre-provision earnings (PPNR)*	\$420	\$340	\$80	24 %	\$917	\$740	\$177	24 %

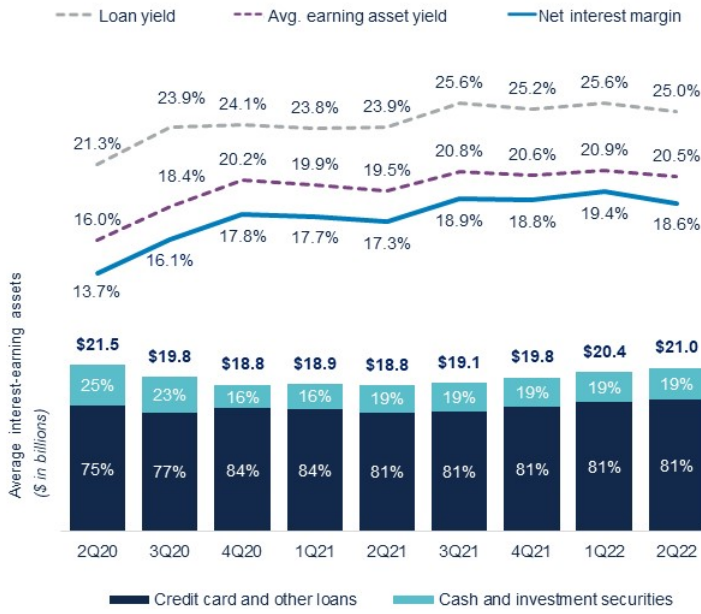
* Pretax pre-provision earnings is a non-GAAP financial measure.

nm – not meaningful

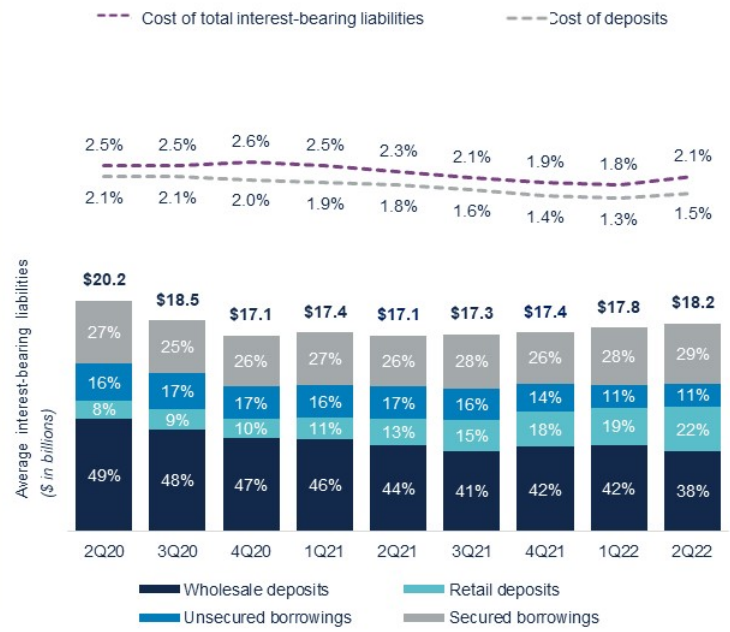


Net Interest Margin

Interest-Earning Asset Yields & Mix

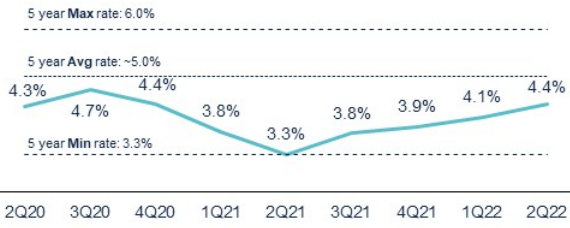


Interest-Bearing Liability Costs & Funding Mix



Credit Quality and Allowance

Delinquency Rates



Net Loss Rates



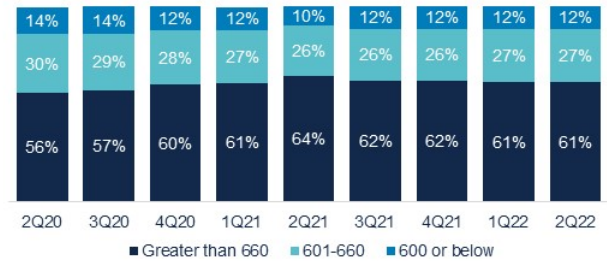
**2Q22 includes a 30 basis point increase from the effects of the purchase of previously written-off accounts that were sold to a third-party debt collection agency

Reserve Rates (\$ 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
Average loans \$15,656 million	Up low double digits	<ul style="list-style-type: none"> Continued sales growth and net partner additions driving sustainable, profitable growth 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 Outlook includes new 2022 signings, including AAA and NFL, with year-end balances of greater than \$2 billion in total
Revenue \$3,272 million	Aligned with loan growth	<ul style="list-style-type: none"> 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 interest rate increases Non-interest income year-over-year change is expected to partially offset the favorability in Net interest income
Total non-interest expenses \$1,684 million	Positive operating leverage	<ul style="list-style-type: none"> 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 We expect expenses will increase sequentially each quarter throughout 2022 We will manage the pace of investments to align with our full year revenue & growth outlook
Net loss rate 4.6%	Low-to-mid 5% range	<ul style="list-style-type: none"> Expect credit metrics to normalize in 2022 off of historically low rates, yet remain below our historical through-the-cycle average of approximately 6.0%

Strengthened Financial Resilience

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

Strong corporate governance

Proactive risk management

Prudent balance sheet management

Disciplined expense management

Enhanced core capabilities

Improved balance sheet strength and funding mix

Loan loss reserve materially higher

Capital ratios significantly improved

Reduced debt levels

Increased mix of consumer deposits

Enhanced credit risk management and underlying credit distribution

Diversification across products and partners

Prudent and proactive line management

Well-established risk appetite metrics

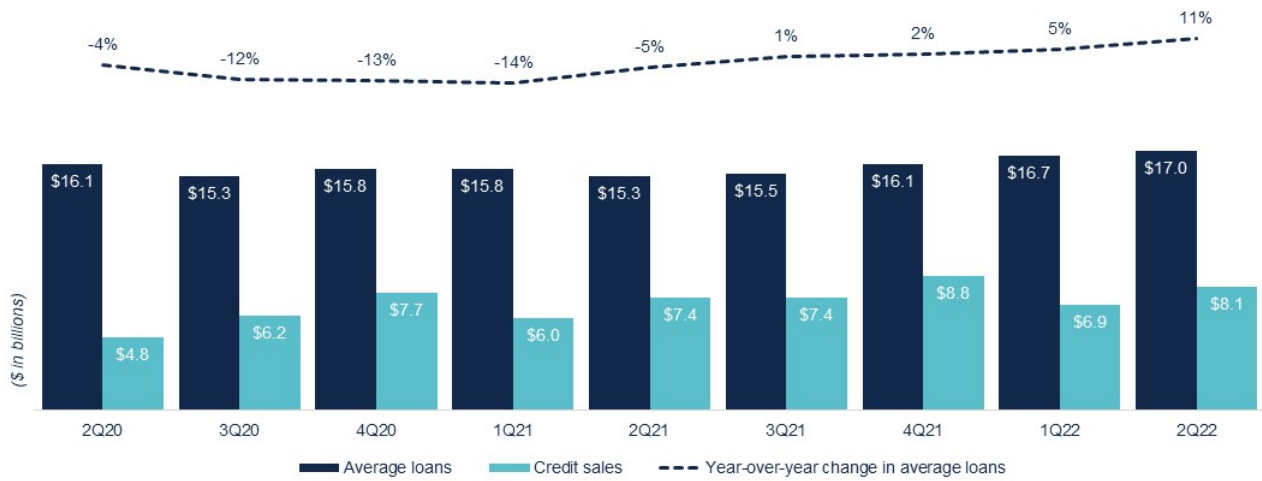
Credit mix shift to higher quality

Active recession readiness playbook

Appendix



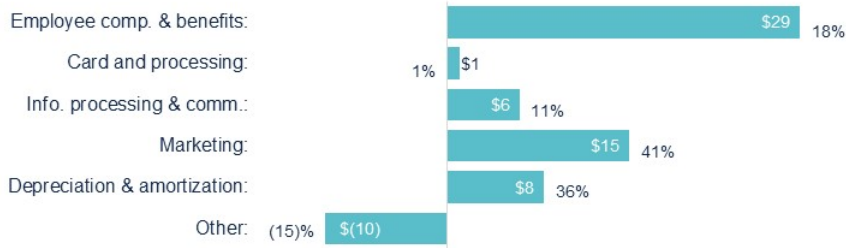
Average Loans and Credit Sales



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

Total Non-Interest Expenses

2Q22 vs. 2Q21 Change in Non-Interest Expenses



Total Non-Interest Expenses



Total non-interest expenses were up 12% versus 2Q21

- Employee compensation and benefit costs increased 18%, primarily driven by increased salaries, continued digital and technology modernization-related hiring, incentive compensation, and higher volume-related staffing levels
- Marketing expenses increased primarily due to increased spending associated with higher sales and brand partner joint marketing campaigns, as well as on expanding our new brand, products and direct to consumer offerings
- Other expenses decreased primarily due to lower legal and other business activity costs in the current year

Efficiency Ratio



Summary Financial Highlights

Continuing Operations

(\$ in millions)	2Q22	2Q21	2Q22 vs 2Q21	1Q22	2Q22 vs 1Q22	YTD '22	YTD '21	YTD '22 vs YTD '21
Credit sales	\$8,140	\$7,401	10%	\$6,887	18%	\$15,028	\$13,445	12%
Average credit card and other loans	\$17,003	\$15,282	11%	\$16,650	2%	\$16,827	\$15,533	8%
End-of-period credit card and other loans	\$17,769	\$15,724	13%	\$16,843	6%	\$17,769	\$15,724	13%
End-of-period direct-to-consumer deposits	\$4,191	\$2,398	75%	\$3,561	18%	\$4,191	\$2,398	75%
Return on average assets ⁽¹⁾	0.2%	4.8%	(4.6)%	4.0%	(3.8)%	2.1%	4.9%	(2.8)%
Return on average equity ⁽²⁾	2.2%	56.4%	(54.2)%	38.5%	(36.3)%	19.9%	61.0%	(41.1)%
Net interest margin ⁽³⁾	18.6%	17.3%	1.3%	19.4%	(0.8)%	19.0%	17.5%	1.5%
Loan yield ⁽⁴⁾	25.0%	23.9%	1.1%	25.6%	(0.6)%	25.3%	23.9%	1.4%
Efficiency ratio ⁽⁵⁾	52.9%	55.5%	(2.6)%	46.2%	6.7%	49.5%	52.7%	(3.2)%
Tangible common equity / tangible assets ratio (TCE/TA) ⁽⁶⁾	7.5%	6.4%	1.1%	7.8%	(0.3)%	7.5%	6.4%	1.1%
Tangible book value per common share ⁽⁷⁾	\$31.75	\$27.12	17.1%	\$31.87	(0.4)%	\$31.75	\$27.12	17.1%
Cash dividend declared per common share	\$0.21	\$0.21	—%	\$0.21	—%	\$0.42	\$0.42	—%
30+ day delinquency rate	4.4%	3.3%	1.1%	4.1%	0.3%	4.4%	3.3%	1.1%
Net loss rate ⁽⁸⁾	5.6%	5.1%	0.5%	4.8%	0.8%	5.2%	5.0%	0.2%
Reserve rate	11.2%	10.4%	0.8%	10.8%	0.4%	11.2%	10.4%	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.

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(8) The three and six months ended June 30, 2022 Net loss rates include 30 basis point and 15 basis point increases, respectively, from the effects of the purchase of previously written-off accounts that were sold to a third-party debt collection agency; this matter remains subject to an ongoing legal dispute with the debt collection agency.

Summary Financial Highlights

Continuing Operations

(\$ in millions)

	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	YTD '21	YTD '22
Credit sales	\$4,799	\$6,152	\$7,657	\$6,043	\$7,401	\$7,380	\$8,778	\$6,887	\$8,140	\$13,445	\$15,028
Year-over-year change	(36)%	(21)%	(18)%	(1)%	54%	20%	15%	14%	10%	23%	12%
Average credit card and other loans	\$16,116	\$15,300	\$15,759	\$15,785	\$15,282	\$15,471	\$16,086	\$16,650	\$17,003	\$15,533	\$16,827
Year-over-year change	(4)%	(12)%	(13)%	(14)%	(5)%	1%	2%	5%	11%	(10)%	8%
End-of-period credit card and other loans	\$15,809	\$15,599	\$16,784	\$15,537	\$15,724	\$15,690	\$17,399	\$16,843	\$17,769	\$15,724	\$17,769
Year-over-year change	(10)%	(13)%	(14)%	(12)%	(1)%	1%	4%	8%	13%	(1)%	13%
End-of-period direct-to-consumer deposits	\$1,843	\$1,707	\$1,700	\$2,152	\$2,398	\$3,052	\$3,180	\$3,561	\$4,191	\$2,398	\$4,191
Year-over-year change	144%	57%	46%	81%	30%	79%	87%	66%	75%	30%	75%
Return on average assets ⁽¹⁾	0.3%	2.1%	1.4%	4.9%	4.8%	3.7%	1.1%	4.0%	0.2%	4.9%	2.1%
Return on average equity ⁽²⁾	7.0%	37.2%	21.3%	66.3%	56.4%	38.0%	11.1%	38.5%	2.2%	61.0%	19.9%
Net interest margin ⁽³⁾	13.7%	16.1%	17.8%	17.7%	17.3%	18.9%	18.8%	19.4%	18.6%	17.5%	19.0%
Loan yield ⁽⁴⁾	21.3%	23.9%	24.1%	23.8%	23.9%	25.6%	25.2%	25.6%	25.0%	23.9%	25.3%
Efficiency ratio ⁽⁵⁾	60.6%	51.0%	63.4%	50.1%	55.5%	50.6%	50.0%	46.2%	52.9%	52.7%	49.5%
Tangible common equity / Tangible assets ratio (TCE/TA) ⁽⁶⁾	3.6%	4.7%	3.7%	5.2%	6.4%	7.2%	6.6%	7.8%	7.5%	6.4%	7.5%
Tangible book value per common share ⁽⁷⁾	\$16.99	\$20.68	\$16.34	\$21.32	\$27.12	\$31.18	\$28.09	\$31.87	\$31.75	\$27.12	\$31.75
Cash dividend declared per common share	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.42	\$0.42
30+ day delinquency rate	4.3%	4.7%	4.4%	3.8%	3.3%	3.8%	3.9%	4.1%	4.4%	3.3%	4.4%
Net loss rate ⁽⁸⁾	7.6%	5.8%	6.0%	5.0%	5.1%	3.9%	4.4%	4.8%	5.6%	5.0%	5.2%
Reserve rate	13.3%	13.3%	12.0%	11.9%	10.4%	10.5%	10.5%	10.8%	11.2%	10.4%	11.2%

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Financial Results

Continuing Operations

(\$ in millions, except per share)

	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	YTD '21	YTD '22
Total interest income	\$860	\$915	\$950	\$942	\$915	\$994	\$1,017	\$1,068	\$1,073	\$1,857	\$2,141
Total interest expense	127	114	112	107	100	91	84	79	95	207	174
Net interest income	733	801	838	835	815	903	933	989	978	1,650	1,967
Total non-interest income	(28)	(47)	(69)	(33)	(51)	(52)	(78)	(68)	(85)	(84)	(153)
Revenue	705	754	769	802	764	851	855	921	893	1,566	1,814
Net principal losses	305	223	235	198	194	152	176	199	238	392	438
Reserve build (release)	(55)	(16)	(82)	(165)	(208)	9	187	(6)	166	(373)	160
Provision for credit losses	250	207	153	33	(14)	161	363	193	404	19	598
Total non-interest expenses	427	385	487	402	424	431	427	426	473	826	897
Income before income taxes	28	162	129	367	354	259	65	302	16	721	319
Provision for income taxes	8	47	55	99	91	53	4	91	4	190	95
Net income	\$20	\$115	\$74	\$268	\$263	\$206	\$61	\$211	\$12	\$531	\$224
Net income per diluted share	\$0.41	\$2.41	\$1.54	\$5.38	\$5.25	\$4.11	\$1.21	\$4.21	\$0.25	\$10.63	\$4.47
Weighted average shares outstanding – diluted	47.7	47.8	48.4	49.8	50.0	50.0	50.0	50.0	49.9	49.9	50.0

Pretax pre-provision earnings (PPNR)*	\$278	\$369	\$282	\$400	\$340	\$420	\$428	\$495	\$420	\$740	\$917

* Pretax pre-provision earnings is a non-GAAP financial measure.

Net Interest Margin

(\$ in millions)	2Q22			YTD 2022		
	Average Balance	Interest Income / Expense	Average Yield / Rate	Average Balance	Interest Income / Expense	Average Yield / Rate
Cash and investment securities	\$3,975	\$8	0.8%	\$3,884	\$11	0.6%
Credit card and other loans	17,003	1,064	25.0%	16,827	2,130	25.3%
Total interest-earning assets	20,978	1,072	20.5%	20,711	2,141	20.7%
Direct-to-consumer deposits (retail)	3,865	10	1.1%	3,572	17	0.9%
Wholesale deposits	6,994	31	1.8%	7,258	59	1.6%
Interest-bearing deposits	10,859	41	1.5%	10,830	76	1.4%
Secured borrowings	5,331	28	2.1%	5,162	48	1.9%
Unsecured borrowings	1,978	25	5.1%	1,991	50	5.1%
Interest-bearing borrowings	7,309	53	2.9%	7,153	98	2.7%
Total interest-bearing liabilities	\$18,168	\$94	2.1%	\$17,983	\$174	1.9%
Net Interest Income		\$978			\$1,967	
Net interest margin*		18.6%			19.0%	

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

Capital and Liquidity

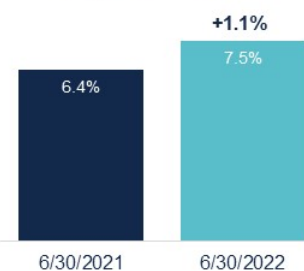
Parent Level:

- Liquidity as of June 30, 2022, of \$0.8 billion, consisting of cash on hand plus revolver capacity

Bank Level (Banks Combined):

- As of June 30, 2022, the banks finished the quarter with \$3.0 billion in cash on hand and \$3.3 billion in equity
- Total risk based capital ratio at 21.5% - over double the 10% threshold to be considered well-capitalized; CET1 at 20.1%
- Funding in place for expected growth outlook – with continued long-term strategic focus on retail deposit growth

Tangible Common Equity/
Tangible Assets Ratio⁽¹⁾



Banks Combined Capital Ratios

	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
Common equity tier 1 capital ratio ⁽²⁾	18.3%	18.8%	18.4%	21.0%	22.1%	22.6%	20.0%	20.8%	20.1%
Tier 1 capital ratio ⁽³⁾	18.3%	18.8%	18.4%	21.0%	22.1%	22.6%	20.0%	20.8%	20.1%
Total risk-based capital ratio ⁽⁴⁾	19.7%	20.1%	19.7%	22.3%	23.4%	23.9%	21.3%	22.1%	21.5%
Tier 1 leverage capital ratio ⁽⁵⁾	14.2%	16.1%	17.1%	17.8%	19.2%	19.5%	18.6%	18.2%	17.7%

(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 assets for leverage ratio.

Capital Priorities

Support Profitable Growth & Growth Investments

Improve Capital Metrics

Efficient Return of Capital to Shareholders

Financial Results

(\$ in millions, except per share amounts)

	2Q22	2Q21	\$ Chg	% Chg	YTD '22	YTD '21	\$ Chg	% Chg
Income from continuing operations, net of taxes	\$12	\$263	\$(251)	(95)%	\$224	\$531	\$(307)	(58)%
(Loss) income from discontinued operations, net of taxes	0	11	(11)	nm	(1)	29	(30)	nm
Net income	\$12	\$274	\$(262)	(95)%	\$223	\$560	\$(337)	(60)%

Net income per diluted share from continuing ops	\$0.25	\$5.25	\$(5.00)	(95)%	\$4.47	\$10.63	\$(6.16)	(58)%
Net (loss) income per diluted share from discontinued ops	0.00	0.22	(0.22)	nm	(0.01)	0.58	(0.59)	nm
Net income per diluted share	\$0.25	\$5.47	\$(5.22)	(95)%	\$4.46	\$11.21	\$(6.75)	(60)%
Weighted average shares outstanding – diluted (<i>in millions</i>)	49.9	50.0			50.0	49.9		

nm – not meaningful

Reconciliation of GAAP to Non-GAAP Financial Measures

(\$ in millions)

	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	YTD '21	YTD '22
Pretax pre-provision earnings (PPNR)											
Income before income taxes	\$28	\$162	\$129	\$367	\$354	\$259	\$65	\$302	\$16	\$721	\$319
Provision for credit losses	250	207	153	33	(14)	161	363	193	404	19	598
Pretax pre-provision earnings (PPNR)	\$278	\$369	\$282	\$400	\$340	\$420	\$428	\$495	\$420	\$740	\$917
Less: Gain on portfolio sales	—	—	—	—	—	(10)	—	—	—	—	—
PPNR less gain on portfolio sales	\$278	\$369	\$282	\$400	\$340	\$410	\$428	\$495	\$420	\$740	\$917
Tangible common equity (TCE)											
Total stockholders' equity	\$1,155	\$1,323	\$1,522	\$1,764	\$2,048	\$2,246	\$2,086	\$2,268	\$2,275	\$2,048	\$2,275
Less: Goodwill and intangible assets, net	(345)	(336)	(710)	(704)	(699)	(694)	(686)	(682)	(694)	(699)	(694)
Tangible common equity (TCE)	\$810	\$987	\$812	\$1,060	\$1,349	\$1,552	\$1,400	\$1,586	\$1,581	\$1,349	\$1,581
Tangible assets (TA)											
Total assets	\$22,867	\$21,113	\$22,547	\$21,163	\$21,812	\$22,257	\$21,746	\$20,938	\$21,811	\$21,812	\$21,811
Less: Goodwill and intangible assets, net	(345)	(336)	(710)	(704)	(699)	(694)	(686)	(682)	(694)	(699)	(694)
Tangible assets (TA)	\$22,522	\$20,777	\$21,837	\$20,459	\$21,113	\$21,563	\$21,060	\$20,256	\$21,117	\$21,113	\$21,117



Bread Financial, AAA Sign Long-term Agreement to Deliver Reimagined Credit Card Program

- *Relationship to offer two unique credit card products, extending accessibility of AAA rewards to a wide range of consumers*
- *Bread Financial signs definitive agreement to acquire the existing AAA credit card portfolio*

COLUMBUS, Ohio – July 28, 2022 – Bread Financial (NYSE: BFH), a tech-forward financial services company that provides simple, flexible payment, lending and saving solutions, today announced a new, multi-year agreement with AAA, one of North America’s largest and most trusted membership organizations serving over 56 million U.S. members. Issued and supported by Bread Financial, participating AAA clubs will offer the AAA Travel Advantage Visa Credit Card and AAA Daily Advantage Visa Credit Card, scheduled to be launched in the fourth quarter of 2022. Each card will offer unique benefits that cater to the evolving needs of the modern consumer, designed to reward cardholders for a variety of everyday purchases and much more.

“Together, Bread Financial and AAA conducted extensive research to determine the rewards and savings benefits that cardholders want most, and I’m thrilled to help AAA further meet the needs of many of its members,” said Val Greer, chief commercial officer, Bread Financial. “We are incredibly excited to offer our innovative capabilities, robust data and analytics, multichannel marketing and industry expertise to help AAA drive top of wallet usage, loyalty and growth.”

Additionally, Bread Financial signed a definitive agreement to acquire the existing AAA credit card portfolio. The transaction is expected to close in early Q4 2022, subject to customary closing conditions.

“We know that consumers have been hit hard in the wallet with the increased cost of gas and other goods,” said Marshall Doney, president and CEO, AAA. “And we wanted to find a way to provide some much needed relief – whether at the pump, the grocery store or when planning that next dream vacation. With these two distinct cards, our members will immediately see the rewards start to stack up, especially when combined with other AAA benefits.”

Established in 1902, AAA is America’s largest membership organization, responding to over 32 million calls for roadside assistance per year. It is also one of the largest full-service leisure travel organizations in North America, providing a wide range of travel services and discounts as well as a variety of insurance products including auto, home and life.

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.

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.

About AAA

Started in 1902 by automotive enthusiasts who wanted to chart a path for better roads in America and advocate for safe mobility, AAA has transformed into one of North America's largest membership organizations. Today, AAA provides roadside assistance, travel, discounts, financial and insurance services to enhance the life journey of 63 million members across North America, over 56 million in the United States. To learn more about all AAA offers or become a member, visit [AAA.com](https://aaa.com).

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, future economic conditions, including, but not limited to, market conditions, persistent inflation, rising interest rates, the increased probability of a recession and related impacts on consumer behavior, future legislative or regulatory actions that could have impact on our business and results of operations, including any such actions that may be taken with respect to late fees or other charges, developments in the geopolitical environment, including the war in Ukraine, and the ongoing effects of the global COVID-19 pandemic, all of which factors 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.

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Bread Financial Declares Dividend on Common Stock

COLUMBUS, Ohio – July 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 that its Board of Directors declared a quarterly cash dividend of \$0.21 per share on the Company's common stock, payable on September 16, 2022 to stockholders of record at the close of business on August 12, 2022.

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.

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://www.breadfinancial.com) or follow us on [Facebook](#), [LinkedIn](#), [Twitter](#) and [Instagram](#).

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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.

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