



Second quarter 2026 results

July 23, 2026

Second quarter 2026

Key highlights

Accelerating growth across credit sales, loans, and deposits

- Credit sales of \$7.5 billion increased 11% and end-of-period loans of \$18.5 billion were up 5% year-over-year.
 - Momentum from scaling new partners within both our home vertical and Bread Pay, as well as increased general purpose spending.
- End-of-period direct-to-consumer deposits of \$9.4 billion increased 16%, or \$1.3 billion, year-over-year, marking our second strongest quarter of growth since program inception in 2019.

Strong financial results and strategic capital allocation

- Net income of \$146 million and earnings per diluted common share (EPS) of \$3.55.
 - Adjusted PPNR⁽¹⁾ growth of 11% year-over-year, including revenue growth of 7%.
- Tangible book value per common share⁽¹⁾ of \$63.66 increased \$11.45, or 22%, year-over-year.
- Issued \$135 million of 8.875% preferred shares.
- Repurchased 2.8 million shares of common stock for \$241 million.

Proactive risk management and financial resilience

- Enhanced financial resilience through responsible growth, prudent underwriting standards, and ongoing operational excellence initiatives.
- Our customers' financial health remains resilient as evidenced by credit sales and payments growth, and lower delinquencies and losses, despite ongoing inflationary and macroeconomic concerns.
- Our emphasis on disciplined credit risk management and product diversification toward co-brand credit cards and installment products will continue to positively impact risk and income diversification.

(1) Represents a Non-GAAP financial measure. See "Non-GAAP Financial Measures" and "Reconciliation of GAAP to Non-GAAP Financial Measures."

Second quarter 2026 financial highlights



Year-over-year comparisons

Revenue
\$993 million

Net income
\$146 million

Diluted EPS
\$3.55

ROTCE⁽¹⁾
22.6%

- Credit sales were \$7.5 billion, an increase of \$0.7 billion, or 11%, driven by growth in our new partnerships and increased general-purpose spending.
- Average credit card and other loans of \$18.2 billion were up 3%, and end-of-period credit card and other loans of \$18.5 billion increased 5%, benefiting from growth in our new partnerships and improved credit sales.
- End-of-period direct-to-consumer deposits of \$9.4 billion increased 16%, or \$1.3 billion, year-over-year.
- Revenue increased \$64 million, or 7%, primarily reflecting loan growth, the implementation of pricing changes, lower interest expense, higher interchange and merchant fees, partially offset by lower billed late fees and higher retailer share arrangements.
- Total non-interest expenses were nearly flat as a result of higher employee compensation and benefits costs offset by the prior year impacts from debt repurchases. Excluding the impact from our debt repurchases, expenses were up \$15 million, or 3%.
- Net income increased \$7 million, or 5%, primarily driven by loan growth resulting in both higher revenue, and a higher provision for credit losses, (reflecting a reserve release of \$3 million this year compared to a release of \$74 million last year), as well as a higher provision for income taxes.
- PPNR⁽¹⁾ increased \$62 million, or 14%, while adjusted PPNR⁽¹⁾, which excludes impacts from debt repurchases, increased \$49 million, or 11%.
- The delinquency rate of 5.25% decreased 48 basis points.
- The net loss rate of 6.98% decreased 90 basis points.

Impacts from debt repurchases

(\$ in millions, except per share amounts)

	Total non-interest expenses		Net income available to common stockholders		Diluted EPS	
	2Q26	2Q25	2Q26	2Q25	2Q26	2Q25
GAAP-basis	\$ 483	\$ 481	\$ 144	\$ 139	\$ 3.55	\$ 2.94
Impacts from debt repurchases	—	13	—	10	—	0.21
Adjusted GAAP-basis⁽¹⁾	\$ 483	\$ 468	\$ 144	\$ 149	\$ 3.55	\$ 3.15

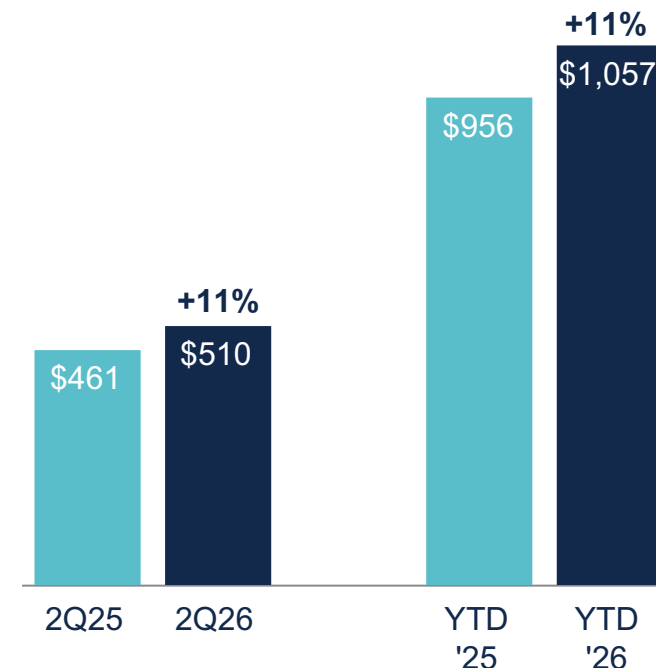
(1) Represents a Non-GAAP financial measure. See "Non-GAAP Financial Measures" and "Reconciliation of GAAP to Non-GAAP Financial Measures."

Summary P&L results



(\$ in millions, except per share amounts)	2Q26	2Q25	\$ change	% change
Total interest income	\$ 1,234	\$ 1,194	\$ 40	3
Total interest expense	195	220	(25)	(11)
Net interest income	1,039	974	65	7
Total non-interest income	(46)	(45)	(1)	4
Revenue	993	929	64	7
Net principal losses	316	348	(32)	(9)
Reserve release	(3)	(74)	71	(96)
Provision for credit losses	313	274	39	14
Total non-interest expenses	483	481	2	—
Income from continuing operations before income taxes	197	174	23	13
Provision for income taxes	51	35	16	41
Income from continuing operations	146	139	7	6
Net income	\$ 146	\$ 139	\$ 7	5
Dividends declared to preferred stockholders	(2)	—	(2)	nm
Net income available to common stockholders	\$ 144	\$ 139	\$ 5	4
Adj. net income available to common stockholders ⁽¹⁾	\$ 144	\$ 149	\$ (5)	(3)
Earnings per diluted common share	\$ 3.55	\$ 2.94	\$ 0.61	21
Adjusted earnings per diluted share ⁽¹⁾	\$ 3.55	\$ 3.15	\$ 0.40	13
Pretax pre-provision earnings (PPNR) ⁽¹⁾	\$ 510	\$ 448	\$ 62	14
Adjusted PPNR ⁽¹⁾	\$ 510	\$ 461	\$ 49	11

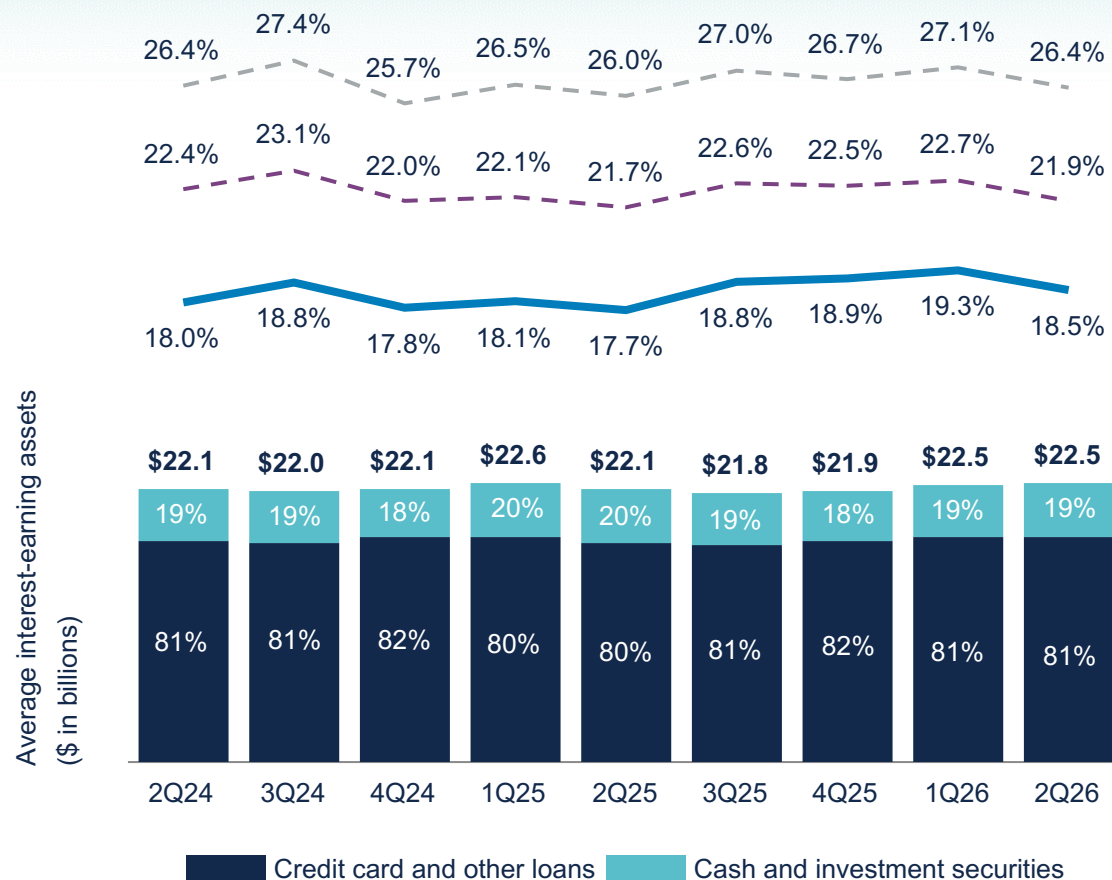
Adjusted PPNR⁽¹⁾
(\$ in millions)



Net interest margin

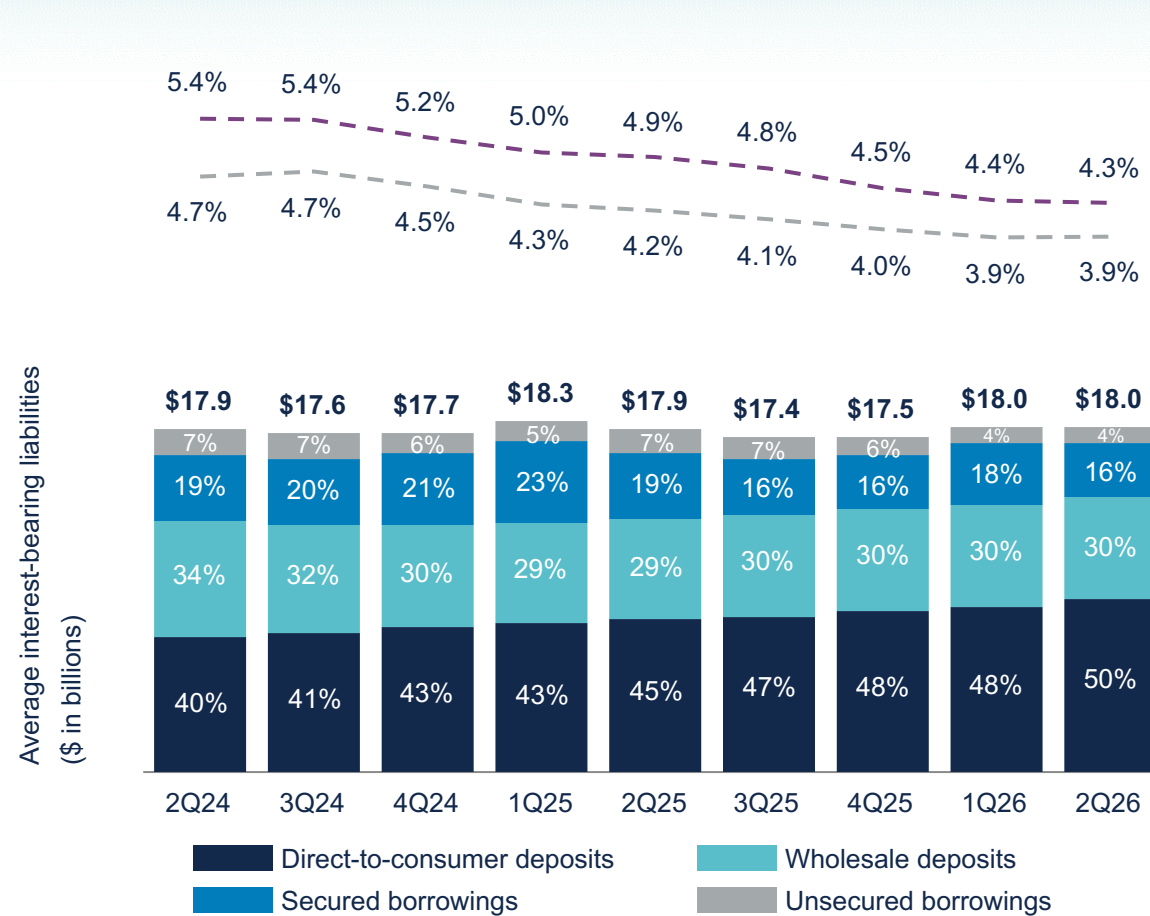
Interest-earning asset yields and mix

— Loan yield — Avg. earning asset yield — Net interest margin



Interest-bearing liability costs and funding mix

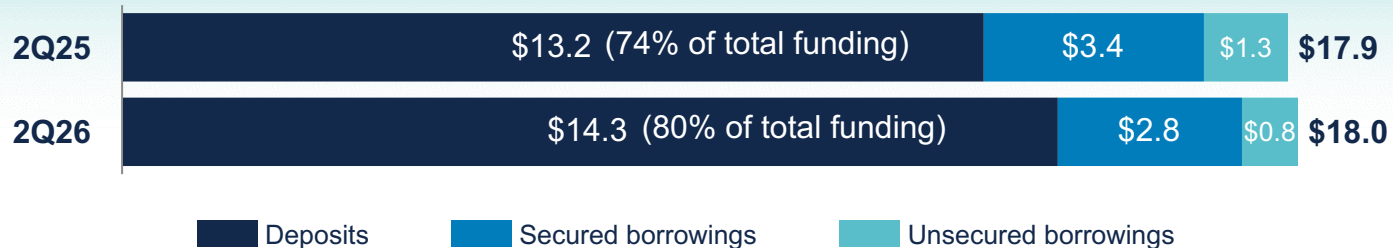
— Cost of total interest-bearing liabilities — Cost of deposits



Funding, capital, and liquidity

Average funding sources

(\$ in billions)



End-of-period liquid resources

(\$ in billions)

	2Q26	2Q25
Liquid assets	3.7	3.8
Undrawn credit facilities	3.0	3.9
Total	6.7	7.7
% of liquid resources to total assets	29.8%	35.1%

CET1 capital ratio walk

	CET1
2Q25	13.0 %
Net earnings	3.4 %
Risk-weighted asset changes	(0.4)%
Preferred and common stock dividends	(0.2)%
Common stock repurchases	(3.0)%
Debt repurchases	(0.3)%
Other activity, net	0.4 %
2Q26	12.9 %

Capital ratios

CET1 capital ratio



Tier 1 capital ratio



Total risk-based capital ratio

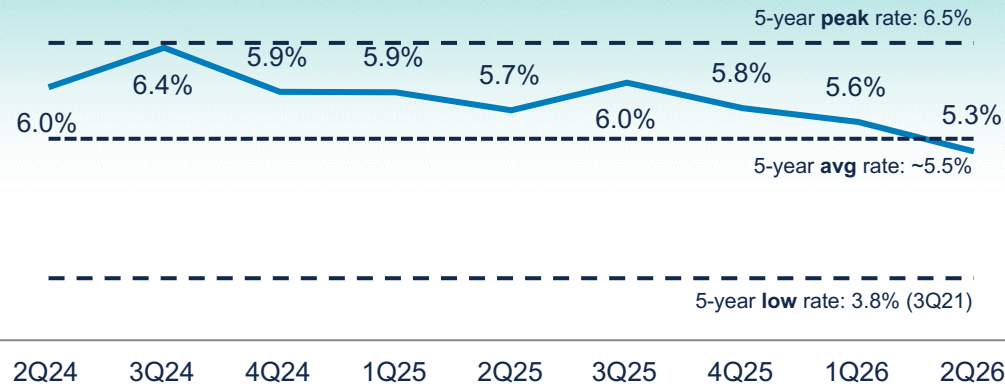


TCE⁽¹⁾ + credit reserve rate

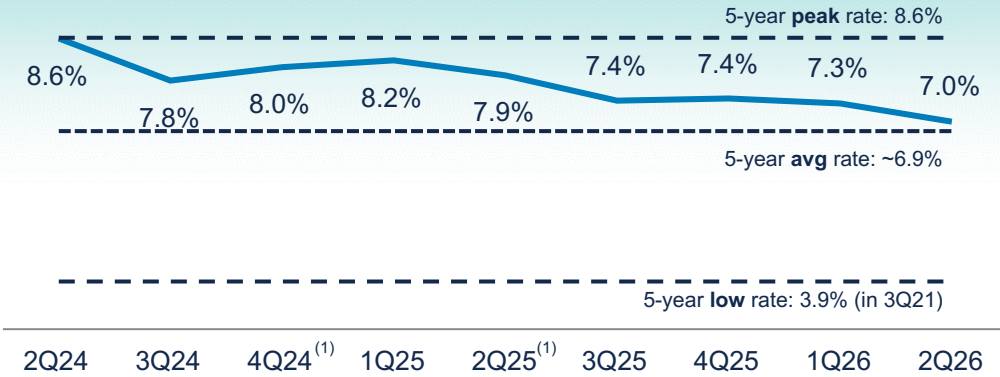


Credit quality and allowance

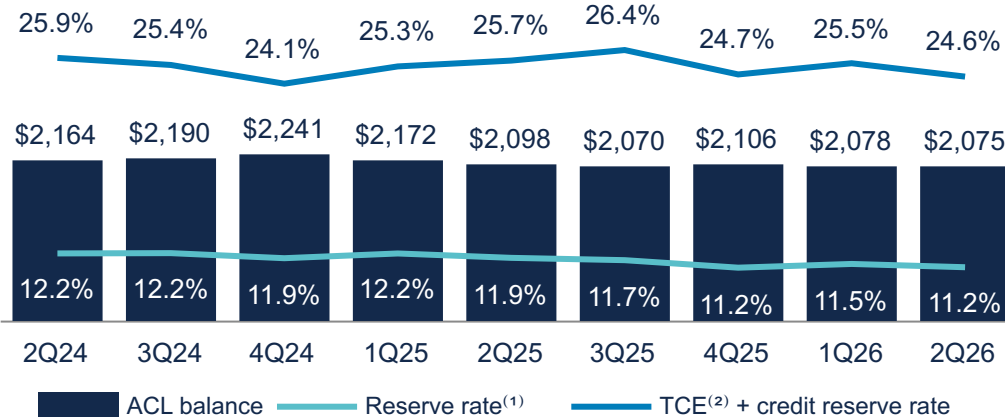
Delinquency rates



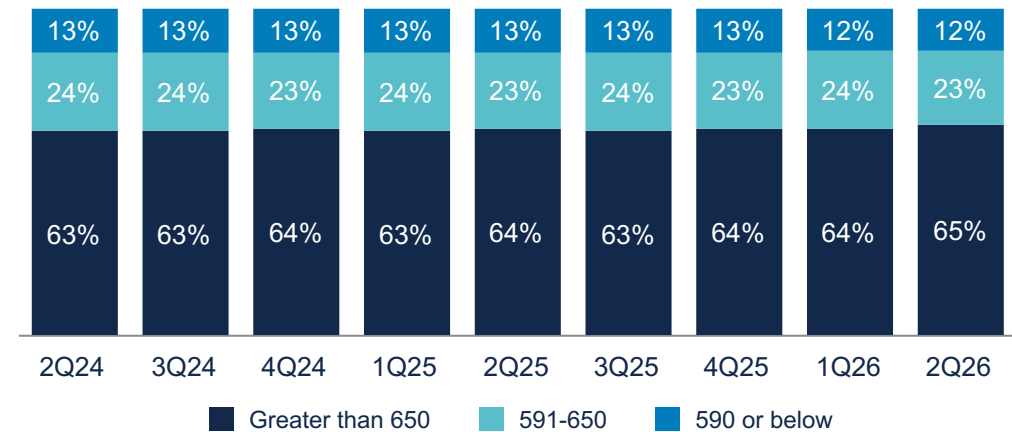
Net loss rates



Reserve rates and loss absorption capacity (\$ in millions)



Revolving loan credit risk distribution (VantageScore)



(1) See Additional footnotes and definitions of terms in the Appendix.

(2) Represents a Non-GAAP financial measure. See "Non-GAAP Financial Measures" and "Reconciliation of GAAP to Non-GAAP Financial Measures."

2026 financial outlook

As of 7/23/2026



Full year 2025 actuals	Full year 2026 outlook	Commentary
Average loans 2025: \$17,850	Up low- to mid-single digits	Based on our current economic outlook and visibility into our pipeline and partner growth, we now expect 2026 average credit card and other loans growth to be up low- to mid-single digits from full year 2025.
Revenue 2025: \$3,845 million	Up low- to mid-single digits	Revenue growth is now expected to be up low- to mid-single digits from 2025, primarily driven by average loan growth.
Adjusted total non-interest expenses⁽¹⁾ 2025: \$1,914 million	Positive operating leverage	Expense growth is managed based on revenue generation and ongoing investment in our business. We expect to deliver positive operating leverage in 2026, excluding the pretax impacts from our debt repurchases. We continue to invest in AI capabilities, technology modernization, marketing, and product innovation to drive growth and efficiencies.
Net loss rate 2025: 7.7%	7.0% to 7.1%	2026 net loss rate is expected to improve from 2025 given a resilient consumer, our disciplined credit management, and continued risk and product mix shifts.

⁽¹⁾ Represents a Non-GAAP financial measure. We are unable to provide a quantitative reconciliation of the forward-looking 2026 financial outlook for this Non-GAAP financial measure to its most directly comparable forward-looking GAAP measure as we cannot reliably predict all of the necessary components of such a forward-looking GAAP measure without unreasonable effort. In the calculation of Full year 2025 actuals, Adjusted total non-interest expenses excludes from Total non-interest expenses a \$74 million pre-tax impact from our debt repurchases.

Financial targets

As of 7/23/2026

Near term

Sustainable, responsible growth

Low- to mid-single digit
loan growth

Maintain CET1 ratio of 13-14%
• Optimize capital mix

Continued progression toward
net loss rate of 6%

Annual positive operating leverage

**Low-20%
ROTCE⁽¹⁾**

Long term

Enhance shareholder value

Mid- to high-single digit
loan growth

Maintain CET1 ratio of 12-13%
• Optimized capital mix

Net loss rate of 6%

Annual positive operating leverage

**Mid-20%
ROTCE⁽¹⁾**

**Building on our
position of strength**

**Positioned to deliver
responsible growth,
strong returns, and
capital distribution
opportunities over time**



Appendix

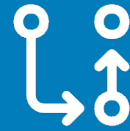
Building on our position of strength

2026 focus areas



Responsible growth

Accelerate sustainable growth through our diversified product suite and expand revenue generation opportunities, delivering value to our brand partners and customers



Proactive, strategic risk management

Execute strategies to improve credit performance and maintain strong risk and control effectiveness while reinforcing regulatory vigilance



Operational excellence

Accelerate initiatives to deliver AI capabilities, technology advancements, improved customer satisfaction, reduced risk exposure, and enterprise-wide efficiency



Disciplined capital allocation

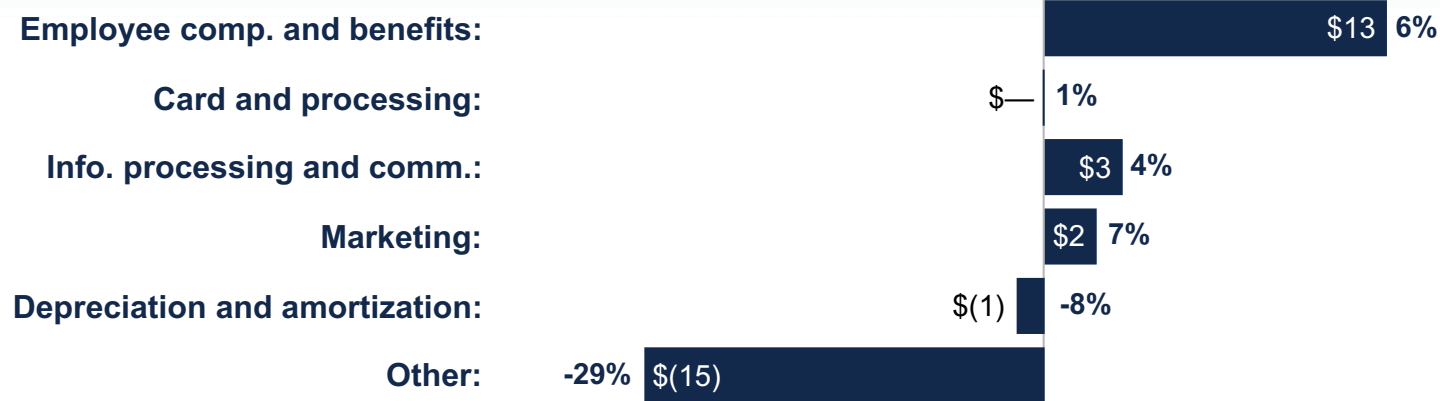
Effectively manage capital ensuring appropriate returns on investments to achieve our long-term financial targets while maintaining a strong balance sheet

Total non-interest expenses



2Q26 vs. 2Q25 change in non-interest expenses

(\$ in millions)

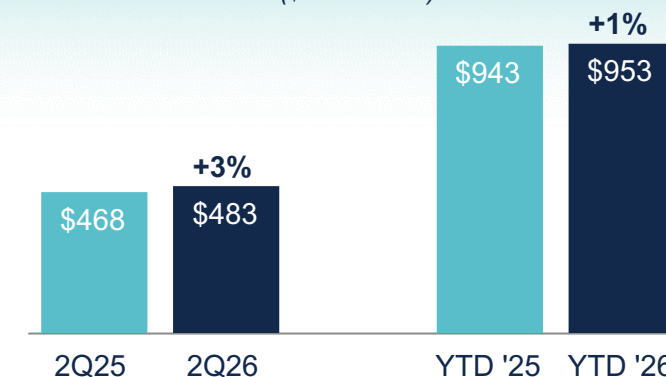


Total non-interest expenses were nearly flat versus 2Q25

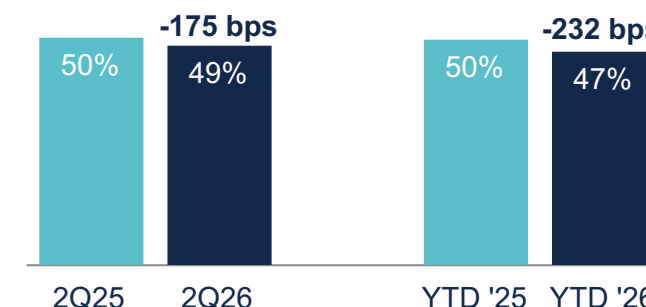
- Employee compensation and benefits costs increased primarily due to higher wages related to annual merit increases and incentive compensation, as well as increased medical claims, partially offset by operational excellence initiatives.
- Other expenses decreased primarily due to net impacts year-over-year from our debt repurchases.

Adjusted total non-interest expenses excl. impacts from debt repurchases⁽¹⁾

(\$ in millions)



Adjusted efficiency ratio excl. impacts from debt repurchases⁽¹⁾

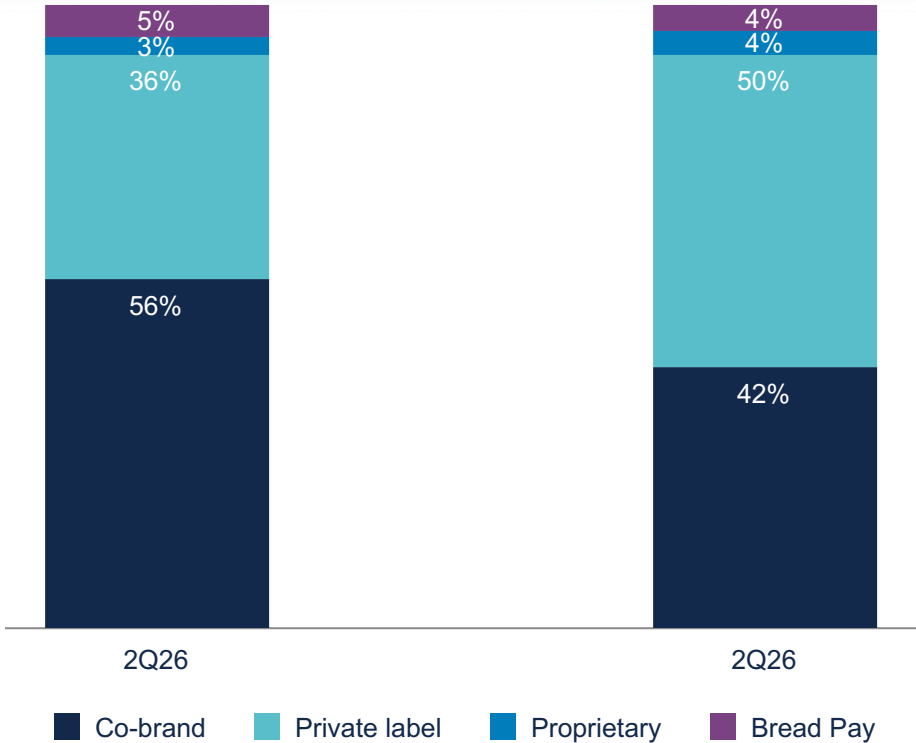


Diversified product and partner mix

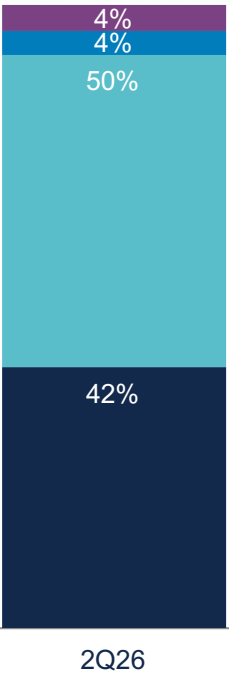


Product diversification

Credit sales

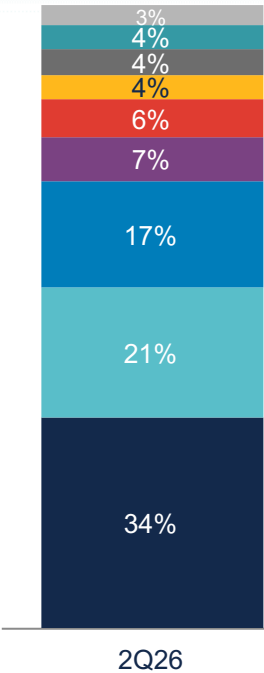


End-of-period loans

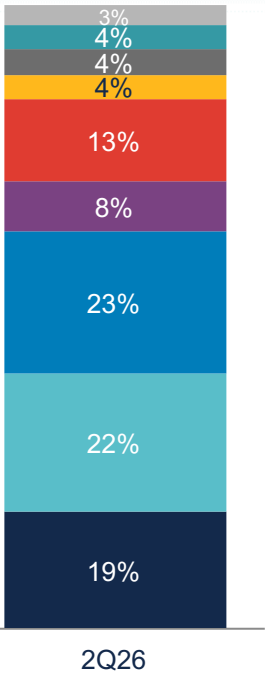


Partner diversification

Credit sales



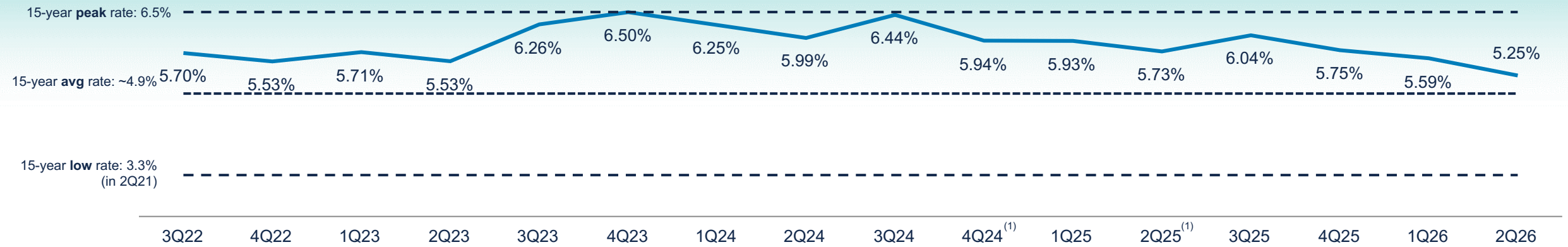
End-of-period loans



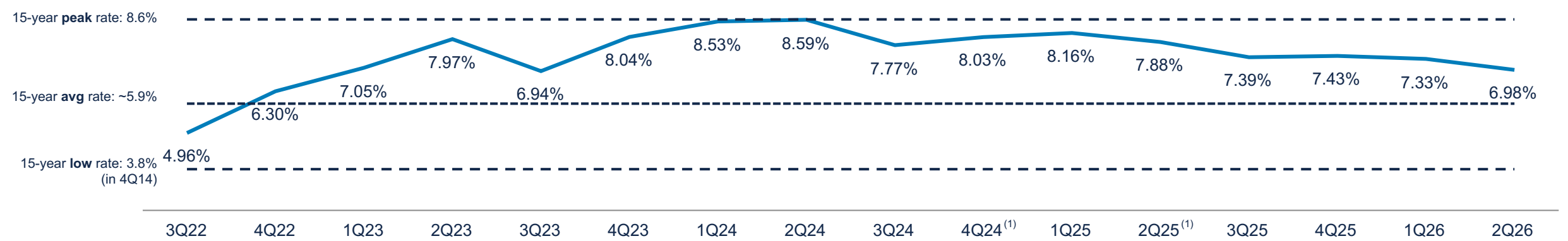
Credit quality trends



Delinquency rates



Net loss rates



(1) See Additional footnotes and definitions of terms in the Appendix.
Notes: Starting with 3Q22 through 2Q23, the Net loss rate was impacted by the transition of our credit card processing services in June 2022.

Additional footnotes and definitions of terms

- **Average daily balance:** Beginning in 2024, we revised the calculation of average balances to more closely align with industry practice by incorporating an average daily balance. Prior to 2024, average balances represent the average balance at the beginning and end of each month, averaged over the periods indicated.
- **Hurricanes Helene and Milton:** As a result of Hurricanes Helene and Milton in September and October 2024, we froze delinquency progression in the fourth quarter of 2024 for customers in Federal Emergency Management Agency identified impact zones for one billing cycle. We estimate the net loss rate benefited by more than 20 basis points in the fourth quarter of 2024 and was negatively impacted by approximately 30 basis points in the second quarter of 2025.
- **Reserve rate:** Reserve rate represents the percentage of the Allowance for credit losses to end-of-period Credit card and other loans.
- **TCE + credit reserve rate:** Tangible common equity (TCE) + credit reserve rate represents the sum of TCE and Allowance for credit losses divided by end-of-period Credit card and other loans. TCE is a Non-GAAP financial measure; see "Non-GAAP Financial Measures" and "Reconciliation of GAAP to Non-GAAP Financial Measures."

Forward-looking statements



This release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements give our expectations or forecasts of future events and can generally be identified by the use of words such as “believe,” “expect,” “anticipate,” “estimate,” “intend,” “project,” “plan,” “likely,” “may,” “should” or other words or phrases of similar import. Similarly, statements that describe our business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements we make regarding, and the guidance we give with respect to, our anticipated operating or financial results, future financial performance and outlook, future dividend declarations, and future economic conditions.

We believe that our expectations are based on reasonable assumptions. Forward-looking statements, however, are subject to a number of risks and uncertainties that are difficult to predict and, in many cases, beyond our control. Accordingly, our actual results could differ materially from the projections, anticipated results or other expectations expressed in this release, and no assurances can be given that our expectations will prove to have been correct. Factors that could cause the outcomes to differ materially include, but are not limited to, the following: macroeconomic conditions, including inflation, interest rates, labor market conditions, financial and capital market conditions, recessionary pressures or concerns over a prolonged economic slowdown, and the related impact on consumer spending behavior, payments, debt levels, savings rates and other behaviors; global political events and conditions, including significant shifts in trade policy, such as changes to, or the imposition of, tariffs and/or trade barriers and consequently any economic impacts, volatility, uncertainty and geopolitical instability resulting therefrom, as well as ongoing wars and military conflicts, and international tensions or hostilities; local or global public health issues, climate-related events, impacts to the power grid, and natural disasters; future credit performance, including the level of future delinquency and charge-off rates; loss of, or reduction in demand for services and/or products from, significant brand partners or customers in the highly competitive markets in which we operate, including competition from new and non-traditional competitors, such as financial technology companies, and with respect to new products, services and technologies, such as the emergence or increase in popularity of agentic commerce, digital payment platforms and currencies and other alternative payment and deposit solutions; the concentration of our business in U.S. consumer credit; inaccuracies in the models and estimates on which we rely, including our credit risk management models and the amount of our Allowance for credit losses; the inability to realize the intended benefits of acquisitions, dispositions and other strategic initiatives; our level of indebtedness and ability to access financial or capital markets; pending and future federal and state legislation, executive action, regulation, supervisory guidance, and regulatory and legal actions, including, but not limited to, those related to financial regulatory reform and consumer financial services practices, as well as any such actions that would place limits on credit card interest rates or late fees, interchange fees or other charges; failures or breaches in our operational or security systems, including as a result of cyberattacks, unanticipated impacts from technology modernization projects or otherwise; and any liability or other adverse impacts arising out of or related to the spinoff of our former LoyaltyOne segment or the bankruptcy filings of Loyalty Ventures Inc. (LVI) and certain of its subsidiaries, including the pending litigation against us in connection with the spinoff. The foregoing factors, along with other risks and uncertainties that could cause actual results to differ materially from those expressed or implied in forward-looking statements, are described in greater detail under the headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the most recently ended fiscal year, which may be updated in Item 1A of, or elsewhere in, our Quarterly Reports on Form 10-Q filed for periods subsequent to such Form 10-K. Our forward-looking statements speak only as of the date made, and we undertake no obligation, other than as required by applicable law, to update or revise any forward-looking statements, whether as a result of new information, subsequent events, anticipated or unanticipated circumstances or otherwise.

Non-GAAP financial measures



We prepare our Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America (GAAP). However, certain information included herein constitutes Non-GAAP Financial Measures. Our calculations of Non-GAAP Financial Measures may differ from the calculations of similarly titled measures by other companies. In particular:

- We have previously repurchased and may, from time to time, in the future continue to repurchase debt, including any outstanding senior unsecured notes, subordinated notes or convertible notes. In such transactions, we may pay a premium to induce these repurchases, or in certain cases repurchase at a discount, which, from a GAAP perspective, would result in an impact to Total non-interest expenses, with a corresponding impact also reflected in Net income available to common stockholders and consequently our Earnings per diluted common share. For our prior debt repurchases, we show adjustments to these three financial statement line items to exclude the impacts from our debt repurchases. We use *Adjusted total non-interest expenses*, *Adjusted net income available to common stockholders*, and *Adjusted earnings per diluted common share* to evaluate the ongoing operations of the Company excluding the volatility that can occur from the impacts of our debt repurchases.
- *Pretax pre-provision earnings* (PPNR) represents Income from continuing operations before income taxes and the Provision for credit losses. *PPNR excluding impacts from debt repurchases* then excludes from PPNR the loss or gain on any debt repurchases in the period. We use *PPNR* and *PPNR excluding impacts from debt repurchases* as metrics to evaluate our results of operations before income taxes, excluding the movements that can occur within Provision for credit losses and the one-time nature of the impacts from debt repurchases.
- *Return on average tangible common equity* (ROTCE) represents annualized Income from continuing operations less Dividends to preferred stockholders, divided by average Tangible common equity. Tangible common equity (TCE) represents Total stockholders' equity reduced by Preferred stock and Goodwill and intangible assets, net. We use ROTCE as a metric to evaluate the Company's performance.
- *Tangible book value per common share* represents TCE divided by common shares outstanding. We use *Tangible book value per common share*, a metric used across the industry, to assess capital and performance, in conjunction with ROTCE.

We believe the use of these Non-GAAP financial measures provide additional clarity in understanding our results of operations and trends. For a reconciliation of these Non-GAAP financial measures to the most directly comparable GAAP measures, please see the "Reconciliation of GAAP to Non-GAAP Financial Measures."

Reconciliation of GAAP to Non-GAAP financial measures

(\$ in millions, except per share amounts)

	2Q26	2Q25	YTD '26	YTD '25
Adjusted net income available to common stockholders				
Net income available to common stockholders	\$ 144	\$ 139	\$ 324	\$ 276
Impacts from debt repurchases	—	10	1	12
Adjusted net income available to common stockholders	\$ 144	\$ 149	\$ 325	\$ 288
Adjusted earnings per diluted common share				
Earnings per diluted common share	\$ 3.55	\$ 2.94	\$ 7.72	\$ 5.71
Impacts from debt repurchases	—	0.21	0.03	0.25
Adjusted earnings per diluted common share	\$ 3.55	\$ 3.15	\$ 7.75	\$ 5.96
Adjusted total non-interest expenses				
Total non-interest expenses	\$ 483	\$ 481	\$ 955	\$ 958
Impacts from debt repurchases	—	13	2	15
Adjusted total non-interest expenses	\$ 483	\$ 468	\$ 953	\$ 943
Pretax pre-provision earnings (PPNR)				
Income from continuing operations before income taxes	\$ 197	\$ 174	\$ 439	\$ 371
Provision for credit losses	313	274	616	570
Pretax pre-provision earnings (PPNR)	\$ 510	\$ 448	\$ 1,055	\$ 941
Impacts from debt repurchases	—	13	2	15
PPNR excluding impacts from debt repurchases	\$ 510	\$ 461	\$ 1,057	\$ 956

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Reconciliation of GAAP to Non-GAAP financial measures

(\$ in millions, except per share amounts)

Average Tangible common equity

	2Q26	2Q25	YTD '26	YTD '25
Average Total stockholders' equity	\$ 3,433	\$ 3,183	\$ 3,447	\$ 3,214
Less: average Preferred stock	(143)	—	(108)	—
Less: average Goodwill and intangible assets, net	(706)	(735)	(709)	(739)
Average Tangible common equity	\$ 2,584	\$ 2,448	\$ 2,630	\$ 2,475

Tangible common equity (TCE)

Total stockholders' equity	\$ 3,365	\$ 3,166	\$ 3,365	\$ 3,166
Less: Preferred stock	(201)	—	(201)	—
Less: Goodwill and intangible assets, net	(701)	(731)	(701)	(731)
Tangible common equity (TCE)	\$ 2,463	\$ 2,435	\$ 2,463	\$ 2,435