

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):  
September 12, 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 7.01 Regulation FD Disclosure.**

An investor presentation that may be given to investors and others by senior officers of Bread Financial Holdings, Inc. (the "Company") is furnished as Exhibit 99.1 hereto and is posted on the Company's website at [www.breadfinancial.com](http://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

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

**Exhibit No.**      **Document Description**

[99.1](#)                  Investor Presentation Materials.

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

The information contained in this report (including Exhibit 99.1) 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: September 12, 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

Barclays Global Financial Services  
Conference

September 12, 2022





# bread financial™

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



# Milestone Events



# Our Business Transformation

Transforming our Company to deliver sustainable, profitable growth

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

## Guiding Business Principles

Strong corporate  
governance

Proactive risk management

Prudent balance sheet  
management

Disciplined expense  
management

Enhanced core capabilities

# Economic and Sales Update

- ✔ Consumer health remains strong
- ✔ Jobs remain plentiful and unemployment is low
- ✔ Continued sales growth with year-over-year mid- to high-single digit growth in 3Q22 followed by double digit growth in 4Q22
- ✔ Discretionary spend pressured by peak gas prices in early 3Q22, yet seeing correlated improvement in spend as gas prices decline
- ✔ Closely monitoring impact from inflation, rising interest rates, and changes in spending and savings
- ✔ Expect continued normalization of credit and payment metrics



# Business Development

Continued success with brand partner signings and renewals



# Differentiated Products & Brand Partnerships

Expanded product offering provides consumer choice across the total addressable market

Budget/Cash Flow ← → Rewards/Convenience



Product

## Graduation

from credit building products to a full suite of financial offerings

Product

## Optimization

presents the right product, to the right customer, at the right time

## Long history of brand partnership success

### Card Partner Loyalty

**>90%** Partner renewal rate  
**15 years** Average tenure

### Well Diversified

**~130** Card partner programs in multiple industry verticals

### U.S. Consumer Penetration

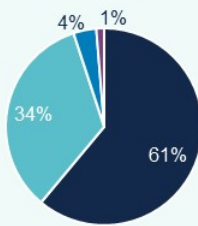
We've put a card in the wallets of **1 in 7** American adults, including 1 in 5 U.S. female adults

# Product Diversification

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

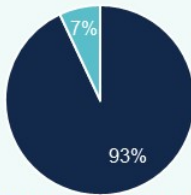
## End-of-Period Loan Balances

6/30/2022



■ Private Label ■ Co-Brand ■ Proprietary ■ Bread Pay

12/31/2009



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

## Private Label

(Closed Network)



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

## Co-Brand

(Open Network)



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

## Proprietary

(Open Network)



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

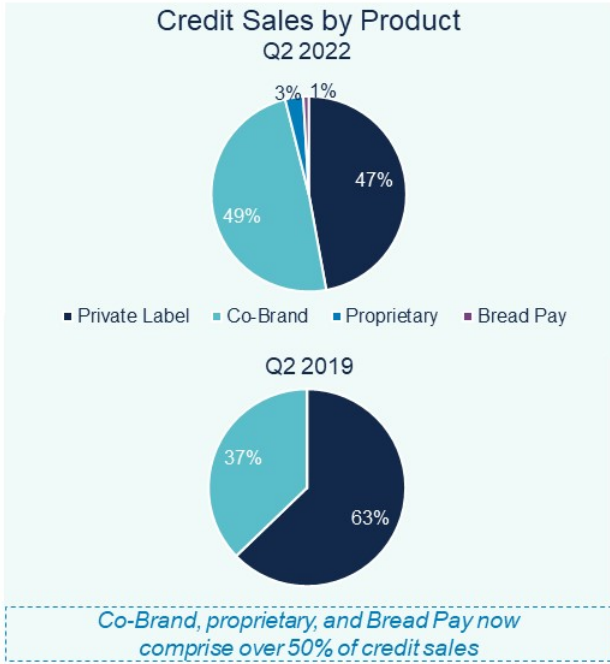
## Bread Pay



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

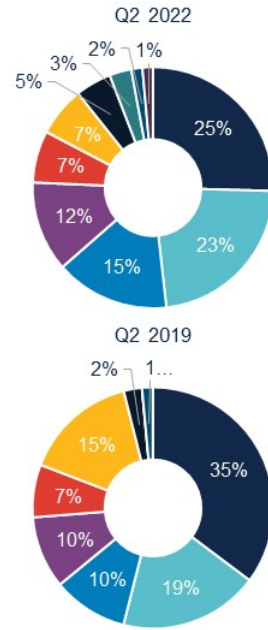
# Sales Diversification

Diversifying product and vertical sales to balance growth and expand addressable market



bread financial.

### Credit Sales by Vertical



- Specialty Apparel
- General Retail
- Health & Beauty
- Travel and Entertainment
- Jewelry
- Home
- Sporting Goods
- Prop Card
- Other
- Bread Pay

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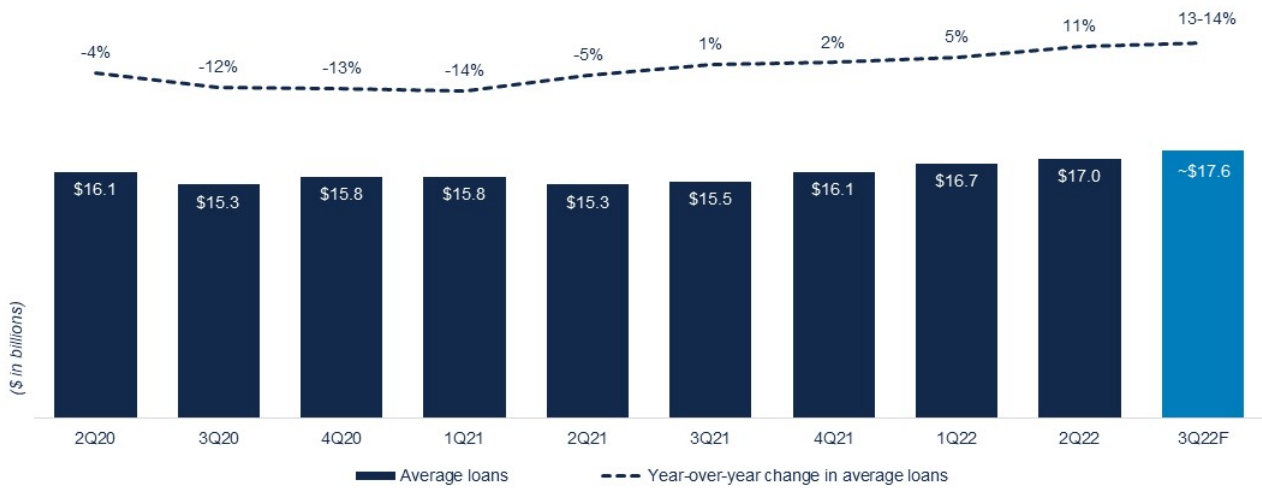
# Bread Cashback American Express Card

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



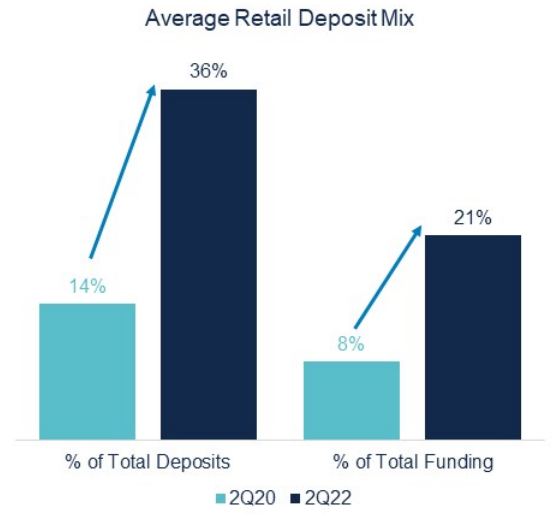
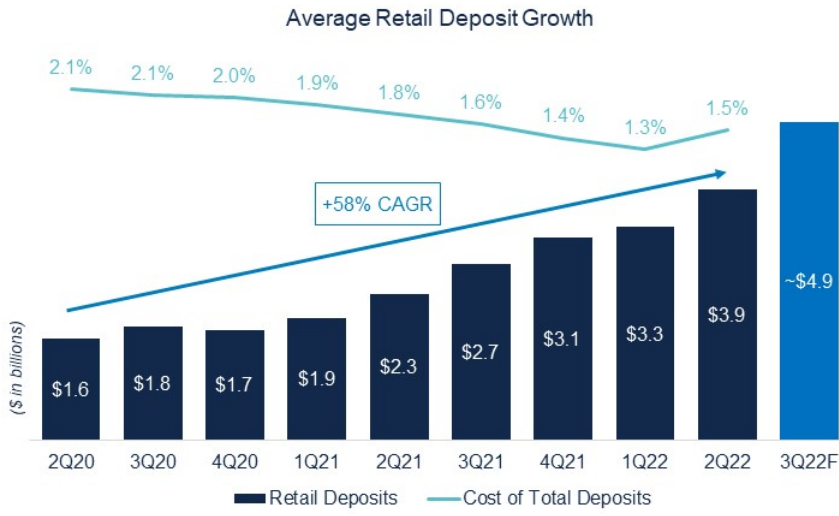
# Average Loans

Average loan growth continues to inflect higher



# Average Retail Deposits

Strong retail deposit growth supports loan growth and improves funding mix



# Pretax Pre-Provision Earnings<sup>(1)</sup>

Continued strong PPNR growth



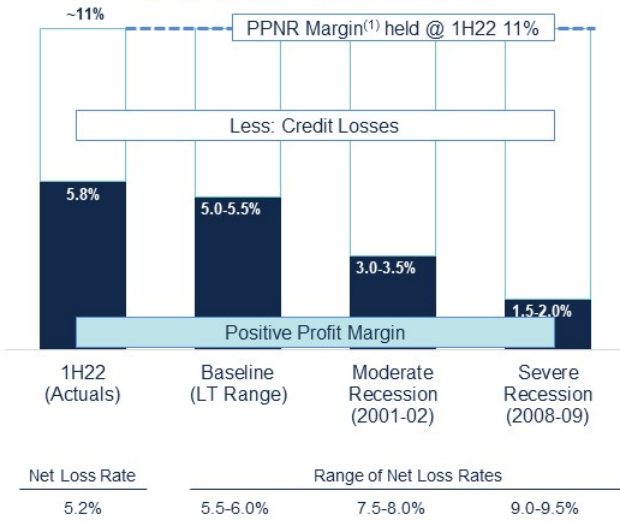
(1) Pretax Pre-Provision Earnings (PPNR) is a non-GAAP financial measure. See the "Non-GAAP Financial Measures" section below and the reconciliation included in the Appendix to this presentation.



# Strengthened Financial Resilience

Strong PPNR margin and strengthened balance sheet provide improved financial resilience

## Positive Profit Margin Maintained in Stressed Scenarios



Expect to outperform historic loss levels due to enhanced credit risk management

In addition to strong profit margins, **strengthened balance sheet ratios and credit mix** provide more layers and confidence of resilience.

- Loan Loss reserve materially higher.** Rate of **11.2%**, up **520 bps** from year-end 2019 and prior pre-recession periods.
- Capital ratios significantly improved.** TCE/TA ratio at **7.5%**; was negative during various prior periods and up 300 bps from spin.
- Credit mix shifting to higher quality.** Risk score mix with >660 at **61%**, above the 52% pre-pandemic level.

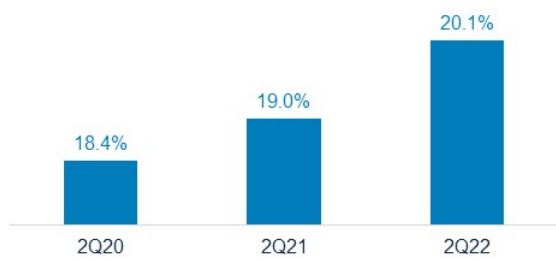
### Enhanced Credit Risk Management

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

# Capital and Debt

Building capital and loss absorption capacity; reducing parent level debt

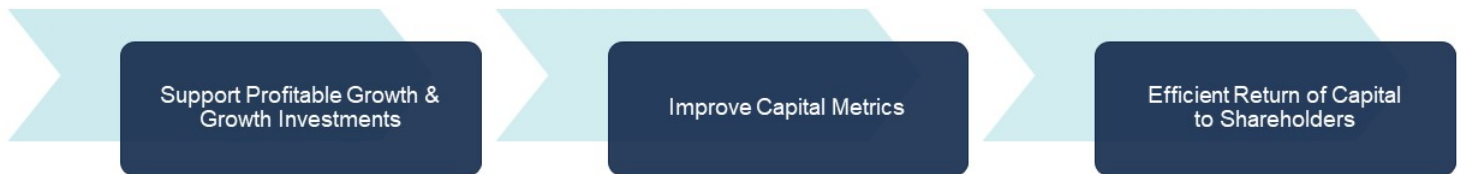
Tangible Equity + Credit Reserve Ratio<sup>(1)</sup>



Parent Level Debt Outstanding



## Capital Priorities



(1) The "Tangible Equity + Credit Reserve Ratio" is calculated as the sum of Tangible Common Equity and Allowance for Credit Losses divided by end of period loans. This is a non-GAAP financial measure. See the "Non-GAAP Financial Measures" section below and the reconciliation included in the Appendix to this presentation.

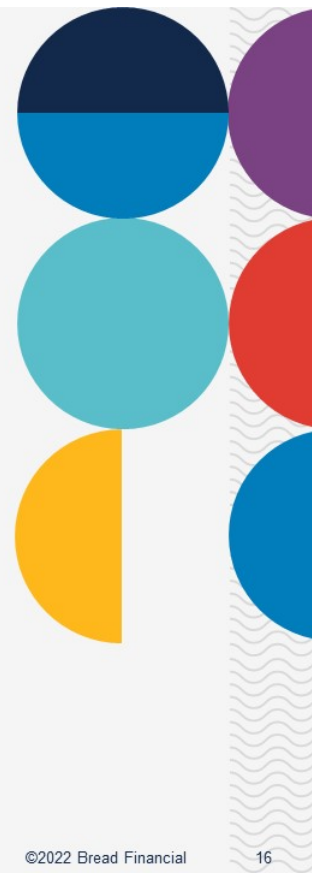
# Financial Update

## Mid-Quarter 3Q22 Update

- ✔ Loan growth continues to inflect higher with 13-14% year-over-year average balance growth
- ✔ Expenses to increase sequentially with 3Q22 up approximately \$40 million from 2Q22
- ✔ Credit metrics continue to normalize
- ✔ Effective tax rate of approximately 30-32% in the third quarter (full year unchanged at 25-26%)

## Full Year 2022 Update

- ✔ With inclusion of AAA portfolio, year end loans projected to be between \$21 and \$22 billion
- ✔ Reserve rate expected to remain at elevated levels until economic uncertainty abates
- ✔ Full year outlook remains unchanged



# 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, 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 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

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. *Tangible Equity + Credit Reserve Ratio* is calculated as the sum of Tangible Common Equity and Allowance for Credit Losses divided by end of period loans. We use Tangible Equity + Credit Reserve Ratio to evaluate our loss absorption capacity. 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.

# 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](#).



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# Appendix



# Reconciliation of GAAP to Non-GAAP Financial Measures

(\$ in millions)

	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	YTD '21	YTD '22
<b>Pretax pre-provision earnings (PPNR)</b>											
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
<b>Pretax pre-provision earnings (PPNR)</b>	<b>\$278</b>	<b>\$369</b>	<b>\$282</b>	<b>\$400</b>	<b>\$340</b>	<b>\$420</b>	<b>\$428</b>	<b>\$495</b>	<b>\$420</b>	<b>\$740</b>	<b>\$917</b>
Less: Gain on portfolio sales	—	—	—	—	—	(10)	—	—	—	—	—
PPNR less gain on portfolio sales	\$278	\$369	\$282	\$400	\$340	\$410	\$428	\$495	\$420	\$740	\$917
<b>Tangible common equity (TCE)</b>											
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)
<b>Tangible common equity (TCE)</b>	<b>\$810</b>	<b>\$987</b>	<b>\$812</b>	<b>\$1,060</b>	<b>\$1,349</b>	<b>\$1,552</b>	<b>\$1,400</b>	<b>\$1,586</b>	<b>\$1,581</b>	<b>\$1,349</b>	<b>\$1,581</b>
<b>Tangible assets (TA)</b>											
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)
<b>Tangible assets (TA)</b>	<b>\$22,522</b>	<b>\$20,777</b>	<b>\$21,837</b>	<b>\$20,459</b>	<b>\$21,113</b>	<b>\$21,563</b>	<b>\$21,060</b>	<b>\$20,256</b>	<b>\$21,117</b>	<b>\$21,113</b>	<b>\$21,117</b>
<b>Tangible equity + credit reserve ratio</b>											
Tangible common equity (TCE)	\$810	\$987	\$812	\$1,060	\$1,349	\$1,552	\$1,400	\$1,586	\$1,581	\$1,349	\$1,581
Plus: Allowance for credit losses	2,096	2,081	2,008	1,843	1,635	1,645	1,832	1,826	1,992	1,635	1,992
Divided by: EOP* 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
<b>Tangible equity + credit reserve ratio</b>	<b>18.4%</b>	<b>19.7%</b>	<b>16.8%</b>	<b>18.7%</b>	<b>19.0%</b>	<b>20.4%</b>	<b>18.6%</b>	<b>20.3%</b>	<b>20.1%</b>	<b>19.0%</b>	<b>20.1%</b>

\* EOP represents end-of-period.