UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2024

or

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

Commission file number 001-15749

BREAD FINANCIAL HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**31-1429215**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
3095 Loyalty Circle Columbus, Ohio	**43219**
(Address of principal executive offices)	**(Zip Code)**

(614) 729-4000
(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	BFH	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ 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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of April 26, 2024, 49,584,370 shares of common stock were outstanding.

BREAD FINANCIAL HOLDINGS, INC.

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PART 1: FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A).

The following discussion and analysis of our results of operations and financial condition should be read in conjunction with the unaudited Consolidated Financial Statements and related notes thereto presented in this quarterly report and the audited Consolidated Financial Statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission (the SEC) on February 20, 2024 (the 2023 Form 10-K). Some of the information contained in this discussion and analysis constitutes forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed in these forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements" included elsewhere in this report. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and those identified in our other filings with the SEC, including in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of our 2023 Form 10-K and this Quarterly Report on Form 10-Q.

OVERVIEW

We are a tech-forward financial services company that provides simple, personalized payment, lending and saving solutions. We create opportunities for our 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, we deliver growth for our partners through a comprehensive product suite, including private label and co-brand credit cards and buy now, pay later (BNPL) products such as installment loans and our "split-pay" offerings. We also offer direct-to-consumer solutions that give customers more access, choice and freedom through our branded Bread Cashback™ American Express® Credit Card and Bread Savings™ products.

Our partner base consists of large consumer-based businesses, including well-known brands such as (alphabetically) AAA, Academy Sports + Outdoors, Caesars, Dell Technologies, the NFL, Signet, Ulta and Victoria's Secret, as well as small- and medium-sized businesses (SMBs). Our partner base is well diversified across a broad range of industries, including travel and entertainment, health and beauty, jewelry, sporting goods, home goods, technology and electronics and the industry in which we first began, specialty apparel. We believe our comprehensive suite of payment, lending and saving solutions, along with our related marketing and data and analytics, offers us a significant competitive advantage with products relevant across all customer segments (Gen Z, Millennial, Gen X and Baby Boomers). The breadth and quality of our product and service offerings have enabled us to establish and maintain long-standing partner relationships. We operate our business through a single reportable segment, with our primary source of revenue being from Interest and fees on loans from our various credit card and other loan products, and to a lesser extent from contractual relationships with our brand partners.

Throughout this report, unless stated or the context implies otherwise, the terms "Bread Financial", "BFH", the "Company", "we", "our" or "us" refer to Bread Financial Holdings, Inc. and its subsidiaries on a consolidated basis. References to "Parent Company" refer to Bread Financial Holdings, Inc. on a parent-only standalone basis. In addition, in this report we may refer to the retailers and other companies with whom we do business as our "partners", "brand partners", or "clients", provided that the use of the term "partner", "partnering" or any similar term does not mean or imply a formal legal partnership, and is not meant in any way to alter the terms of Bread Financial's relationship with any third parties. We offer our credit products through our insured depository institution subsidiaries, Comenity Bank and Comenity Capital Bank, which together are referred to herein as the "Banks".

NON-GAAP FINANCIAL MEASURES

We prepare our audited Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America (GAAP). However, certain information included herein constitutes non-GAAP financial measures. Our calculations of non-GAAP financial measures may differ from the calculations of similarly titled measures by other companies. In particular, *Pretax pre-provision earnings* (PPNR) is calculated by increasing/decreasing Income from continuing operations before income taxes by the net provision/release in Provision for credit losses. *PPNR less gain on portfolio sales* then decreases PPNR by the gain on any portfolio sales in the period. We use PPNR and PPNR less gain on portfolio sales as metrics to evaluate our results of operations before income taxes, excluding the volatility that can occur within Provision for credit losses and the one-time nature of a gain on the sale of a portfolio. *Tangible common equity over Tangible assets* (TCE/TA) represents Total stockholders' equity reduced by Goodwill and intangible assets, net, (TCE) divided by Tangible assets (TA), which is Total assets reduced by Goodwill and intangible assets, net. We use TCE/TA as a metric to evaluate the Company's capital adequacy and estimate its ability to cover potential losses. *Tangible book value per common share* represents TCE divided by shares outstanding. We use Tangible book value per common share as a metric to estimate the Company's potential value. 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 "Table 6: Reconciliation of GAAP to Non-GAAP Financial Measures" that follows.

BUSINESS ENVIRONMENT

This Business Environment section provides an overview of our results of operations and financial position for the first quarter of 2024, as well as our related outlook for the remainder of 2024 and certain of the uncertainties associated with achieving that outlook. This section should be read in conjunction with the other information included or incorporated by reference in this Form 10-Q, including "Consolidated Results of Operations", "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" herein, and in our 2023 Form 10-K, which provide further discussion of variances in our results of operations over the periods of comparison, along with other factors that could impact future results and the Company achieving its outlook. Unless otherwise specified, the discussion included herein is for the three months ended March 31, 2024, compared with the same period in the prior year.

Credit sales of $6.0 billion were down 18% year-over-year and Average credit card and other loans of $18.5 billion decreased 4%, both driven primarily by the sale of the BJ's Wholesale Club (BJ's) portfolio in late February 2023, as well as proactive and responsible tightening of our underwriting and credit line management given ongoing consumer payment pressures and moderating consumer spending, partially offset by new brand partner growth. End-of-period credit card and other loans of $18.2 billion was essentially flat when compared with March 31, 2023. Total interest income was down 3% from the first quarter of 2023, as a result of a decrease in late fee revenue driven by lower early-stage delinquency volumes as well as higher reversals of interest and fees resulting from higher gross credit losses. Net interest margin for the first quarter of 2024 was 18.7%, relative to 19.0% for the first quarter of 2023. Non-interest income decreased $233 million, primarily driven by the $230 million gain on the sale of the BJ's portfolio, and a decrease in the current year in merchant discount fees as a result of moderating promotional plan sales. Overall, Total net interest and non-interest income for the quarter was $1.0 billion, down 23% versus the first quarter of 2023.

Provision for credit losses increased for the quarter ended March 31, 2024, relative to the first quarter of 2023, driven by a $73 million reserve release in the current period compared with a $235 million reserve release in the prior year period, with the release in the prior year period primarily related to the sale of the BJ's portfolio. The reserve releases in both years were offset by net principal losses of $394 million and $342 million for the three months ended March 31, 2024 and 2023, respectively.

Our Allowance for credit losses decreased as of March 31, 2024, relative to December 31, 2023, due primarily to lower Credit card and other loans balances, because seasonally higher transactor balances from the fourth quarter were paid down in the first quarter; lower delinquencies also contributed. We do continue to maintain an elevated reserve rate, 12.4% as of March 31, 2024, due to changes in the portfolio mix, the compounding effect of persistent inflation relative to wage growth, the increased cost of consumer debt, the possibility of higher unemployment levels and the potential impacts from the resumption of student loan repayments. We intend to maintain a conservative weighting of economic scenarios in our credit reserve modeling until we see sustained improvement in delinquencies and an improved macroeconomic outlook. From an overall credit quality perspective, our percentage of Vantage 660+ cardholders remains above pre-pandemic levels due to prudent credit tightening and a more diversified product mix, with co-brand and proprietary cards representing a larger portion of our portfolio. However, despite the credit tightening actions we have taken, certain of our cardholders who were previously higher risk but still high credit quality have migrated down to lower Vantage score categories under current macroeconomic conditions.

Total non-interest expenses of $482 million decreased 12% from the first quarter of 2023. The year-over-year decrease was primarily driven by a decrease in Card and processing expenses, including fraud. Marketing expenses were also lower, driven by decreased spending associated with brand partner and BFH joint marketing campaigns, and Depreciation and amortization decreased due to lower amortization of developed technology. We also had lower Employee compensation and benefits expenses due to a reduction in demand-based outsourced and contract labor, and decreased headcount.

We continued strengthening our balance sheet during the first quarter of 2024, including opportunistically extending our senior debt maturities and reducing parent-level debt by $100 million. Additionally, we improved our capital ratios, including our TCE/TA ratio and our Common equity tier 1 capital ratio, which were 10.6% and 12.6%, respectively, as of March 31, 2024. See "Non-GAAP Financial Measures" and **Table 6: Reconciliation of GAAP to Non-GAAP Financial Measures** included in this report. As of March 31, 2024, direct-to-consumer (DTC or retail) deposits grew to approximately $7.0 billion which comprised 36% of our average funding mix, further diversifying our funding base.

Our 2024 financial outlook now factors in the potential impacts of the Consumer Financial Protection Bureau's (CFPB) late fee rule based on a May 14, 2024 effective date, acknowledging uncertainty surrounding the timing and outcome of the ongoing litigation relating to the rule, which is described below in the "Risk Factors" section. Our outlook reflects slower Credit sales growth as a result of ongoing strategic credit tightening and continued moderation in consumer spending, both of which consequently will impact growth in Credit card and other loans and Net interest and non-interest income, as well as the Net loss rate. In addition, our 2024 outlook assumes multiple interest rate decreases by the Federal Reserve Board in the second half of the year, which will impact Total net interest income.

Based on our current economic outlook, the CFPB late fee rule impacts, ongoing strategic credit tightening actions, higher gross credit losses, and visibility into our new business pipeline, we expect 2024 Average credit card and other loans to be down low-single digits on a percentage point basis relative to 2023. Total net interest and non-interest income, excluding the gains on portfolio sales during the years of comparison, is anticipated to be down in the mid- to high-teen range on a percentage point basis from 2023, as a result of the CFPB late fee rule impacts, net of mitigation actions, as well as lower Average credit card and other loans and Net interest margin. Our full year Net interest margin is expected to be lower than 2023 reflecting higher reversals of interest and fees due to expected higher gross credit losses, declining interest rates, and a continued shift in product mix to co-brand and proprietary products. (Absent the CFPB late fee rule - i.e., assuming the rule were to not go into effect this year due to it being vacated, enjoined or otherwise - we expect full year Total net interest and non-interest income, excluding the gains on portfolio sales, to be down around mid-single digits on a percentage point basis relative to 2023, driven by many of the same factors described above.) Assuming a May 14, 2024 effective date, the late fee rule, when considered in isolation, is also expected to reduce fourth quarter 2024 Total net interest and non-interest income in the mid-teen range on a percentage point basis relative to the fourth quarter of 2023, net of mitigation actions.

As a result of efficiencies gained from our ongoing investments in technology modernization and digital advancement, along with disciplined expense management, we expect Total non-interest expense to be down low- to mid-single digits on a percentage point basis relative to 2023, inclusive of additional CFPB late fee rule-related expenses.

Our 2024 financial outlook assumes a full year Net loss rate in the low 8% range, remaining unchanged from our previous guidance. We expect the Net loss rate to peak in the second quarter at around 9% as inflation continues to pressure consumers' ability to pay and moderates their spend. Our outlook is inclusive of our ongoing credit tightening actions and expected slower Credit card and other loan growth impacting the Net loss rate. We are projecting a lower Net loss rate in the second half of 2024 versus the first half as a result of the strategic credit tightening actions we have taken and an assumed gradual modest improvement in the economic conditions throughout the year.

In our 2024 financial outlook we also expect our full year normalized effective tax rate to be in the range of 27% to 30%, assuming the CFPB late fee rule becomes effective May 14, 2024, with quarter-over-quarter variability due to the timing of certain discrete items.

However, given the ongoing litigation against the CFPB related to its late fee rule, and the inherent uncertainties around the timing and implementation of the rule, we have also contemplated an additional financial outlook which includes the granting of a temporary injunction and assumes a hypothetical effective date for the rule of October 1, 2024. Under that scenario, our updated estimate is that the rule would reduce fourth quarter 2024 Total net interest and non-interest income by approximately 20%, on an isolated basis, relative to the fourth quarter of 2023 and net of mitigation actions. This figure represents an improvement from the estimated 25% impact we previously disclosed in our 2023 Form 10-K "Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) — Business Environment" and now incorporates specifics from the final rule and highlights the continued progress we have made since the final rule was released. The difference between the reduction in fourth quarter 2024 Total net interest and non-interest income of approximately 20% (in the scenario assuming an October 1, 2024 effective date), versus a reduction in the mid-teen range (in the scenario assuming a May 14, 2024 effective date), is primarily due to lower billed late fee amounts being reversed at the time of write-off. As a result of discussions with our brand partners regarding customer pricing actions and clarity on the timing of implementation, we have higher levels of confidence in the success of our mitigation actions.

We continue to expect the financial impact of the late fee rule will lessen over time as our full spectrum of mitigation actions, including various pricing changes ranging from increased annual percentage rates, to statement fees, are phased-in and mature. As we adapt and evolve our products, our mitigating actions are focused on preserving program profitability and returns over the long-term, and ensuring the safety and soundness of the Banks throughout all periods. We cannot guarantee, however, the extent to which these strategies will ultimately be successful, either in the short or the long term, and, if not fully successful, the adverse impact on our Total net interest and non-interest income could be greater than our current estimates. For additional discussion of the CFPB's final rule and related risks and uncertainties, please refer to Part II, Item 1A, "Risk Factors—*The CFPB recently issued a final rule regarding credit card late fees, which represents a significant departure from the rules that are currently in effect. Absent a successful legal challenge, we expect the rule will have a significant adverse impact on our business, results of operations and financial condition for at least the short term and, depending on the effectiveness of our actions taken in response to the rule, potentially over the long term.*"

Although we recognize the more challenging macroeconomic and regulatory landscape, we remain focused on generating strong returns through prudent capital and risk management, reflecting our unwavering commitment to drive sustainable, profitable growth and build long-term value for our stakeholders. We remain confident in our ability to deliver on our 2024 full year financial outlook and build on this success for the future.

CONSOLIDATED RESULTS OF OPERATIONS

The following discussion provides commentary on the variances in our results of operations for the three months ended March 31, 2024, compared with the same period in the prior year, as presented in the accompanying tables. This discussion should be read in conjunction with the discussion under "Business Environment" above.

Table 1: Summary of Our Financial Performance

	Three Months Ended March 31,			
(Millions, except per share amounts and percentages)	**2024**	**2023**	**$ Change**	**% Change**
Total net interest and non-interest income	$ 991	$ 1,289	(298)	(23)
Provision for credit losses	321	107	214	nm
Total non-interest expenses	482	544	(62)	(12)
Income from continuing operations before income taxes	188	638	(450)	(70)
Provision for income taxes	53	183	(130)	(71)
Income from continuing operations	135	455	(320)	(70)
(Loss) income from discontinued operations, net of income taxes [1]	(1)	—	(1)	nm
Net income	134	455	(321)	(71)
Net income per diluted share	$ 2.70	$ 9.08	(6.38)	(70)
Income from continuing operations per diluted share	$ 2.73	$ 9.08	(6.35)	(70)
Net interest margin [2]	18.7 %	19.0 %		(0.3)
Return on average equity [3]	17.5 %	73.0 %		(55.5)
Effective income tax rate - continuing operations	28.1 %	28.7 %		(0.6)

[1] Includes amounts that related to the previously disclosed discontinued operations associated with the spinoff of our former LoyaltyOne segment in 2021 and the sale of our former Epsilon segment in 2019. For additional information refer to Note 1, "Description of Business, Basis of Presentation and Summary of Significant Accounting Policies" to the unaudited Consolidated Financial Statements.

[2] Net interest margin represents annualized Net interest income divided by average Total interest-earning assets. See also **Table 5: Net Interest Margin.**

[3] Return on average equity represents annualized Income from continuing operations divided by average Total stockholders' equity.

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

Table 2: Summary of Total Net Interest and Non-interest Income, After Provision for Credit Losses

(Millions, except percentages)	Three Months Ended March 31, 2024	2023	$ Change	% Change
Interest income				
Interest and fees on loans	$ 1,247	$ 1,289	(42)	(3)
Interest on cash and investment securities	53	46	7	15
Total interest income	1,300	1,335	(35)	(3)
Interest expense				
Interest on deposits	155	117	38	33
Interest on borrowings	93	101	(8)	(9)
Total interest expense	248	218	30	14
Net interest income	1,052	1,117	(65)	(6)
Non-interest income				
Interchange revenue, net of retailer share arrangements	(92)	(87)	(5)	6
Gain on portfolio sale	—	230	(230)	nm
Other	31	29	2	8
Total non-interest income	(61)	172	(233)	nm
Total net interest and non-interest income	991	1,289	(298)	(23)
Provision for credit losses	321	107	214	nm
Total net interest and non-interest income, after provision for credit losses	$ 670	$ 1,182	(512)	(43)

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

Total Net Interest and Non-interest Income, After Provision for Credit Losses

Interest income: Total interest income decreased for the three months ended March 31, 2024, primarily resulting from Interest and fees on loans. The decrease, relative to the prior year, was due to a decrease in late fees driven by lower early-stage delinquency volumes and higher reversals of interest and fees resulting from higher gross credit losses, partially offset by an increase in finance charge yields of approximately 48 basis points, driven by an increase in the prime rate.

Interest expense: Total interest expense increased for the three months ended March 31, 2024, due to the following:

- *Interest on deposits* increased due to higher average interest rates which increased interest expense by $37 million, as well as higher average balances which increased interest expense by $1 million.
- *Interest on borrowings* decreased due to lower average borrowings which decreased funding costs by $25 million, partially offset by higher average interest rates which increased funding costs $17 million.

Non-interest income: Total non-interest income decreased for the three months ended March 31, 2024, due to the following:

- *Interchange revenue, net of retailer share arrangements*, typically a contra-revenue item for us, increased for the three month period driven by a decrease in merchant discount fees and interchange revenue earned, partially offset by a reduction in costs associated with brand partner retailer share arrangements.
- *Gain on portfolio sale* reflects the gain we recognized from the sale of the BJ's portfolio in late February 2023.

Provision for credit losses increased for the three months ended March 31, 2024, driven by a $73 million reserve release in the current period compared with a $235 million reserve release in the prior year period, with the release in the prior year period primarily related to the sale of the BJ's portfolio. The reserve releases in both years were offset by net principal losses of $394 million and $342 million for the three months ended March 31, 2024 and 2023, respectively. We continue to maintain an elevated reserve rate, 12.4% as of March 31, 2024, due to changes in the portfolio mix, the compounding effect of persistent inflation relative to wage growth, the increased cost of consumer debt, the possibility of higher unemployment levels and the potential impacts from the resumption of student loan repayments.

Table 3: Summary of Total Non-interest Expenses

	Three Months Ended March 31,			
(Millions, except percentages)	**2024**	**2023**	**$ Change**	**% Change**
Non-interest expenses				
Employee compensation and benefits	$ 213	$ 220	(7)	(3)
Card and processing expenses	86	120	(34)	(28)
Information processing and communication	74	75	(1)	—
Marketing expenses	28	39	(11)	(28)
Depreciation and amortization	23	34	(11)	(34)
Other	58	56	2	—
Total non-interest expenses	$ 482	$ 544	(62)	(12)

Total Non-interest Expenses

Non-interest expenses: Total non-interest expenses decreased for the three months ended March 31, 2024, due to the following:

- *Employee compensation and benefits* decreased due to a reduction in demand-based outsourced and contract labor, and decreased headcount, which was driven by a decrease in collections and customer care staffing; partially offset by higher long-term incentive compensation.
- *Card and processing expenses* decreased due primarily to lower fraud losses, as well as reduced volume-related card and statement costs.
- *Marketing expenses* decreased due primarily to decreased spending associated with brand partner and BFH joint marketing campaigns, and reduced spending associated with DTC offerings.
- *Depreciation and amortization* decreased due to lower amortization for developed technology associated with an acquisition completed in late 2020.

Income Taxes

The Provision for income taxes decreased for the three months ended March 31, 2024, compared with the three months ended March 31, 2023, primarily driven by a decrease in Income from continuing operations before income taxes in the current year relative to the prior year period, which was higher due to the gain on the sale of the BJ's portfolio. The effective tax rate was 28.1% and 28.7% for the same three-month periods, respectively. The decrease in the effective tax rate primarily related to discrete benefits in the current year period.

Discontinued Operations

The (Loss) income from discontinued operations, net of income taxes includes amounts that relate to the previously disclosed discontinued operations associated with the spinoff of our former LoyaltyOne segment in 2021 and the sale of our former Epsilon segment in 2019, and primarily relate to contractual indemnification and tax-related matters. For additional information refer to Note 22, “Discontinued Operations and Bank Holding Company Financial Presentation” to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2021.

Table 4: Summary Financial Highlights – Continuing Operations

	As of or for the three months ended March 31,		
(Millions, except per share amounts and percentages)	2024	2023	% Change
Credit sales	$ 6,030	$ 7,373	(18)
PPNR [1]	509	745	(32)
Average credit card and other loans	18,546	19,405	(4)
End-of-period credit card and other loans	18,185	18,060	1
End-of-period direct-to-consumer (retail) deposits	6,984	5,630	24
Return on average assets [2]	2.4 %	7.7 %	(5.3)
Return on average equity [3]	17.5 %	73.0 %	(55.5)
Return on average tangible common equity [4]	23.1 %	107.0 %	(83.9)
Net interest margin [5]	18.7 %	19.0 %	(0.3)
Loan yield [6]	27.0 %	26.6 %	0.4
Efficiency ratio [7]	48.6 %	42.2 %	6.4
Double leverage ratio [8]	118.0 %	158.6 %	(40.6)
Common equity tier 1 capital ratio [9]	12.6 %	11.8 %	0.8
Total risk-weighted assets [10]	$ 19,344	$ 18,893	2
Tangible common equity / tangible assets ratio (TCE/TA) [11]	10.6 %	9.1 %	1.5
Tangible book value per common share [12]	$ 45.96	$ 38.44	20
Payment rate [13]	14.8 %	15.6 %	(0.8)
Delinquency rate [14]	6.2 %	5.7 %	0.5
Net loss rate [14]	8.5 %	7.0 %	1.5
Reserve rate [15]	12.4 %	12.3 %	0.1

Note: 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.

(1) PPNR is calculated by increasing/decreasing Income from continuing operations before income taxes by the net provision/release in Provision for credit losses. PPNR is a non-GAAP financial measure. See “Non-GAAP Financial Measures” and **Table 6: Reconciliation of GAAP to Non-GAAP Financial Measures**.

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

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

(4) Return on average tangible common equity represents annualized Income from continuing operations divided by average Tangible common equity, which itself is defined below.

(5) Net interest margin represents annualized Net interest income divided by average Total interest-earning assets. See also **Table 5: Net Interest Margin**.

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

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

(8) Double leverage ratio represents Parent Company investment in subsidiaries divided by BFH consolidated equity.

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

(10) Total risk-weighted assets are generally measured by allocating assets, and specified off-balance sheet exposures, to various risk categories as defined by the Basel III standardized approach.

(11) 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. See “Non-GAAP Financial Measures” and **Table 6: Reconciliation of GAAP to Non-GAAP Financial Measures**.

(12) Tangible book value per common share represents TCE divided by shares outstanding and is a non-GAAP financial measure. See "Non-GAAP Financial Measures" and **Table 6: Reconciliation of GAAP to Non-GAAP Financial Measures**.

(13) Payment rate represents consumer payments during the last month of the period, divided by the beginning-of-month Credit card and other loans, including held for sale in applicable periods.

(14) Delinquency rate represents outstanding balances that are contractually delinquent (i.e., balances greater than 30 days past due) as of the end of the period, divided by the outstanding principal amount of Credit cards and other loans as of the same period-end. Net loss rate, an annualized rate, represents net principal losses for the period divided by the Average credit card and other loans for the same period. Delinquency rate and Net loss rate as of or for the three months ended March 31, 2023 were impacted by the transition of our credit card processing services in June 2022.

(15) Reserve rate represents the Allowance for credit losses divided by End-of-period credit card and other loans.

Table 5: Net Interest Margin

	Three Months Ended March 31, 2024			Three Months Ended March 31, 2023		
(Millions, except percentages)	**Average Balance [1]**	**Interest Income / Expense**	**Average Yield / Rate**	**Average Balance [1]**	**Interest Income / Expense**	**Average Yield / Rate**
Cash and investment securities	$ 4,135	$ 53	5.13 %	$ 4,087	$ 46	4.49 %
Credit card and other loans	18,546	1,247	27.05 %	19,405	1,289	26.57 %
Total interest-earning assets	22,681	1,300	23.05 %	23,492	1,335	22.73 %
Direct-to-consumer (retail) deposits	6,739	81	4.87 %	5,559	49	3.46 %
Wholesale deposits	6,771	74	4.37 %	7,866	68	3.48 %
Interest-bearing deposits	13,510	155	4.62 %	13,425	117	3.47 %
Secured borrowings	3,663	63	6.83 %	4,565	70	6.20 %
Unsecured borrowings	1,354	30	9.03 %	1,914	31	6.40 %
Interest-bearing borrowings	5,017	93	7.42 %	6,479	101	6.25 %
Total interest-bearing liabilities	18,527	248	5.38 %	19,904	218	4.38 %
Net interest income		$ 1,052			$ 1,117	
Net interest margin [2]		18.7 %			19.0 %	

(1) 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.

(2) Net interest margin represents annualized Net interest income divided by average Total interest-earning assets.

Table 6: Reconciliation of GAAP to Non-GAAP Financial Measures

(Millions, except percentages)	As of or for the three months ended March 31, 2024	2023	% Change
Pretax pre-provision earnings (PPNR)			
Income from continuing operations before income taxes	$ 188	$ 638	(70)
Provision for credit losses	321	107	nm
Pretax pre-provision earnings (PPNR)	$ 509	$ 745	(32)
Less: Gain on portfolio sale	$ —	$ (230)	nm
Pretax pre-provision earnings less gain on portfolio sale	$ 509	$ 515	(1)
Tangible common equity (TCE)			
Total stockholders' equity	3,032	2,716	12
Less: Goodwill and intangible assets, net	(753)	(790)	(5)
Tangible common equity (TCE)	$ 2,279	$ 1,926	18
Tangible assets (TA)			
Total assets	22,299	21,970	1
Less: Goodwill and intangible assets, net	(753)	(790)	(5)
Tangible assets (TA)	$ 21,546	$ 21,180	2

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

ASSET QUALITY

Given the nature of our business, the credit quality of our assets, in particular our Credit card and other loans, is a key determinant underlying our ongoing financial performance and overall financial condition. When it comes to our Credit card and other loans portfolio, we closely monitor Delinquency rates and Net principal loss rates, which reflect, among other factors, our underwriting, the inherent credit risk in our portfolio and the success of our collection and recovery efforts. These rates also reflect, more broadly, the general macroeconomic conditions, including the effects of persistent inflation and high interest rates. Our Delinquency and Net principal loss rates are also impacted by the size of our Credit card and other loans portfolio, which serves as the denominator in the calculation of these rates. Accordingly, changes in the size of our portfolio (whether due to credit tightening, acquisitions or dispositions of portfolios or otherwise) may cause movements in our Delinquency and Net principal loss rates that are not necessarily indicative of the underlying credit quality of the overall portfolio.

Delinquencies: An account is contractually delinquent if we do not receive the minimum payment due by the specified due date. Our policy is to continue to accrue interest and fee income on all accounts, except in limited circumstances, until the balance and all related interest and fees are paid or charged-off. After an account becomes 30 days past due, a proprietary collection scoring algorithm automatically scores the risk of the account becoming further delinquent; based upon the level of risk indicated, a collection strategy is deployed. If after exhausting all in-house collection efforts we are unable to collect on the account, we may engage collection agencies or outside attorneys to continue those efforts, or sell the charged-off balances.

The Delinquency rate is calculated by dividing outstanding principal balances that are contractually delinquent (i.e., balances greater than 30 days past due) as of the end of the period, by the outstanding principal amount of Credit cards and other loans as of the same period-end.

The following table presents the delinquency trends on our Credit card and other loans portfolio based on the principal balances outstanding as of the dates presented:

Table 7: Delinquency Trends on Credit Card and Other Loans

(Millions, except percentages)	March 31, 2024	% of Total	December 31, 2023	% of Total
Credit card and other loans outstanding ─ principal	$ 16,780	100.0 %	$ 17,906	100.0 %
Outstanding balances contractually delinquent				
31 to 60 days	$ 275	1.6 %	$ 346	1.9 %
61 to 90 days	224	1.3 %	250	1.4 %
91 or more days	549	3.3 %	567	3.2 %
Total	$ 1,048	6.2 %	$ 1,163	6.5 %

As part of our collections strategy, we may offer temporary, short term (six-months or less) forbearance programs in order to improve the likelihood of collections and meet the needs of our customers. Our modifications for customers who have requested assistance and meet certain qualifying requirements, come in the form of reduced or deferred payment requirements, interest rate reductions and late fee waivers. We do not offer programs involving the forgiveness of principal. These temporary loan modifications may assist in cases where we believe the customer will recover from the short-term hardship and resume scheduled payments. Under these forbearance programs, those accounts receiving relief may not advance to the next delinquency cycle, including charge-off, in the same time frame that would have occurred had the relief not been granted. We evaluate our forbearance programs to determine if they represent a more than insignificant delay in payment granted to borrowers experiencing financial difficulty, in which case they would then be considered a Loan Modification. For additional information, see Note 2 “Credit Card and Other Loans – Modified Credit Card Loans” to our unaudited Consolidated Financial Statements.

Net Principal Losses: Our net principal losses include the principal amount of losses that are deemed uncollectible, less recoveries, and exclude charged-off interest, fees and third-party fraud losses (including synthetic fraud). Charged-off interest and fees reduce Interest and fees on loans, while third-party fraud losses are recorded in Card and processing expenses. Credit card loans, including unpaid interest and fees, are generally charged-off in the month during which an account becomes 180 days past due. BNPL loans such as our installment loans and our “split-pay” offerings, including unpaid interest, are generally charged-off when a loan becomes 120 days past due. However, in the case of a customer bankruptcy or death, Credit card and other loans, including unpaid interest and fees, as applicable, are charged-off 60 days after receipt of the notification of the bankruptcy or death, but in any case no later than 180 days past due for credit card loans and 120 days past due for BNPL loans.

The net principal loss rate is calculated by dividing net principal losses for the period by the Average credit card and other loans for the same period. Beginning in January 2024, we revised the calculation of Average credit card and other loans to more closely align with industry practice by incorporating an average daily balance. Prior to 2024, Average credit card and other loans represent the average balance of the loans at the beginning and end of each month, averaged over the periods indicated. The following table presents our net principal losses for the periods presented:

Table 8: Net Principal Losses on Credit Card and Other Loans

	Three Months Ended March 31,	
(Millions, except percentages)	**2024**	**2023**
Average credit card and other loans	$ 18,546	$ 19,405
Net principal losses	394	342
Net principal losses as a percentage of average credit card and other loans [1]	8.5 %	7.0 %

[1] Net principal losses as a percentage of Average credit card and other loans for the three months ended March 31, 2023 were impacted by the transition of our credit card processing services in June 2022.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

Overview

We maintain a strong focus on liquidity and capital. Our funding, liquidity and capital policies are designed to ensure that our business has sufficient liquidity and capital resources necessary to support our daily operations, our business growth, and our credit ratings related to our Parent Company's senior unsecured notes and our public secured financings, and meet our regulatory and policy requirements, including capital and leverage ratio requirements applicable to Comenity Bank (CB) and Comenity Capital Bank (CCB) under Federal Deposit Insurance Corporation (FDIC) regulations, in a cost effective and prudent manner through both expected and unexpected market environments. We also monitor our Double Leverage Ratio, which reflects our Parent Company's investment in its subsidiaries relative to its consolidated equity, and is often used by regulators and other stakeholders as a measure of the use of debt by a parent entity to fund its subsidiaries.

Our primary sources of liquidity include cash generated from operating activities, our bank credit facility, issuances of senior unsecured or convertible debt securities by our Parent Company, financings through our securitization programs, and deposits with the Banks. More broadly, we continuously evaluate opportunities to renew and expand our various sources of liquidity. We aim to satisfy our financing needs with a diverse set of funding sources, and we seek to maintain diversity of funding sources by type of instrument, by tenor and by investor base, among other factors, which we believe will mitigate the impact of disruptions in any one type of instrument, tenor or investor.

Our primary uses of liquidity are for underwriting Credit card and other loans, scheduled payments of principal and interest on our debt, operational expenses, capital expenditures, including digital and product innovation and technology enhancements, stock repurchases and dividends.

We may from time to time retire or purchase our outstanding debt or convertible debt securities through cash purchases or exchanges for other securities, in open market purchases, tender offers, privately negotiated transactions or otherwise. Such repurchases or exchanges would depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors, and may be funded through the issuance of debt or convertible debt securities. The amounts involved may be material.

We will also need additional financing in the future to repay or refinance our existing debt at or prior to maturity, and to fund our growth, which may include issuance of additional debt, equity or convertible securities or engaging in other capital markets or financing transactions. Given the maturities of certain of our outstanding debt instruments and the macroeconomic outlook, it is possible that we will be required to repay, extend or refinance some or all of our maturing debt in volatile and/or unfavorable markets.

Because of the alternatives available to us, as discussed above, we believe our short-term and long-term sources of liquidity are adequate to fund not only our current operations, but also our near-term and long-term funding requirements including dividend payments, debt service obligations and repayment of debt maturities and other amounts that may ultimately be paid in connection with contingencies. However, the adequacy of our liquidity could be impacted by various factors, including pending or future legislation, regulation or litigation, macroeconomic conditions and volatility in the financial and capital markets, limiting our access to or increasing our cost of capital, which could make capital unavailable, or available but on terms that are unfavorable to us. These factors could significantly reduce our financial flexibility and cause us to contract or not grow our business, which could have a material adverse effect on our results of operations and financial condition.

We have a robust liquidity risk management framework in place which includes ongoing monitoring of our liquidity and funding positions against our risk appetite metrics and key risk indicators. During times where there may be potential risks from adverse developments in the banking industry and/or increased financial sector volatility, we may invoke our contingency funding plan to enhance daily monitoring of our liquidity and funding positions, determine potential mitigating actions if necessary and provide multiple daily updates to our Boards of Directors, at both the Bread Financial and Bank-levels, and regulators.

We maintain a significant majority of our liquidity portfolio on deposit within the Federal Reserve banking system, and we also have a small investment securities portfolio, classified as available-for-sale, which we hold in relation to the Community Reinvestment Act. We do not have any investment securities classified as held-to-maturity.

Credit Ratings

In November 2023, we obtained credit ratings for our Parent Company from the major credit rating agencies, Moody’s Investor Services (Moody’s), Standard & Poor’s (S&P) and Fitch Ratings (Fitch), in order to facilitate debt financings and broaden the investor base for our Parent Company debt securities.

Our management approach is designed, among other things, to maintain appropriate and stable Parent Company senior unsecured debt ratings from the credit rating agencies which help support our access to cost-effective unsecured funding as a component of our overall liquidity and capital resources.

The table below provides a summary of the credit ratings for the senior unsecured long-term debt of Bread Financial Holdings, Inc. as of March 31, 2024:

Bread Financial Holdings, Inc.	Moody’s	S&P	Fitch
Senior unsecured debt	Ba3	BB-	BB-
Outlook	Stable	Stable	Stable

We also seek to maintain appropriate and stable credit ratings for our credit card securitizations issued through World Financial Network Credit Card Master Note Trust (WFNMNT) from the rating agencies (DBRS, S&P and Fitch). The table below provides a summary of the structured finance credit ratings for certain of the asset-backed securities of WFNMNT as of March 31, 2024:

WFNMNT	DBRS	S&P	Fitch
Class A notes	AAA	AAA	AAA

Credit ratings are not a recommendation to buy or hold any securities and they may be revised or revoked at any time at the sole discretion of the rating agency. Downgrades in the ratings of our unsecured or secured debt could result in higher funding costs, as well as reductions in our borrowing capacity in the unsecured or secured debt markets. We believe our mix of funding, including the proportion of our DTC and wholesale deposits, to total funding, reduces the impact that a credit rating downgrade could have on our funding costs and capacity.

Funding Sources

As referenced above, our primary sources of liquidity include cash generated from operating activities, our bank credit facility, issuances of senior unsecured or convertible debt securities by our Parent Company, financings through our securitization programs, and deposits with the Banks.

Certain of our long-term debt agreements include various restrictive financial and non-financial covenants. If we do not comply with certain of these covenants and an event of default occurs and remains uncured, the maturity of amounts outstanding may be accelerated and become payable, and, with respect to our credit agreement, the associated commitments may be terminated. As of March 31, 2024, we were in compliance with all such covenants.

Credit Agreement

In June 2023, we entered into our credit agreement with Parent Company, as borrower, certain of our domestic subsidiaries, as guarantors, JPMorgan Chase Bank, N.A., as administrative agent and lender, and various other financial institutions, as lenders, which provides for a $700 million senior unsecured revolving credit facility (the Revolving Credit Facility). As of March 31, 2024, all $700 million remained available for future borrowings under the Revolving Credit Facility.

9.750% Senior Notes due 2029

In January 2024, we issued and sold an additional $300 million aggregate principal amount of 9.750% Senior Notes due 2029 (Senior Notes due 2029) at an issue price of 101.00% of principal plus accrued interest from December 22, 2023. The Senior Notes due 2029 issued in January 2024 were issued as additional notes under the same indenture pursuant to which the initial $600 million of Senior Notes due 2029 were issued on December 22, 2023. The Senior Notes due 2029 that were issued in both December 2023 and January 2024 constitute a single series of notes and have the same terms, other than the issue date and issue price. We used the proceeds of the January 2024 offering of Senior Notes due 2029, together with $100 million of cash on hand, to fund the redemption of $400 million in aggregate principal amount of our outstanding 7.000% Senior Notes due 2026.

Deposits

We utilize a variety of deposit products to finance our operating activities, including funding for our non-securitized credit card and other loans, and to fund the securitization enhancement requirements of the Banks. We offer DTC retail deposit products as well as deposits sourced through contractual arrangements with various financial counterparties (often referred to as wholesale deposits, and includes brokered deposits). Across both our retail and wholesale deposits, the Banks offer various non-maturity deposit products that are generally redeemable on demand by the customer, and as such have no scheduled maturity date. The Banks also issue certificates of deposit with scheduled maturity dates ranging between April 2024 and March 2029, in denominations of at least $1,000, on which interest is paid either monthly or at maturity.

The following table summarizes our retail and wholesale deposit products by type and associated attributes as of the dates presented:

Table 9: Deposits

(Millions, except percentages)	March 31, 2024	December 31, 2023
Deposits		
Direct-to-consumer (retail)	$ 6,984	$ 6,454
Wholesale	6,319	7,140
Total deposits	$ 13,303	$ 13,594
Non-maturity deposit products		
Non-maturity deposits	$ 6,654	$ 6,597
Interest rate range	0.70% - 5.64%	0.70% - 5.64%
Weighted-average interest rate	4.81 %	4.78 %
Certificates of deposit		
Certificates of deposit	$ 6,649	$ 6,997
Interest rate range	0.50% - 5.7%	0.50% - 5.7%
Weighted-average interest rate	4.52 %	4.50 %

As of March 31, 2024 and December 31, 2023, deposits that exceeded applicable FDIC insurance limits, which are generally $250,000 per depositor, per insured bank, per ownership category, were estimated to be $474 million (4% of Total deposits) and $509 million (4% of Total deposits), respectively. The measurement of estimated uninsured deposits aligns with regulatory guidelines.

Overall, we continue to improve our funding mix through actions taken to grow our DTC deposits and reduce our Parent Company unsecured borrowings, while maintaining the flexibility of secured, unsecured, and wholesale funding. Typical seasonality of credit card and other loan balance pay downs in the first quarter of each year, and efforts undertaken in the first quarter of 2024 to reduce our long-term unsecured debt, lowered our funding requirements by over $900 million from year-end 2023. As a result, we opportunistically reduced our wholesale and brokered deposits and paid down a portion of our secured conduit line balances, discussed further below.

Conduit Facilities and Securitization Programs

We sell the majority of the credit card loans originated by the Banks to certain of our master trusts (the Trusts). These securitization programs are a principal vehicle through which we finance the Banks' credit card loans. For this purpose, we use a combination of public term asset-backed notes and private conduit facilities (the Conduit Facilities) with a consortium of lenders, including domestic money center, regional and international banks. Borrowings under the Conduit Facilities are included in Debt issued by consolidated VIEs in the Consolidated Balance Sheets.

The table below summarizes our conduit capacities, borrowings and maturities for the periods presented:

Table 10: Conduit Borrowing Capacity and Maturities

(Millions)	December 31, 2023		Commitment	March 31, 2024		
Conduit Facilities	**Capacity**	**Drawn [6]**	**Increase**	**Capacity**	**Drawn [6]**	**Maturity Date**
Comenity Bank						
WFNMNT 2009-VFN [1]	$ 2,650	$ 2,015	$ —	$ 2,650	$ 1,990	October 2025
WFNMT 2009-VFC1 [2]	275	260	—	275	260	October 2024
Comenity Capital Bank						
WFCMNT 2009-VFN [3]	2,250	1,025	—	2,250	510	February 2025
CCAST 2023-VFN1 [4]	250	250	—	250	250	September 2025
CCAST 2024-VFN1 [5]	—	—	200	200	—	February 2025
Total	$ 5,425	$ 3,550	$ 200	$ 5,625	$ 3,010	

(1) 2009-VFN Conduit issued under World Financial Network Credit Card Master Note Trust (WFNMNT).
(2) 2009-VFC1 Conduit issued under World Financial Network Credit Card Master Trust III (WFNMT).
(3) 2009-VFN Conduit issued under World Financial Capital Master Note Trust (WFCMNT).
(4) 2023-VFN1 Conduit issued under Comenity Capital Asset Securitization Trust (CCAST).
(5) 2024-VFN1 Conduit issued under CCAST.
(6) Amounts drawn do not include $1.0 billion and $1.2 billion of debt issued by the Trusts as of March 31, 2024 and December 31, 2023, respectively, which were not sold, but were retained by us as a credit enhancement and therefore have been eliminated from the Total.

As of March 31, 2024, we had approximately $12.1 billion of securitized credit card loans. Securitizations require credit enhancements in the form of cash, spread deposits, additional loans and subordinated classes. The credit enhancement is principally based on the outstanding balances of the series issued by the Trusts and by the performance of the credit card loans in the Trusts.

Early amortization events as defined within each asset-backed securitization transaction are generally driven by asset performance. We do not believe it is reasonably likely that an early amortization event will occur due to asset performance. However, if an early amortization event were declared for a Trust, the trustee of the particular Trust would retain the interest in the loans along with the excess spread that would otherwise be paid to our Bank subsidiary until the investors were fully repaid. The occurrence of an early amortization event would significantly limit or negate our ability to securitize additional credit card loans.

We have secured and continue to secure the necessary commitments to fund our credit card and other loans. However, certain of these commitments are short-term in nature and subject to renewal. There is no guarantee that these funding sources, when they mature, will be renewed on similar terms, or at all, as they are dependent on the availability of the asset-backed securitization and deposit markets at the time.

Regulation RR (Credit Risk Retention) adopted by the FDIC, the SEC, the Federal Reserve Board and certain other federal regulators mandates a minimum five percent risk retention requirement for securitizations. Such risk retention requirements may limit our liquidity by restricting the amount of asset-backed securities we are able to issue or affecting the timing of future issuances of asset-backed securities. We satisfy such risk retention requirements by maintaining a seller’s interest calculated in accordance with Regulation RR.

Stock Repurchase Programs

On February 21, 2024, our Board of Directors approved a stock repurchase program to acquire up to $30 million in shares of our outstanding common stock in the open market during the period ending on December 31, 2024. The rationale for this repurchase program, and the amount thereof, was to offset the impact of dilution associated with issuances of employee restricted stock units, with the objective of reducing the Company’s weighted average diluted share count to approximately 50 million shares for 2024, subject to then current estimates and assumptions applicable as of the date of approval.

During the quarter ended March 31, 2024, under the authorized stock repurchase program, we acquired a total of 0.3 million shares of our common stock for $11 million. Following their repurchase, these 0.3 million shares ceased to be outstanding shares of common stock and are now treated as authorized but unissued shares of common stock.

As of March 31, 2024, we have $19 million remaining for future repurchases under the authorized stock repurchase program.

Dividends

During the three months ended March 31, 2024, we paid $11 million in dividends to holders of our common stock. On April 25, 2024, our Board of Directors declared a quarterly cash dividend of $0.21 per share on our common stock, payable on June 14, 2024, to stockholders of record at the close of business on May 10, 2024.

Contractual Obligations

In the normal course of business, we enter into various contractual obligations that may require future cash payments, the vast majority of which relate to deposits, debt issued by consolidated VIEs, long-term and other debt and operating leases.

We believe that we will have access to sufficient resources to meet these commitments.

Cash Flows

The table below summarizes our cash flow activity for the periods indicated, followed by a discussion of the variance drivers impacting our Operating, Investing and Financing activities for the periods presented.

Table 11: Cash Flows

	Three Months Ended March 31,	
(Millions)	**2024**	**2023**
Total cash provided by (used in)		
Operating activities	$ 447	$ 398
Investing activities	720	3,141
Financing activities	(975)	(3,834)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 192	$ (295)

Cash Flows from Operating Activities primarily include net income adjusted for (i) non-cash items included in net income, such as provision for credit losses, depreciation and amortization, deferred taxes and other non-cash items, and (ii) changes in the balances of operating assets and liabilities, which can fluctuate in the normal course of business due to the amount and timing of payments. We generated cash flows from operating activities of $447 million and $398 million for the three months ended March 31, 2024 and 2023, respectively. The net cash provided by operating activities during these periods was primarily driven by cash generated from net income for the periods after adjusting for the Provision for credit losses, and for the three months ended March 31, 2023, the Gain on portfolio sale.

Cash Flows from Investing Activities primarily include changes in Credit card and other loans. Cash provided by investing activities was $720 million and $3,141 million for the three months ended March 31, 2024 and 2023, respectively. The net cash provided by investing activities during these periods was primarily due to the seasonal paydown of Credit card and other loans, and for the three months ended March 31, 2023, the sale of the BJ's portfolio.

Cash Flows from Financing Activities primarily include changes in deposits and long-term debt. Cash used in financing activities was $975 million and $3,834 million for the three months ended March 31, 2024 and 2023, respectively. The net cash used in financing activities during these periods was primarily driven by net repayments of both debt issued by consolidated variable interest entities (securitizations) and unsecured borrowings, as well as a net decrease in deposits.

INFLATION AND SEASONALITY

Although we cannot precisely determine the impact of inflation on our operations, we have generally sought to rely on operating efficiencies from scale, technology modernization and digital advancement, and expansion in lower cost jurisdictions (in select circumstances) to offset increased costs of employee compensation and other operating expenses impacted by inflation. We also recognize that a customer's ability and willingness to repay us has been negatively impacted by factors such as inflation and the effects of higher interest rates, which results in higher delinquencies that could lead to increased credit losses, as reflected in our increased Reserve rate. If the efforts to control inflation in the U.S. and globally are not successful and inflationary pressures continue to persist, they could magnify the slowdown in the domestic and global economies and increase the risk of a recession, which may adversely impact our business, results of operations and financial condition.

With respect to seasonality, our revenues, earnings and cash flows are affected by increased consumer spending patterns leading up to and including the holiday shopping period in the fourth quarter and, to a lesser extent, during the first quarter as Credit card and other loans are paid down. Net loss rates for our Credit card and other loans portfolio also have historically exhibited seasonal patterns and generally tend to be the highest in the first quarter of the year. While the effects of the seasonal trends discussed above remain evident, macroeconomic trends, such as those discussed within the Business Environment sections of our quarterly and annual reports on Forms 10-Q and Form 10-K generally have a more significant impact on our key financial metrics and can outweigh any seasonal impacts that we may experience.

LEGISLATIVE, REGULATORY MATTERS AND CAPITAL ADEQUACY

CB is subject to various regulatory capital requirements administered by the State of Delaware and the FDIC. CCB is also subject to various regulatory capital requirements administered by the FDIC, as well as the State of Utah. Failure to meet minimum capital requirements can trigger certain mandatory and possibly additional discretionary actions by our regulators. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, both Banks must meet specific capital guidelines that involve quantitative measures of their assets and liabilities as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by these regulators about components, risk weightings and other factors. In addition, both Banks are limited in the amounts they can pay as dividends to the Parent Company. For additional information about legislative and regulatory matters impacting us, see "Business–Supervision and Regulation" under Part I of our 2023 Form 10-K. For additional detail regarding the CFPB's recent final rule relating to credit card late fees, see "Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) — Business Environment" and "Risk Factors" included elsewhere in this report.

Quantitative measures, established by regulations to ensure capital adequacy, require the Banks to maintain minimum amounts and ratios of Tier 1 capital to average assets, and Common equity tier 1, Tier 1 capital and Total capital, all to risk weighted assets. Failure to meet these minimum capital requirements can result in certain mandatory, and possibly additional discretionary actions by the Banks' regulators that if undertaken, could have a direct material effect on CB's and/or CCB's operating activities, as well as our operating activities. Based on these regulations, as of March 31, 2024 and 2023, each Bank met all capital requirements to which it was subject, and maintained capital ratios in excess of the minimums required to qualify as well capitalized. The Banks seek to maintain capital levels and ratios in excess of the minimum regulatory requirements inclusive of the 2.5% Capital Conservation Buffer. Although Bread Financial is not a bank holding company as defined, we seek to maintain capital levels and ratios in excess of the minimums required for bank holding companies. As of March 31, 2024 the actual capital ratios and minimum ratios for each Bank, as well as Bread Financial, are as follows:

Table 12: Capital Ratios

		Actual Ratio	Minimum Ratio for Capital Adequacy Purposes	Minimum Ratio to be Well Capitalized under Prompt Corrective Action Provisions
Total Company				
Common equity tier 1 capital ratio [(1)]		12.6 %	4.5 %	6.5 %
Tier 1 capital ratio [(2)]		12.6	6.0	8.0
Total risk-based capital ratio [(3)]		14.0	8.0	10.0
Tier 1 leverage capital ratio [(4)]		11.1	4.0	5.0
Total risk-weighted assets [(5)]	$	19,344		
Comenity Bank				
Common equity tier 1 capital ratio [(1)]		18.2 %	4.5 %	6.5 %
Tier 1 capital ratio [(2)]		18.2	6.0	8.0
Total risk-based capital ratio [(3)]		19.6	8.0	10.0
Tier 1 leverage capital ratio [(4)]		15.9	4.0	5.0
Comenity Capital Bank				
Common equity tier 1 capital ratio [(1)]		17.5 %	4.5 %	6.5 %
Tier 1 capital ratio [(2)]		17.5	6.0	8.0
Total risk-based capital ratio [(3)]		18.9	8.0	10.0
Tier 1 leverage capital ratio [(4)]		15.3	4.0	5.0

(1) The Common equity tier 1 capital ratio represents common equity tier 1 capital divided by total risk-weighted assets.
(2) The Tier 1 capital ratio represents tier 1 capital divided by total risk-weighted assets.
(3) The Total risk-based capital ratio represents total capital divided by total risk-weighted assets.
(4) The Tier 1 leverage capital ratio represents tier 1 capital divided by total average assets, after certain adjustments.
(5) Total risk-weighted assets are generally measured by allocating assets, and specified off-balance sheet exposures, to various risk categories as defined by the Basel III standardized approach.

The Banks adopted the option provided by the interim final rule issued by joint federal bank regulatory agencies, which largely delayed the effects of the current expected credit loss (CECL) model on their regulatory capital for two years, until January 1, 2022, after which the effects are phased-in over a three-year period through December 31, 2024. Under the interim final rule, the amount of adjustments to regulatory capital deferred until the phase-in period includes both the initial impact of our adoption of CECL as of January 1, 2020, and 25% of subsequent changes in our Allowance for credit losses during each quarter of the two-year period ended December 31, 2021. In accordance with the interim final rule, we began to ratably phase-in these effects on January 1, 2022.

We are also involved, from time to time, in reviews, investigations, subpoenas, supervisory actions and other proceedings (both formal and informal) by governmental agencies regarding our business, which could subject us to significant fines, penalties, obligations to change our business practices, significant restrictions on our existing business or ability to develop new business, cease-and-desist orders, safety-and-soundness directives or other requirements resulting in increased expenses, diminished income and damage to our reputation.

On November 20, 2023, following the consent of the Board of Managers of Comenity Servicing LLC (the Servicer), the FDIC issued a consent order to the Servicer. The Servicer is not one of our Bank subsidiaries, but is our wholly-owned subsidiary that services substantially all of our loans. The consent order arose out of the June 2022 transition of our credit card processing services to strategic outsourcing partners and addresses certain shortcomings in the Servicer’s information technology (IT) systems development, project management, business continuity management, cloud operations, and third-party oversight. The Servicer entered into the consent order for the purpose of resolving these matters without admitting or denying any violations of law or regulation set forth in the order. The consent order does not contain any monetary penalties or fines.

The Servicer has taken significant steps to strengthen the organization's IT governance and address the other issues identified in the consent order, and the Servicer is working diligently to ensure that all of the requirements of the consent order are satisfied. Without limiting the generality of the foregoing, the Servicer has taken steps to address each provision within the consent order that required action be taken by a specified deadline, including providing a copy of the consent order to the Parent Company Board of Directors, increasing the size and governance processes of the Servicer's Board of Managers, establishing an Executive Oversight Committee to oversee and ensure compliance with the consent order, and submitting all required reports and plans of action to the FDIC. The Servicer is also committed to complying with each of the ongoing or longer-term requirements of the consent order, including the enhancement of its compliance management processes and related corporate governance, compliance with the applicable system conversion requirements, and enhanced risk management and reporting requirements. In addition, the Board of Directors of each of the Banks oversee the Servicer's compliance with the requirements of the consent order and provide effective challenge of Servicer management toward that end.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no significant changes to our critical accounting policies and estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A)" included in our 2023 Form 10-K.

RECENTLY ISSUED ACCOUNTING STANDARDS

See the "Recently Adopted and Recently Issued Accounting Standards" under Note 1, "Description of Business, Basis of Presentation and Summary of Significant Accounting Policies" to the unaudited Consolidated Financial Statements.

Cautionary Note Regarding Forward-Looking Statements

This Form 10-Q and the documents incorporated by reference herein contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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 report, and no assurances can be given that our expectations will prove to have been correct. Factors that could cause the outcomes to differ materially include, but are not limited to, the following:

- macroeconomic conditions, including market conditions, inflation, rising interest rates, unemployment levels and the increased probability of a recession or prolonged economic slowdown, and the related impact on consumer spending behavior, payments, debt levels, savings rates and other behavior;
- global political, market, public health and social events or conditions, including ongoing wars and military conflicts;
- future credit performance of our customers, including the level of future delinquency and write-off rates;
- loss of, or reduction in demand for services from, significant brand partners or customers in the highly competitive markets in which we compete;
- the concentration of our business in U.S. consumer credit;
- increases or volatility in the Allowance for credit losses that may result from the application of the CECL model;
- inaccuracies in the models and estimates on which we rely, including the amount of our Allowance for credit losses and our credit risk management models;
- increases in fraudulent activity;
- failure to identify, complete or successfully integrate or disaggregate business acquisitions, divestitures and other strategic initiatives;
- the extent to which our results are dependent upon our brand partners, including our brand partners’ financial performance and reputation, as well as the effective promotion and support of our products by brand partners;
- continued financial responsibility with respect to a divested business, including required equity ownership, guarantees, indemnities or other financial obligations;
- increases in the cost of doing business, including market interest rates;
- our level of indebtedness and inability to access financial or capital markets, including asset-backed securitization funding or deposits markets;
- restrictions that limit our Banks’ ability to pay dividends to us;
- pending and future litigation;
- pending and future legislation, regulation, supervisory guidance and regulatory and legal actions including, but not limited to, those related to financial regulatory reform and consumer financial services practices, as well as any such actions with respect to late fees, interchange fees or other charges;
- increases in regulatory capital requirements or other support for our Banks;
- impacts arising from or relating to the transition of our credit card processing services to third party service providers that we completed in 2022;
- failures or breaches in our operational or security systems, including as a result of cyberattacks, unanticipated impacts from technology modernization projects, failure of our information security controls or otherwise;
- loss of consumer information or other data due to compromised physical or cyber security, including disruptive attacks from financially motivated bad actors and third party supply chain issues;
- any tax or other liability or 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 and subsequent litigation or other disputes; and

- those factors identified in our filings with the SEC, including in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of our 2023 Form 10-K and this quarterly report.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. In addition, the CFPB recently issued a final rule that, absent a successful legal challenge, will place significant limits on credit card late fees, which would have a significant impact on our business and results of operations for at least the short term and, depending on the effectiveness of the mitigating actions that we may take in response to the final rule, potentially over the long term; we cannot provide any assurance as to the effective date of the rule, the result of any pending or future challenges or other litigation relating to the rule, or our ability to mitigate or offset the impact of the rule on our business and results of operations.

Any forward-looking statements contained in this Form 10-Q 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.

Item 1. Financial Statements.

BREAD FINANCIAL HOLDINGS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31,	
	2024	2023
(Millions, except per share amounts)		
Interest income		
Interest and fees on loans	$ 1,247	$ 1,289
Interest on cash and investment securities	53	46
Total interest income	1,300	1,335
Interest expense		
Interest on deposits	155	117
Interest on borrowings	93	101
Total interest expense	248	218
Net interest income	**1,052**	**1,117**
Non-interest income		
Interchange revenue, net of retailer share arrangements	(92)	(87)
Gain on portfolio sale	—	230
Other	31	29
Total non-interest income	(61)	172
Total net interest and non-interest income	**991**	**1,289**
Provision for credit losses	**321**	**107**
Total net interest and non-interest income, after provision for credit losses	670	1,182
Non-interest expenses		
Employee compensation and benefits	213	220
Card and processing expenses	86	120
Information processing and communication	74	75
Marketing expenses	28	39
Depreciation and amortization	23	34
Other	58	56
Total non-interest expenses	**482**	**544**
Income from continuing operations before income taxes	188	638
Provision for income taxes	53	183
Income from continuing operations	135	455
(Loss) income from discontinued operations, net of income taxes [1]	(1)	—
Net income	**$ 134**	**$ 455**
Basic income per share (Note 14)		
Income from continuing operations	$ 2.74	$ 9.10
(Loss) income from discontinued operations	$ (0.03)	$ —
Net income per share	$ 2.71	$ 9.10
Diluted income per share (Note 14)		
Income from continuing operations	$ 2.73	$ 9.08
(Loss) income from discontinued operations	$ (0.03)	$ —
Net income per share	$ 2.70	$ 9.08
Weighted average common shares outstanding (Note 14)		
Basic	49.5	50.0
Diluted	49.7	50.1

[1] Includes amounts that related to the previously disclosed discontinued operations associated with the spinoff of our former LoyaltyOne segment in 2021 and the sale of our former Epsilon segment in 2019. For additional information refer to Note 1, “Description of Business, Basis of Presentation and Summary of Significant Accounting Policies” to the unaudited Consolidated Financial Statements.

See Notes to unaudited Consolidated Financial Statements.

BREAD FINANCIAL HOLDINGS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net income	$ 134	$ 455
Other comprehensive (loss) income		
Unrealized (loss) gain on available-for-sale debt securities	(4)	3
Tax benefits (expense)	1	(1)
Unrealized (loss) gain on available-for-sale debt securities, net of tax	(3)	2
Other comprehensive (loss) income, net of tax	(3)	2
Total comprehensive income, net of tax	$ 131	$ 457

See Notes to unaudited Consolidated Financial Statements.

BREAD FINANCIAL HOLDINGS, INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS

(Millions, except per share amounts)	March 31, 2024	December 31, 2023
ASSETS		
Cash and cash equivalents	$ 3,789	$ 3,590
Credit card and other loans		
Total credit card and other loans (includes loans available to settle obligations of consolidated variable interest entities March 31, 2024, $12,058; December 31, 2023, $12,844, respectively)	18,185	19,333
Allowance for credit losses	(2,255)	(2,328)
Credit card and other loans, net	15,930	17,005
Investments (Fair value: March 31, 2024, $221; December 31, 2023, $217)	258	253
Property and equipment, net	166	167
Goodwill and intangible assets, net	753	762
Other assets	1,403	1,364
Total assets	**$ 22,299**	**$ 23,141**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	13,327	13,620
Debt issued by consolidated variable interest entities	3,358	3,898
Long-term and other debt	1,294	1,394
Other liabilities	1,288	1,311
Total liabilities	**19,267**	**20,223**
Commitments and contingencies (Note 10)		
Stockholders' equity		
Common stock, $0.01 par value; authorized, 200.0 million shares; issued, 49.6 million shares as of March 31, 2024 and 49.3 million shares as of December 31, 2023, respectively.	1	1
Additional paid-in capital	2,163	2,169
Retained earnings	890	767
Accumulated other comprehensive loss	(22)	(19)
Total stockholders' equity	**3,032**	**2,918**
Total liabilities and stockholders' equity	**$ 22,299**	**$ 23,141**

See Notes to unaudited Consolidated Financial Statements.

BREAD FINANCIAL HOLDINGS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Three Months Ended March 31, 2024	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
(Millions)						
Balance as of December 31, 2023	49.3	$ 1	$ 2,169	$ 767	$ (19)	$ 2,918
Cumulative effect of change in accounting principle [1]	—	—	—	(1)	—	(1)
Net income	—	—	—	134	—	134
Other comprehensive loss	—	—	—	—	(3)	(3)
Stock-based compensation	—	—	14	—	—	14
Repurchase of common stock	(0.2)	—	(11)	—	—	(11)
Dividends and dividend equivalent rights declared ($0.21 per common share)	—	—	—	(10)	—	(10)
Issuance of shares to employees, net of shares withheld for employee taxes	0.5	—	(9)	—	—	(9)
Balance as of March 31, 2024	49.6	$ 1	$ 2,163	$ 890	$ (22)	$ 3,032

Three Months Ended March 31, 2023	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
(Millions)						
Balance as of December 31, 2022	49.9	$ 1	$ 2,192	$ 93	$ (21)	$ 2,265
Net income	—	—	—	455	—	455
Other comprehensive income	—	—	—	—	2	2
Stock-based compensation	—	—	10	—	—	10
Dividends and dividend equivalent rights declared ($0.21 per common share)	—	—	—	(11)	—	(11)
Issuance of shares to employees, net of shares withheld for employee taxes	0.2	—	(5)	—	—	(5)
Balance as of March 31, 2023	50.1	$ 1	$ 2,197	$ 537	$ (19)	$ 2,716

(1) Represents the cumulative effect, net of tax, of adopting the proportional amortization method of accounting for our tax credit investment. For additional information refer to Note 1, "Description of Business, Basis of Presentation and Summary of Significant Accounting Policies" to the unaudited Consolidated Financial Statements.

See Notes to unaudited Consolidated Financial Statements.

BREAD FINANCIAL HOLDINGS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
(Millions)	**2024**	**2023**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 134	$ 455
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	321	107
Depreciation and amortization	23	34
Deferred income taxes	(56)	(19)
Non-cash stock compensation	15	9
Amortization of deferred financing costs	6	7
Amortization of deferred origination costs	26	22
Gain on portfolio sale	—	(230)
Change in other operating assets and liabilities		
Change in other assets	(3)	81
Change in other liabilities	(23)	(77)
Other	4	9
Net cash provided by operating activities	**447**	**398**
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in credit card and other loans	746	735
Proceeds from sale of credit card loan portfolio	—	2,502
Purchase of credit card loan portfolio	—	(81)
Purchases of investments	(12)	(7)
Maturities of investments	3	3
Other, including capital expenditures	(17)	(11)
Net cash provided by investing activities	**720**	**3,141**
CASH FLOWS FROM FINANCING ACTIVITIES		
Unsecured borrowings under debt agreements	300	185
Repayments/maturities of unsecured borrowings under debt agreements	(407)	(210)
Debt issued by consolidated variable interest entities	200	325
Repayments/maturities of debt issued by consolidated variable interest entities	(740)	(3,425)
Net decrease in deposits	(293)	(689)
Payment of deferred financing costs	(4)	—
Dividends paid	(11)	(11)
Repurchase of common stock	(11)	—
Other	(9)	(9)
Net cash used in financing activities	**(975)**	**(3,834)**
Change in cash, cash equivalents and restricted cash	192	(295)
Cash, cash equivalents and restricted cash at beginning of period	3,616	3,927
Cash, cash equivalents and restricted cash at end of period	**$ 3,808**	**$ 3,632**
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash and cash equivalents reconciliation		
Cash and cash equivalents	$ 3,789	$ 3,611
Restricted cash included within Other assets	19	21
Total cash, cash equivalents and restricted cash	**$ 3,808**	**$ 3,632**

The unaudited Consolidated Statements of Cash Flows are presented with the combined cash flows from continuing and discontinued operations.

See Notes to unaudited Consolidated Financial Statements.

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF THE BUSINESS

We are a tech-forward financial services company that provides simple, personalized payment, lending and saving solutions. We create opportunities for our 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, we deliver growth for our partners through a comprehensive product suite, including private label and co-brand credit cards and buy now, pay later (BNPL) products such as installment loans and our “split-pay” offerings. We also offer direct-to-consumer solutions that give customers more access, choice and freedom through our branded Bread Cashback™ American Express® Credit Card and Bread Savings™ products.

Our partner base consists of large consumer-based businesses, including well-known brands such as (alphabetically) AAA, Academy Sports + Outdoors, Caesars, Dell Technologies, the NFL, Signet, Ulta and Victoria’s Secret, as well as small- and medium-sized businesses (SMBs). Our partner base is well diversified across a broad range of industries, including travel and entertainment, health and beauty, jewelry, sporting goods, home goods, technology and electronics and the industry in which we first began, specialty apparel. We believe our comprehensive suite of payment, lending and saving solutions, along with our related marketing and data and analytics, allows us to offer products relevant across all customer segments (Gen Z, Millennial, Gen X and Baby Boomers). The breadth and quality of our product and service offerings have enabled us to establish and maintain long-standing partner relationships. We operate our business through a single reportable segment, with our primary source of revenue being from Interest and fees on loans from our various credit card and other loan products, and to a lesser extent from contractual relationships with our brand partners.

Throughout this report, unless stated or the context implies otherwise, the terms “Bread Financial”, “BFH”, the “Company”, “we”, “our” or “us” refer to Bread Financial Holdings, Inc. and its subsidiaries on a consolidated basis. References to “Parent Company” refer to Bread Financial Holdings, Inc. on a parent-only standalone basis. In addition, in this report we may refer to the retailers and other companies with whom we do business as our “partners”, “brand partners”, or “clients”, provided that the use of the term “partner”, “partnering” or any similar term does not mean or imply a formal legal partnership, and is not meant in any way to alter the terms of Bread Financial’s relationship with any third parties. We offer our credit products through our insured depository institution subsidiaries, Comenity Bank and Comenity Capital Bank, which together are referred to herein as the “Banks”.

BASIS OF PRESENTATION

These unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), and should be read in conjunction with the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission on February 20, 2024. If not significantly different, certain note disclosures included therein have been omitted from these unaudited Consolidated Financial Statements.

The unaudited Consolidated Financial Statements included herein reflect all adjustments, which consist of normal, recurring adjustments that are, in the opinion of management, necessary to state fairly the results for the interim periods presented. The unaudited Consolidated Financial Statements also include amounts that relate to the previously disclosed discontinued operations associated with the spinoff of our former LoyaltyOne segment in 2021 and the sale of our former Epsilon segment in 2019. Such amounts have been classified within Discontinued operations and primarily relate to the after-tax impact of contractual indemnification and tax-related matters. For additional information about our previously disclosed discontinued operations please refer to Note 22, “Discontinued Operations and Bank Holding Company Financial Presentation” to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2021. Results of operations reported for interim periods are not necessarily indicative of results for the entire year. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosures of contingent assets and liabilities. These accounting estimates and assumptions reflect the best judgement of management, but actual results could differ. The most significant of those estimates and assumptions relate to the Allowance for credit losses, Provision for income taxes and Goodwill.

The accompanying unaudited Consolidated Financial Statements include the accounts of the Company and all subsidiaries in which we have a controlling financial interest. All intercompany transactions have been eliminated.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to our significant accounting policies as discussed in Note 1, "Description of Business, Basis of Presentation and Summary of Significant Accounting Policies" included in our Annual Report on Form 10-K for the year ended December 31, 2023.

RECENTLY ADOPTED AND RECENTLY ISSUED ACCOUNTING STANDARDS

Accounting Standards Recently Adopted		
Standard	**Guidance**	**Timing and Financial Statement Impact**
Investments - Equity Method and Joint Ventures: Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method *Issued March 2023*	Expands the election to apply the proportional amortization method of accounting to tax credit investments beyond low-income-housing tax credit investments, when certain conditions are met.	Adopted under the modified retrospective method on January 1, 2024, which resulted in an insignificant decrease to retained earnings. Adoption did not have a significant impact on our results of operations, financial position, regulatory risk-based capital, or on our operational processes, controls and governance in support of the new guidance.
Accounting Standards Recently Issued but Not Yet Adopted		
Standard	**Guidance**	**Timing and Financial Statement Impact**
Segment Reporting: Improvements to Reportable Segment Disclosures *Issued November 2023*	Requires interim and annual disclosure of significant segment expense categories and amounts that are regularly provided to the chief operating decision maker, as well as disclosure of the aggregate amount and description of other segment items beyond significant segment expenses.	Effective beginning with our Annual Report on Form 10-K for the year ending December 31, 2024, and effective for interim reporting periods beginning in 2025. Early adoption is permitted, although we do not plan to early adopt. Adoption will result in expanded disclosures for our single reportable segment but is not expected to have a significant impact on our financial reporting, or on our operational processes, controls and governance in support of the new guidance.
Income Taxes: Improvements to Income Tax Disclosures *Issued December 2023*	Requires greater disaggregation of rate reconciliation and income taxes paid information, as well as other changes intended to enhance the transparency and decision-usefulness of income tax disclosures.	Effective beginning with our Annual Report on Form 10-K for the year ending December 31, 2025. Early adoption is permitted, although we do not plan to early adopt. Adoption will require enhancements to our income tax disclosures but is not expected to have a significant impact on our financial reporting, or on our operational processes, controls and governance in support of the new guidance.

2. CREDIT CARD AND OTHER LOANS

Our payment and lending solutions result in the origination of Credit card and other loans, which are recorded at the time a borrower enters into a point-of-sale transaction with a merchant. Credit card loans represent revolving lines of credit and have a range of terms that include credit limits, interest rates and fees, which can be revised over time based on new information about the cardholder, in accordance with applicable regulations and the governing terms and conditions. Cardholders choosing to make a payment of less than the full balance due, instead of paying in full, are subject to finance charges and are required to make monthly payments based on pre-established amounts. Other loans, which consist primarily of BNPL products such as installment loans and our "split-pay" offerings, have a range of fixed terms such as interest rates, fees and repayment periods, and borrowers are required to make pre-established monthly payments over the term of the loan in accordance with the applicable terms and conditions. Credit card and other loans include principal and any related accrued interest and fees and are presented on the Consolidated Balance Sheets net of the Allowance for credit losses. We continue to accrue interest and fee income on all accounts, except in limited circumstances, until the related balance and all related interest and fees are paid or charged-off.

We generally classify our Credit card and other loans as held for investment. We sell a majority of our credit card loans originated by Comenity Bank (CB) and by Comenity Capital Bank (CCB), which together are referred to herein as the “Banks”, to certain of our master trusts (the Trusts), which are consolidated VIEs, and therefore these loans are restricted for securitization investors. All new originations of Credit card and other loans are determined to be held for investment at origination because we have the intent and ability to hold them for the foreseeable future. In determining what constitutes the foreseeable future, we consider the average life and homogenous nature of our Credit card and other loans. In assessing whether our Credit card and other loans continue to be held for investment, we also consider capital levels and scheduled maturities of funding instruments used. The assertion regarding the intent and ability to hold Credit card and other loans for the foreseeable future can be made with a high degree of certainty given the maturity distribution of our direct-to-consumer (DTC or retail) deposits and other funding instruments; the demonstrated ability to replace maturing time-based deposits and other borrowings with new deposits or borrowings; and historic payment activity on Credit card and other loans. Due to the homogenous nature of our credit card loans, amounts are classified as held for investment on a brand partner portfolio basis. From time to time certain credit card loans are classified as held for sale, as determined on a brand partner portfolio basis. We carry held for sale assets at the lower of aggregate cost or fair value and continue to recognize finance charges on an accrual basis. Cash flows associated with Credit card and other loans originated or purchased for investment are classified as Cash flows from investing activities, regardless of any subsequent change in intent and ability.

The following table presents Credit card and other loans, as of the dates presented:

(Millions)	March 31, 2024	December 31, 2023
Credit card loans	$ 17,873	$ 18,999
BNPL and other loans	312	334
Total credit card and other loans [1][2]	18,185	19,333
Less: Allowance for credit losses	(2,255)	(2,328)
Credit card and other loans, net	$ 15,930	$ 17,005

(1) Includes $12.1 billion and $12.8 billion of Credit card and other loans available to settle obligations of consolidated VIEs as of March 31, 2024 and December 31, 2023, respectively.
(2) Includes $380 million and $371 million, of accrued interest and fees that have not yet been billed to cardholders as of March 31, 2024 and December 31, 2023, respectively.

Credit Card and Other Loans Aging

The following table presents the delinquency trends of our Credit card and other loans portfolio based on the amortized cost as of the dates presented:

	Aging Analysis of Delinquent Amortized Cost Credit Card and Other Loans [1]					
(Millions)	31 to 60 Days Past Due	61 to 90 Days Past Due	91 or more Days Past Due	Total	Total Current	Total
March 31, 2024	$ 335	$ 286	$ 775	$ 1,396	$ 16,382	$ 17,778
December 31, 2023	$ 422	$ 323	$ 809	$ 1,554	$ 17,373	$ 18,927

(1) BNPL and other loans delinquencies have been included with credit card loan delinquencies in the table above, as amounts were insignificant as of each period presented. As permitted by GAAP, the primary difference between the amortized cost basis included in the table above and the carrying value of our Credit card and other loans relates to the exclusion of unbilled finance charges and

fees from the amortized cost basis. As of March 31, 2024 and December 31, 2023, accrued interest and fees that have not yet been billed to cardholders were $380 million and $371 million, respectively, included in Credit card and other loans on the Consolidated Balance Sheets.

From time to time we may re-age cardholders' accounts, with the intent of assisting delinquent cardholders who have experienced financial difficulties but who demonstrate both an ability and willingness to repay the amounts due, this practice affects credit card loan delinquencies and principal losses. Accounts meeting specific defined criteria are re-aged when the cardholder makes one or more consecutive payments aggregating to a certain pre-defined amount of their account balance. Upon re-aging, the outstanding balance of a delinquent account is returned to current status. Our re-aged accounts as a percentage of Total credit card and other loans represented 5.5% and 2.1% for the three months ended March 31, 2024 and 2023, respectively. Our re-aging practices comply with regulatory guidelines.

Credit Quality Indicators for Our Credit Card and Other Loans

Given the nature of our business, the credit quality of our assets, in particular our Credit card and other loans, is a key determinant underlying our ongoing financial performance and overall financial condition. When it comes to our Credit card and other loans portfolio, we closely monitor Delinquency rates and Net principal loss rates, which reflect, among other factors, our underwriting, the inherent credit risk in our portfolio and the success of our collection and recovery efforts. These rates also reflect, more broadly, the general macroeconomic conditions, including the effects of persistent inflation and high interest rates. Our Delinquency and Net principal loss rates are also impacted by the size of our Credit card and other loans portfolio, which serves as the denominator in the calculation of these rates. Accordingly, changes in the size of our portfolio (whether due to credit tightening, acquisitions or dispositions of portfolios or otherwise) may cause movements in our Delinquency and Net principal loss rates that are not necessarily indicative of the underlying credit quality of the overall portfolio.

Delinquencies: An account is contractually delinquent if we do not receive the minimum payment due by the specified due date. Our policy is to continue to accrue interest and fee income on all accounts, except in limited circumstances, until the balance and all related interest and fees are paid or charged-off. After an account becomes 30 days past due, a proprietary collection scoring algorithm automatically scores the risk of the account becoming further delinquent; based upon the level of risk indicated, a collection strategy is deployed. If after exhausting all in-house collection efforts we are unable to collect on the account, we may engage collection agencies or outside attorneys to continue those efforts, or sell the charged-off balances.

The Delinquency rate is calculated by dividing outstanding principal balances that are contractually delinquent (i.e., balances greater than 30 days past due) as of the end of the period, by the outstanding principal amount of Credit cards and other loans as of the same period-end. As of March 31, 2024 and December 31, 2023, our Delinquency rates were 6.2% and 6.5%, respectively.

Net Principal Losses: Our net principal losses include the principal amount of losses that are deemed uncollectible, less recoveries, and exclude charged-off interest, fees and third-party fraud losses (including synthetic fraud). Charged-off interest and fees reduce Interest and fees on loans, while third-party fraud losses are recorded in Card and processing expenses. Credit card loans, including unpaid interest and fees, are generally charged-off in the month during which an account becomes 180 days past due. BNPL loans such as our installment loans and our "split-pay" offerings, including unpaid interest, are generally charged-off when a loan becomes 120 days past due. However, in the case of a customer bankruptcy or death, Credit card and other loans, including unpaid interest and fees, as applicable, are charged-off 60 days after receipt of the notification of the bankruptcy or death, but in any case no later than 180 days past due for credit card loans and 120 days past due for BNPL loans. We record the actual losses for unpaid interest and fees as a reduction to Interest and fees on loans, which were $278 million and $242 million for the three months ended March 31, 2024 and 2023, respectively.

The net principal loss rate is calculated by dividing net principal losses for the period by the Average credit card and other loans for the same period. Beginning in January 2024, we revised the calculation of Average credit card and other loans to more closely align with industry practice by incorporating an average daily balance. Prior to 2024, Average credit card and other loans represent the average balance of the loans at the beginning and end of each month, averaged over the periods indicated. For the three months ended March 31, 2024 and 2023, our Net principal loss rates were 8.5% and 7.0%, respectively.

Overall Credit Quality: As part of our credit risk management activities for our credit card loans portfolio, we assess overall credit quality by reviewing information from credit bureaus and other sources relating to our cardholders' broader credit performance. We utilize VantageScore (Vantage) credit scores to assist in our assessment of credit quality. Vantage credit scores are obtained at origination of the account and are refreshed monthly thereafter to assist in predicting customer behavior. We categorize these Vantage credit scores into the following three credit score categories: (i) 661 or higher, which are considered the strongest credits and therefore have the lowest credit risk; (ii) 601 to 660, considered to have moderate credit risk; and (iii) 600 or less, which are considered weaker credits and therefore have the highest credit risk. In certain limited circumstances there are customer accounts for which a Vantage score is not available and we use alternative sources to assess credit risk and predict behavior. The table below excludes less than 0.1% of the total credit card loans balance as of March 31, 2024 and December 31, 2023, representing those customer accounts for which a Vantage credit score is not available. The following table reflects the distribution of credit card loans by Vantage score as of the dates presented:

	Vantage					
	March 31, 2024			December 31, 2023		
	661 or Higher	601 to 660	600 or Lower	661 or Higher	601 to 660	600 or Lower
Credit card loans	56 %	27 %	17 %	57 %	27 %	16 %

As part of our credit risk management activities for our BNPL loans portfolio, we also assess overall credit quality by reviewing information from credit bureaus. In this case we utilize Fair Isaac Corporation (FICO) credit scores to assist in our assessment of credit quality. The amortized cost basis of BNPL loans totaled $303 million and $317 million as of March 31, 2024 and December 31, 2023, respectively. As of March 31, 2024, approximately 83% of these loans were originated with customers with FICO scores of 661 or above, and correspondingly approximately 17% of these loans were originated with customers with FICO scores below 661. Similarly, as of December 31, 2023, approximately 82% and 18% of these loans were originated with customers with FICO scores of 661 or above, and below 661, respectively.

Modified Credit Card Loans

Forbearance Programs

As part of our collections strategy, we may offer temporary, short term (six-months or less) forbearance programs in order to improve the likelihood of collections and meet the needs of our customers. Our modifications for customers who have requested assistance and meet certain qualifying requirements, come in the form of reduced or deferred payment requirements, interest rate reductions and late fee waivers. We do not offer programs involving the forgiveness of principal. These temporary loan modifications may assist in cases where we believe the customer will recover from the short-term hardship and resume scheduled payments. Under these forbearance programs, those accounts receiving relief may not advance to the next delinquency cycle, including charge-off, in the same time frame that would have occurred had the relief not been granted. We evaluate our forbearance programs to determine if they represent a more than insignificant delay in payment granted to borrowers experiencing financial difficulty, in which case they would then be considered a Loan Modification. Loans in these short term programs that are determined to be Loan Modifications, will be included as such in the disclosure below.

Credit Card Loans - Modifications for Borrowers Experiencing Financial Difficulty (Loan Modifications)

In instances where cardholders are experiencing financial difficulty, we may modify our credit card loans with the intention of minimizing losses and improving collectability, while providing cardholders with financial relief; such credit card loans are classified as Loan Modifications, exclusive of the temporary, short-term forbearance programs described above. Loan Modifications include concessions consisting primarily of a reduced minimum payment, late fee waiver, and/or an interest rate reduction. The majority of concessions remain in place for a period no longer than 12 months; however, for certain modifications the concessions remain in place through the payoff of the credit card loans if the cardholder complies with the terms of the program.

Loan Modification concessions do not include the forgiveness of unpaid principal, but may involve the reversal of certain unpaid interest or fee assessments, and the cardholder's ability to make future purchases is either limited, or suspended until the cardholder successfully exits from the modification program. In accordance with the terms of our workout programs, the credit agreement reverts back to its original contractual terms (including the contractual interest rate) when the customer exits the program, which is either when all payments have been made in accordance with the program, or when the customer defaults out of the program.

Loan Modifications are collectively evaluated for impairment on a pooled basis in measuring the appropriate Allowance for credit losses. The following table provides information relating to credit card loans to borrowers experiencing financial difficulty that were granted a concession under a Loan Modification program during the periods presented:

	Three Months Ended March 31, 2024			Three Months Ended March 31, 2023		
(Millions, except percentages)	Account Balances [1]	% of Total Credit Card Loans	Weighted Average Interest Rate Reduction (% points)	Account Balances [1]	% of Total Credit Card Loans	Weighted Average Interest Rate Reduction (% points)
Credit card loans	$ 115	0.7 %	21.3 %	$ 42	0.2 %	20.2 %

[1] Represents the outstanding balances as of March 31, 2024 and 2023, of all Loan Modifications undertaken in the past three months, respectively, for credit card loans that remain in modification programs as of March 31, 2024 and 2023. The outstanding balances include principal, accrued interest and fees.

Interest income on these impaired credit card loans is accounted for in the same manner as non-impaired credit card loans, and cash collections are allocated according to the same payment hierarchy methodology applied for credit card loans not in Loan Modification programs.

The following table presents the performance of our credit card loans that were modified within the 12 months prior to the dates presented and remain in a Loan Modification program as of the dates presented:

	Aging Analysis of Delinquent Amortized Cost Loan Modifications - Credit Card Loans					
(Millions)	31 to 60 Days Past Due	61 to 90 Days Past Due	91 or more Days Past Due	Total	Total Current	Total
March 31, 2024	$ 19	$ 17	$ 22	$ 58	$ 230	$ 288
December 31, 2023	$ 17	$ 16	$ 22	$ 55	$ 214	$ 269

The following table provides additional information regarding credit card Loan Modifications that have subsequently defaulted within 12 months of their modification dates (or since implementation beginning January 1, 2023), for the periods presented; the probability of default is factored into the Allowance for credit losses:

	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023	
(Millions, except for Number of modifications)	Number of Modifications	Outstanding Balance	Number of Modifications	Outstanding Balance
Loan Modifications that subsequently defaulted	8,653	$ 15	332	$ —

Unfunded Lending Commitments

We manage potential credit risk in unfunded lending commitments by reviewing each potential customer's credit application and evaluating the applicant's financial history and ability and perceived willingness to repay. Credit card loans are made primarily on an unsecured basis, and our Cardholders reside throughout the U.S. and are not significantly concentrated in any one geographic area.

We manage our potential risk in credit commitments by limiting the total amount of credit, both by individual customer and across our credit card loan portfolio, by monitoring the size and maturity of our loan portfolio and applying consistent risk-based underwriting standards reflective of current and anticipated macroeconomic conditions. We have the unilateral ability to cancel or reduce unused credit card lines at any time. Unused credit card lines available to cardholders totaled approximately $113 billion as of March 31, 2024 and December 31, 2023. While this amount represented the total available unused credit card lines, we have not experienced and do not anticipate that all cardholders will access their entire available line at any given point in time.

Portfolio Sales

As of March 31, 2024 and December 31, 2023, there were no credit card loans held for sale.

We previously announced the non-renewal of our contract with BJ's Wholesale Club (BJ's) and the sale of the BJ's portfolio, which closed in late February 2023, for a total purchase price of $2.5 billion on a loan portfolio of $2.3 billion, resulting in a $230 million Gain on portfolio sale.

In late April 2024 we sold a credit card portfolio for cash consideration of approximately $101 million, subject to customary post-closing price adjustments.

Portfolio Acquisition

In October 2023, we acquired a credit card portfolio for cash consideration of $388 million.

3. ALLOWANCE FOR CREDIT LOSSES

The Allowance for credit losses represents our estimate of expected credit losses over the estimated life of our Credit card and other loans, incorporating future macroeconomic forecasts in addition to information about past events and current conditions. Our estimate under the Current Expected Credit Loss (CECL) approach is significantly influenced by the composition, characteristics and quality of our portfolio of credit card and other loans, as well as the prevailing economic conditions and forecasts utilized. The estimate of the Allowance for credit losses includes an estimate for uncollectible principal as well as unpaid interest and fees. Principal losses, net of recoveries are deducted from the Allowance for credit losses. Losses of unpaid interest and fees as well as any adjustments to the Allowance for credit losses associated with unpaid interest and fees are recorded as a reduction to Interest and fees on loans. The Allowance for credit losses is maintained through an adjustment to the Provision for credit losses and is evaluated for appropriateness on a quarterly basis.

In estimating our Allowance for credit losses, for each identified segment of loans sharing similar risk characteristics, management uses modeling and estimation techniques based on historical loss experience, current conditions, reasonable and supportable forecasts and other relevant factors. This modeling uses historical data and applicable macroeconomic variables with statistical analysis and behavioral relationships, to determine expected credit performance. Our quantitative estimate of expected credit losses under CECL is impacted by certain forecasted macroeconomic variables. We consider the macroeconomic forecast used to be reasonable and supportable over the estimated life of the Credit card and other loans portfolio, with no reversion period. In addition to the quantitative estimate of expected credit losses, we also incorporate qualitative adjustments for certain factors such as Company-specific risks, changes in current macroeconomic conditions that may not be captured in the quantitatively derived results, or other relevant factors to ensure the Allowance for credit losses reflects our best estimate of current expected credit losses.

Credit Card Loans

We use a “pooled” approach to estimate expected credit losses for financial assets with similar risk characteristics. We have evaluated multiple risk characteristics across our credit card loans portfolio, and determined delinquency status and overall credit quality to be the most significant characteristics for estimating expected credit losses. To estimate our Allowance for credit losses, we segment our credit card loans on the basis of delinquency status, credit quality risk score and product. These risk characteristics are evaluated on at least an annual basis, or more frequently as facts and circumstances warrant. In determining the estimated life of our credit card loans, payments were applied to the measurement date balance with no payments allocated to future purchase activity. We use a combination of First In First Out and the Credit Card Accountability, Responsibility, and Disclosure Act of 2009 (CARD Act) methodologies to model balance paydown.

BNPL Loans

We measure our Allowance for credit losses on BNPL loans using a statistical model to estimate projected losses over the remaining terms of the loans, inclusive of an assumption for prepayments. The model is based on the historical statistical relationship between loan loss performance and certain macroeconomic data pooled based on credit quality risk score, term of the underlying loans, vintage and geographic location. As of March 31, 2024 and December 31, 2023, the Allowance for credit losses on BNPL loans was $35 million and $32 million, respectively.

Allowance for Credit Losses Rollforward

The following table presents our Allowance for credit losses for our Credit card and other loans. The amount of the related Allowance for credit losses on BNPL and other loans is insignificant and therefore has been included in the table below for the periods presented:

	Three Months Ended March 31,	
(Millions)	**2024**	**2023**
Beginning balance	$ 2,328	$ 2,464
Provision for credit losses [(1)]	321	107
Change in the estimate for uncollectible unpaid interest and fees	—	5
Net principal losses [(2)]	(394)	(353)
Ending balance	$ 2,255	$ 2,223

(1) Provision for credit losses includes a build/release for the Allowance, as well as replenishment of Net principal losses.
(2) Net principal losses are presented net of recoveries of $100 million and $92 million for the three months ended March 31, 2024 and 2023, respectively. Net principal losses for the three months ended March 31, 2023 include a $10 million adjustment related to the effects of the purchase of previously written-off accounts that were sold to a third-party debt collection agency; no such adjustment was made in the current period.

For the three months ended March 31, 2024, the factors that influenced the decrease in the Allowance for credit losses noted in the table above are lower Credit card and other loans balances, because seasonally higher transactor balances from the fourth quarter were paid down in the first quarter, as well as lower delinquencies, offset by an elevated reserve rate of 12.4% compared with the 12.0% reserve rate at December 31, 2023. The increase in the reserve rate is due to changes in the portfolio mix, the compounding effect of persistent inflation relative to wage growth, the increased cost of consumer debt, the possibility of higher unemployment levels and the potential impacts from the resumption of student loan repayments.

4. SECURITIZATIONS

We account for transfers of financial assets as either sales or financings. Transfers of financial assets that are accounted for as a sale are removed from the Consolidated Balance Sheets with any realized gain or loss reflected in the Consolidated Statements of Income during the period in which the sale occurs. Transfers of financial assets that are not accounted for as a sale are treated as a financing.

We regularly securitize the majority of our credit card loans through the transfer of those loans to one of our Trusts. We perform the decision making for the Trusts, as well as servicing the cardholder accounts that generate the credit card loans held by the Trusts. In our capacity as a servicer, we administer the loans, collect payments and charge-off uncollectible balances. Servicing fees are earned by a subsidiary, which are eliminated in consolidation.

The Trusts are consolidated VIEs because they have insufficient equity at risk to finance their activities – the issuance of debt securities and notes, collateralized by the underlying credit card loans. Because we perform the decision making and servicing for the Trusts, we have the power to direct the activities that most significantly impact the Trusts' economic performance (the collection of the underlying credit card loans). In addition, we hold all of the variable interests in the Trusts, with the exception of the liabilities held by third-parties. These variable interests provide us with the right to receive benefits and the obligation to absorb losses, which could be significant to the Trusts. As a result of these considerations, we are deemed to be the primary beneficiary of the Trusts and therefore consolidate the Trusts.

The Trusts issue debt securities and notes, which are non-recourse to us. The collections on the securitized credit card loans held by the Trusts are available only for payment of those debt securities and notes, or other obligations arising in the securitization transactions. For our securitized credit card loans, during the initial phase of a securitization reinvestment period, we generally retain principal collections in exchange for the transfer of additional credit card loans into the securitized pool of assets. During the amortization or accumulation period of a securitization, the investors' share of principal collections (in certain cases, up to a maximum specified amount each month) is either distributed to the investors or held in an account until it accumulates to the total amount due, at which time it is paid to the investors in a lump sum.

We are required to maintain minimum interests in our Trusts ranging from 4% to 10% of the securitized credit card loans. This requirement is met through a transferor's interest and is supplemented through excess funding deposits which represent cash amounts deposited with the trustee of the securitizations. Cash collateral, restricted deposits are generally released proportionately as investors are repaid. Under the terms of the Trusts, the occurrence of certain triggering events associated with the performance of the securitized credit card loans in each Trust could result in certain required actions, including payment of Trust expenses, the establishment of reserve funds, or early amortization of the debt securities and/or notes, in a worst-case scenario. During the three months ended March 31, 2024 and 2023, no such triggering events occurred.

The following tables provide the total securitized credit card loans and related delinquencies, and net principal losses of securitized credit card loans for the periods presented:

(Millions)	March 31, 2024	December 31, 2023
Total credit card loans – available to settle obligations of consolidated VIEs	$ 12,058	$ 12,844
Of which: principal amount of credit card loans 91 days or more past due	$ 313	$ 323

(Millions)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net principal losses of securitized credit card loans	$ 221	$ 217

5. INVESTMENTS

Investments include investment securities and various other investments primarily held by the Banks for Community Reinvestment Act (CRA) purposes. Investment securities consist of available-for-sale (AFS) debt securities, which are mortgage-backed securities and municipal bonds, and equity securities, which are mutual funds. Investment securities are carried at fair value on the Consolidated Balance Sheets. We also have other investments, which primarily include a portfolio of investments in certain limited partnerships and limited liability companies accounted for under the equity method, and therefore are recorded at cost and adjusted each period for our share of the investee's earnings or losses, less any impairment. Other investments also include an insignificant tax credit investment where we elected to apply the proportional amortization method of accounting, for which the impacts of both the amortization of the investment and income tax benefits are fully recognized in the Provision for income taxes.

The following table provides a summary of our Investments as of the dates presented:

(Millions)	March 31, 2024	December 31, 2023
Investment securities:		
Available-for-sale debt securities	$ 175	$ 171
Equity securities	46	46
Total investment securities	221	217
Equity method and other investments	37	36
Total Investments	$ 258	$ 253

For AFS debt securities in an unrealized loss position, any estimated credit losses are recognized in the Consolidated Statements of Income by establishing or adjusting an existing Allowance for credit losses for such losses. We typically invest in highly-rated securities with low probabilities of default and therefore did not have any credit losses for the periods presented. Any unrealized gains, or any portion of an AFS debt security's non-credit-related unrealized losses are recorded in the Consolidated Statements of Comprehensive Income, net of tax. Realized gains and losses are recorded in Other non-interest expenses in the Consolidated Statements of Income upon disposition of the AFS debt security, using the specific identification method. Gains and losses on investments in equity securities and CRA-related equity method investments are recorded in Other non-interest expenses in the Consolidated Statements of Income.

The table below reflects unrealized gains and losses on AFS debt securities as of the dates presented:

	March 31, 2024				December 31, 2023			
(Millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities	$ 199	$ —	$ (24)	$ 175	$ 192	$ —	$ (21)	$ 171
Total	$ 199	$ —	$ (24)	$ 175	$ 192	$ —	$ (21)	$ 171

The following tables provide information about AFS debt securities in a gross unrealized loss position and the length of time that individual securities have been in a continuous unrealized loss position, as of the dates presented:

	March 31, 2024					
	Less than 12 months		12 Months or Greater		Total	
(Millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale securities	$ 29	$ (1)	$ 139	$ (23)	$ 168	$ (24)
Total	$ 29	$ (1)	$ 139	$ (23)	$ 168	$ (24)

	December 31, 2023					
	Less than 12 months		12 Months or Greater		Total	
(Millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale securities	$ 23	$ —	$ 141	$ (21)	$ 164	$ (21)
Total	$ 23	$ —	$ 141	$ (21)	$ 164	$ (21)

As of March 31, 2024, our AFS debt securities included mortgage-backed securities, which do not have a single maturity date, with an amortized cost and estimated fair value of $174 million and $153 million, respectively, and municipal bonds, all of which have a maturity date greater than ten years, with an amortized cost and estimated fair value of $25 million and $22 million, respectively.

There were no realized gains or losses from the sale of any investment securities for the three months ended March 31, 2024 and 2023.

6. DEPOSITS

Deposits were categorized as interest-bearing or non-interest-bearing as follows, as of the dates presented:

(Millions)	March 31, 2024	December 31, 2023
Interest-bearing	$ 13,303	$ 13,594
Non-interest-bearing (including cardholder credit balances)	24	26
Total deposits	$ 13,327	$ 13,620

Deposits by deposit type as of the dates presented:

(Millions)	March 31, 2024	December 31, 2023
Savings accounts		
Direct-to-consumer (retail)	$ 2,952	$ 2,863
Wholesale	3,702	3,734
Certificates of deposit		
Direct-to-consumer (retail)	4,032	3,591
Wholesale	2,617	3,406
Cardholder credit balances	24	26
Total deposits	$ 13,327	$ 13,620

The scheduled maturities of certificates of deposit were as follows as of March 31, 2024:

(Millions)	
2024 [1]	$ 3,578
2025	1,797
2026	448
2027	642
2028	177
Thereafter	7
Total certificates of deposit	$ 6,649

(1) The 2024 balance includes $5 million in unamortized debt issuance costs, which are associated with the entire portfolio of certificates of deposit.

As of March 31, 2024 and December 31, 2023, deposits that exceeded applicable FDIC insurance limits, which are generally $250,000 per depositor, per insured bank, per ownership category, were estimated to be $474 million (4% of Total deposits) and $509 million (4% of Total deposits), respectively. The measurement of estimated uninsured deposits aligns with regulatory guidelines.

7. OTHER NON-INTEREST INCOME AND OTHER NON-INTEREST EXPENSES

The following table provides the components of Other non-interest income for the periods presented:

	Three Months Ended March 31,	
(Millions)	2024	2023
Payment protection products	$ 31	$ 34
Loss from equity method investment	—	(6)
Other	—	1
Total other non-interest income	$ 31	$ 29

The following table provides the components of Other non-interest expenses for the periods presented:

	Three Months Ended March 31,	
(Millions)	**2024**	**2023**
Professional services and regulatory fees	$ 29	$ 38
Occupancy expense	6	5
Other [(1)]	23	13
Total other non-interest expenses	$ 58	$ 56

(1) Primarily related to costs associated with various other individually insignificant operating activities.

8. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined under GAAP as the price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; with such a transaction based on the principal market, or in the absence of a principal market the most advantageous market for the specific instrument. GAAP provides for a three-level fair value hierarchy that classifies the inputs to valuation techniques used to measure fair value, defined as follows:

Level 1: Inputs that are unadjusted quoted prices for identical assets or liabilities in active markets that the entity can access.

Level 2: Inputs, other than those included within Level 1, that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Inputs that are unobservable (e.g., internally derived assumptions) and reflect an entity’s assumptions about estimates market participants would use in pricing the asset or liability based on the best information available under the circumstances. In particular, Level 3 inputs and valuation techniques involve judgment and as a result are not necessarily indicative of amounts we would realize in a current market exchange. The use of different assumptions or estimation techniques may have a material effect on the estimated fair value amounts.

We monitor the market conditions and evaluate the fair value hierarchy levels at least quarterly. For the three months ended March 31, 2024 and 2023, there were no transfers into or out of Level 3, and no transfers between Levels 1 and 2.

The following table summarizes the carrying values and fair values of our financial assets and financial liabilities as of the dates presented:

	March 31, 2024		December 31, 2023	
(Millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Credit card and other loans, net	$ 15,930	$ 18,490	$ 17,005	$ 19,802
Investment securities	221	221	217	217
Financial liabilities				
Deposits	13,327	13,275	13,620	13,583
Debt issued by consolidated VIEs	3,358	3,358	3,898	3,900
Long-term and other debt	1,294	1,409	1,394	1,457

Valuation Techniques Used in the Fair Value Measurement of Financial Assets and Financial Liabilities

Credit card and other loans, net: Our Credit card and other loans are recorded at amortized cost, less the Allowance for credit losses, on the Consolidated Balance Sheets. In estimating the fair values, we use a discounted cash flow model (i.e., Level 3 inputs), primarily because a comparable whole loan sales market for similar loans does not exist, and therefore there is a lack of observable pricing inputs. We use various internally derived inputs, including projected income, discount rates and forecasted write-offs; economic value attributable to future loans generated by the cardholder accounts is not included in the fair values.

Investment securities: Investment securities consist of AFS debt securities, including both mortgage-backed securities and municipal bonds, as well as equity securities, which are mutual funds, and are recorded at fair value on the Consolidated Balance Sheets. Quoted prices of identical or similar investment securities in active markets are used to estimate the fair values (i.e., Level 1 or Level 2 inputs).

Deposits: Money market and other non-maturity deposits carrying values approximate their fair values because they are short-term in duration and have no defined maturity. GAAP requires that the fair values of deposit liabilities with no stated maturities equal their carrying values and does not permit recognition of the inherent funding value of the instruments. Certificates of deposit are recorded at their historical issuance cost on the Consolidated Balance Sheets, adjusted for unamortized fees, with the fair value being estimated based on the currently observable market rates available to us for similar deposits with similar remaining maturities (i.e., Level 2 inputs). Interest payable is included within Other liabilities on the Consolidated Balance Sheets.

Debt issued by consolidated VIEs: We record debt issued by our consolidated VIEs at amortized cost (including unamortized fees, issuance costs, premiums and discounts, where applicable) on the Consolidated Balance Sheets. Interest payable is included within Other liabilities on the Consolidated Balance Sheets. Fair value is estimated based on the currently observable market rates available to us for similar debt instruments with similar remaining maturities or quoted market prices for the same transaction (i.e., Level 2 inputs).

Long-term and other debt: We record long-term and other debt at amortized cost (including unamortized fees, issuance costs, premiums and discounts, where applicable) on the Consolidated Balance Sheets. Interest payable is included within Other liabilities on the Consolidated Balance Sheets. The fair value is estimated based on the currently observable market rates available to us for similar debt instruments with similar remaining maturities, or quoted market prices for the same transaction (i.e., Level 2 inputs).

Financial Instruments Measured at Fair Value on a Recurring Basis

The following tables summarize our financial instruments measured at fair value on a recurring basis, categorized by the fair value hierarchy described in the preceding paragraphs as of the dates presented:

	March 31, 2024			
(Millions)	Total	Level 1	Level 2	Level 3
Investment securities	$ 221	$ 46	$ 175	$ —
Total assets measured at fair value	$ 221	$ 46	$ 175	$ —

	December 31, 2023			
(Millions)	Total	Level 1	Level 2	Level 3
Investment securities	$ 217	$ 46	$ 171	$ —
Total assets measured at fair value	$ 217	$ 46	$ 171	$ —

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are recognized or disclosed at fair value on a nonrecurring basis, including equity method investments, property and equipment, right-of-use assets, deferred contract costs, goodwill and intangible assets. These assets are not measured at fair value on a recurring basis but are subject to fair value adjustments in certain circumstances, such as upon impairment. During the three months ended March 31, 2023 we wrote-off the remaining $6 million of our equity method investment in Loyalty Ventures Inc. (LVI). We did not have any impairments for the three months ended March 31, 2024.

Financial Instruments Disclosed but Not Carried at Fair Value

The fair values of financial instruments that are measured at amortized cost are estimates, and require management's judgment; therefore, these fair value estimates may not be indicative of future fair values, nor can our fair value be estimated by aggregating all of the amounts presented. The following tables summarize our financial assets and financial liabilities that are measured at amortized cost, and not required to be carried at fair value on a recurring basis, as of the dates presented:

	March 31, 2024			
(Millions)	Fair Value	Level 1	Level 2	Level 3
Financial assets				
Credit card and other loans, net	$ 18,490	$ —	$ —	$ 18,490
Total	$ 18,490	$ —	$ —	$ 18,490
Financial liabilities				
Deposits	$ 13,275	$ —	$ 13,275	$ —
Debt issued by consolidated VIEs	3,358	—	3,358	—
Long-term and other debt	1,409	—	1,409	—
Total	$ 18,042	$ —	$ 18,042	$ —

	December 31, 2023			
(Millions)	Fair Value	Level 1	Level 2	Level 3
Financial assets				
Credit card and other loans, net	$ 19,802	$ —	$ —	$ 19,802
Total	$ 19,802	$ —	$ —	$ 19,802
Financial liabilities				
Deposits	$ 13,583	$ —	$ 13,583	$ —
Debt issued by consolidated VIEs	3,900	—	3,900	—
Long-term and other debt	1,457	—	1,457	—
Total	$ 18,940	$ —	$ 18,940	$ —

9. REGULATORY MATTERS AND CAPITAL ADEQUACY

Regulatory Matters

CB is subject to various regulatory capital requirements administered by the State of Delaware and the FDIC. CCB is also subject to various regulatory capital requirements administered by the FDIC, as well as the State of Utah. Failure to meet minimum capital requirements can trigger certain mandatory and possibly additional discretionary actions by our regulators. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, both Banks must meet specific capital guidelines that involve quantitative measures of their assets and liabilities as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by these regulators about components, risk weightings and other factors. In addition, both Banks are limited in the amounts they can pay as dividends to the Parent Company.

Quantitative measures, established by regulations to ensure capital adequacy, require the Banks to maintain minimum amounts and ratios of Tier 1 capital to average assets, and Common equity tier 1, Tier 1 capital and Total capital, all to risk weighted assets. Failure to meet these minimum capital requirements can result in certain mandatory, and possibly additional discretionary actions by the Banks' regulators that if undertaken, could have a direct material effect on CB's and/or CCB's operating activities, as well as our operating activities. Based on these regulations, as of March 31, 2024 and 2023, each Bank met all capital requirements to which it was subject, and maintained capital ratios in excess of the minimums required to qualify as well capitalized. The Banks seek to maintain capital levels and ratios in excess of the minimum regulatory requirements inclusive of the 2.5% Capital Conservation Buffer. Although Bread Financial is not a bank holding company as defined, we seek to maintain capital levels and ratios in excess of the minimums required for bank holding companies. As of March 31, 2024 the actual capital ratios and minimum ratios for each Bank, as well as Bread Financial, are as follows:

	Actual Ratio	Minimum Ratio for Capital Adequacy Purposes	Minimum Ratio to be Well Capitalized under Prompt Corrective Action Provisions
Total Company			
Common equity tier 1 capital ratio [(1)]	12.6 %	4.5 %	6.5 %
Tier 1 capital ratio [(2)]	12.6	6.0	8.0
Total risk-based capital ratio [(3)]	14.0	8.0	10.0
Tier 1 leverage capital ratio [(4)]	11.1	4.0	5.0
Total risk-weighted assets [(5)]	$ 19,344		
Comenity Bank			
Common equity tier 1 capital ratio [(1)]	18.2 %	4.5 %	6.5 %
Tier 1 capital ratio [(2)]	18.2	6.0	8.0
Total risk-based capital ratio [(3)]	19.6	8.0	10.0
Tier 1 leverage capital ratio [(4)]	15.9	4.0	5.0
Comenity Capital Bank			
Common equity tier 1 capital ratio [(1)]	17.5 %	4.5 %	6.5 %
Tier 1 capital ratio [(2)]	17.5	6.0	8.0
Total risk-based capital ratio [(3)]	18.9	8.0	10.0
Tier 1 leverage capital ratio [(4)]	15.3	4.0	5.0

(1) The Common equity tier 1 capital ratio represents common equity tier 1 capital divided by total risk-weighted assets.
(2) The Tier 1 capital ratio represents tier 1 capital divided by total risk-weighted assets.
(3) The Total risk-based capital ratio represents total capital divided by total risk-weighted assets.
(4) The Tier 1 leverage capital ratio represents tier 1 capital divided by total average assets, after certain adjustments.
(5) Total risk-weighted assets are generally measured by allocating assets, and specified off-balance sheet exposures, to various risk categories as defined by the Basel III standardized approach.

We are also involved, from time to time, in reviews, investigations, subpoenas, supervisory actions and other proceedings (both formal and informal) by governmental agencies regarding our business, which could subject us to significant fines, penalties, obligations to change our business practices, significant restrictions on our existing business or ability to develop new business, cease-and-desist orders, safety-and-soundness directives or other requirements resulting in increased expenses, diminished income and damage to our reputation.

On November 20, 2023, following the consent of the Board of Managers of Comenity Servicing LLC (the Servicer), the FDIC issued a consent order to the Servicer. The Servicer is not one of our Bank subsidiaries, but is our wholly-owned subsidiary that services substantially all of our loans. The consent order arose out of the June 2022 transition of our credit card processing services to strategic outsourcing partners and addresses certain shortcomings in the Servicer’s information technology (IT) systems development, project management, business continuity management, cloud operations, and third-party oversight. The Servicer entered into the consent order for the purpose of resolving these matters without admitting or denying any violations of law or regulation set forth in the order. The consent order does not contain any monetary penalties or fines.

The Servicer has taken significant steps to strengthen the organization’s IT governance and address the other issues identified in the consent order, and the Servicer is working diligently to ensure that all of the requirements of the consent order are satisfied. Without limiting the generality of the foregoing, the Servicer has taken steps to address each provision within the consent order that required action be taken by a specified deadline, including providing a copy of the consent order to the Parent Company Board of Directors, increasing the size and governance processes of the Servicer’s Board of Managers, establishing an Executive Oversight Committee to oversee and ensure compliance with the consent order, and submitting all required reports and plans of action to the FDIC. The Servicer is also committed to complying with each of the ongoing or longer-term requirements of the consent order, including the enhancement of its compliance management processes and related corporate governance, compliance with the applicable system conversion requirements, and enhanced risk management and reporting requirements. In addition, the Board of Directors of each of the Banks oversee the Servicer's compliance with the requirements of the consent order and provide effective challenge of Servicer management toward that end.

10. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time we are subject to various lawsuits, claims, disputes, or potential claims or disputes, and other proceedings, arising in the ordinary course of business that we believe, based on our current knowledge, will not have a material adverse effect on our business, consolidated financial condition or liquidity, including claims and lawsuits alleging breaches of our contractual obligations, arbitrations, class actions and other litigation, arising in connection with our business activities. However, in light of the uncertainties involved in such matters, including the fact that some pending legal proceedings are at preliminary stages or seek an indeterminate amount of damages, penalties or fines, it is possible that the outcome of legal proceedings could have a material impact on our results of operations. Certain legal proceedings involving us or our subsidiaries are described further below.

On February 20, 2024, we and our general counsel were named as defendants in an adversary proceeding filed by the liquidating trustee in LVI's Chapter 11 bankruptcy case in the United States Bankruptcy Court for the Southern District of Texas, captioned *Pirinate Consulting Group, LLC v. Bread Financial Holdings, Inc.*, Case No. 24-03027 (Bankr. S.D. Tex.), alleging actual and constructive fraudulent transfers, among other claims, in connection with our spinoff of LVI. Also on February 20, 2024, the liquidating trustee filed an action in the United States District Court for the District of Delaware against us, each of the members of our Board of Directors at the time of the spinoff, and certain members of our management team, captioned *Pirinate Consulting Group, LLC v. Bread Financial Holdings, Inc.,*. Case No. 24-cv-00226-RGA (D. Del.), alleging certain breaches of fiduciary duties (and aiding and abetting breaches of fiduciary duties) in connection with the spinoff. Subsequently, the liquidating trustee voluntarily dismissed without prejudice the complaint in the District of Delaware and commenced on March 20, 2024 a substantially similar action in Delaware Chancery Court, captioned *Pirinate Consulting Group, LLC v. Bread Financial Holdings, Inc.*, Case No. 2024-0277-MTZ (Del. Ch.), against the same parties and asserting the same claims. Among other things, in each of the Texas and Delaware actions, the liquidating trustee seeks damages in the amount of approximately $750 million plus interest, fees and expenses.

We and certain current and former members of our management team have also been named as defendants in other litigation matters relating to the LVI spinoff. LoyaltyOne, Co. (the LVI subsidiary that operated its Canadian AIR MILES business) filed suit against us and our general counsel in the Ontario Superior Court of Justice in Canada on October 18, 2023, in an action captioned *LoyaltyOne, Co. v. Bread Financial Holdings, Inc. et al*. The lawsuit asserts that our general counsel, in his capacity as a pre-spinoff director of LoyaltyOne, Co., breached various fiduciary duties owed to LoyaltyOne, Co. in connection with the LVI spinoff and certain other transactions, and that Bread Financial assisted in and benefited from those breaches. The lawsuit seeks damages in the amount of $775 million. LoyaltyOne, Co. is also contesting our entitlement to certain potential tax refunds under the tax matters agreement, in proceedings pursuant to the Canadian Companies' Creditors Arrangement Act in the Commercial List of the Ontario Superior Court of Justice, *captioned In re Matter of a Plan of Compromise or Arrangement of LoyaltyOne, Co.* No. CV-23-00696017-00CL. Finally, on April 27, 2023, we and certain current and former members of our management team were named as defendants in a putative federal securities class action filed in the United States District Court for the Southern District of Ohio, captioned *Newtyn Partners, LP v. Alliance Data Systems n/k/a Bread Financial Holdings, Inc.*, Case No. 23-cv-1451-EAS (S.D. Ohio), concerning disclosures made about LVI's business prior to the spinoff. The lead plaintiff in this matter filed an amended complaint on March 21, 2024 and is seeking, among other things, a class action designation and an award of damages in an amount to be proven at trial, plus fees and expenses.

In all these actions related to the spinoff, we believe the allegations contained in the complaints are without merit and intend to defend the cases. We cannot predict at this point the length of time that these actions will be ongoing or the liability, if any, which may arise therefrom.

Some matters pending against us specify the damages sought, others seek an unspecified amount of damages or are at very early stages of the legal process. In matters where the amount of damages claimed against us are stated, the claimed amount may be exaggerated and/or unsupported. While some matters have not yet progressed sufficiently through discovery or have had development of important factual information and legal issues to enable us to estimate an amount of loss or a range of possible loss, other matters may have progressed sufficiently to enable an estimate of an amount of loss, or a range of possible loss. We accrue for a loss contingency when it is both probable that a loss has occurred, and the amount of loss can be reasonably estimated; however, there may be instances in which an exposure to a loss contingency exceeds our accrual. On a quarterly basis we evaluate developments in the legal proceedings against us that could cause an increase or decrease in the amount of the accrual that has been previously recorded.

11. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in each component of Accumulated other comprehensive loss, net of tax effects, are as follows for the periods presented:

Three Months Ended March 31, 2024	Net Unrealized Losses on AFS Securities	Foreign Currency Translation Adjustments	Accumulated Other Comprehensive Loss
(Millions)			
Balance as of December 31, 2023	$ (16)	$ (3)	$ (19)
Changes in other comprehensive loss	(3)	—	(3)
Balance as of March 31, 2024	$ (19)	$ (3)	$ (22)

Three Months Ended March 31, 2023	Net Unrealized Losses on AFS Securities	Foreign Currency Translation Adjustments	Accumulated Other Comprehensive Loss
(Millions)			
Balance as of December 31, 2022	$ (18)	$ (3)	$ (21)
Changes in other comprehensive income	2	—	2
Balance as of March 31, 2023	$ (16)	$ (3)	$ (19)

12. STOCKHOLDERS' EQUITY

Stock Repurchase Programs

On February 21, 2024, our Board of Directors approved a stock repurchase program to acquire up to $30 million in shares of our outstanding common stock in the open market during the period ending on December 31, 2024. The rationale for this repurchase program, and the amount thereof, was to offset the impact of dilution associated with issuances of employee restricted stock units, with the objective of reducing the Company's weighted average diluted share count to approximately 50 million shares for 2024, subject to then current estimates and assumptions applicable as of the date of approval.

During the quarter ended March 31, 2024, under the authorized stock repurchase program, we acquired a total of 0.3 million shares of our common stock for $11 million. Following their repurchase, these 0.3 million shares ceased to be outstanding shares of common stock and are now treated as authorized but unissued shares of common stock.

As of March 31, 2024, we have $19 million remaining for future repurchases under the authorized stock repurchase program.

Stock Compensation Expense

During the three months ended March 31, 2024, we awarded 1,256,394 service-based restricted stock units (RSUs) with a weighted average grant date fair market value per share of $37.55 as determined on the date of grant. Service-based restricted stock units typically vest ratably over three years provided that the participant is employed by us on each such vesting date.

During the three months ended March 31, 2024, we awarded 221,358 performance-based restricted stock units with a fair market value of $37.57 to our Named Executive Officers. Performance-based RSUs cliff vest at the end of three years, if specific performance measures tied to our financial performance are met, which are measured annually over the three-year period. For the performance-based RSUs awarded in 2024, the predefined vesting criteria typically permit a range from 0% to 150% to be earned. Accruals of compensation cost for an award with a performance condition are based on the probable outcome of that performance condition. If the performance targets are met, the awards will vest with respect to the entire award on February 15, 2027, provided that the participant is employed by us on the vesting date.

For the three months ended March 31, 2024 and 2023, we recognized $14 million and $9 million in stock-based compensation expense, respectively.

Dividends

During the three months ended March 31, 2024, we paid $11 million in dividends to holders of our common stock. On April 25, 2024, our Board of Directors declared a quarterly cash dividend of $0.21 per share on our common stock, payable on June 14, 2024, to stockholders of record at the close of business on May 10, 2024.

13. INCOME TAXES

The Provision for income taxes decreased for the three months ended March 31, 2024, compared with the three months ended March 31, 2023, primarily driven by a decrease in Income from continuing operations before income taxes in the current year relative to the prior year period, which was higher due to the gain on the sale of the BJ's portfolio. The effective tax rate was 28.1% and 28.7% for the same three-month periods, respectively. The decrease in the effective tax rate primarily related to discrete benefits in the current year period.

We are under examination by the Internal Revenue Service as well as tax authorities in various states. The tax years under examination and open for examination vary by jurisdiction; with some exceptions, the tax returns filed by us are no longer subject to U.S. federal income tax and state and local examinations for the years before 2015 or foreign income tax examinations for years before 2018.

14. EARNINGS PER SHARE

Basic earnings (losses) per share (EPS) is based only on the weighted average number of common shares outstanding, excluding any dilutive effects of unvested restricted stock awards, or other dilutive securities. Diluted EPS is based on the weighted average number of common and potentially dilutive common shares (unvested restricted stock awards and other dilutive securities outstanding during the year) pursuant to the Treasury Stock method.

The following table sets forth the computation of basic and diluted EPS attributable to common stockholders for the periods presented:

	Three Months Ended March 31,	
(Millions, except per share amounts)	**2024**	**2023**
Numerator		
Income from continuing operations	$ 135	$ 455
(Loss) income from discontinued operations, net of income taxes [1]	(1)	—
Net income	$ 134	$ 455
Denominator		
Basic: Weighted average common stock	49.5	50.0
Weighted average effect of dilutive securities		
Add: net effect of dilutive unvested restricted stock awards [2]	0.2	0.1
Diluted	49.7	50.1
Basic EPS		
Income from continuing operations	$ 2.74	$ 9.10
(Loss) income from discontinued operations	$ (0.03)	$ —
Net income per share	$ 2.71	$ 9.10
Diluted EPS		
Income from continuing operations	$ 2.73	$ 9.08
(Loss) income from discontinued operations	$ (0.03)	$ —
Net income per share	$ 2.70	$ 9.08

(1) Includes amounts that related to the previously disclosed discontinued operations associated with the spinoff of our former LoyaltyOne segment in 2021 and the sale of our former Epsilon segment in 2019. For additional information refer to Note 1, "Description of Business, Basis of Presentation and Summary of Significant Accounting Policies" to the unaudited Consolidated Financial Statements.

(2) For the three months ended March 31, 2024 and 2023, approximately 2.1 million and 1.6 million restricted stock awards were excluded from each calculation of weighted average dilutive common shares as the effect would have been anti-dilutive.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market Risk

Market risk is the risk to earnings or asset and liability values resulting from movements in market prices. Our principal market risk exposure arises from volatility in interest rates and changes in the relationship between the interest rates on our assets (such as Credit card and other loans and investments) and the interest rates on our liabilities (such as deposits and debt), which may include repricing risk, basis risk, yield curve risk and options risk, and their consequential impact on economic value, capitalization levels, cost of capital and earnings.

There has been no material change from our 2023 Form 10-K related to our exposure to interest rate risk or other market risks.

Item 4. Controls and Procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this Report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective and designed to ensure that the information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the requisite time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings.

Refer to (i) Part II, Item 1A, “Risk Factors—*The LoyaltyOne spinoff could result in substantial tax liability to us and our stockholders, and more generally, we have been adversely affected by LVI’s performance, and we may continue to be adversely affected by LVI’s ongoing bankruptcy proceedings or litigation or other disputes involving or relating to LVI.*” below, (ii) Note 10, “Commitments and Contingencies” to our unaudited Consolidated Financial Statements, and (iii) “Risk Factors—Legal, Regulatory and Compliance Risks” of our 2023 Form 10-K, each of which is incorporated herein by reference.

Item 1A. Risk Factors.

This section supplements and updates certain of the information found under Part I, Item 1A, “Risk Factors”, of our 2023 Form 10-K. The matters discussed below should be read in conjunction with the risk factors set forth in the 2023 Form 10-K. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. For a discussion of the recent trends and uncertainties impacting our business, see also “Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) — Business Environment”.

The CFPB recently issued a final rule regarding credit card late fees, which represents a significant departure from the rules that are currently in effect. Absent a successful legal challenge, we expect the rule will have a significant adverse impact on our business, results of operations and financial condition for at least the short term and, depending on the effectiveness of our actions taken in response to the rule, potentially over the long term.

In March 2024 the CFPB published a final rule that would significantly reduce the safe harbor amount for late fees that credit card issuers are authorized to charge. Absent a successful legal challenge, the rule will: (i) decrease the safe harbor amount for credit card late fees to $8 and eliminate a higher safe harbor dollar amount for subsequent late payments; and (ii) eliminate the annual inflation adjustments that currently exist for the late fee safe harbor dollar amounts. The “safe harbor” dollar amounts referenced in the CFPB’s rulemaking refer to the amounts that credit card issuers may charge as late fees under the Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act) without reference to the issuer’s cost to collect. Under the CARD Act, these safe harbor amounts, since their initial implementation, have been subject to annual adjustment based on changes in the Consumer Price Index, and the safe harbor amounts are currently set at $30 for an initial late fee and $41 for subsequent late fees incurred in one of the next six billing cycles. Accordingly, the $8 safe harbor amount on late fees (and the elimination of the annual inflation-based adjustment thereto) would represent a significant decrease from the current safe harbor amounts. The final rule is currently slated to become effective on May 14, 2024, subject to any court-imposed injunction resulting from litigation.

Shortly after the final rule was published, a lawsuit was filed in U.S. District Court for the Northern District of Texas (Ft. Worth Division) by the U.S. Chamber of Commerce, the American Bankers Association and various other parties, challenging the rule and seeking a preliminary injunction enjoining the rule from becoming effective during the pendency of the litigation. The lawsuit asserts that the rule would ultimately harm those consumers the CFPB is charged with protecting and seeks to have the rule vacated on various grounds, including that the CFPB (i) violated the CARD Act by preventing issuers from collecting reasonable and proportional late fees when cardholders do not pay their bills on time, (ii) violated the Administrative Procedure Act by promulgating a final rule that is arbitrary and capricious, relying on inappropriate, incomplete and non-public data; and (iii) issued the rulemaking with funds drawn in violation of the U.S. Constitution’s Appropriations Clause. While we are not a plaintiff in these actions, the presidents of our two subsidiary banks did each submit a declaration in connection with the plaintiffs’ motion for a preliminary injunction, and we support the positions taken by the plaintiffs in these matters.

Assuming these legal challenges are not successful and the CFPB’s final rule becomes effective, whether that be on May 14, 2024 or at a later date, this rule will represent an approximately 75% reduction in the amount of late fees that may be charged under the CARD Act safe harbor, which we expect will have a significant adverse impact on our revenue, results of operations and other financial metrics for at least the short term and, depending on the effectiveness of the mitigating actions that we take in response to the rule, potentially over the long term. We have already executed on a number of strategies designed to limit the impact of the final rule on us and we continue to evaluate various other mitigating strategies, but it may not be feasible for us to fully implement these strategies in the short term, and we cannot guarantee that these efforts will ultimately be successful even if and when fully implemented. Moreover, the final rule (and certain of our mitigating strategies) may present other risks and adverse impacts to our business, results of operations and financial condition, which could include, without limitation, the loss of customers due to tightened underwriting standards or negative customer response to higher rates and fees, impacts to customer payment behavior due to decreased incentives to pay, further regulatory action in response to mitigating strategies that may be employed by us or other credit card issuers, adverse impacts to or disputes with our brand partners, strategic non-renewals of certain brand partner relationships that cease to be profitable, and balance sheet impairments, including of goodwill, long-lived assets and other prepaid or intangible assets.

Additional discussion regarding the CFPB's final rule can be found in "Management's Discussion & Analysis of Financial Condition and Results of Operations (MD&A) — Business Environment".

The LoyaltyOne spinoff could result in substantial tax liability to us and our stockholders, and more generally, we have been adversely affected by LVI's performance, and we may continue to be adversely affected by LVI's ongoing bankruptcy proceedings or litigation or other disputes involving or relating to LVI.

In November 2021, we completed the spinoff of our former LoyaltyOne segment, consisting of the Canadian AIR MILES® Reward Program and the Netherlands-based BrandLoyalty businesses, into an independent, publicly traded company, LVI. As part of the spinoff, we retained 19% of the outstanding shares of common stock of LVI.

We received a private letter ruling, or PLR, from the IRS and an opinion from our tax advisor to the effect that the spinoff of our former LoyaltyOne segment qualified as tax-free for U.S. federal income tax purposes for us and our stockholders (except for cash received in lieu of fractional shares). However, if the factual assumptions or representations made by us in connection with the delivery of the PLR and opinion are inaccurate or incomplete in any material respect, including those relating to the past and future conduct of our business, we may not be able to rely on the PLR or opinion. Furthermore, the PLR does not address all the issues that are relevant to determining whether the spinoff qualified for tax-free treatment, and the opinion from our tax advisor is not binding on the IRS or the courts. If, notwithstanding receipt of the PLR and the opinion from our tax advisor, the spinoff transaction and certain related transactions are determined to be taxable, we would be subject to a substantial tax liability. In addition, if the spinoff transaction is taxable, each holder of our common stock who received shares of LVI in connection with the spinoff would generally be treated as receiving a taxable distribution of property in an amount equal to the fair market value of the shares received.

Even if the spinoff otherwise qualifies as a tax-free transaction, the distribution would be taxable to us (but not to our stockholders) in certain circumstances if post-spinoff significant acquisitions of our stock or the stock of LVI are deemed to be part of a plan or series of related transactions that included the spinoff. In this event, the resulting tax liability could be substantial, and could discourage, delay or prevent a change of control of us. In connection with the spinoff, we entered into a tax matters agreement with LVI, pursuant to which LVI agreed to not enter into any transaction that could cause any portion of the spinoff to be taxable to us without our consent and to indemnify us for any tax liability resulting from any such transaction. On March 1, 2023, LVI announced that it had entered into an agreement to sell its BrandLoyalty business. At LVI's request to accommodate the sale, we agreed to not take action under the tax matters agreement to attempt to prevent the BrandLoyalty sale and, upon the closing, agreed to certain mutual releases with the buyer in the sale. Subsequently, on March 10, 2023, LVI and certain of its subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code and in Canada under the Companies' Creditors Arrangement Act (Canada) (collectively, the LVI Bankruptcy Proceedings). In the Canadian proceedings, LVI conducted an auction process and subsequently sold its AIR MILES business to Bank of Montreal in June 2023. While we believe these transactions should not affect the qualification of the spinoff as a tax-free transaction, it is possible the IRS could disagree and successfully assert that the spinoff should be taxable to us and our stockholders that received LVI shares in the spinoff. In addition, it is possible the IRS could view this disposition as inconsistent with the PLR and, as a result, the IRS could take the position that we cannot rely on the PLR.

More generally, we have been adversely affected by LVI's performance, and we may continue to be adversely affected by the ongoing LVI Bankruptcy Proceedings or disputes involving or relating to LVI. During 2022, LVI's stock price decreased significantly and, as a result, we wrote down the value of our 19% shareholding in LVI from $50 million as of December 31, 2021, to $6 million as of December 31, 2022. As of March 31, 2023, we had written down the value of these

LVI shares to zero. We continued to hold our 19% ownership interest in LVI until it, along with all other common stock of LVI, was cancelled and extinguished pursuant to LVI's Chapter 11 Plan, which became effective in June 2023.

Furthermore, though we believe that our process and decision-making with respect to the spinoff transaction were entirely appropriate, we and certain members of our Board of Directors and executive management team have been named as defendants in various litigation matters relating to the spinoff. LoyaltyOne, Co. (the LVI subsidiary that operated its Canadian AIR MILES business) filed suit against us and our general counsel in the Ontario Superior Court of Justice in Canada in October 2023. The lawsuit asserts that our general counsel, in his capacity as a pre-spinoff director of LoyaltyOne, Co., breached various fiduciary duties owed to LoyaltyOne, Co. in connection with the LVI spinoff and certain other transactions, and that Bread Financial assisted in and benefited from those breaches. The lawsuit seeks damages in the amount of $775 million. Pursuant to LVI's Chapter 11 Plan, LVI and a liquidating trustee also established a liquidating trust to pursue claims, including against individuals and entities in respect of the spinoff transaction, and in February 2024 that liquidating trustee commenced certain actions against us. Specifically: (i) in LVI's U.S. Chapter 11 case in the Bankruptcy Court for the Southern District of Texas, the liquidating trustee filed an adversary proceeding against us and our general counsel alleging actual and constructive fraudulent transfers, among other claims, in connection with the spinoff; and (ii) in Delaware Chancery Court, the liquidating trustee filed an action against us, each of the members of our Board of Directors at the time of the spinoff, and certain members of our executive management team alleging breaches of fiduciary duties (and aiding and abetting breaches of fiduciary duties) in connection with the spinoff. Among other things, in each of these actions the liquidating trustee seeks damages in the amount of approximately $750 million plus interest, fees and expenses. LoyaltyOne, Co. is also contesting our entitlement to certain potential tax refunds under the tax matters agreement, and we may also become involved in other disputes with respect to the spinoff agreements with LVI, or incur other liabilities or obligations under contractual arrangements with LVI. Finally, a putative federal securities class action complaint was filed in April 2023 against us and current and former members of our management team concerning disclosures made about LVI's business. While we believe that each of these suits and any other claims in connection with the spinoff are without merit and we will defend ourselves vigorously, litigation is complex and the outcomes are inherently uncertain. Any litigation or dispute arising out of or relating to the spinoff could distract management, result in significant legal and other costs, and otherwise adversely impact our financial position, results of operations and financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table presents information with respect to purchases of our common stock made by or on behalf of us during the three months ended March 31, 2024:

Period	Total Number of Shares Purchased [(1)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
				(Millions)
January 1-31	4,101	$ 33.10	—	$ 30
February 1-28	185,728	37.33	181,162	23
March 1-31	123,774	37.93	111,651	19
Total	313,603	$ 37.51	292,813	$ 19

(1) During the periods presented, (i) 20,790 shares of our common stock were purchased by the administrator of our Bread Financial 401(k) Plan for the benefit of the employees who participated in that portion of the 401(k) Plan and (ii) 292,813 shares of our common stock were repurchased by the Company, pursuant to a Rule 10b5-1 trading plan previously adopted by the Company, during an open trading window.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

(a) None

(b) None

(c) During the three months ended March 31, 2024, no Section 16 officer or director of the Parent Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

a) Exhibits:

EXHIBIT INDEX

Exhibit No.	Filer	Description	Incorporated by Reference Form	Exhibit	Filing Date
3.1	(a)	Third Amended and Restated Certificate of Incorporation of the Registrant.	8-K	3.2	6/10/16
3.2	(a)	Certificate of Amendment to Third Amended and Restated Certificate of Incorporation of the Registrant.	8-K	3.1	3/24/22
3.3	(a)	Certificate of Designations of Series A Preferred Non-Voting Convertible Preferred Stock of the Registrant.	8-K	3.1	4/29/19
3.4	(a)	Sixth Amended and Restated Bylaws of the Registrant.	8-K	3.2	3/24/22
4	(a)	Specimen Certificate for shares of Common Stock of the Registrant.	10-Q	4	8/8/03
10.1	(b) (c) (d)	Fifth Amended and Restated Service Agreement, dated as of April 1, 2024, by and between Comenity Bank and Comenity Servicing LLC.	8-K	99.1	4/4/24
*31.1	(a)	Certification of Chief Executive Officer of Bread Financial Holdings, Inc. pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.			
*31.2	(a)	Certification of Chief Financial Officer of Bread Financial Holdings, Inc. pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.			
**32.1	(a)	Certification of Chief Executive Officer of Bread Financial Holdings, Inc. pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.			
**32.2	(a)	Certification of Chief Financial Officer of Bread Financial Holdings, Inc. pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.			
*101	(a)	The following financial information from Bread Financial Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL: (i) Consolidated Statements of Income, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements.			

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
*104	(a)	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).			

* Filed herewith
** Furnished herewith
(a) Bread Financial Holdings, Inc.
(b) WFN Credit Company, LLC
(c) World Financial Network Credit Card Master Trust
(d) World Financial Network Credit Card Master Note Trust

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Bread Financial Holdings, Inc. has duly caused this quarterly report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

	BREAD FINANCIAL HOLDINGS, INC.
DATE: May 2, 2024	
	By: /s/ RALPH J. ANDRETTA
	Ralph J. Andretta
	President and Chief Executive Officer
DATE: May 2, 2024	
	By: /s/ PERRY S. BEBERMAN
	Perry S. Beberman
	Executive Vice President and Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF THE
CHIEF EXECUTIVE OFFICER
OF
BREAD FINANCIAL HOLDINGS, INC.

I, Ralph J. Andretta, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bread Financial Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024

/s/ RALPH J. ANDRETTA

Ralph J. Andretta
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF THE
CHIEF FINANCIAL OFFICER
OF
BREAD FINANCIAL HOLDINGS, INC.

I, Perry S. Beberman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bread Financial Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024

/s/ PERRY S. BEBERMAN

Perry S. Beberman
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Bread Financial Holdings, Inc. (the Company) for the quarterly period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the Report), Ralph J. Andretta, as Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

(i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 2, 2024

/s/ RALPH J. ANDRETTA

Ralph J. Andretta
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Bread Financial Holdings, Inc. (the Company) for the quarterly period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the Report), Perry S. Beberman, as Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

(i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 2, 2024

/s/ PERRY S. BEBERMAN

Perry S. Beberman
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.